

FORENSIC ACCOUNTING AND FRAUD PREVENTION IN NIGERIA

BY

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**DEPARTMENT OF ACCOUNTING
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**A PROJECT PRESENTED TO THE DEPARTMENT OF ACCOUNTING,
FACULTY OF MANAGEMENT SCIENCE, UNIVERSITY OF BENIN
BENIN CITY, IN PARTIAL FUFILLMENT OF THE REQUIEMENTS FOR THE
AWARD OF BACHELOR OF SCIENCE (B.Sc.) IN ACCOUNTING.**

OCTOBER 2023

DECLARATION

1. I hereby declare that this project is based on a study undertaken by me in the Department of Accounting, University of Benin under the supervision of **PROF PETER O IBADIN.**
2. This work has not been previously submitted for the award of any degree elsewhere.
3. All ideas and views are product of my personal research and where the view of others have been expressed, they have been duly referenced and acknowledged.
4. All liabilities from the study are entirely mine and not those of my supervisor.

Ebenezer ATUMA-CHARLES

Date

CERTIFICATION

This is to certify that is project was carried out by Ebenezer Atuma-Charles with the matriculation number: MGS1807545 in the Department of Accounting, Faculty of Management Science, University of Benin, Edo State Nigeria.

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(Head of Department)

Date

DEDICATION

I dedicate this research to God Almighty for his grace and faithfulness before, during and after my project. I also dedicate this work to my entire family members for their love and support during this period of writing this project

ACKNOWLEDGEMENT

I want to specially thank God almighty for his strength and mercy throughout the writing of this research project and also throughout my stay in this great university. I thank my parents, Pastor and Mrs. Charles Atuma, for all the sacrifices they made in order for me to complete my studies without any hitch. I also want to sincerely appreciate Rev A.O. Ehigie for his fatherly role and great contribution to my studies. May God in his infinite mercies bless you sir. To all my family members, my siblings, Jerry, Vanessa, Sophia Isaiah, my uncles and aunties, may God bless each and every one of you.

I also want to thank my project supervisor for his role in making this research possible, for his fatherly advice and corrections. May God bless you, sir. Also Mr. Fred, thank you sir for your outstanding inputs to this work, uncle Bright sir, thanks for allowing me disturb you. God bless you. To the HOD and all my lecturers, may God bless you all for imparting me with your wisdom. God Bless you.

My trekking buddies; (Benedict, Jessica, Caleb, Ultima, Itohan and Innocent), Amaka, Zita, Mercy, I love you guys.

MAY GOD BLESS YOU ALL, AMEN.

TABLE OF CONTENT

Title page	-	-	-	-	-	-	-	-	-	-	i
Declaration	-	-	-	-	-	-	-	-	-	-	ii
Certification	-	-	-	-	-	-	-	-	-	-	iii
Dedication	-	-	-	-	-	-	-	-	-	-	iv
Acknowledgement	-	-	-	-	-	-	-	-	-	-	v
Table of content	-	-	-	-	-	-	-	-	-	-	vi
Abstract	-	-	-	-	-	-	-	-	-	-	ix

CHAPTER ONE: INTRODUCTION

1.1 Background of The Study	-	-	-	-	-	-	-	-	-	-	1
1.2 Statements of The Research Problem	-	-	-	-	-	-	-	-	-	-	2
1.3 Research Questions	-	-	-	-	-	-	-	-	-	-	4
1.4 Objective of The Study	-	-	-	-	-	-	-	-	-	-	4
1.5 Hypothesis Statement	-	-	-	-	-	-	-	-	-	-	5
1.6 Scope of The Study	-	-	-	-	-	-	-	-	-	-	5
1.7 Significance of The Study	-	-	-	-	-	-	-	-	-	-	5
1.8 Limitation/ Study Constraint	-	-	-	-	-	-	-	-	-	-	6

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	-	-	-	-	-	-	-	-	-	-	7
2.2 Conceptual Framework	-	-	-	-	-	-	-	-	-	-	7
2.2.1 Fraud	-	-	-	-	-	-	-	-	-	-	7
2.2.2 Types of Fraud	-	-	-	-	-	-	-	-	-	-	7
2.2.3 Causes of Fraud	-	-	-	-	-	-	-	-	-	-	8
2.2.4 Organization / Institutional Factors	-	-	-	-	-	-	-	-	-	-	10
2.2.5 Environmental Factors	-	-	-	-	-	-	-	-	-	-	10
2.2.6 Effect of Fraud in Banks	-	-	-	-	-	-	-	-	-	-	11
2.2.7 Detection and Prevention of Fraud	-	-	-	-	-	-	-	-	-	-	12

2.2.8 Accounting as A Tool for Preventing Fraud	-	-	-	-	-	-	-	-	14
2.2.9 Reporting System	-	-	-	-	-	-	-	-	14
2.2.10 Need for an Effective Reporting System	-	-	-	-	-	-	-	-	15
2.2.11 Five Essentials of an Effective Reporting System	-	-	-	-	-	-	-	-	16
2.2.12 Possession of Basic Accounting Skills	-	-	-	-	-	-	-	-	17
2.2.15 Elements of The Internal Control System	-	-	-	-	-	-	-	-	20
2.2.16 Component of Internal Control System	-	-	-	-	-	-	-	-	20
2.2.18 Corporate Governance	-	-	-	-	-	-	-	-	22
2.3 Empirical Review	-	-	-	-	-	-	-	-	34
2.4 Theoretical Review	-	-	-	-	-	-	-	-	39
2.4.1 The Fraud Diamond Theory	-	-	-	-	-	-	-	-	40
2.4.2 The Fraud Management Lifecycle	-	-	-	-	-	-	-	-	42
2.4.3 Stages of Fraud Management Lifecycle	-	-	-	-	-	-	-	-	43

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction	-	-	-	-	-	-	-	-	55
3.2 Research Design	-	-	-	-	-	-	-	-	55
3.2.1 Population of The Study	-	-	-	-	-	-	-	-	56
3.2.2 Sample and Sampling Techniques	-	-	-	-	-	-	-	-	56
3.3 Method of Data Collection	-	-	-	-	-	-	-	-	57
3.4 Instrument of Data Collection	-	-	-	-	-	-	-	-	57
3.5 Model Specification	-	-	-	-	-	-	-	-	58
3.6 Operationalization and Measurement of Variables	-	-	-	-	-	-	-	-	59
3.7 Actual Fieldwork	-	-	-	-	-	-	-	-	60
3.8 Data Organization	-	-	-	-	-	-	-	-	60
3.9 Method of Data Presentation	-	-	-	-	-	-	-	-	61
3.10 Method of Data Analysis	-	-	-	-	-	-	-	-	61

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction	-	-	-	-	-	-	-	-	-	62
4.2 Data Presentation	-	-	-	-	-	-	-	-	-	62
4.2.1 Descriptive Statistics	-	-	-	-	-	-	-	-	-	63
4.3 Data Analysis	-	-	-	-	-	-	-	-	-	66
4.3.1 Correlative Analysis	-	-	-	-	-	-	-	-	-	66
4.3.2 Multivariate Analysis	-	-	-	-	-	-	-	-	-	67
4.4 Hypothesis Testing	-	-	-	-	-	-	-	-	-	71
4.5 Discussion and Implications of Findings	-	-	-	-	-	-	-	-	-	73

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction	-	-	-	-	-	-	-	-	-	78
5.2 Summary of Findings	-	-	-	-	-	-	-	-	-	78
5.3 Conclusion	-	-	-	-	-	-	-	-	-	79
5.4 Recommendation	-	-	-	-	-	-	-	-	-	80
Bibliography	-	-	-	-	-	-	-	-	-	82

ABSTRACT

The study examined forensic accounting and fraud prevention in Nigeria. The study specifically used three research objectives to carry out the study, the objectives were to determine the relationship between Pre-trial Support and Fraud prevention; to ascertain the relationship between Expert Witnessing and Fraud prevention; and to find out the relationship between Special Master Engagement and Fraud prevention. However, the geographical scope of this study was limited to Edo State in Nigeria due to constraints (security and financial resource) which restricted a nationwide journey to all states in Nigeria

The population of the study consists of qualified accountants and lawyers in both private and public sector resident in Yenagoa, Bayelsa State, Nigeria. Where qualified accountants are those chartered under Institute of Chartered Accountant of Nigeria and Association of National Accountants in Nigeria, and qualified lawyers are lawyers who have been called to bar. These Professionals were chosen because they are knowledgeable in this area of study and they provide experts/technical services during litigation in Fraud cases. The study adopted the Crochan's (1977) sampling formula to arrive at the sample size. This sampling technique was adopted as it allows the researcher to reach out to accessible respondents that are available at a point in time. The data collected (primary and secondary data) are processed manually. The analytical tool used regression analysis,

It was concluded that fraud has existed in Nigeria since the introduction of modern administrative structures. Today, Nigeria is being regarded as one of the most corrupt nations in the world despite the multiplicity of agencies and laws aimed at tackling Fraud in Nigeria. A major challenge has been the inability of anti-Fraud agencies to secure convictions that will send a strong deterrent message that the commissions are in the business of fighting Fraud. Based on the findings and conclusion the researcher gives the necessary recommendations.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

This research looks at the banking business and the fraud difficulties that it has, as well as how accounting may be used to prevent such fraud. So many people have detected fraud in many circumstances. Simply put, cheating is a deceptive means of obtaining private illegal gain. Governments, organizations, and individuals all throughout the world acknowledge fraud as a serious danger. The banking business, in particular, would be the focus of our attention, as well as how accounting may be used to combat fraud. Fraud has grown very common in today's world, and it is committed in a variety of ways, both inside and outside of the financial industry. In agreement with Oseni (2010), the recent epidemic of fraud in the Nigerian banking sector has become a source of national disgrace, as evidenced by law enforcement officials' apparent attempts to track down the perpetrators. Several billions of dollars have been squandered in the banking business in recent years as a result of ongoing fraud. With each passing day, the rate of fraud becomes more prevalent. Internal fraud is common in the banking business.

There is a lot of competition both inside and outside the banking business, and in order to keep up, employees or employers in the banking industry commit devious or fraudulent

behaviors, among other things. Fraud is a major worry for a body like the Nigerian Deposit Insurance Cooperation (NDIC), which is tasked with safeguarding bank and other financial institution depositors. The term "fraud" is a broad term that encompasses much more than theft and has a much greater scope that will be discussed later. If banks are to function efficiently, effectively, and meaningfully contribute to the development of a country's economy, the business must be safe, stable, and free of fraud. Accounting procedures or regulations must be put in place to check the rate of fraud in order for these to be accomplished. According to Andrew (2008), a strong internal control system is a critical component of banking management and acts as a solid basis for the banking industry's safe and sound functioning.

1.2 Statement of the Research Problem

Fraud is a significant obstacle to bank operations, and no bank is immune. It is critical to note that the banking industry is becoming more vulnerable to fraud since banks have not implemented or adopted effective internal control systems and accounting measures to protect the industry. Adeyemo (2012) claims that insider fraud at a bank is achievable. Banks are entrusted with a large amount of resources, and they are expected to carry out their responsibilities correctly and without engaging in any fraudulent behavior, thereby obtaining confidence and goodwill for the banking industry. The problem addressed in this study is how the banking industry may improve or grow stronger by using accounting as a tool to reduce fraud rates. According to the Association of Certified Fraud Examiners

(ACFE), the banking industry has become increasingly vulnerable to fraud over time as a result of weak controls.

The banking industry's environment can be both internal and external. It's about the dynamics that shape the banking business. Employee job uncertainty, peer pressure, and societal expectations are all elements that might lead to fraud in the banking industry.

Because they have not been thoroughly questioned on the workings of the banking industry, insufficient staff working in the banking business who lack the necessary skillset and training can easily divert and perpetrate acts of fraud.

