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STATEMENT OF THE PROBLEM
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HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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EFFECTIVENESS OF FORENSIC ACCOUNTING IN THE DETECTION AND PREVENTION OF FRAUD IN NIGERIA

ABU SEINI ODUDU
DEPARTMENT OF ACCOUNTING
FACULTY OF ARTS, MANAGEMENT & SOCIAL SCIENCES
FEDERAL UNIVERSITY
DUTSIN-MA

YUSUF MOHAMMED ALIYU
ASST. LECTURER
DEPARTMENT OF ACCOUNTING
FACULTY OF ARTS, MANAGEMENT & SOCIAL SCIENCES
FEDERAL UNIVERSITY
DUTSIN-MA

ABSTRACT

The study of the Effectiveness of Forensic Accounting in the Detection and Prevention of Fraud in Nigeria aimed at examining and review the previous studies carried out in the area of forensic accounting as a tool for detection and prevention of fraud, whether such had proffered solution to fraud cases in Nigeria. The study utilizes the library style approach as methodology as no data is used. Therefore, only secondary sources of data were used for the study. The study reviewed several available literature on forensic accounting and auditing and shows how its application can be use in both public and private sector of the Nigerian economy. The study found that the application of forensic accounting significantly reduces the occurrence of fraud cases as well as effectively prevented the occurrence of fraud too. The study recommended that the federal government, companies and other corporate organizations should material and moral investments in this profession (forensic accounting)in order to ensure that individuals, corporations, economic sectors, government departments are protected so that the country would be better place for all.

KEYWORDS
forensic accounting, accounting frauds.

INTRODUCTION

Forensic accounting is viewed as a profession which combines the skills of an auditor and private investigator. It is a rapidly developing area of specialization in the field of accounting. It is also regarded as a polygamous family, married to the skills of an auditor, the skills of computer technologist and the skills of an investigator. This means the forensic accountants should possesses the knowledge and skills, of investigation, research, law, quantitative methods, accounting, finance, auditing and imbibe the technicality of the law enforcement officer.

Forensic accounting is an area of specialization that is primarily concerned with the detection and prevention of financial fraud and other forms of economic irregularities .Dhar and Sarkar (2010),in their study stated that the perception of the public, management officials, directors and even regulator was that, detecting fraud was part of the accounting and auditing functions. Fraud, according to these groups' thought was something internal and external auditors were supposed to provide and safeguard against through their periodic audits. But now, they realize that auditors can only check a company's accounting reports in order to check the compliance to generally accepted accounting principles and company policy. To these scholars, the only discipline that is needed to substantiate fraud for companies that suspect fraudulent transactions in the area of accounting is forensic accounting.

Forensic accounting is an investigative style of accounting used to determine whether an individual or corporate organization has engaged in any illegal financial activities. The services of forensic accountants may be needed in both Government establishments and private sectors. The need for forensic accounting as a field of study came to existence in Nigeria when the companies and corporate organizations discovered the enormous growing rate of fraud cases. Bologna and Lindquistn, as cited by Atube, Enofe and Okpako (2013), assert that forensic accounting as a discipline encompasses fraud knowledge, financial expertise, and sound knowledge and understanding of business reality and working of the legal system. This means bringing these skills together will yield a specialty known as forensic accounting which may result to be the most effective and efficient tool in the detection and prevention of fraud in Nigeria.

In Nigeria, employee and management fraud, skimming, gratification, theft, misappropriation, embezzlement and other forms of financial crimes are increasing in a proportional such that traditional accounting and auditing cannot fight the menace. Therefore, it requires the service of forensic accountants with skills to recognize these crimes and prospect in the area of fraud detection, investigation, deterrence, prevention and remediation for future purposes, as forensic accounting is said to bring significant improvement in the quality of fraud detection and prevention.

The objective of this paper is, first to examine and review the previous studies carried out in the area of forensic accounting as a tool for detection and prevention of fraud, whether such study had proffered solution to fraud cases in Nigeria. Secondly, the paper highlights on the implication of fraud on the Nigerian economy, particularly public sector, and how forensic accounting can be used to detect and prevent these frauds. The paper utilizes the library style approach as methodology since no primary data is required.

