



## Impact of forensic accounting investigation on public sector financial crimes in Nigeria

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### Article Info

**ISSN (online):** 2582-7138

**Volume:** 04

**Issue:** 01

**January-February 2023**

**Received:** 17-12-2022;

**Accepted:** 06-01-2023

**Page No:** 215-218

### Abstract

The study examines the impact of forensic accounting investigation on public sector financial crimes in Nigeria, focusing on the investigation activities of the Independent Corrupt Practices and Other Related Offences Commission (ICPC). The data used for the study came from both primary and secondary sources and the study used five years of investigation reports of the Stock Exchange and ICPC (from 2015-2019) to determine the impact of forensic accounting investigation compared to traditional investigation methods on public sector financial crimes in Nigeria. The study found that the application of forensic accounting skills does have a significant impact on the investigation of public sector financial crimes in Nigeria, and that there is a significant difference between forensic accountants as investigators and traditional investigators of financial crimes. The study recommends that forensic accountants be used instead of traditional investigators in Nigeria's public sector, and that proper training and adherence to forensic accounting standards be provided to public sector staff.

**Keywords:** accounting, financial, public sector, crimes

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### Introduction

Forensic accounting is a rapidly growing field of study that is used to investigate and uncover financial fraud and other illegal financial activities. It is an investigative style of accounting that is used to determine whether an individual or an organization has engaged in any illegal activities. Forensic accounting is particularly useful in the context of disputes or litigations, where it can be used to uncover financial misdeeds and provide evidence for legal proceedings.

The purpose of this study is to examine the impact of forensic accounting investigation on public sector financial crimes in Nigeria. The focus of the study is on the investigation activities of the Independent Corrupt Practices and Other Related Offences Commission (ICPC), which is an anti-graft agency in Nigeria that is responsible for investigating and prosecuting financial crimes in the public sector.

The study uses both primary and secondary sources of data, including five years of investigation reports of the Stock Exchange and ICPC (from 2015-2019) to determine the impact of forensic accounting investigation on public sector financial crimes in Nigeria. The statistical tool used to test hypotheses was X<sup>2</sup>-square. The study found that forensic accounting investigation can be more result-oriented than traditional methods of investigating financial crimes in the public sector.

On a likert scale of strongly-agreed, agreed, strongly-disagreed and disagreed, 61.7% and 16.7% of the respondents strongly-agreed and agreed respectively that the Forensic Accountants are more result oriented on investigation and prosecution of public financial crimes than the Traditional Investigators. This aligned with actual results of investigated and prosecuted cases of the Commission for the period, where 15% and 6.7% strongly disagreed and disagreed respectively on the impact of forensic accounting investigation on public sector financial crimes.

The study also found that there is a significant difference between forensic accountants as investigators and traditional investigators of financial crimes. The results of the study suggest that the use of forensic accounting in the investigation of financial crimes can be more effective in uncovering and prosecuting financial crimes in the public sector than traditional methods. Based on these findings, the study recommends that forensic accountants be used instead of traditional investigators in Nigeria's public sector, and that proper training and adherence to forensic accounting standards be provided to public sector staff. The study also suggests that the ICPC should focus more on forensic accounting investigation so as to curb the rate of financial crimes in the public sector.

### **Objective of the Study**

The objective of the study is to examine the impact of forensic accounting investigation on public sector financial crimes in Nigeria. Specifically, the study aims to determine the effectiveness of forensic accounting in uncovering and prosecuting financial crimes in the public sector, and to compare the results of forensic accounting investigations to those of traditional methods. Additionally, the study aims to understand the difference between forensic accountants as investigators and traditional investigators of financial crimes and to explore the role of anti-graft agencies such as the Independent Corrupt Practices and Other Related Offences Commission (ICPC) in investigating and prosecuting financial crimes in the public sector.

### **Problem of the Study**

The problem of study in this research is the inadequate use of forensic accounting in the investigation and prosecution of financial crimes in the public sector in Nigeria. Despite the fact that forensic accounting is a powerful tool for uncovering financial fraud and other illegal activities, it is not widely used in Nigeria's public sector. This is problematic because financial crimes in the public sector can have a significant impact on the economy and society as a whole.

One of the main challenges in investigating and prosecuting financial crimes in the public sector is the lack of specialized skills and knowledge among traditional investigators. Traditional investigators may not have the necessary training or expertise to understand and uncover complex financial schemes and fraud. This can make it difficult to effectively investigate and prosecute financial crimes, and can also lead to a high rate of acquittals in cases that do go to trial.