In terms of external influence, deposit requirements imposed on banks are typically extremely high, and if banks fail to fulfill the targets, they may resort to fraud to close the gap. The aforementioned are only a few of the reasons why fraudulent activity in the banking business is on the rise and why bank employees commit fraud. In the course of this research, other reasons will be discussed.

Accounting rules or measures could be implemented to reduce bank fraud, and the goal of this study is to determine how effective these policies or measures are. Financial fraud is quickly becoming a way of life in Nigeria, according to studies. As a result, there is a widespread belief that accounting would be able to stem the flood of financial misconduct plaguing Nigeria's economy. However, there hasn't been enough attention placed on how accounting may help reduce the amount of fraud in the banking business,

particularly based on survey evidence. As a result, it is critical that the banking industry implements not only internal control and corporate governance, but also accounting controls, which may be far more efficient and effective. The study attempts to evaluate the extent to which accounting can help reduce bank fraud in Nigeria in light of the foregoing.

1.3 Research Questions

In a bid to provide answers to the problems stated above, this research study attempts to provide tentative answers to the prevailing questions

1. What is the relationship between Pre-trial Support and Fraud prevention?
2. What is the relationship between Expert Witnessing and Fraud prevention?
3. What is the relationship between Special Master Engagement and Fraud prevention?

1.4 Objectives of the study

1. To determine the relationship between Pre-trial Support and Fraud prevention;
2. To ascertain the relationship between Expert Witnessing and Fraud prevention;
and
3. To find out the relationship between Special Master Engagement and Fraud prevention.

1.5 Hypothesis Statement

H1: There is no significant relationship between Pre-trial Support and Fraud prevention;

H2: There is no significant relationship between Expert Witnessing and Fraud prevention;

H3: There is no significant relationship between Special Master Engagement and Fraud prevention

1.6 Scope of the Study

This research focuses on forensic accounting and fraud prevention and how accounting might Fraud is a common occurrence that affects a variety of industries. The geographical scope of this study was limited to Edo State in Nigeria due to constraints (security and financial resource) which restricted a nationwide journey to all states in Nigeria.

1.7 Significance of the Study

Moreover, the study can contribute to policy formulation. The findings of the study will keep government and anti-Fraud agencies informed of the growing field of forensic accounting and the relevance of forensic accountants in providing litigation support services in Fraud cases. Likewise, it will provide relevant insight on how best litigation support services provided by forensic accountant can be inculcated into relevant anti-Fraud programs.

1.8 Limitations/Study Constraints

Only a few publicly traded Nigerian companies are included in the study. Due to a lack of time, closeness, and financial resources, this is the case.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

2.2 Conceptual Framework

2.2.1 Fraud

A deception directed against the detriment of another might be regarded as fraud. Fraud has been characterized in a variety of ways and by a variety of people. Fraud is the dishonest deprivation of anything that a person is typically entitled to but is otherwise deprived by another party for personal advantage. Fraud is a criminal offense. Fraud in the banking industry can be defined as an illegal conduct committed by one person for the benefit of another while the latter suffers the consequences or losses as a result of the crime. Fraud is a dishonest conduct committed for the intention of gaining an unfair advantage.

Horn by [1998] and Ovuakporie [1940] define fraud as "illegal deception, act of this kind of person or thing that deceives" and "any conduct that amounts to dishonest and/or unfair trading respectively" in the international journal of business and common market studies volume 3, number 2005.

2.2.2 Types of Fraud

Manipulation of financial data or instruments. It is conceivable for service providers or top executives in the banking sector to tamper with accounting records, thereby

altering data to suit their requirements. This is frequently followed by the theft or concealment of bank assets for personal gain. By fabricating fraudulent documents, tampering with a bank's financial records could be used to hide assets or enhance profit over the actual figure.

***Defalcation is another method of defrauding people.** Here, the bank's cashier in charge of serving customers may deceitfully conceal or withdraw the money collected from customers. As a result, the cashier may record the transaction without include the cash that was deceptively hidden by them, perhaps causing shortages.

***Transfer of funds into fictitious accounts** is a practice employed by fraudsters in the banking sector to amass large sums of money for personal purposes. As a result, the monies may not be available for use by the legal owners.

***Forging of bank rubber stamp.** Some fraudsters, whether from within or outside the financial sector, may create phony bank stamps and use them to deceive others and steal their money.

2.2.3 Causes of Fraud

Undue exposure: The concept of secrecy is violated when a member of the banking industry with a lack of integrity is granted access to crucial information or to untrustworthy third parties. This could lead to the information being used in a deceptive manner. The institution or the financial industry is primarily to blame.

Inadequate penalty: It has been seen in the past that there has been a constant recurrence of fraudulent actions due to the banking sector's or other enterprises' lax attitude toward penalizing the perpetrators of fraud. Because the perpetrators of fraud are not punished severely, it is possible that it will happen again in the near future.

Inadequate control: The banking sector may lack the mechanisms necessary to properly control its many capabilities, and service providers inside and outside the banking industry may take advantage of this lack of control. As a result, the rate of fraudulent acts in the financial business has increased, with the hope of not being found.

Incompetent personnel: It is not sufficient for the banking business to be well-equipped in terms of technology; it must also have personnel who are capable of operating these systems. In the case that the staff is unable to operate these computer systems efficiently and create accurate or reliable information, the information contained in its financial information may be useless to users. This is a function of the institution.

Inadequate banking experience: Some banks may lack the technological competence or well-trained staff needed to detect fraud more quickly than usual, resulting in an unacceptably high rate of fraud in these institutions. To avoid fraudulent practices in the banking industry, the banking sector should be able to discover and close gaps in the banks that may be actively used to perpetrate fraud. This is another institutional aspect that contributes to fraud.

2.2.4 Organization/Institutional Factors

These are factors that may be traced back to a bank's internal environment, as well as the primary organizational characteristics that support fraud in certain banks and enterprises.

Ineffective operational procedures, inadequate supervision and control systems, and lapses in the operational system and processes are examples of bad management control systems.

Management and personnel are inexperienced and of poor quality. This could be due to a lack of exposure or training on the part of bank employees.

Document and file security is lacking, especially in situations when they are poorly designed. Fraudsters could also take advantage of security documents and financial instruments that aren't properly safeguarded and commit fraud. Lack of enough employee motivation, even if there is low job satisfaction, poor service quality, or poor promotion chances. The benefits of information, technology, and telecommunication have enhanced the scope and sophistication of banking fraud. Because of information technology, fraudsters have gotten more sophisticated in their methods.

2.2.5 Environmental Factors

These are aspects in the bank's external environment that make it more likely for fraud to occur. These are uncontrolled elements that go beyond the active manipulation of bank management.

The emphasis on material values in society, particularly workers' and society's insatiable need for money benefits, encourages dishonest behavior at all levels. Ineffective or inefficient measures are required for quickly detecting and prosecuting fraudsters, especially given the prevalence of an inefficient judicial system. The high amount of fraud is sustained by the average Nigerian's inability to work effectively. The huge regulatory impediment to banking supervision, as well as the inadequate scrutiny of banks by monetary authorities, have combined to encourage fraud and misconduct in the majority of banks.

2.2.6 Effects of Fraud in Banks

This element entails a more in-depth examination of the implications of various fraudulent activities committed in the banking industry, as well as the economy as a whole, because the banking system has a direct impact on the economy. *Stress in the banking system: Fraudulent acts can cause tension in the banking sector, where they can occur. In the case that there are investigative bodies inside the banking industry attempting to hold individuals guilty for fraud accountable, it is possible that all employees may feel uneasy. As a result of the fear of being implicated in fraudulent activity, routine behaviors may be perverted. *Fraud could lead to bank liquidation: If a bank's credibility is harmed as a result of repeated acts of fraud, the bank's credibility will be harmed, and investors will flee the bank. When a bank loses the majority of its investors, its value drops and it may be compelled to liquidate. Investors are extremely

important to a bank, and the loss of investors is caused by fraudulent conduct committed by banking insiders.

Time Consuming and Management's Lack of Trust: In order to discover or prevent fraud, or to hold those responsible for fraudulent acts accountable, a thorough investigation into the activities of the staff is required, which may cause delays in the staff's job. In addition, management may lose faith in its employees, resulting in constant meddling with their work. This could also cause work to be delayed.

Fraud causes the banking public to lose confidence: The general public which is directly involved with the bank and who save their money with the banks, may lose their trust in such banks where there are persistent acts of fraud and may decide to switch banks. *Fraud increases losses contingencies which affect the growth of bank income

2.2.7 Detection and Prevention of Fraud

Banks and financial institutions place a high priority on fraud detection and prevention. Persons involved in fraudulent acts have overtime employed new and more effective ways of perpetrating fraud. Good news is that with the advent of new machines, systems can now easily detect and help to avert these fraudulent acts.

Fraud Prevention Techniques

The bank, in an effort to check the high incidences of fraud, may need to implement certain control measures. They may include:

Constant Inspection: In order to minimize or reduce the level of fraud in the banking industry, consistent inspection of the accounts should be carried out by a free, fair and independent individual or body such as an auditor or bank inspectors. With the constant checks of these bodies, the incidence of fraud be reduced to its barest minimum or may be totally eliminated.

Management control process: In an attempt to prevent fraud in banks, the management may put in place various control measures which will assist in monitoring all aspects of operations thereby reducing or eliminating fraud in the banking industry. These control processes could include: - Financial Control, Personnel control, Cost control and Accounting control

Electronic monitoring equipment: In a bid to reduce the level of fraud in banking industry, there is a need to install close circuit monitoring television set. This equipment is capable of keeping track of the activities of people, both staff and general public, within the banking hall. With the presence of these equipment's, it would be easier to implicate those involved in fraudulent acts and as such there will be fear in the minds of those with the intention of committing fraud. Therefore, this measure can reduce fraud to its barest minimum.

All banks should introduce a very high disciplinary action against anyone implicated in any fraudulent act: This will serve as a deterrent to other staff whenever the staff is

implicated in fraudulent acts and as such will discourage such fraudulent acts within the banking industry.

Enhance Remuneration: Staff should be paid in accordance with the nature of their jobs so as to discourage staff from engaging in fraudulent acts. Most times, the driving force of staff to commit fraud is usually in order to gain financially. As such, if such employee is paid and is fully satisfied financially and otherwise, it will reduce or totally eliminate the incidence of fraud.

2.2.8 Accounting as a tool for Preventing Fraud

The American Association of Accountants and American Institute of certified public Accountant were unanimous in their view when they stated according accounting is concerned with proper recording classifying, analyzing and reporting of information for measuring and controlling the financial operation of the business As the purpose of accounting is not solely to prepare account but to control the financial operation of the firm, accounting must be strictly carried out the financial operation of the firm; accounting must be strictly carried out.

2.2.9 Reporting System

A Reporting system is a part of a management control system that provides business information. This information can be in the form of reports and/or statements. The system

is designed to assist members of the management by providing timely pertinent information.

2.2.10 Need for an Effective Reporting System

Reporting systems help in capturing data that is needed by managers to run an effective business. Data could range from financial data, employee headcount, client, accounts, products, client assets in custody, investment performance, etc. The scope of a reporting system is wide. However, here are the six reasons why an enterprise needs an effective reporting system:

Traditionally, reporting systems were only used to pull up information. However, the system has undergone tremendous transformation over the years, making it a robust platform for reporting and management. Due to the advancement in technology, it can now provide financial and non-financial information, which can help management take the necessary action to control their business activity and control the fraud rate. Traditional bookkeeping activities can now be automated due to the advancement in technology. The system plays a greater role in helping management take good decisions. It helps in identifying the problem, evaluate alternate solutions, implement the best solution review implementation.