The study is organized as follows; the next section introduces statement of problem. Section III review of related literature. Section IV describes the methodology with section V discuss the findings, while the final section concludes the paper

STATEMENT OF RESEARCH PROBLEM

The failure of statutory audit to detect, prevent and reduce misappropriation of corporate fund as well as an increase in corporate crime has put pressure on the professional accountant and legal practitioner to find a better way of exposing fraud in business world. Dada, Olaoye and Owolabi (2013), in their study state that despite the establishment of Anti corruption agencies, cases of corrupt practices both in the public and private sectors appear to be on the increase and it seems difficult to successfully prosecute the affected persons, due to lack of professional forensic accountants in these Anti graft agencies to handle these cases. In the same way, Dada, Owolabi and Okwu (2013), in their study, assert that corruption had made many foreign investors to have lost several billions of dollars to Nigerian fraudsters, thereby leading to reduction or even dis-investment in Nigeria.

According to Izedonmi and Ibadin (2012), financial crimes today have grown wild, and the emergence of computer software coupled with the advent of internet facilities has compounded the problem of financial crimes. However, detection or minimization of these crimes are made more difficult and committing these crimes much easier, since fraud and other financial crimes remain outside the ambit of the statutory auditor to report on except placed on inquiry. This means that the statutory auditor is not primarily bound to detect fraud and errors as his responsibility being defined by section 359 (CAMA, 2004).

In the word of Ojaide, as cited by Modugu and Anyaduba (2013), submits that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria emphasizing the visibility of forensic accounting service. This shows that there is general expectation that forensic accounting may be able to stem the tide of financial irregularities witnessed in most sectors of the Nigerian economy. This was the opinion of Williams, as cited in Atube, Enofe and Okpako (2013), assert that forensic accounting is recognized as having form of professional expertise and endowed with identifiable attributes among which are rationality, neutrality and independence, as this makes forensic accountants to possess a particular social recognition, observation that is critical to the translation of economic issues into symbolic display of trust.

In the light of the varying statements above by these various scholars, this study aims at examining these statements and to review their research work in order to bring out their findings and the solution recommended to see how forensic accounting can be used as a tool for effectiveness relevance for detection and prevention of fraud.

LITERATURE REVIEW

The corporate failures in many countries in recent times including Nigeria has led to the growing public awareness of the need for accounting, auditing and finance professionals that can detect and prevent corporate unethical behaviours. This has given rise to a profession within the context of accounting discipline known as forensic accounting which use the application of professional accounting methodology and techniques, auditing and investigative skills as well as principles to legal issues to carry out investigations in a financial set up. According to Gottschalk (2011), Forensic accounting is concerned with identifying, recording, settling, extracting, sorting, reporting, and verifying past financial data. This means the focus of forensic accounting is on evidence revealed by the examination of financial documents which can be presented to a court of law for proper prosecution.

Skousen and Wright, as cited in Gottschalk (2011), assert that forensic accounting is concerned with evidentiary nature of accounting data, and as a practical field it is concerned with accounting fraud and forensic auditing, compliance, due diligence, and risk assessment; detection of financial statement misrepresentation and financial fraud, tax evasion, bankruptcy and valuation studies, violation of accounting regulations, non-standard entries, structured transactions, records tampering, and earnings mismanagement. To handle all the issues raised above by these scholars, forensic accountants need to apply decision aids as well as professional judgments in their wok, and this decision aids are technical and systems which offer the potential to improve detection of financial fraud in accounting.

Degboro and Olofinsola, as cited by Modugu and Anyaduba (2013), argued that forensic investigation is all about the determination and establishment of fact in support of legal case. This shows that forensic accounting techniques in investigating financial crime is to detect and expose all its attending features as well as identify the culprits. In the view of Howard and Sheetz (2006), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert. This shows that the use of forensic accounting discipline is to help in determining issues of facts in business litigation.

Forensic accounting according to Owolabi et al (2013), is a technique that is suitable for legal review, offering the highest level of assurance, and including the now generally accepted connotation of having been arrived at in a scientific fashion. This proved that findings are based upon the scientific detection and interpretation of the evidences of phenomena introduced into the books and records of an accounting system and the effects of such phenomena upon the accounts, inventories or the presentation thereof. This view is in line with Curtis (2008), who see forensic accountants as essential to the legal system, providing expert services such as fake invoicing valuations, suspicious bankruptcy valuations and analysis of financial documents in fraud schemes.