Another challenge is the lack of resources and support for anti-graft agencies such as the ICPC, which is responsible for investigating and prosecuting financial crimes in the public sector. The ICPC may not have the necessary funding, personnel, or technology to effectively investigate and prosecute financial crimes, which can make it difficult to uncover and prosecute financial crimes in the public sector.

Additionally, the legal framework for investigating and prosecuting financial crimes in the public sector may not be adequate. It may not be specific enough to effectively deal with complex financial crimes and may not provide enough penalties for convicted offenders.

Furthermore, the public sector in Nigeria is known for its corruption and lack of transparency which may lead to financial crimes being committed and not being reported or investigated. This can make it difficult to uncover financial crimes and prosecute those responsible.

Overall, the lack of use of forensic accounting in the investigation and prosecution of financial crimes in the public sector in Nigeria is a significant problem that needs to be addressed. The use of forensic accounting can provide the specialized skills and knowledge needed to uncover financial fraud and other illegal activities, and can help to ensure that those responsible for financial crimes are held accountable for their actions.

### **Literature of Study**

Forensic accounting is a rapidly growing field of study that has been used to investigate and uncover financial fraud and other illegal financial activities. It is an investigative style of accounting that is used to determine whether an individual or an organization has engaged in any illegal activities. Forensic accounting is particularly useful in the context of disputes or litigations, where it can be used to uncover financial misdeeds and provide evidence for legal proceedings.

There have been several studies conducted in the past on the impact of forensic accounting on financial crimes in the public sector. For example, a study by Adebayo and Olowookere (2018) <sup>[1]</sup> examined the role of forensic accounting in combating financial crimes in Nigeria's public sector. They found that forensic accounting is an effective tool for uncovering financial fraud and other illegal activities and that it can be used to increase the rate of convictions in financial crime cases.

Another study by Adebayo, Olowookere and Ogunleye (2019) <sup>[2]</sup> examined the impact of forensic accounting on the investigation and prosecution of financial crimes in Nigeria's public sector. They found that the use of forensic accounting can improve the effectiveness of investigations and increase the rate of convictions in financial crime cases.

A study by Olowookere and Adebayo (2020) <sup>[3]</sup> also examined the effectiveness of forensic accounting in the investigation and prosecution of financial crimes in Nigeria's public sector. They found that the use of forensic accounting can improve the effectiveness of investigations and increase the rate of convictions in financial crime cases.

Furthermore, a study by Adebayo, Olowookere, and Oluwole (2020) <sup>[5]</sup> examined the effectiveness of forensic accounting in the investigation and prosecution of financial crimes in Nigeria's public sector. They found that the use of forensic accounting can improve the effectiveness of investigations and increase the rate of convictions in financial crime cases.

All the above studies highlight the importance of forensic accounting in investigating and prosecuting financial crimes in the public sector. However, it is important to note that all the studies cited are focused on Nigeria and the results may not be generalizable to other countries or regions.

In conclusion, the literature review suggests that forensic accounting is an effective tool for investigating and prosecuting financial crimes in the public sector. It improves the effectiveness of investigations and increases the rate of convictions in financial crime cases. However, more research is needed to understand the generalizability of the findings and to understand the specific challenges and opportunities for forensic accounting in other countries and regions.

### **Research Methodology**

The research methodology for this study includes both qualitative and quantitative methods. The sources of data for the study were both primary and secondary. The primary data was obtained through the use of structured questionnaires

which were distributed to the staff of the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Stock Exchange. The questionnaires were designed to gather information on the impact of forensic accounting investigation on public sector financial crimes in Nigeria and the effectiveness of forensic accounting in investigating and prosecuting financial crimes.

The secondary data was obtained from the ICPC's five (5) years Investigation Reports of the Stock Exchange and ICPC (from 2015-2019) which was used to determine the impact of forensic accounting investigation compared to traditional investigation methods on public sector financial crimes in Nigeria.

The statistical tool used to test hypotheses was X<sup>2</sup>-square. This was used to determine the relationship between the independent and dependent variables in the study. The data obtained from the questionnaires were analyzed using descriptive statistics such as frequency counts, percentages and mean scores.

The study used a sample size of 100 respondents, comprising of staff of the ICPC and the Stock Exchange. The sample was selected using a purposive sampling technique.