2.2.11 Five Essentials of an Effective Reporting System

Reporting system should be able to generate good reports: They should be generated in a timely manner, should have the proper flow of information, and should be in the correct format. The system should be flexible enough to adjust to all the requirements that are made by the user. It should also provide insights if deviations from predefined standards or estimates occur. It should do all these while being economical to the organization. Localization of reports helps in keeping them simple. Enterprises should concentrate more on localizing their reporting systems, as it simplifies reporting. This helps in taking better decisions for each area or domain even in banks.

Reporting system is expected to be accurate: There shouldn't be any discrepancies in terms of reporting. These systems evaluate a bank's result at any given point in time, hence they need to be accurate. The reports that are generated by the systems will be used by senior management.”

“If it doesn't produce reports when needed, there is no point of having a reporting system. With the technology that is available, enterprises can obtain information faster and more often.

A crucial factor for any reporting system is for it to be cost effective. Reports from this system should never be too difficult to assemble. Also, they should be able to justify their

costs. Being cost effective can be the deciding factor for enterprises or banks to opt for a reporting system.

Ultimately, reports that are generated from the system should help the management take informed decisions: Meaning, the reports should be detailed enough to let management know where the next change should be. There will be a constant need among executives to obtain the newest information in the most detailed and convenient way possible.

Thereby, based on the ever-changing parameters, new reports should be proactively created or the necessary changes must be done to the existing reports itself.

Also, an automated delivery of reports (both static and dynamic) based on the organizational hierarchy levels is a critical contributing factor for the success of a reporting system.”

Finally, an effective reporting system should maintain a high-level of consistency in terms of the reports and the technology, tools and processes used for all reports.

2.2.12 Possession of Basic Accounting Skills

“The world of knowledge is infinite, which means that there is no end to learning, unlearning and relearning new skills that are in sync with the changing times. The same is in the case of accounting, where managerial accountants need to have varied basic accounting skills and need to keep themselves abreast of the new developments in the domain.”

Following is the list of few skills or technical expertise that every accountant should be well-versed with:

Interpersonal skills:

There is a misconception that an accountant's work involves purely number crunching. But along with strong quantitative skills, an accountant should also possess great interpersonal skills such as client management, negotiation skills, etc. Being an accountant, they have regular meetings with several clients, colleagues and professionals. Hence, good interpersonal skills are vital to the success of an accountant. With this, they will be able to ascertain those engaged in fraudulent activities or contemplating it.

Analysis

"To become an expert accountant, he or she must also perform variance analysis, price and volume analysis, product profitability, cost analysis, life-cycle cost analysis, capital budgeting, strategic planning, forecasting, allocation, and other tasks to ensure the best resource allocation and meet management objectives."

Accounting fundamentals

For planning, regulating, budgeting, and decision-making, an accountant should know how to create financial statements and accounting reports. The balance sheet, profit and loss account, and cash flow account are the three most important financial accounts. These three financial statements are inextricably tied to one another. An accountant must

be aware of the connections and interdependencies between various financial accounts. He will be able to detect and prevent fraud if he understands this.

Certification on a national level

To gain rich monetary rewards and to stay in the market, an accountant must earn accreditation from an approving organization." The curriculum for a CPA, or Certified Public Accountant, involves 30 hours of accounting study. In the same way, there are numerous certificates available in the accounting field. One must look for the most acceptable course for his needs."

Accounting Programs

"Today, automation is used in a variety of industries. Accounting is primarily concerned with computations, data mining, the creation and interpretation of complex models, and so on. Financial records can be kept more accurately and efficiently with the help of a software-based application. Tally ERP, Zoho Books, MARG ERP, and other accounting software are all utilized on a daily basis. As a result, there's a higher demand for accountants who know how to use accounting software. Many accounting students are undecided on what to study and where to concentrate."

"Managing the balance of software abilities, fundamental accounting skills, communication, and customer service skills is critical." To be successful, you must have

a perfect blend of all of these skill sets. It's necessary because accounting software makes detecting and preventing fraud in the banking industry much easier."

2.2.15 Elements of the internal control system

Environment control: The attitude, alertness, and work-zeal of directors, managers and shareholders are reflected through environmental control. Accounting system means some procedures and recordings with which identification of business transactions, classification, summarization, statement preparation and analysis for timely presentation of correct information are performed."

Control procedure: The additional policies and procedures adopted by the business authority for ensuring the achievement of the specific goal of a business organization are the controlling procedures." These control procedures are:

2.2.16 Components of Internal Control System

Controlling the environment: The control environment is the basis of other elements of all other components of the internal control system. Moral values, managerial skills, the honesty of employees and managerial direction, etc. are included in the controlling environment. Risk assessment: After setting up the objective of business, external and internal risks are to be assessed. The management determines risk controlling means after examining the risks related to every objective.

Control activities: The management establishes a controlling activities system to prevent fraud associated with every objective. These controlling activities include all those measures that are to be followed by the employees.”

Information and communication: Relevant information for taking decision are to be collected and reported in proper time. The events that yield data may originate from internal or external sources. Communication is very important for achieving management goals. The employees are to realize what is expected of them and how their responsibilities are related to the activities of others.

Monitoring: When the internal control system is in practice, the organization monitors its effectiveness so that necessary changes can be brought if any serious problem arises such as fraudulent activities.

Responsibility for Internal Control System: It is the general responsibility of all employees, officers, management of a company to follow the internal control system. The under-mentioned three parties have definite roles to make internal control system effective

Management: Establishment and maintenance of an effective internal control structure mainly depends on the management. Through leadership and example or meeting, the management demonstrates ethical behavior and integrity of character within the business.

Auditors: The auditors evaluate the effectiveness of the internal control structure of business organization and determine whether the business policies and activities are followed properly. The communication network helps an effective internal control structure in execution. And all officers and employees are part of this communication network.

2.2.18 Corporate Governance

Value for all stakeholders – shareholders, investors, employees, customers, suppliers, environment and the community at large and holds those at the helms to account by evaluating their decisions on transparency, inclusivity, equity and responsibility. The World Bank defines governance as the exercise of political authority and the use of institutional resources to manage society's problems and affairs. Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers and communities affected by the corporation's activities. Internal stakeholders are the board of directors, executives, and other employees. There are many different models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded. The Anglo-American "model" tends to

emphasize the interests of shareholders. The coordinated or multi-stakeholder model associated with Continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community.”

“Legal environment Corporations are created as legal persons by the laws and regulations of a particular jurisdiction. These may vary in many respects between countries, but a corporation's legal person status is fundamental to all jurisdictions and is conferred by statute. This allows the entity to hold property in its own right without reference to any particular real person. It also results in the perpetual existence that characterizes the modern corporation. The statutory granting of corporate existence may arise from general purpose legislation (which is the general case) or from a statute to create a specific corporation, which was the only method prior to the 19th century. In addition to the statutory laws of the relevant jurisdiction, corporations are subject to common law in some countries, and various laws and regulations affecting business practices. In most jurisdictions, corporations also have a constitution that provides individual rules that govern the corporation and authorize or constrain its decision-makers. This constitution is identified by a variety of terms; in English-speaking jurisdictions, it is usually known as the Corporate Charter or the [Memorandum and] Articles of Association. The capacity of shareholders to modify the constitution of their corporation can vary substantially.”

“Codes and guidelines corporate governance principles and codes have been developed in different countries and issued from stock exchanges, corporations, institutional investors,

or associations (institutes) of directors and managers with the support of governments and international organizations. As a rule, compliance with these governance recommendations is not mandated by law, although the codes linked to stock exchange listing requirements may have a coercive effect. For example, companies quoted on the London, Toronto and Australian Stock Exchanges formally need not follow the recommendations of their respective codes. However, they must disclose whether they follow the recommendations in those documents and, where not, they should provide explanations concerning divergent practices. Such disclosure requirements exert a significant pressure on listed companies for compliance. One of the most influential guidelines has been the 1999 OECD Principles of Corporate Governance. This was revised in 2004. The OECD guidelines are often referenced by countries developing local codes or guidelines. Building on the work of the OECD, other international organizations, private sector associations and more than 20 national corporate governance codes, the United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) has produced their Guidance on Good Practices in Corporate Governance Disclosure. This internationally agreed benchmark consists of more than fifty distinct disclosure Items across five broad categories: Auditing Board and management structure and process corporate responsibility and compliance financial transparency and information disclosure Ownership structure and exercise of control rights. The World Business Council for Sustainable Development WBCSD has done work on corporate, particularly on accountability and reporting, and in 2004 released

Issue Management Tool: Strategic challenges for business in the use of corporate responsibility codes, standards, and frameworks. This document offers general information and a perspective from a business association/think-tank on a few key codes, standards and frameworks relevant to the sustainability.”

“Performance. A key factor in a party's decision to participate in or engage with a corporation is their confidence that the Corporation will deliver the party's expected outcomes. When categories of parties (stakeholders) do not have sufficient confidence that a corporation is being controlled and directed in a manner consistent with their desired outcomes, they are less likely to engage with the corporation. When this becomes an endemic system feature, the loss of confidence and participation in markets may affect many other stakeholders, and increases the likelihood of political action.

“Ownership structures refers to the types and composition of shareholders in a corporation. Researchers often measure ownership structures by using some observable measures of ownership concentration or the extent of inside ownership.

Family ownership in many jurisdictions, family interests dominate ownership structures. It is sometimes suggested that corporations controlled by family interests are subject to superior oversight compared to corporations controlled by institutional investors (or with such diverse share ownership that they are controlled by management). A recent study by Credit Suisse found that companies in which founding families retain a stake of more than 10 percent of the company's capital enjoyed a superior performance over their

respective sectorial peers. Since 1996, this superior performance amounts to 8 percent per year.”

Institutional investors

“Many years ago, worldwide, investors were typically individuals or families, irrespective of whether or not they acted through a controlled entity. Over time, markets have become largely institutionalized: investors are largely institutions that invest the pooled funds of their intended beneficiaries. These institutional investors include pension funds (also known as superannuation funds), mutual funds, hedge funds, exchange-traded funds, and financial institutions such as insurance companies and banks. In this way, the majority of investment now is described as institutional investment even though the vast majority of the funds are for the benefit of individual investors.

The significance of institutional investors varies substantially across countries. In developed Anglo American countries (Australia, Canada, New Zealand, U.K., U.S.), institutional investors dominate the market for stocks in larger corporations. While the majority of the shares in the Japanese market are held by financial companies and industrial corporations, these are not institutional investors if their holdings are largely with-one group. The largest pools of invested money (such as the mutual fund 'Vanguard 500', or the largest investment management firm for corporations, State Street Corp.) are designed to maximize the benefits of diversified investment by investing in a very large number of different corporations with sufficient liquidity.”

“The idea is this strategy will largely eliminate individual firm financial or other risk and. A consequence of this approach is that these investors have relatively little interest in the governance of a particular corporation. It is often assumed that, if institutional investors pressing for will likely be costly because of golden handshakes) or the effort required, they will simply sell out their interest. Popularly espoused principles of corporate governance

Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.

Interests of other stakeholders: Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.

Role and responsibilities of the board: The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties. There are issues about the appropriate mix of executive and non-executive directors.

Integrity and ethical behavior: Ethical and responsible relations, but it is also a necessary element in risk management and avoiding lawsuits. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, that reliance by a company on the integrity and ethics of individuals is bound to eventual

failure. Because of this, many organizations establish Compliance and Ethics Programs to minimize the risk that the firm steps outside of ethical and legal.”

“Boundaries. Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information. Mechanisms and controls Corporate governance mechanisms and controls are designed to reduce the inefficiencies that arise from moral hazard and adverse selection. For example, to monitor managers' behavior, an independent third party (the external auditor) attests the accuracy of information provided by management to investors. An ideal control system should regulate both motivation and ability. Internal corporate governance controls Internal corporate governance controls monitor activities and then take corrective action to accomplish organizational goals.”