Baird and Zelin (2009), see forensic accounting as an important investigative tool for detection of fraud. Gray (2008), states that the forensic accountants investigation include identification of fraud. According to an article extracted on-line through www.buzzle.com/articles, view forensic accounting essentially encompasses three major areas of investigation, dispute resolution and litigation support. Today, the horizons of forensic accounting have been broadened to include litigation support, investigative accounting, criminal matters, corporate investigation regulating compliance, insurance claims, matrimonial dispute and expert witnessing.

Kranacher et al (2008), develop investigative knowledge in the area of forensic accounting which they suggest as a model curriculum consisting of several concepts such as basic accounting, basic auditing, transaction processing, business law, business communication and computer skills. The purpose of this curriculum is to build knowledge, skills and abilities in forensic accounting to detect, prevent and deterrence in fraud related matters. However, a financial crime such as fraud can be subject to forensic accounting, since fraud encompasses the acquisition of property or economic advantage by means of deception, through either a misrepresentation or concealment. Singleton and Singleton, as cited in John and Ofiafoh (2013), view forensic accounting as comprehensively entails fraud investigation, prevention of fraud and analyzing antifraud controls in addition to gathering non - financial information.

The sole aim of forensic accounting investigator is to establish whether fraud is committed, in what capacity and the amount involved as well as evidence available for the prosecution of the culprits. In line with this statement, Bhasin (2007), as cited in Modugu and Anyaduba (2013), assert that the objectives of forensic accounting is the assessment of damages caused by an auditor's negligence to detect and reveal fact finding whether an embezzlement has taken place, in what amount, and whether criminal proceedings are to be initiated as well as the collection of evidence to establish criminal proceedings and computation of asset values in a divorce proceedings. However, most of literature on forensic accounting focuses financial crimes such as fraud, corruption, embezzlement skimming etc, as such there is a need for forensic accountants to be grounded in fraud investigation as well as analyzing financial evidence, develop skills in computer application to assists in the analysis, presentation and interpretation of financial evidence as well as communicating the findings in the form of reports, exhibits and documents collection in order to assist in legal proceedings.

The focus of this study shall base on how the application of forensic accounting can be used in the detection and prevention of fraud in Nigeria.

FRAUD

Fraud is difficult to describe because of its multi-dimensional nature, and as such it may be chaotic to give one definitive all-encompassing definition to it. However, scholars vary significantly in their expressions about fraud. Defining fraud sometimes is as difficult as identifying it. Ozkul and Pamukcu (2012), fraud is deceit, impersonation with intent to deceive, criminal deception done with the intention of gaining an advantage. The institute of Turkish History also explains fraud as "a deceptive trick, scam, game, artifice, cabal which is committed to cheat, mislead someone" and contributing something useless to something in order to gain advantage. Onuorah and Appah (2012), quoting Bello (2001), and Russel (1979), view the term fraud as generic and is used in various ways, which assumes in so many different degrees and forms that courts are compelled to context themselves with only few general rules for its discovery and defeat. In the same vein, Anyanwu (1993), and Ojaide (2000), sees fraud as an act or cause of deception, deliberately practiced to gain unlawful or unfair advantage; such deception is directed to the detriment of another. However, one thing to note and understand is the psychological factors that induce the behaviour of fraud perpetrators.

From the above explanation of fraud, given by these different scholars, it has four main ingredients which are:

Deception: Deception involves any false or misleading words or actions or omissions or concealment of facts that will cause legal injury.

Fault: This is define as wrong, mistake and error committed involuntarily and unconsciously. Fault stems from the deficiencies originated from the person or environment.

Intention: This is the most important element which distinguishes fraud from fault. However, the person committing fraud has an objective of moral or material gain.

Debugging: These are heavily committed on documents from faults and bringing them to light is a difficult but not impossible task, which required the services of experienced auditors to detect it, as fraudsters definitely leave trace and experienced auditors could find the fraud and the fraudster by tracking traces (Ozkul and Pamukcu, 2012, quoting Arzova, 2003).