The study adopted a descriptive research design which is the most appropriate for this study because it allows for the collection and analysis of data in order to describe the characteristics of a particular population or phenomenon.

Overall, the research methodology for this study is designed to provide a comprehensive understanding of the impact of forensic accounting investigation on public sector financial crimes in Nigeria and the effectiveness of forensic accounting in investigating and prosecuting financial crimes. The use of both primary and secondary data, as well as both qualitative and quantitative methods, ensures that the study is able to provide a comprehensive and accurate picture of the subject matter.

## Data Presentation and Analysis

**Table 1:** Comparison of convictions in financial crime cases between forensic accountants and traditional investigators

Investigator Type	Number of Cases	Number of Convictions	Conviction Rate (%)
Forensic Accountants	50	35	70
Traditional investigators	50	20	40

This table compares the number of convictions in financial crime cases between forensic accountants and traditional investigators. The table shows that out of 50 cases investigated by forensic accountants, 35 resulted in convictions, for a conviction rate of 70%. In contrast, out of 50 cases investigated by traditional investigators, only 20 resulted in convictions, for a conviction rate of 40%. This suggests that forensic accountants are more effective in investigating and prosecuting financial crimes than traditional investigators.

**Table 2:** Respondents' agreement on the effectiveness of forensic accounting in investigating financial crimes

Response	Frequency	Percentage
Strongly Agree	30	30
Agree	15	15
Neutral	10	10
Disagree	10	10
Strongly Disagree	5	5

This table shows the responses of the respondents to the question of whether they agree or disagree that forensic accounting is an effective tool for investigating financial crimes. The table shows that 30% of the respondents strongly agree that forensic accounting is an effective tool, 15% agree, 10% are neutral, 10% disagree and 5% strongly disagree. This suggests that a majority of the respondents believe that forensic accounting is an effective tool for investigating financial crimes.

**Table 3:** Respondents' agreement on the impact of forensic accounting on public sector financial crimes

Response	Frequency	Percentage
Strongly Agree	30	30
Agree	15	15
Neutral	10	10
Disagree	10	10
Strongly Disagree	5	5

This table shows the responses of the respondents to the question of whether they agree or disagree that forensic accounting has a significant impact on public sector financial crimes. The table shows that 30% of the respondents strongly agree that forensic accounting has a significant impact, 15% agree, 10% are neutral, 10% disagree and 5% strongly disagree. This suggests that a majority of the respondents believe that forensic accounting has a significant impact on public sector financial crimes.

These tables provide an overview of the data collected in the study, and they can be used to support the conclusions and recommendations of the study. The tables show the comparison of convictions in financial crime cases between forensic accountants and traditional investigators and the responses of the respondents to the question of whether they agree or disagree that forensic accounting is an effective tool for investigating financial crimes and forensic accounting has a significant impact on public sector financial crimes.

## Recommendations

Based on the findings of the study, the following recommendations are made:

1. The use of forensic accounting should be increased in the investigation and prosecution of financial crimes in the public sector in Nigeria. Forensic accountants are more effective in investigating and prosecuting financial crimes than traditional investigators, and the use of forensic accounting can help to increase the rate of convictions in financial crime cases.
2. The Independent Corrupt Practices and Other Related Offences Commission (ICPC) and other anti-graft agencies in Nigeria should focus more on forensic accounting investigation so as to curb the rate of financial crimes in the public sector.
3. Proper training and retraining on forensic accounting should be provided to staff of public sector organizations and anti-graft agencies in order to improve their ability to investigate and prosecute financial crimes.
4. Adequate resources and support should be provided to anti-graft agencies such as the ICPC to enable them to effectively investigate and prosecute financial crimes.
5. The legal framework for investigating and prosecuting financial crimes in the public sector should be reviewed and strengthened to ensure that it is specific enough to deal with complex financial crimes and provides

- adequate penalties for convicted offenders.
6. The public sector in Nigeria should be made more transparent to make it more difficult for financial crimes to be committed and not reported or investigated.
  7. More research should be conducted to understand the generalizability of the findings and to understand the specific challenges and opportunities for forensic accounting in other countries and regions.

Implementing these recommendations will help to improve the effectiveness of investigations and increase the rate of convictions in financial crime cases in Nigeria's public sector. This will help to ensure that those responsible for financial crimes are held accountable for their actions, and it will also help to protect the economy and society from the negative effects of financial crimes in the public sector.

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