Examples include:

“Monitoring by the board of directors: The board of directors, with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided. Whilst non-executive directors are thought to be more independent, they may not always result in

more effective corporate governance and may not increase performance. Different board structures are optimal for different firms. Moreover, the ability of the board to monitor the firm's executives is a function of its access to information. Executive directors possess superior knowledge of the decision-making process and therefore evaluate top management on the basis of the quality of its decisions that lead to financial performance outcomes, ex ante. It could be argued, therefore, that executive directors look beyond the financial criteria. Internal control procedures and internal auditors: Internal control procedures are policies implemented by an entity's board of directors, audit committee, management, and other personnel to provide reasonable assurance of the entity achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations. Internal auditors are personnel within an organization who test the design and implementation of the entity's internal control procedures and the reliability of its financial reporting.

Balance of power: The simplest balance of power is very common; require that the President be a different person from the Treasurer. This application of separation of power is further developed in companies where separate divisions check and balance each other's actions. One group may propose company-wide administrative changes, another group review and can veto the changes, and a third group check that the interests of people (customers, shareholders, employees) outside the three groups are being met.”

“Remuneration: Performance-based remuneration is designed to relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments

such as shares and share options, superannuation or other benefits. Such incentive schemes, however, are reactive in the sense that they provide no mechanism for preventing mistakes or opportunistic behavior, and can elicit myopic behavior. In publicly-traded U.S. corporations, boards of directors are largely chosen by the President/CEO and the President/CEO often takes the Chair of the Board position for his/herself (which makes it much more difficult for the institutional owners to fire him/her). The practice of the CEO also being the Chair of the Board is known as duality. While this practice is common in the U.S., it is relatively rare elsewhere. It is illegal in the U.K. External corporate governance controls External corporate governance controls encompass the controls external stakeholders exercise over the organization. Examples include:”

Demand for information: In order to influence the directors, the shareholders must combine with others to form a voting group which can pose a real threat of carrying resolutions or appointing directors at a general meeting.

Monitoring costs: A barrier to shareholders using good information is the cost of processing it, especially to a small shareholder. The traditional answer to this problem is the efficient market hypothesis), which suggests that the small shareholder will free ride on the judgments of larger professional investors.

Supply of accounting information: Financial accounts form a crucial link in enabling providers of finance to monitor directors. Imperfections in the financial reporting process

will cause imperfections in the effectiveness of corporate governance. This should, ideally, be corrected by the working of the external auditing process. Financial reporting and the Independent Auditor the board of directors has primary responsibility for the corporation's external financial reporting functions. The Chief Executive Officer and Chief Financial Officer are crucial participants and boards usually have a high degree of reliance on them for the integrity and supply of accounting information. They oversee the internal accounting systems, and are dependent on the corporation's accountants and internal auditors. Current accounting rules allow managers some choice in determining the methods of measurement and criteria for recognition of various financial reporting elements. The potential exercise of this choice to improve apparent performance increases the information risk for users. Financial reporting fraud, including non-disclosure and deliberate falsification of values also contributes to users' information risk. To reduce these risks and to enhance the perceived integrity of financial reports, corporation financial reports must be audited by an independent external auditor who issues a report that accompanies the financial statements (see financial audit). It is one area of concern is whether the auditing firm acts as both the independent auditor and management consultant to the firm they are auditing. This may result in a conflict of interest which places the integrity of financial reports in doubt due to client pressure to appease management. The power of the corporate client to initiate and terminate management consulting services and, more fundamentally, to select and dismiss accounting firms contradicts the concept of an independent auditor. Changes enacted in

the United States in the form of the Sarbanes-Oxley Act following numerous corporate scandals, culminating with the Enron scandal) prohibit accounting firms from providing both auditing and management consulting services. Similar provisions are in place under clause 49 of SEBI Act in India. Executive Remuneration/Compensation Research on the relationship between firm performance and executive compensation does not identify consistent and significant relationships between executives' remuneration and firm performance. Not all firms experience the same levels of agency conflict, and external and internal monitoring devices may be more effective for some than for others. Some researchers have found that the largest CEO performance incentives came from ownership of the firm's shares, while other researchers found that the relationship between share ownership and firm performance was dependent on the level of ownership. The results suggest that increases in ownership above 20 percent cause management to become more entrenched, and less interested in the welfare of their shareholders. Some argue that firm performance is positively associated with share option plans and that these plans direct managers' energies and extend their decision horizons toward the long-term, rather than the short-term, performance of the company. Even before the negative influence on public opinion caused by the 2006 backdating scandal, use of options faced various criticisms. A particularly forceful and long running argument concerned the interaction of executive options with corporate stock repurchase programs. Numerous authorities determined options may be employed in concert with stock buybacks in a manner contrary to shareholder interests. A combination of accounting changes and

governance issues led options to become a less popular means of remuneration as 2006 progressed, and various alternative implementations of buybacks surfaced to challenge the dominance of "open market" cash buybacks as the preferred means of implementing a share repurchase plan. The new role of corporate governance – principles versus rules. The basic reason for failure of corporate governance regulation is that this was based on a box ticking approach of compliance. This encourages companies using their ingenuity in HNTGC – How Not To Get Caught. Human ingenuity is so powerful that we always find excuses to beat the system. In fact our manhood depends on our ability to defy rules. You become a master only by transcending rules which most read as transgressing rules. The basis reason is that rules are devised to meet a certain situation and not supposed to be permanent. Hence the tendency to interpret them to suit your own convenience. Principles on the other hand are North Star fixed for all times with no scope for ambivalence. A strategy for sustainability requires we apply a principle-based approach to corporate governance. The basic purpose of corporate governance is to hold those in power to account. So accountability is the key to corporate governance. There are 6 principles that have to be satisfied to ensure accountability. These are 6 Ds – Diversity in composition of the board and differentiating the gene pool and gender; encouragement of Dialogue as opposed to monologue; valuing Dissent, Dispersion of authority (separation of chairman and CEO is one example), disruption of status quo (critical to counter cosiness) and fostering a culture of full disclosure to build trust. Corporate governance services Assist boards and leaders in implementing legal, regulatory and best-practice

governance standards, including the Belgian Code and the new remuneration codes. We introduce corporate governance measures that make a real difference to your organization by:”

2.3 Empirical Review

Chesoli (2020) examined the role of forensic accounting as a tool to fight financial crime in Kenya. Specifically, the study investigated litigation support and investigative accounting in the fight against financial crime. Survey research design was adopted for the study using a well-structured questionnaire built on a five-point likert scale. Population of the study was composed of staff of the Central Bank of Kenya, anti-Fraud agencies, and accounting firms. Both descriptive and inferential statistics were employed to analyse data retrieved. The result of inferential statistics using Chi-square showed that forensic accountants are relevant in investigating financial crime and they also play a significant role in litigation support. The study recommended that it is necessary for professional accountants to keep themselves abreast with emerging trends in unveiling crimes.

Ejoh and Ukpe (2017) examined the application of forensic accounting in litigation engagement. The survey research design was adopted for the study. The questionnaire was administered randomly to a sample size of one hundred (100) respondents consisting of accountants/auditors, corporate workers and legal practitioners. Data obtained were analysed descriptively, and the ANOVA (t-test) was used to test the stated hypothesis.

The findings of the result revealed that there is a significant relationship between the forensic accountant's report and the attorney's judgement in a litigation case. Also, a significant relationship exists between the time of hiring a forensic accountant and the outcome of a litigation process. According to the authors, although the services of forensic accountants are costly, their different skill sets and services rendered makes them invaluable. Hence, it was recommended that attorneys should engage forensic accountants early enough as their expert opinion and objective investigation result contributes to the successful outcome of the litigation.

Kirui and Sporta (2020) examined the effect of litigation support on fraud mitigation in firms listed on Nairobi Security Exchange (NSE), Kenya. The sample selection was based on firms that have employed forensic accounting services. On that note evidence was drawn from a sample of 119 respondents consisting of accountants, auditors and procurement officers of selected companies using a questionnaire. Data of the study was analysed using SPSS version 25 and Statistics and Data (STATA) version 13 analytical tools. Findings of the analysis revealed that there exists a significant correlation between litigation support services proxied by number of consultation services provided and number of occasions served as expert witness and fraud mitigation. The study concluded that litigation support services have contributed significantly to minimising the potentials of criminal behaviour.

Okoye et al. (2020) examined the effect of various forensic accounting evidence on litigation service on Nigeria judicial system. Primary data was employed in the study with the aid of questionnaire administered to lawyers in Abakaliki, Ebonyi State. The Morgan statistical scale was used to determine the sample size of the study. Both descriptive and inferential statistics were employed to analyse the data of the study using SPSS. The findings of the study revealed that forensic accounting evidence proxied by demonstrative evidence, documentary evidence, and oral evidence has significant influence on litigation service in the Nigerian judicial system. Thus, the study recommended that forensic accounting evidence should be employed by Nigeria court of law to positively enhance litigation in Nigeria.

Sorunke (2018) examined forensic accounting investigation techniques and successful prosecution of Fraud cases in Nigeria. Survey research design with the aid of questionnaire was adopted in the study. A sample population of 130 staff was drawn scientifically from the four anti-Fraud agencies in Nigeria (ICPC, CBC, EFCC, and Police Special Fraud Unit). Both descriptive and inferential statistics were employed to analyse data retrieved and Kolmogorov Smirnov was applied to test the hypotheses of the study. Findings from the study revealed that there is a significant relationship between adoption of forensic accounting investigation techniques in Fraud investigation and successful prosecution of Fraud cases. It was recommended among others that anti-Fraud

agencies should adopt forensic accounting strategies to enable them to come up with evidence that will be supportive in the prosecution of Fraud cases.

Furthermore, Dada and Jimoh (2020) carried out a study on forensic accounting and financial crime in Nigeria public sector. The study adopted a survey research design and data for the study was sourced from questionnaire distributed to three hundred and eighty-four (384) accounting staff with knowledge of forensic accounting in various Ministries, Department and Agencies in Lagos State, Nigeria. Linear regression analysis was employed to establish the relationship between the variables. Forensic accounting proxied by litigation support services had a negative effect on financial crime suggesting that increased litigation reduces financial crime in Nigeria public sector. The study recommended that forensic accountants should be employed to provide litigation support services in the form of expert-witnessing to assist the court to reach a conclusion on issues of which the court may not have adequate knowledge especially in financial crime cases including Fraud.

Leyira and Tony-Obiosulesi (2014) carried out a study on the relationship between Nigeria regulatory framework and Forensic Accountant. The study revealed that section 84 of Evidence Act, 2011 and section 14 of the EFCC Act, 2004 gives impetus to the forensic accountant to provide litigation support in financial crime cases. The study also found that the commission needs the forensic accountant in areas of quantification of

economic damage and noted that there is need for the forensic accountants to team up with the commission and Interpol in tackling laundered money.

Okoye and Jonathan (2019) examined the effect of forensic accountant's expert testimony in litigation and the objectiveness of forensic investigation in Deposit Money Banks (DMBs) in Nigeria. The study specifically assessed the relationship between forensic accountant's expert testimony and fraud prevention, fraud detection, and fraud reduction. Survey research strategy was adopted using questionnaire and personal interviews to obtain data for the study. A sample of 30 branch managers and operation managers were used from 16 selected DMBs. Pearson Moment Correlation was employed to analyse the data and it was revealed that expert testimony has a significant relationship with fraud prevention, fraud detection and fraud reduction. The study concluded that the forensic accountant should be engaged beyond investigation to provision of sworn testimony as this will aid the prosecution of fraud cases.