TYPES OF FRAUD

According to Onuorah and Appah (2012), Karwai (2002), Ajie and Ezi (2000), Anyanwu (1993), Okafor (2004), and Adeniji (2004), according to these scholars, the types of fraud depend on the basis of the methods of perpetration include the following but not exhaustive as the methods are devised day in and day out which include defalcation, suppression, outright theft and embezzlement, tempering with reserves, insider abuses and forgeries, fraudulent substitutions, unauthorized lending, lending to ghost borrowers, kite flying and cross firing, unofficial borrowing, impersonation, teeming and lading, false payment, false proceeds of collection, manipulation of vouchers among others. But for the purpose of this study, fraud is classified into two groups: Financial fraud inside typical accounting cycles and Financial fraud outsider typical accounting cycles.

A. **Financial Fraud Inside Typical Accounting Cycles**: Usually, fraud involves an intentional deception by employees, management, vendors, and customers to obtain money or other assets or services from a business. Therefore, the activity of fraudster in this group will be classify into five typical accounting cycles of any business where it will likely leave some audit trail and will be briefly discuss as follows:

Sales and Collections Cycle: This aspect of accounting cycle deals with the sales of goods and services and collection of money. It is the most cash intensive among the five cycles. The most common frauds in this cycle are:

- Outright cash theft
- Theft of other assets
- Kickback to customers
- Front end frauds

Outright Cash Thefts: This is the easiest and most common type of fraud to perpetrate in this cycle and is usually carried out through unrecorded sales, under ringing, among others. Silverstone and Sheetz (2004), as cited in Izedonmi and Ibadin (2012), positioned that cash is the favourite of fraudsters and this accounts for about 77.8% of asset misappropriation in the U.S. To them, much of cash is taken by outright cash larceny and skimming. Larceny occurs when cash is taken or stolen after it has been recorded while skimming occurs when theft of cash taken place before cash is recorded.

Theft of Other Assets: Assets can be stolen by ordering and shipping goods to an address other than that of the business.

Kickback to Customers: In customer kickback schemes, the fraudster under bills the customer for merchandise and they split the difference or the receivables are written off as uncollectible for a fee.

Front-End Frauds: Front-end frauds are committed by the fraudster directing customers to take their business elsewhere or misappropriating it.

Purchases and payment Cycle: These are aspects of fraud that include non-capital procurements and payments of goods, equipment, and services used in company operations. The purchaser may act alone by setting up companies to receive goods which he misdirected from his company by false invoices. The vendor will typically provide a bribe or kickback in return for business.

Payroll and Personnel Cycle: According to Izedonmi and Ibadin (2012), the financial crime of payroll fraud is usually fast tracked by a payroll clerk, internet facility or through the connivance and collusion of another staff. Payroll and personnel cycle deals with hiring and termination, salaries, time keeping, expense account reimbursement, and health and other types of employee insurance coverage. Common forms of fraud in this cycle are paying ghost employees, overstating hour worked, overstating expenses, and filing false medical claims.

Inventory and Warehousing Cycle: This type involves the control of the purchase and storage of goods for later processing and sale or just for sale. The most common fraud in this area are ordering unneeded inventory and then stealing it for personal use, committing outright theft, charging embezzlements occurring elsewhere in the company to inventory losses.

Capital Acquisition and Repayment Cycle: This section accounts for debt and equity financing, interest, and dividend payments. The results of these transactions are reflected on the financial statements of the company. The usual frauds are borrowing company money for personal use, misuse of interest income, and misuse of proceeds from financings.

B. **FINANCIAL FRAUD OUTSIDE TYPICAL ACCOUNTING CYCLES**

These are circumstances whereby some frauds that affect business organization often occur outside the typical accounting cycles. These can be grouped and discussed under the following headings:

Customer Fraud: Customer fraud can severely affect insurance companies particularly, through filing of false applications and fraudulent claims, especially those for personal injury. Banks and other financial institutions suffer customer fraud through submission of false financial information on loan applications.

Management fraud/Theft: This type of fraud are committed when management over - rides the controls instituted by themselves to prevent the frauds or theft they now commit. Izedonmi and Ibadin (2012), quoting Shackell (2000), reports that the pervasiveness of management involvement in corporate financial crime in organization is high which most often are difficult to detect. However, management fraud deserves special attention in these days of corporate scandals. This is because, in addition to theft through the capital acquisition and repayment cycle, management can commit fraud through the manipulation of earnings reported on the financial statements prepared for shareholders and creditors. This types of fraud can affect the stock price, management bonuses and the availability and terms of debt financing.

Payroll Fraud: In any organization, being public or private sector, the payroll unit/section could be linked up with payroll fraud. The criminal activities perpetrated in this section is usually fast tracked by a payroll clerk, internet facility or through the conspiracy and collusion of another staff. The instruments of payroll fraud include ghost employees, inflating hours of work and overtime, as well as overstating expense accounts or medical grounds. According to Izedonmi and Ibadin (2012), financial crime of payroll is committed when the payroll clerk uses various criminal practices to avoid being caught in the fraud, particularly, by included in the payment schedule, salaries of ghost staff, income and overtime be inflated in connivance with other fraudulent staff of the organization and payment made on the basis and is being shared among themselves.

Kite - Flying Operation: This type of fraud usually takes place in the banking sector. Kite flying operation or kitting is the most expensive type of frauds in banks. This is where the depositor is passing worthless cheque (s) to banks with no assets behind it. The customer who is presenting this type of cheque is doing so in order to create false balance on which he may withdraw cash and then find his/her way out of the city. Most often, the kiter may probably has no intention to cause financial injury to the bank, but for the purpose of funding his/her small business push him/her to do so.

Corporate Fraud: The executive cadre of the companies are the centre stage for this type of fraud. Corporate fraud are usually intended to benefit the company. Izedonmi and Ibadin (2012), viewed these frauds to include financial statement fraud, anti - trust violation, securities frauds, tax evasion, false advertizing, environmental crimes and the production of unsafe product. However, corporate fraud deprives company of its assets especially when the top management attempts to deceive, conceal and misrepresent materially the financial statements.

CHARACTERISTICS/ FEATURES OF THE FRAUDSTERS

This section tries to examine the characteristics or features of people who commit or are likely to commit fraud on business. Ozkul and Pamukcu (2012), quoting the Association of Certified Fraud Examiners (ACFE) , in their survey with 2,000 fraudsters revealed many characteristics of fraudster, which should guide the investigative auditors to detect the fraud. Below are some of these characteristics:

(a). **Gender**: In the survey carried out by the Association of Certified Fraud Examiners (ACFE) proved that male usually involved in fraud cases than female. The result of their survey shows that three out of four of the people who commit fraud in business are male.

(b). **Marital Status**: Usually, the number of married employees who attempt to commit fraud is higher than unmarried employees. The result of the survey conducted by ACFE shown with respect to the amount of fraud, difference is 1 - 3

(c). **Education Status**: Generally, it is believe that as the level of education increases, the number and amount of the fraud also increase. The amount of the fraud is much higher, especially with employees who had received good education.

(d). **I Q Level**: Research conducted recently showed that employees with higher I Q levels or those claiming to be so have a higher level of desire to commit fraud in an organization. The reason for this is that, this kind of people challenge the internal control structures and security systems of the business outfit they work in and satisfy themselves by breaking through.

(e). **Age Level**: Generally, employees of any age could attempt to commit fraud, but it is common with older people when compare with younger ones. The outcome of the survey conducted by ACFE shown that the number of fraud older people commit is 28 times higher than those young people commit.

(f). **Working Conditions**: Evidence from survey conducted by ACFE shown that employees who come to work early and leave late are assume to commit fraudulent activities more. More so, employees who present unfinished jobs as an excuse and want to work alone until late hours of the night have probability of committing fraud. It is also estimated that many of the managers who are caught as a result of fraudulent activities do not take leave unless they have to.

(g). **Position at the Business:** There is a public perception that, any person working in the business organization has a probability to commit fraud. In addition to this perception, recent studies indicate that with respect to the amount of fraud, employees at managerial positions are by far ahead of other employees in fraud matter. At managerial level, they are in a better position to understand the entity's internal control structures and gaps in them and are able to conduct fraudulent activity more easily.