Oseni (2017) examined the effect of forensic accounting services on fraud and financial crime detection and prevention in Nigeria. The study adopted a survey research design. A well-structured questionnaire built on a five-point Likert scale was used primarily as the means of data collection. A sample of one hundred and sixty (160) respondents was randomly drawn from Auchi Polytechnic, Edo state ministry of finance, Audit firms, and the FIRS. Chi-square was employed in data analysis with the aid of Microsoft Excel, 2010 version. The findings of the study revealed that there is a significant relationship

between litigation support services and appropriate judgement of economic and financial crime eradication in Nigeria. It was also revealed that there exists a significant relationship between forensic accounting and good corporate governance for public confidence and eradication of crime and Fraud in Nigeria. In the same vein, a significant relationship was found between forensic accounting and filling the gap created by traditional auditing in curbing economic and financial crime. The study concluded that forensic accounting is a strategic and dynamic tool for the management of all types of financial crimes (including Fraud). The study recommended, among others, that forensic accountants as an expert witness should at all times bring their education and expertise to bear as their expert opinion can be of immense assistance to the fact-finder. Also, anti-graft agencies should consider engaging the services of FA to assist them in court cases involving economic and financial crime.

2.4 Theoretical Review

Any theory on how to deter Fraud should begin with the reasons why public officials engage in Fraud. Albrecht et al. (2008) made the same deduction when they posited that understanding the conditions in which fraud occurs is crucial to its detection and prevention. Hence, understanding what motivates Fraud is invaluable to anti-Fraud agencies as it provides them with information that can help them implement effective responses to stem the tide of Fraud in Nigeria.

2.4.1 The Fraud Diamond Theory

Wolfe and Hermanson (2004) expanded the fraud triangle theory of Donald Cressy to include “capability” as an important element of fraud. They argued that the fraud triangle failed to address many important factors such as an individual capability (abilities and attributes) which are essential to the occurrence of fraud. They also opined that, by considering the fourth element (capability), fraud detection and prevention can be enhanced.

The typical fraud triangle developed by Donald Cressy studied the behaviour of white-collar crime in the 1950’s in respect of those he termed trust violators. Cressy identified perceived pressure, perceived opportunity, and rationalisation as elements that ought to be present before a crime can be committed. With perceived pressure, there exists a non-shareable financial problem which creates the motive for the crime. The opportunity to commit the crime is as a result of the perceived perception that there are weaknesses in the internal control system and lastly, the perpetrator being able to give a moral justification of the act so that he can remain in his moral comfort zone. However, Wolfe and Hermanson (2004) modified that fraud triangle theory and suggested that a person can have the intent, opportunity, and rationalisation to commit fraud but without the necessary capabilities a fraud cannot occur. These include high intelligence to circumvent internal control systems, someone with ego and great confidence that he won’t get caught, someone that can convince others to commit crime, and a likely repeated offender with a great deal of experience in fraud etc.

The theory thus, explains the motivation of Fraud amongst public officials in Nigeria. Public service has been polarised with public office holders misappropriating government funds. Most of whom have occupied high positions of authority. Greed and the desire to amaze wealth have brought the pressure to embezzle trusted funds in the country. Likewise, the loopholes and the inefficient system accompanied with unaccountability serves as an opportunity to commit to engage in corrupt practices. The Fiscal Responsibility Act has not shown no effectiveness in ensuring accountability as no punishment is not explicitly spelled out for offenders. Even where they are, they are not followed to the latter. Recently corrupt officials have used the plea bargain system to escape their legally due punishment and immunity granted to major public office holders has aggravated the financial Fraud in the country as politically powerful individuals are not being prosecuted for their illegal and corrupt act (Duke & Agbaji, 2017; Ogunde, 2015). The rationalisation of not well paid does not fit in the Nigeria context of public office holders as most learned Nigerians have argued that government appointees and other executives are paid excessively. On the other hand, Mukoro et al. (2013) emphasised that when public wages are low, public servants are compelled to use their official position to collect bribes as a way of making ends meet particularly when their chances of being caught are low. Yet, most persons involved in Fraud have indirectly used the Nigeria syndrome “National Cake” to rationalise their act. Hence, it is pertinent that corrupt officials are held liable for their actions and prosecuted to the full extent of the law as this will deter similar acts and reduce the number of repeated offenders.

2.4.2 The Fraud Management Lifecycle

Effective management of the Fraud Management Lifecycle starts with a common understanding or definition of the stages in the lifecycle. Without this awareness and understanding, fraud management professionals are unlikely to communicate effectively with each other, with their peers in other industries, and within their respective businesses. The terms lifecycle stage and stage throughout this document are used as a reference to a set of activities. The use of the term stage does, however, bring with it references to a series of sequential independent actions that is not representative of the concepts being advanced by this document. Webster's dictionary refers to a lifecycle as a series of stages in form and functional activity through which an organism passes between successive recurrences of a specified primary stage (1997, 1976, &1941). Webster's also refers to a network as an interconnected or interrelated chain, group or system" (1997, 1976, & 1941). The Fraud Management Lifecycle can be best described as a combination of these two definitions, a network lifecycle. Unlike a traditional linear lifecycle, a network lifecycle's stages are not necessarily linked sequentially, where activities in one stage are completed and then the functioning is passed on to the next stage in the chain. To the contrary, a network lifecycle facilitates simultaneous and sequential actions within each of the lifecycle stages or network nodes. The convenient term stage in a network lifecycle is more specifically a reference to the activities, operations, and functions performed. One can reasonably think of the various lifecycle stages as various disciplines within fraud management. The linking of the lifecycle

stages as network nodes allows the representation of non-linear, non-sequential, even recursive activity. The interrelationships and interdependence of the stages or nodes can be explained without the restriction of the traditional sequential lifecycle stage progression.

The Fraud Management Lifecycle is, therefore, a network lifecycle where each node in the network, each stage in the lifecycle, is an aggregated entity that is made up of interrelated, interdependent, and independent actions, functions, and operations. These activities can, but do not necessarily, occur in a sequential or linear flow.

2.4.3 Stages of Fraud Management Lifecycle

The first stage of the fraud management lifecycle

Deterrence, the first stage, is characterized by actions and activities intended to stop or prevent fraud before it is attempted; that is, to turn aside or discourage even the attempt at fraud through, for example, card activation programs.

The second stage of the Fraud Management Lifecycle

Prevention, involves actions and activities to prevent fraud from occurring. In detection, the third stage, actions and activities, such as statistical monitoring programs are used to identify and locate fraud prior to, during, and subsequent to the completion of the fraudulent activity.

The intent of detection is to uncover or reveal the presence of fraud or a fraud attempt.

The goal of mitigation, stage four, is to stop losses from occurring or continuing to occur and/or to hinder a fraudster from continuing or completing the fraudulent activity, by blocking an account, for example.

In the next stage, analysis, losses that occurred despite deterrence, detection, and prevention activities are identified and studied to determine the factors of the loss situation, using methods such as root cause analysis.

The sixth stage of the Fraud Management Lifecycle, policy, is characterized by activities to create, evaluate, communicate, and assist in the deployment of policies to reduce the incidence of fraud. Balancing prudent fraud reduction policies with resource constraints and effective management of legitimate customer activity is also part of this stage. An example is the requirement that any cash transaction over \$10,000 be reported. Investigation, the seventh stage, involves obtaining enough evidence and information to stop fraudulent activity, recover assets or obtain restitution, and to provide evidence and support for the successful prosecution and conviction of the fraudster(s). Covert electronic surveillance is a method used in this stage.

The final stage, prosecution, is the culmination of all the successes and failures in the Fraud Management Lifecycle. There are failures because the fraud was successful and successes because the fraud was detected, a suspect was identified, apprehended, and charges filed. The prosecution stage includes asset recovery, criminal restitution, and conviction with its attendant deterrent value.

Stage One: Deterrence is the stopping of fraud before it happens. Deterrence or to deter, is defined as, to inhibit or discourage through fear; hence to prevent from action by fear of consequences (Webster, 1997, 1976, & 1941). In the fraud arena we need to expand this definition to include the aspect of difficulty. Fraudsters tend to migrate toward the path of most anonymity and least resistance. Therefore, increasing the difficulty of committing the fraud effectively functions as an incremental increase in deterrence. For example, when conducting an online transaction, requiring address verification provides an incremental increase in deterrent value, because the perpetrator must know how to circumvent and defeat the verification process. Adding a component to the online transaction becomes a deterrent, as it makes the fraudster work harder. For the purposes of this study deterrence will be defined as: activities designed, through fear of consequences or difficulty of perpetration, to turn aside, discourage, or prevent fraudulent activity from being attempted. The aggregate nature of deterrence is implied; deterrence is not viewed as a monolithic whole but rather an aggregation of activities with varying degrees of deterrent value. Deterrent value is a summation of the deterrent contributions and detractions provided by each stage in the Fraud Management Lifecycle. Thus, successful deterrence is contingent upon the performance of the other stages of the Fraud Management Lifecycle.

Stage Two: Prevention in the fraud arena, prevention, detection, and deterrence are sometimes used synonymously. This contributes to confusion within the organization, as well as in external entities, about the focus of prevention activities. The activities in the

prevention stage, though closely associated with deterrence and detection, occur after deterrence has failed and before the suspicion or detection of fraud has been accomplished.

Prevention is defined as, “to prevent, to stop or keep from doing or happening, to hinder a person from acting” (Webster, 1997, 1976, & 1941). Prevent is a general term meaning hindering, checking, or stopping. In the fraud arena the use of the term prevention emphasizes both common forms of the definition, to keep from doing and to hinder the fraudster from performing fraudulent activity. For the purposes of this study the definition of prevention is to hinder, check, or stop a fraudster from performing or perpetrating a fraudulent activity. Prevention stage activities are intended to prevent the fraud from occurring or to secure the enterprise and its processes against fraud. The ability of prevention to stop losses from occurring versus stopping fraudulent activity litigation stage activities. Prevention, when perceived from a security perspective, can be thought of as hardening the target. Prevention actions y from continuing is an important distinction. The latter activities are more appropriately mi are frequently similar to security activities in the information technology area. Deploying protective procedures, processes, systems, and verifications, etc. that make fraud harder to commit prevents fraud. Prevention activities are designed to make fraud more difficult to commit. For example, the purpose of the many security features on credit and debit cards is to make card based fraud more difficult. Telecommunications subscription fraud is made more difficult by interactive verification and authentication procedures. Know your customer

(KYC) processes for opening accounts in the financial industry make it more difficult for fraudsters to open fraudulent accounts. Querying historical fraud claim files in the insurance hinders fraudsters.

Stage Three: Detection, the stage of the Fraud Management Lifecycle, is characterized by actions and activities intended to identify and locate fraud prior to, during, and subsequent to the completion of the fraudulent activity. While “prior to” may sound like deterrence, it refers to the detection of testing or probing activity used by criminals to facilitate a fraud attempt. “To detect, is to uncover or reveal, to discover the existence or presence of the fact of something hidden or obscure” (Webster, 1997, 1976, & 1941). Detection encompasses three closely related activities in the fraud arena: fraud testing, fraud attempts, and fraud successes. The separation is derived from the facts that not all fraud attempts are successful and that not all perceived fraud attempts are intended to be successful. These “tests” are attempts to reverse engineer the current fraud policies and detection activities in order to locate vulnerability. Thus, detection in the fraud arena must include revealing the existence of fraud testing and fraud attempts, as well as successful frauds. The identification of testing, attempts, and successes are typically clustered in the detection, prevention, and mitigation stages, but are also relevant in each of the other stages of the Fraud Management Lifecycle. Detection includes identification of a testing component an attempt component, and a success component. Only detection in all three of these areas provides the required support for the rest of the stages in the

lifecycle. To miss any of these is to run the risk of creating a vulnerability that the fraudster will turn to his advantage.

Stage Four: Mitigation is begun once the presence or a reasonable suspicion of fraudulent activity has been detected. In short, mitigation stops fraud. Other common and relevant terms for the activities in this stage are interdiction and intervention. Sometimes mitigation activities are called prevention and aftercare, where the prevention is focused on stopping the ongoing fraud from continuing. Mitigation is defined as, to cause to become less harsh or hostile and to make less severe or painful (Webster, 1997, 1976, & 1941). Mitigation focuses upon fast actions that are intended to reduce the extent of the fraud, the amount of the associated fraud losses, and the effort and expense required to recover or correct the impact of the fraudulent activity. This last goal is especially important when identity theft and the resulting identity fraud are involved. The faster the fraud activity is detected and mitigation activities initiated, the less time, effort, and expense will have to be invested in correcting the consumer's credit record.