WHY EMPLOYEES COMMIT FRAUD

Bozkurt as cited in Ozkul and Pamukcu (2012), gives three reasons why employees indulge in fraud. These are pressure, opportunity, and justification that constitute the fraud triangle. They further state that components of the fraud triangle are similar to the fuel, spark, and oxygen which together cause fire, that is, once the three come together, it will result to fire break. In addition to this, a recent research conducted by Okoye and Gbegi (2013), quoting crumbley et al (2007), to have add a fourth variable capability to the three factor that makes employee to commit fraud. Therefore, as people have the pressure and opportunity to commit financial fraud, as well as the ability to justify it, they may not necessarily mean to have had the capability to do so.

FRAUD DETECTION

A close study of any fraud in an organization, be it public or private reveals many common basic features. There may have been negligence or dishonesty at some stage, on the part of one or more of the organization employees, and this may give room to a fraudster, as fraudsters viewed fraud as an easy way to get money without running risk of severe punishments. David (2005), as cited in Enofe et al (2013, assert that fraud is not a possibility but a probability. Once fraud is committed, those involved in the fraudulent acts would normally find it difficult to end the habit.

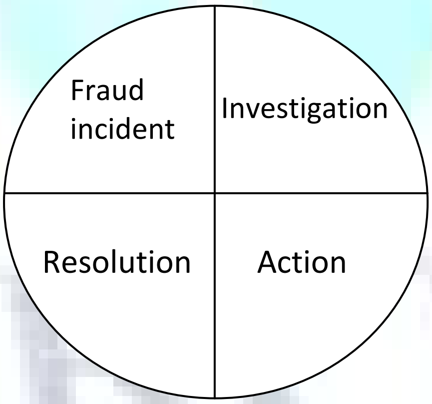
The development process of fraud in an organization can take a gradual process. The criminal may originally start with a very small amount but the trend may increase as time progresses . When the fraudster observed that he was not caught, he would act more greedily and the amount taken would increase day by day. When he noticed the presence of auditor to have suspected a foul play, he would stop the act, but when he observed the system for a short period of time to see whether the auditor could easily have spotted the theft and was satisfied that it might be difficult for the auditor to reveal the fraudulent activity, he continues.

Detection of fraud begins with the notification of red flags which indicates that something is wrong. This might come to light as a result of trends in the number of employees, managers and victims concerned about the loss in business assets. Ozkul and Pamukcu (2012), identify two ways to detect fraud: (a) Detection by chance and (b) Conducting a proactive research and encouraging initial identification of symptoms. To them, people who are exposed to fraud in the organization, do know that fraud was being committed, but could not bring it to light either because they are not sure and unwilling to blame someone directly or are unsure of how to go about reporting it and might also be afraid of being labeled as whistleblower.

In view of this, most organizations establishing hotlines through which employees make anonymous calls to draw attention to the fact that the crime is being committed. Ozkul and Pamukcu added that the organization in addition to hotline, takes some proactive precautions, as technological developments could be used by these organizations to analyze their databases in order to detect red flags. Detection of fraud has two model as identified by Ozkul and Pamukcu. These are: (a) Current Fraud Model and (b) Fraud Savvy Model

(a). **Current Fraud Model**: Current fraud model has four stages which is shown in figure 1.1 below:

FIGURE 1.1



Source: Ozkul and Pamukcu (2012). Fraud Detection and Forensic Accounting. http:// www.springer.com/978 - 3 - 642 - 20825 -6

i. **Fraud Incident Stage**: In this stage, a fraud case raises consciousness while training and other preventive measures are out of question. This makes the company move to crises mode because it wants to identify the fraudster and is too eager to prevent the event from becoming known publicly, save losses, and reduce the impact of fraud on the organization.