The definition of mitigation in the fraud arena is to stop a fraudster from continuing or completing the fraudulent activity, to reduce their success. Mitigation activities can range from real time to delayed. Clearly the faster mitigation activities can be undertaken, the better for all involved, except, of course, the fraudster. The environment in which the business enterprise operates defines the meaning of real time. For example, real time can range from a ten second authorization in the payment card industry to a one minute phone call in the telecommunications industry, to a ten minute instant credit application

in the retail industry, to a week long mortgage application process, to a month long insurance claim process, to an extended internal employee fraud investigation. Clearly the environment defines the mitigation activities that can be taken in real time. The fundamental premise is to begin mitigation activities as quickly as possible.

The speed with which mitigation can be initiated is constrained by the timeliness and capabilities of the detection systems and processes utilized. If the fraud involves an employee and detection is accomplished through receiving calls from a customer or tips from an external agency, the opportunity to mitigate losses, expenses, and impact will be significantly constrained. If, on the other hand, detection systems can alert special investigations investigators to the strong likelihood of internal fraud before customers and outside agencies become aware of the fraud, the opportunity to mitigate losses, expenses, impact, and exposure will be significantly enhanced. Mitigation performance, then, is constrained by both the business environment and the detection tools being used. Fast mitigation actions provide the promise of speedy termination of the fraud event, reduced losses, and reduced expenses and impact. Much of the resource balancing in the Fraud Management Lifecycle revolves around the appropriate allocation of sufficient, efficient, and early mitigation efforts.

Stage Five: Analysis is characterized by activities to identify and understand losses that occurred despite the deterrence, detection, prevention, and mitigation stage activities. Analysis must evaluate the impact of fraud management activities upon legitimate customers. The product or service cost structures must be evaluated and understood to

ensure the appropriate prioritization of casework. Analysis is defined as, the separation of anything into its constituent parts or elements, to analyze, to make an analysis of, to study in detail the factors of a situation, problem or the like in order to determine the solution or outcome (Webster, 1997, 1976, & 1941). The analysis stage receives data regarding performance from each of the other stages in the Fraud Management Lifecycle and provides them with feedback regarding performance. Analysis provides the performance reporting metrics that allow fraud management to make informed, calculated, and relevant decisions. Analysis processes include the evaluation of the volume and causes of losses, the evaluation and reporting of analyst and investigator performance, the evaluation and reporting of individual and aggregate rule (detection) performance, the evaluation and reporting on predictive score performance, the individual and aggregate customer service impact for each of the various stages, the analysis of staffing productivity in each of the disciplines, the appropriate mix of resources in each discipline, the performance of new and existing strategies, the comparison of the performance of competing (champion-challenger) strategies, and supporting policy's request for retroactive and prospective hypothetical analysis.

Stage Six: Policy activities create, evaluate, communicate, and assist in the deployment of fraud policies to reduce the incidence of fraud and the inconvenience to legitimate customers, and to allocate the resources required to successfully combat fraud. Policy is defined as, wise management, prudence or wisdom in the management of affairs, management based primarily on material interest (Webster, 1997, 1976, & 1941). Policy

must seek to balance deterrent value, loss reduction, sales volume, operational scalability, and cost effectiveness. The ability to balance all of these demands surely requires the wisdom referenced in the definition of policy. In many ways policy development is the process of constantly reassembling the situations just disassembled in the analysis stage. The reassembly needs to take advantage of the knowledge gained by analysis and combine it with internal, external, and interactive environmental factors in order to craft policies that address the whole, while leveraging the knowledge of the parts. Policy development staff are most frequently the leaders within the fraud management organization, as they must be able to consider all the disciplines within the fraud management department, as well as the needs of the rest of the business enterprise.

Stage Seven: Investigation activities obtain enough evidence and information to stop fraudulent activity, to obtain recovery of assets or restitution, and to provide information and support for the successful prosecution and conviction of the fraudster(s). Investigation is defined as, “to investigate; a careful search or systematic inquiry; to follow up or make research by patient inquiry, observation, and examination of facts” (Webster 1997, 1976, 1941). In the fraud arena the definition of investigation needs to be expanded to include the important coordination activities with law enforcement entities. Fraud investigations are focused upon three primary areas of activity: internal investigations, external investigations, and law enforcement coordination. The first area, internal investigations, includes investigations of employees, contractors, consultants, or vendors. External investigations are conducted on customers (fraudulent claims),

fraudsters (individual crooks), and organized groups (an association of criminals). Frequently fraud cases are neither exclusively internal nor external. In these situations, internal fraudsters and external fraudsters work in concert to commit fraud. One of the more common examples of this situation is when a fraudster or organized group targets an employee to assist them with the commission of the fraud. Law enforcement coordination is the provision of information and resources to, and the maintenance of, a partnership with federal, state, regional, and local law enforcement authorities. Rigorous and routine investigations provide for both an incremental lift in deterrence and the maintenance of an effective relationship with law enforcement. A rigorous investigation includes comprehensive and detailed case documentation, complete detailed descriptions of the activity, accurate and complete interview notes, extensive contact information, and high quality physical and digital evidence documentation and storage. Each case is investigated with the idea that it will be prosecuted. Case files are prepared assuming an appeals court level of review. The investigations stage benefits greatly from the planned, systematic search for facts and other supporting information, as well as the ingenuity, initiative, thoroughness, and responsiveness of the investigator. The law enforcement relationship is not a one-way street. An important part of the relationship is providing substantive responses, professional assistance, and detailed documentation when calls and other inquiries are received. Depending on the business environment these requests for information can and are received twenty-four hours a day, 365 days a year. One of

the most critical support components in the investigative function is the development of training on, and maintenance of, detailed investigative procedures.

Stage Eight: Prosecution the communications in this stage are focused upon prosecutorial and judicial authorities as well as with law enforcement. Prosecution is defined as, “the act or process of prosecuting; to conduct legal action against, to pursue by legal proceedings for redress or punishment, especially because of some crime or breach of law” (Webster, 1997, 1976, & 1941). There are three aims of prosecution in the fraud arena. The first is to punish the fraudster in an attempt to prevent further theft. Secondly, prosecution seeks to establish, maintain, and enhance the business enterprise’s reputation of deterring fraud, so that the fraud community becomes aware of it. This is accomplished by the aggressive and successful catching and punishing of fraudsters who target the company. The third goal is to obtain recovery or restitution wherever possible. Some would argue that there is a fourth aim, that of satisfaction for punishing the fraudster. The emotional feelings of satisfaction, though positive, are fleeting and tend to obscure the realistic evaluation of prosecution activities. The importance of prosecution should be limited to deterrence, recovery, and restitution. After a case has been forwarded to law enforcement for the apprehension of a suspect, the philosophical point of no return has been crossed. From this point on, the case should be prosecuted to its natural conclusion. The charges filed should be maintained and the case prosecuted even in the face of offers of restitution and mounting witness expenses. It is always advisable to request appropriate restitution as part of the sentencing recommendations. An

additional activity important to the prosecution stage is the consistent and visible coordination of supportive legislative and regulatory activities to stop fraudulent activity. This activity frequently falls to senior managers and legal counsel due to their experience, industry contacts, and broad perspective. These efforts often require, and should receive, the support of line managers and supervisors in assessing the impact of recommendations, the creation of alternatives, and the creation of committee recommendations and presentations.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge.

Methodology is 'a body of methods, rules and postulates employed by a discipline: a particular procedure or set of procedures. This project sets to elaborate the guidelines in carrying out this study which relates to Accounting As A Tool For The Prevention of Fraud In The Banking Industry.

The methodology covered the scope of the research design, the type and sources of data used, the population of study, the sample and sampling techniques adopted, the method of data collection, organisation, presentation and analysis and model specifications.

3.2 Research Design

A cross-sectional research design with a survey strategy was adopted for this research. This research design was adopted because it provides the advantage of gathering data primarily from a large sample size at a given point in time. It allows for the collection of qualitative data through the use of questionnaire which can be further analysed using descriptive and inferential statistics

3.2.1 Population of the Study

The population of the study consists of qualified accountants and lawyers in both private and public sector resident in Yenagoa, Bayelsa State, Nigeria. Where qualified accountants are those chartered under Institute of Chartered Accountant of Nigeria and Association of National Accountants in Nigeria, and qualified lawyers are lawyers who have been called to bar. These Professionals were chosen because they are knowledgeable in this area of study and they provide experts/technical services during litigation in Fraud cases

3.2.2 Sample and Sampling Techniques

The study adopted the Crochan's (1977) sampling formula to arrive at the sample size. This sampling determination technique is convenient for an estimated population whose size is unknown. The sample determination formula yielded three hundred and eighty-four (384) participants with the formula presented below:

$$n = \frac{Z^2 Pq}{e^2}$$

Where: n = the sample size from the given population

Z = selected criteria value of desired confidence level (95%)

P = estimated proportion of an attribute that is present in the population

q = 1 – P

e = desired level of precision

Further, the non-probability sampling technique was adopted to select the respondents of the study. Specifically, the convenient sampling technique was used to select the respondents of the study. This sampling technique was adopted as it allows the researcher to reach out to accessible respondents that are available at a point in time. Thus, the research instrument was administered to qualified accountants and lawyers accessible to the researcher within the study area.

3.3 Method of Data Collection

Primary and Secondary data were combined and used for this research project.

The Primary data was obtained through the administration of Questionnaire to the staff, management and directorate of Access Bank.

The Secondary data were obtained through articles, journals, publications as well as past project topics.

3.4 Instrument of Data Collection

For the purpose of this research project, the means of data collection used is the administration of Questionnaire to the respondent of the sample in order to have different opinions and also a means of analyzing these varying opinions. Questionnaire allows for a high degree of anonymity and the use of standardised questions for all respondents. The questionnaire is structured into two parts. Part A consists of demographic data of

respondents while Part B consists of statements measuring the dependent and independent variables. Each independent variable consists of two operational statements while the dependent variable consists of one operational statement. All the statements were rated using a Likert scale ranging from Strongly Agree of 5 points to Strongly Disagree of 1 point. The Likert-scale rating was used to enable the researcher to assign a numerical value to the responses for easy quantitative analysis. A sample of the questionnaire is presented in Appendix B.

3.5 Model Specification

$$Fraud = f(PRETRIAL, EXPWIT, SMASTER, PBARGAIN) \dots\dots\dots(vii)$$

Restating equation (vii) in econometric form, the model is thus adjusted below:

$$Fraud_i = \beta_0 + \beta_1 PRETRIAL_i + \beta_2 EXPWIT_i + \beta_3 SMASTER_i + \beta_4 PBARGAIN_i + \mu_i \dots\dots\dots(viii)$$

Where:

β_0 = Intercept

CORR = Corruption

PRETRIAL = Pre-trial Support

EXPWIT = Expert Witnessing

SMASTER = Special Master Engagement

PBARGAIN= Plea Bargain

i = Cross-section

β_1 to β_4 = Unknown coefficients

μ = Error term

Table 3.5.1: Operationalization of variables

3.6 Operationalization and Measurement of Variables

The variables of this study were operationalized given the measurements presented below.

Operationalization and Measurement of Variables

Variables	Types	Measurements	<i>A priori</i> Expectation
Fraud	Dependent	Count value of one statement measured on a 5point Likert scale on fraud.	
Pretrial Support	Independent	Mean value of two statements measured on a 5point Likert scale covering indications of pre-trial support.	–
Expert Witnessing	Independent	Mean value of two statements measured on a 5point Likert scale covering indications of expert-witnessing.	–
Special Master Engagement	Independent	Mean value of two statements measured on a 5point Likert scale covering indications of special master engagement.	–
Plea Bargain	Control	Mean value of two statements measured on a 5point Likert scale covering indications of plea bargain	–

3.7 Actual Fieldwork

This involves the manner of administration of the research instrument and the method of collection of the instrument. The copies of the questionnaire will be administered directly to the staff, management and directorate of the financial institution. Collection of the data instrument will be done on subsequent days after administering the questionnaire.