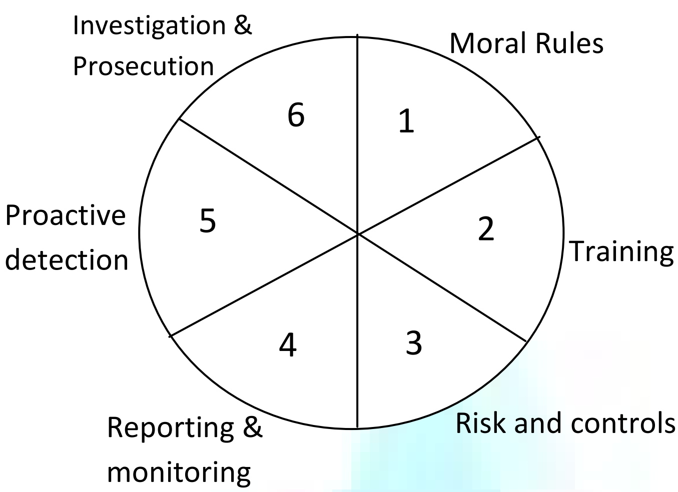
ii. **Investigation Stage**: This stage comprises all security procedures and internal control unit of an organization.

iii. **Action Stage**: Most at times, before the third stage begins, investigation would have been completed and the company decides how to take action against the fraudster. In this stage, four possible decision actions may have emerged: that is, do nothing, fire the fraudster, transfer the fraudster to another section or fire the fraudster and start legal proceeding.

iv. **Resolution Stage**: This stage decides the fate of the fraudster as the file is closed, showing the end to the matter. Though, the employee may be changed or new controls are applied or not applied, and the problem is resolved. However, nothing is done after this stage until a new fraudulent event takes place.

(b). **Fraud Savvy Model:** Savvy model is a better approach which is designed into six stages depicted in figure 1.2 below:

FIGURE 1.2



Source: Ozkul and Pamukcu (2012). Fraud Detection and Forensic Accounting. http:// www.springer.com/978 - 3 - 642 - 20825 - 6.

Fraud savvy model constitutes six element as can be seen above:

i. **Moral Rules**: Lindborg (2005), as cited in Ozkul and Pamukcu (2012), opined that the most important element in fraud savvy model is the establishment of moral rules. There are two important points in establishing rules vis - a- vis, the developed rules must be embraceable by everyone working in the company and creating a proper behaviour model.

ii. **Training**: This stage of the model is to train the employees on a series of consequences of fraud and how to act when fraud is suspected. Albrecht and Albrecht (2003), as cited in Ozkul and Pamukcu (2912), assert that, what will provide benefit is not detecting or investigating but preventing the incidence of fraud.

iii. **Risk and Controls**: At this stage, the only instrument that can be used to fight against fraud is the risk assessment and a good internal control system. Internal control system is use to detect the source in order to identifying where each fraud is stemming from, and thus preventing possible frauds in the future.

iv. **Reporting and Monitoring System**: This stage involves the use of reporting and monitoring systems. The reporting system of fraud should be of hotlines as non - use of hotlines and reporting systems frequently would make employees to abstain from reporting suspected frauds. However, monitoring includes watching the performance of internal auditors, external auditors and managers, and audits and investigations.

v. **Proactive Detection**: This segment of savvy model deals with the application of proactive detection methods. No matter how good the prevention measures are, fraud could still be committed, as the loss caused by fraudsters could increase as time got longer, therefore, computer software can be used for initial detection as it is important today.

vi. **Investigation and Prosecution**: This is the last stage of savvy fraud model. In this stage, if evidence of fraud is established, then the fraudster will be prosecuted at the law court. This is where forensic accounting comes to play in providing an account analyzes to determine the facts necessary to resolve a dispute before it is brought before the court or the lawsuit process takes its course. Therefore, doing nothing about the perpetrators should not be preferred while taking lawsuit against the perpetrators should be encouraged.

FRAUD PREVENTION

Enofe et al (2013), quoting David (2005), states that fraud can be better prevented if decisions are made by a group and not an individual, but however, if the group has the same interest, then fraud may not be prevented.

In fraud a case, one of the preventive measures to take, if fraud is suspected, is that the investigative accountants should discover and review the evidence to prove or disprove the allegations. Such evidence gathering process must be extremely discrete and should be preserved in such a way that it can meet the standards of proof tests of any court which may serve as reference points in any fraud matters. Traditional auditing has a focus on error identification and prevention. Prevention is the result of an effective internal control system. The auditor reviews the effectiveness of the internal control system by sampling transactions and not by a complete review of all transactions.

Gottschalk (2011), examined the role of accountants in white-collar prevention in his study, stressing the need for division of labour, openness, transparent work processes and corporate culture as way of preventing white-collar crime. However, since fraud forms part of white - collar crime, it can also be seen from that angle of division of labour, openness, transparent work processes, and corporations can to a great extent reduce or prevent fraud in an organization.

METHODOLOGY

The study be a theoretical analysis of the effectiveness of forensic accounting in the detection and prevention of fraud in Nigeria. We employed the secondary source of data collection by making use of available literature on forensic accounting and auditing and its application in both public and private sector of the Nigerian economy.

DISCUSSION OF FINDINGS

Various available journals, publications, articles and conference papers were critically examined, analyzed and reviewed to see whether the application of forensic accounting can be used to detect and prevent fraud in an organization.

This study is carried out aimed at the effectiveness of forensic accounting in the detection and prevention of fraud in Nigeria. Okoye and Gbegi (2013), in their study forensic accounting: A tool for fraud detection and prevention in the public sector, using scientific techniques of analysis via variance (ANOVA) concludes that forensic accounting significantly reduces the occurrence of fraud cases in public sectors. This means the application of forensic accounting cannot prevent fraud completely, but can only reduce it to the barest minimal.

In the study conducted by Enofe, Okpako and Atube (2013), the impact of forensic accounting on fraud detection shows that, the application of forensic accounting has strong relationship with fraud detection and gives public confidence on eradication of financial crime. But we found that there was no strong evidence to show the prevention of fraud through the application of forensic accounting. Therefore it is still a mirage. According to Modugu and Anyaduba (2013), in their study on, "Forensic Accounting and Financial Fraud in Nigeria: An Empirical Approach", they found that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, improving financial reporting and internal control. For this findings to see the test of day, forensic accountants should wake up from their slumber to face the potential fraud and other illegal activities while performing their duties. These can help in providing significant assistance in preventing, investigating and resolving issues without which it will still be like an aborted dream.

Also, Owolabi, Dada and Olaoye (2013), in their research study, application of forensic accounting technique in effective investigation and detection of embezzlement to combat corruption in Nigeria, found that the application of forensic accounting technique as a tool for embezzlement investigation and detection has not effectively prevented the occurrence of it as EFCC does not have forensic accounting unit and the professional accounting firms with expertise skills are not directly involved in their investigation, yet, they are succeeding in their investigation. This means the application of forensic accounting in the detection and prevention of fraud in Nigeria is still in doubt until law enforcement agencies, constitutional constrain and attitudes of defense lawyers are put in proper place.

In the view of Dada, Owolabi and Okwu (2013), in their study, forensic accounting a panacea to alleviation of fraudulent practice. The study found that forensic accounting is positively related to the investigation and detection of fraudulent practices, but has not been applied in the investigation and detection of fraud, especially by the major anti corruption agency (EFCC) in Nigeria. This leads to poor investigation, presentation and prosecution of fraudsters in the law court. However, there was no substantial evidence to support their claim that non involvement of professional forensic accountants or firms result to failure of cases in the court. Statistics has shown over the years that EFCC has made tremendous stride as regards to cases of financial crime in Nigeria.

Furthermore, the findings of the study carried out by Onuorah and Appah (2012), fraudulent activities and forensic accounting services of banks in Port Harcourt, Nigeria has shown that the application of forensic accounting services reduces the level of fraudulent practices in banks.

In the light of above findings by these different scholars, we are of the opinion that the application of forensic accounting to some extent can lead to the effectiveness of fraud detection and prevention in Nigeria.

CONCLUSION AND RECOMMENDATION

Based on the findings of this study, we recommend the following:

- The federal government, companies and other corporate organizations should make material and moral investments in this profession (forensic accounting) in order to ensure that individuals, corporations, economic sectors, government departments are protected so that the country would be a better place for all
- Appropriate measures should be applied when fraud is detected, that is, where prosecution and punishment is considered to be the appropriate measure, proper forensic procedures should be followed during investigation and experts in the field should be involve in conducting the investigation. And where fraud is detected with substantial evidence, appropriate disciplinary measure should be applied on the culprit.
- Detection and prevention of fraud have given rise to the profession of forensic accounting, and as such companies had to rise against this backdrop or cankerworm in order to prevent the occurrence of fraud in the future.

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