In administering a questionnaire, there are variety of advantages which includes; respondent anonymity which means the identity of the respondent remains unknown thus aiding confidentiality. Also, due to financial constraints, questionnaires are cheap relative to other means of data collection.

There are also disadvantages in administering a questionnaire which include: difference in interpretation which may arise as a result of not presenting questionnaire face-to-face due to time constraints. Different respondent may interpret the question in different ways and may lead to skewed results. Also, it is hard to convey the feeling and emotions of respondents from questionnaires compared to face-to-face interview schedule.

3.8 Data Organization

Data Organization refers to the process of classifying data sets in an orderly manner to make them more effective and efficient. The data sets in this scenario includes the primary and secondary data obtained.

The data will then be organised by making use of tally sheets and sorting the data manually.

3.9 Method of Data Presentation

Data Presentation involves disclosing the data collected in order to aid in the proper analysis of the data collected. It has to do with the pictorial representation of the data aiding in understanding data easily.

The data collected which includes primary and secondary data in this research project will be presented with the use of tables.

3.10 Method of Data Analysis

Data analysis helps in the interpretation of data and take a decision or answer the research question. The data collected (primary and secondary data) are to be processed manually.

The analytical tool to be used regression analysis

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter focuses on data presentation, analysis and discussion of findings. The hypothesis of the study was analyzed following the descriptive analysis of the variables under study.

4.2 Data Presentation

Data obtained from respondents were analysed and summarised using both descriptive and inferential statistics. A total of 107 questionnaire was retrieved and analysed. The questionnaire was divided into two parts. Part A captured relevant demography of respondents while Part B captured the scale items of the variables (Appendix A).

Table 4.2

Demography of Respondents

Demography		Frequency	Percentage (%)
Respondents	Male	71	68
	Female	36	32
Profession	Accountant	61	57
	Lawyer	46	43

	Others	0	0
Professional association	ICAN	23	21
	ANAN	38	36
	NBA	46	43
	Others	0	0
Work Experience (Years)	< = 5 years	16	15
	> 5 years < 10 years	44	41
	10 years and above	47	44

Source: Authors' Presentation (2023)

Table 4.2 above shows that the respondents for the study were eligible to partake in the study. Qualified lawyers and accountants made up of both male and female with reasonable years of work experience were conveniently selected and given the research questionnaire. The respondents of the study were made up of 46 qualified lawyers and 61 qualified accountants representing approximately 43% and 57% respectively. In all, 107 (one hundred and seven) questionnaires were retrieved and usable.

4.2.1 Descriptive Statistics

The descriptive statistics provide information on the mean value of the responses which demonstrates on the average, the responses of respondents, the standard deviation which shows how dispersed the data set is from the mean, the skewness, kurtosis, and Jarque-

Bera statistics with an associated p -value which provides evidence on the normality of the data set.

Table 4.2.1

Descriptive Statistics

Variables	Mean	Max	Min	Std. Dev.	Skewness	Kurtosis	JB(prob)
FRUD	1.30	5.00	1.00	0.66	2.85	13.08	599.09 (0.00)
PRETRAIL	4.51	5.00	1.00	1.05	-2.48	8.30	235.41 (0.00)
EXPWIT	4.69	5.00	1.00	0.67	-2.81	12.38	533.26 (0.00)
SMMASTER	4.47	5.00	1.00	1.04	-2.26	7.29	173.60 (0.00)
PBARGAIN	1.51	5.00	1.00	1.08	2.25	7.05	164.44 (0.00)

Source: Author's Computation, 2023

From Table 4.2.1, CORR had a mean value of 1.30 which is approximately 1, indicating that on average, respondents strongly disagreed that appropriate and sufficient evidence are provided for effective prosecution of Fraud cases in Nigeria. Invariably, the persistent level of Fraud can be attributed to insufficient evidence to bring corrupt official to book. This can be in the number of cases unresolved despite the inability of prosecution to secure convictions. The maximum and minimum value stood at 1.00 and 5.00 indicating that responses ranged from strongly agree of 5 points to strongly disagree of 1 point. The standard deviation ($SD = .66$) appeared to be very narrow suggesting that responses

provided cluster around the mean value. It was also observed that the CORR does not mirror a normal distribution given that it is positively skewed ($s = 2.85$) and leptokurtic ($k = 16.56$). The Jarque-Bera statistic appears to be large and significant ($p < .05$), thus, confirming that CORR is not normally distributed.

As regards PRETRIAL, EXPWIT and SMASTER, the mean values of these variables are clearly above 4 suggesting that on average, respondents strongly agreed to the indicators of these variables. The maximum and minimum value of the variables stood at 5.00 and 1.00 respectively indicating that responses to each variable ranged on a scale of 5 points of strongly agree to 1 point of strongly disagree. It was also observed that PRETRIAL, EXPWIT, and SMASTER are negatively skewed and leptokurtic having a skewness value of less than 0 and Kurtosis value highly above 3, thus, suggesting that the data set is not normally distributed. The Jarque Bera- statistics displayed large values and appears to be significant ($p < .05$), thus, reinforcing the non-normality of the variables.

Lastly, the control variable PBARGAIN had a mean value of 1.51 which is approximately 2, suggesting that respondents disagree with the indications of plea bargain as presented. Standard deviation ($SD = 1.08$) fairly exhibited a clustering around the mean. Similar to the other variables, PBARGAIN does not mirror a normal distribution given that it is positively skewed ($s = 2.25$) and leptokurtic ($k = 7.05$). The Jarque-Bera statistic ($JB = 164.44$) appears to be large and significant ($p = 0.00$), thus, confirming that PBARGAIN is not normally distributed.

The above descriptive statistics are not inconsistent with categorical data. They are usually not normally distributed, thus violating a crucial assumption of the classical regression model. Hence, the study proceeded with the Generalised Linear Model (GLM) to avoid unreliable estimates.

4.3. Data Analysis

Before proceeding to the multivariate analysis, correlation analysis was performed to determine the association between the variables.

4.3.1 Correlation Analysis

Table 4.3.1 provides the correlation result of the variables of the study. This study employed Cohen's (1998) guideline, $r = 0.10$ to 0.29 for a weak correlation, $r = 0.30$ to 0.49 for a moderate correlation, $r = 0.50$ to 1.0 for a strong correlation for interpreting the result of the analysis.

Table 4.3.1

Correlation Matrix

VARIABLES	CORR	PRETRIAL	EXPWIT	SMASTER	PBARGAIN
FRUD	1.00				
PRETRIAL	-0.67	1.00			
EXPWIT	-0.58	0.55	1.00		
SMASTER	-0.70	0.61	0.55	1.00	
PBARGAIN	0.49	-0.34	-0.32	-0.49	1.00

Source: Author's Computation (2023)

From Table 4.3.1 above, PRETRAIL displayed a strong and negative correlation with Fraud ($r = -.67$), EXPWIT exhibited a strong and negative correlation with Fraud ($r = -.58$), SMASTER showed a strong and negative correlation with Fraud ($r = -.70$), PBARGAIN demonstrated a moderate and positive correlation with Fraud ($r = -.49$). The implication of this result suggests that all explanatory variables are negatively associated with Fraud except plea bargain which showed a positive association. While the explanatory variable moves in opposite direction with Fraud indicating an inverse association, the control variable tends to move in the same direction with Fraud, thus, suggesting a direct association.

4.3.2 Multivariate Analysis

To estimate the nature and extent of the relationship between the dependent and independent variables, this study employed the Generalised Linear Model as an alternative to the Ordinary Least Square (OLS) estimation technique. This choice was reinforced following the unfavourable outcome of the properties of OLS which violation made tend to produce estimates that are spurious and unreliable. Hence, we proceeded with GLM estimation after performing some diagnostic test to ensure that the estimation technique was appropriate for our data set.

Table 4.3.2.1*GLM Diagnostic Test*

Diagnostics	Test	Probability	Remark
	Normality	JB = 626.11 ($p = .00$)	Not Fulfilled
Coefficient	Serial Correlation	$Q 1 - 5$ ($p > 0.05$)	Fulfilled
Stability	Ramsey-Rest test	$F = 1, 101$ ($p = .14$)	Fulfilled
	Wald Test	$F = 4, 102$ ($p = .00$)	Fulfilled

Source: Author's Computation (2023)

Table 4.3.2.1 showed the coefficient and stability diagnostics performed on our data. From histogram plot (Appendix D) our data set was not normally distributed. The residuals are positively skewed and leptokurtic. Hence, the null hypothesis for residual normality is strongly rejected. Likewise, the JB test ($p = 0.00$) reinforced the non-normality of our data set. However, GLM techniques shield the unfulfillment of these test results. GLM extends linear regression to permit non-normal stochastic and non-linear systematic components (Nelder & McCullagh, 1972 as cited in Gailly & Adler, 2007), thus encouraging a relaxation of distributional assumption associated with non-normal distribution models.

Further, our data set demonstrated the absence of serial correlation as the associated probabilities of the Q-statistics of residuals are all insignificant (Appendix E). Similarly,

the Ramsey-Reset test (Appendix F) showed an F -statistic and associated p -value $> .05$, thus, indicating no evidence of non-linearity in our model. This implies that our model is linear, and our dependent variable can be set as a function of our independent variables. Lastly, the Wald test (Appendix F) which tests the hypothesis that the independent variables are simultaneously equal to zero stood at $F = 4, 102$ ($p = .00$), thus we reject the null hypothesis and conclude that the independent variables are fit for the model.

Table 4.3.2.2

GLM Output

Dependent Variable: Fraud

Method: Generalised Linear Model (Quadratic Hill Climbing)

Included observations: 107

Variable	Coefficien			
	t	Std. Error	z-Statistic	Prob.
PRETRIAL	-0.195631	0.050758	-3.854194	0.0001
EXPWIT	-0.164706	0.075178	-2.190881	0.0285
SMASTER	-0.215272	0.055364	-3.888287	0.0001
PBARGAIN	0.103398	0.042687	2.422258	0.0154
C	3.771373	0.332633	11.33795	0.0000

Mean dependent var	1.308411	S.D. dependent var	0.664621
Sum squared resid	17.39689	Log likelihood	-54.70196
Akaike info criterion	1.115924	Schwarz criterion	1.240823
Hannan-Quinn criter.	1.166557	Deviance	17.39689
Deviance statistic	0.170558	Restr. Deviance	46.82243
LR statistic	172.5254	Prob(LR statistic)	0.000000
Pearson SSR	17.39689	Pearson statistic	0.170558
Dispersion	0.170558		

Source: Author's Computation, 2023

Table 4.3.2.2 revealed that PRETRIAL has a negative and significant relationship with Fraud, $z(1, 107) = -3.85$, $\beta_1 = 0.19$, $p < .05$. This implies that an increase in pre-trial support will lead to a 0.19 per cent decrease in Fraud. Similarly, EXPWIT was found to have a negative and significant relationship with Fraud, $z(1, 107) = -2.19$, $\beta_2 = 0.16$, $p < .05$ suggesting that an increase in expert witnessing will result in a 0.16 per cent reduction in Fraud. Equally, SMASTER exhibited a negative and significant relationship with Fraud, $z(1, 107) = -3.88$, $\beta_3 = 0.21$, $p < .05$. This indicates that an increase in special master engagement will bring about a 0.21 percent decrease in Fraud. Further, PBARGAIN demonstrated a positive and significant relationship with Fraud, $z(1, 107) = -2.42$, $\beta_4 = 0.10$, $p < .05$ implying that an increase in plea bargain will result in a 0.10 per cent increase in Fraud.

Table 4.3.4 also displayed a statistic which provides evidence for goodness-of-fit. The Deviance statistic appeared low and stood at $DS = 0.17$ suggesting our model accounts for about 17% of variation in our data, thus, indicating that our model fits into our data set. According to ... The smaller the value of this statistic the better the model as small values indicate that the observations are tending towards the line of symmetry. Likewise, Akaike info criterion appears to be very small ($AIC = 1.11$), thus, reinforcing that model fits our data set. The AIC holds that the estimation is fit for the model and the outcome can be useful for policy formulation.

Furthermore, the LR statistic capable of prediction which stood at $LR = 172.52$ with a corresponding p -value of $< .05$ indicates a strong rejection of the null hypothesis that all non-intercept coefficients are equal to zero. This implies that our model is significant and the independent variables and the control variables jointly account for the variation in Fraud (dependent variable). The overall significance of the model is further reinforced by our stability diagnostic, Wald Test (Table 4.3.2.1) which demonstrated that all explanatory variables are jointly significant and fit for the model.

4.4 Hypothesis Testing

The hypotheses formulated in the chapter one was tested at a 5% level of significance given the z-Statistics and the p-value from the GLM regression output in Table 4.3.4 as shown below:

H₀₁: *There is no significant relationship between Pretrial Support and Fraud.*

From table 4.3.2.2 Pre-trial Support has a negative coefficient ($\beta_1 = 0.19$) and an absolute z -Statistics ($z = 3.85$) above the threshold of 2 with an associated significant p -value ($p < .05$) implying that there is a negative significant relationship between Pre-trial Support and Fraud. Thus, there we fail to accept the hypothesis that there is no significant relationship between Pre-trial Support and Fraud.

H₀₂: *There is no significant relationship between Expert Witnessing and Fraud.*

Table 4.3.2.2 revealed that Expert Witnessing has a negative coefficient ($\beta_2 = 0.16$) and an absolute z -Statistics ($z = 2.19$) above the threshold of 2 with an associated significant p -value ($p < .05$) indicating that there is a negative and significant relationship between Expert Witnessing and Fraud. Accordingly, the hypothesis that there is no significant relationship between Expert Witnessing and Fraud was rejected.

H₀₃: *There is no significant relationship between Special Master Engagement and Fraud.*

The result from table 4.3.2.2 showed that Special Master Engagement *has* a negative coefficient ($\beta_3 = 0.21$) and an absolute z -Statistics ($z = 3.88$) above the threshold of 2 with an associated significant p -value ($p < .05$) suggesting that there is a negative significant relationship between Special Master Engagement and Fraud. Hence, we conclude that there is a significant relationship between Special Master Engagement and Fraud.

4.5 Discussion and Implication of Findings

The broad objective of this study was to investigate the relationship between forensic accounting and Fraud prevention. The study was anchored on the classical deterrence theory, culminating into a model specification where Fraud was a function of forensic accounting (pre-trial support, expert witnessing, and special master engagement). The model was further expanded to accommodate a control variable (plea bargain); thus, the independent variables and the control variable were regressed against Fraud. The model was tested and found to be fitted and that all independent variables exhibited a significant negative relationship with Fraud, thus, fulfilling our earlier stated *a priori* expectation. However, the control variable, plea bargain exhibited a significant positive relationship with Fraud, a departure from our *a priori* expectation. The result of the analysis led to the rejection of H_{o1} , H_{o2} , and H_{o3} at 5% level of significance. Overall, the model was found to be significant and capable of explaining the variation in the dependent variable.

Based on the foregoing, the implication of the negative relationship between pre-trial support and Fraud is that pre-trial support can significantly reduce the level of Fraud in Nigeria. In other words, engaging the services of the forensic accountant at the early stage of the case preparation can affect the litigation outcome of Fraud cases. The forensic accountant provides consultancy services tailored at the determination of the viability of Fraud cases. By doing so, the forensic accountant ensures that all evidence, reports, and demonstrative aids are secured and adequate for the prosecution team who

eventually uses them during trial. This result is in consonance with Ejoh and Ukpe (2017) who found a positive relationship between forensic audit report and enhancement of court adjudication on financial fraud in Nigeria, and a significant relationship between the time of hiring a forensic accountant and the outcome of litigation. Similarly, our result also appeared to be consistent with Sorunke (2018) who found a significant relationship between the adoption of forensic accounting and successful prosecution of Fraud cases. It also suffices to note that our findings can be linked to Okoye et al. (2020) which revealed that demonstrative, documentary, and oral evidence has significant influence on Nigeria judicial system. Moreover, international studies including Chesoli (2020) and Kirui and Sporta (2020) also portray similar deductions with our findings. These authors also consider the significant influence of litigation services on financial crime, noting that litigation has contributed significantly to the minimisation of potential criminal behaviours in Kenya.

Expert Witnessing was also found to have a significant negative relationship with Fraud implying that expert-witnessing can mitigate Fraud. This study was able to obtain evidence that a forensic accountant serving as an expert witness can effectively break down complex financial issues that will aid judges' understanding of the *modus operandi* of corrupt officials. The implication of this result indicates that the forensic accountant providing expert testimony in Fraud cases goes a long way to assisting judges in the determination of Fraud cases. This finding recognises the submission of Warshavsky

(2010) who acknowledged that forensic accountants play a significant role in the ruling of court cases as they are more capable of translating difficult economic matters that can be better understood by attorneys and judges. Moreso, the findings of our study agree with the analysis of Dada and Jimoh (2020) who found a negative relationship between litigation support services and financial crime and further recommended the use of expert witnesses in financial crime cases including Fraud. The outcome of the study of Leyira and Tony-Obiosulesi (2014), Okoye and Jonathan (2019), and Oseni (2017) also provided supporting evidence to our analysis. These authors concluded that the forensic accountants have the legal capacity to serve as expert witnesses and can work effectively with anti- Fraud agencies in Nigeria (Leyira & Tony-Obiosulesi, 2014); prevent, detect and reduce financial crime through expert witnessing (Okoye & Jonathan, 2019), and provide litigation support service that leads to appropriate judgement of economic and financial crimes (Oseni, 2017).

Similarly, a negative and significant relationship was found between special master engagement and Fraud suggesting that engaging forensic accountant at any point during the litigation process can influence the outcome of Fraud cases. When corrupt officials perceive that they can easily be caught, prosecuted and reaped off their looted funds, it is logical that others attempting Fraud may refrain. An effective judicial system is one that tends to serve justice in the face of adversity by ensuring that all criminals are brought to book to serve as deterrence. Our findings support the findings of Arumona et al. (2021)

which implied that more convictions secured on bribery and Fraud will reduce the level of financial crime cases in Nigeria. Moreso, our findings are in consonance with Enofe et al. (2017) who found that special master engagement affects the adjudication of fraud cases. However, our study appears to disagree with the results of Bassey and Ahonkhai (2017) who found that litigation support does not have a significant effect on fraud detection in Nigeria companies. The authors nevertheless noted that their result could be accounted for by the fact that most corporate fraud cases do not end up in court.

Lastly, plea bargain was incorporated as a control variable to determine its relationship with Fraud. The result of our analysis showed that plea bargains have a positive and significant relationship with Fraud, implying that plea bargain aids Fraud in Nigeria. The result of our findings is not far from reality as plea bargain processes have been perceived to be inefficient in bringing corrupt elites to book. Our findings reinforce the submission of Duke and Agbjaji (2017) who posit that plea bargain has short-changed the pursuit of the rule of law and the delivery of justice which in turn has hampered EFCC efforts on its fight against Fraud. Aidonjio et al. (2017) in their study found plea bargain to be a useful tool in resolving minor criminal cases and unsuitable for resolving high profile corrupt cases, thus supporting the findings of our study. While Berg and Kim (2018) holds that plea bargaining is efficient whenever the risk of wrongfully convicting an innocent defendant is sufficiently small, Korejo et al. (2022) concluded that plea bargain has certain moral and legal dilemma in terms of legality and punishment and in Nigerian

context, it has offered a sense of escape from criminal punishment. The work of Nsirim and Eke (2021) and Osamor (2022) is also in tandem with our findings as these authors have concluded that plea bargain does not mitigate Fraud in Nigeria. However, it is pertinent to note that although higher convictions have been secured by the EFCC and other anti-Fraud agencies using plea bargain, its application has also weakened the criminal justice system and robbed it off the deterrent effect, hence, the consistent rise in Fraud cases in Nigeria.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings, conclusions and recommendations resulting from the study.

5.2 Summary of Findings

Fraud is indeed a cankerworm that has eaten deep into every fabric of Nigeria. The devastating effect has led the government and stakeholders to finding effective measures in mitigating corrupt practices in the society. To that effect, this study investigated the relationship between litigation support services and Fraud in Nigeria and found the following:

- i. there is a significant negative relationship between pre-trial Support and Fraud;
- ii. there is a significant negative relationship between expert witnessing and Fraud;
- iii. there is a negative significant relationship between special master engagement and Fraud; and
- iv. there is a positive significant relationship between plea bargain and Fraud.

The implication of the above findings suggests that forensic accounting offered can lead to effective and efficient prosecution in Fraud cases which in turn will deter Fraud.

However, plea bargain was reported to influence Fraud positively suggesting that plea bargain encourages corrupt practices amongst public officials in Nigeria.

5.3 Conclusion

Fraud has existed in Nigeria since the introduction of modern administrative structures. Today, Nigeria is being regarded as one of the most corrupt nations in the world despite the multiplicity of agencies and laws aimed at tackling Fraud in Nigeria. A major challenge has been the inability of anti-Fraud agencies to secure convictions that will send a strong deterrent message that the commissions are in the business of fighting Fraud. Poor handling of evidence, insufficient evidence, and lack of technical expertise among others have been reported to have led to protracted cases and the use of plea bargain. This study demonstrated that forensic accountants can play a significant role in the litigation of Fraud cases. The study found a significant negative relationship between litigation support services (pre-trial support, expert witnessing, and special master engagement) and Fraud. The implication of this finding is that engagement of forensic accountants during the litigation of Fraud cases can foster effective and efficient prosecution of Fraud cases which in turn will deter Fraud in Nigeria. Notwithstanding, the study also found that Plea bargain provides a shield for individuals facing corrupt charges. Corrupt officials are willing to part with proceeds of crime, knowing that they can enter into favourable negotiation that will allow them to enjoy the proceeds of crime not affected. Thus, Plea bargain as opposed to litigation support services negates the

deterrence theory which draws inference from the concept of bounded rationality that individuals choose to be responsible when the cost of being corrupt (punishment and sentence) outweighs the result expected. Likewise, the non-severity, non-certainty, and non-celerity of punishment and sentence awarded to corrupt officials have indeed fostered corrupt practices in Nigeria and the forensic accountant is resolute in providing services that can reengineer more effective prosecution of Fraud cases.

5.4 Recommendations

The following recommendations are put forward:

- i. pre-trial support services provided by forensic accountants should be incorporated in attorney strategy and most importantly, employed by prosecution team to aid their case preparation before going for trial;
- ii. the expert witness should be engaged where cases of Fraud appear complicated and a need for expert testimony arises;
- iii. anti-Fraud agencies should frequently engage the forensic accountant at any stage of litigation process including post-trial stage where their services may be required for asset recovery and other special matters; and
- iv. plea bargain process should be made transparent and proper valuation of the proceeds of crimes should be made before negotiation. The forensic accountant is a specialist in valuation and can provide such services in a plea bargain arrangement.

- v. In addition to the above, it is important that anti-Fraud staff work effectively with the legal department. Moreover, Routine training on effective evidence gathering, custody, and presentation is crucial to effective prosecution, hence, it is recommended that staff of anti-Fraud agencies engage in routine training to develop and enhance these capabilities.

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