

*Full Length Research Paper*

# Forensic accounting: A relevant tool for effective investigation of bribery cases in Nigeria

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Corruption has been a popular topic of discussion both locally, in Nigeria and internationally. Cases of bribery, a major form of corruption, are recorded in every sector of Nigerian economy on regular basis. It (bribery) undermines good governance, fundamentally distorts public policy, leads to the misappropriation of resources, and harms the private and public sectors development. Past Nigerian governments enacted so many laws to fight corruption and financial crimes, but all these laws did not reduce cases of corrupt practices. It is in the light of the failure of legislation that this study focused on application of forensic accounting technique for effective investigation of cases of bribery to ensure proper prosecution of those accused of such practices. This study adopted the survey research design to ensure that reliable data is obtained empirically to assist in testing the relationship that exist between forensic accounting and investigation of cases of bribery.. To assess the effect of forensic accounting in the investigation and detection of bribery in Nigeria, multiple regression analysis using Statistical Package for Social Sciences (SPSS) was employed in analyzing the data collected with questionnaire and oral interviews conducted. The result showed positive values of the coefficients of bribery investigation and detection with the application of forensic accounting technique ( $\beta_1 = 0.220$  and  $\beta_2 = 0.079$ ). The implication of this is that though forensic accounting is not presently being employed to carry out investigation and detection of bribery cases by the EFCC, however, it is clear that if applied, it will positively assist in effective detection and investigation of bribery cases. Result of the regression analysis showed that the p-value (0.207) associated with the coefficient of autonomous variable is not significant at 0.05 level of significance;  $R^2$  of 0.076 has low explanatory power in explaining the variation in the dependent variable (bribery prevention), and the calculated F of 1.641 is very much less than the F tabulated of 4.08,  $H_0$  is therefore accepted. The study recommends that anticorruption agents should employ forensic accounting technique for effective investigation of cases of bribery, personnel involved in investigation should be trained in the application of forensic accounting technique and professional accounting firms should be involved in investigation of corrupt practices (bribery) for effective investigation.

**Key words:** Forensic accounting, bribery, effective investigation, bribery prevention.

## INTRODUCTION

Corruption has been a popular topic of discussion both locally, in Nigeria and internationally. Cases of bribery, a major form of corruption, are recorded in every sector of Nigerian economy on regular basis. It (bribery) undermines good governance, fundamentally distorts

public policy, leads to the misappropriation of resources, and harms the private and public sectors development.

Bribery is an anti-social behaviour conferring improper benefits contrary to legal and moral norms, which undermines the authorities' capacity to secure the welfare

of all citizens. The decline of the traditional society values was a function of rapid urban development in the late 40s coupled with the bitterly fought Second World War that made survival of the fittest the order of the day. This gave birth to rapid economic growth bringing in its trail, new tastes, new aspirations and a new social order. It seems that all the efforts of the past administrations, in Nigeria, did not achieve reduction in the level of corrupt practices hence, the trust of this study was in the area of how investigation of bribery can be effective for successful prosecution of the culprits with the employment of forensic accounting technique by anti graft Commission in Nigeria.

Acts of bribery are passive in that their voluntary acceptance offers an assurance of personal advantage (but misuse of public responsibility) whereas extortion is proactive (aggressive) in its demand for something of value under threat of non-cooperation. From a business perspective, the possibility for bribery and extortion typically impinges on the regulatory gates, transactions with public officials; obtaining import/export permits and visas, paying for public utilities and taxes, loan applications, award of public contracts, influencing laws and regulations, and getting favourable judicial decisions (Kaufmann, 2003). According to Oyejide (2008), the institutional elements of the indirect factors affecting the degree of corruption include the penalty system, monitoring and control, and transparency of laws, rules and processes. More specifically, he suggested that where penalties are strong and faithfully imposed, corrupt practices may be reduced. Similarly, the existence of effective monitoring and controlling institutions which increase the probability that those who are corrupt would be caught and appropriately punished may reduce the extent of corruption. This may explain why several such institutions have been established in Nigeria. The question however is how effective are these institutions? Following this portion is the statement of problems, objective of the study, and statement of hypothesis. Other parts of this works include conceptual framework (Bribery, Forensic Accounting), methodology, conclusion and recommendation.

### **Statement of problems**

The emergence of e-business and its growing sophistications have not done much in the reduction of unwholesome practices in Nigeria as envisaged in the dawn of the millennium by most corruption fighters. Policy makers, the world over, have instituted policies in the form of legislations just in an effort to stamp out the monster called corruption but everything seems to be ineffective.

Owolabi (2007) said past Nigerian governments enacted so many laws to fight corruption and financial crimes, but all these laws did not reduce cases of corrupt

practices. Consequently, the Olusegun Obasanjo administration introduced the Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) in 2000 and 2004 respectively. Impact of these institutions in reducing cases of corruption, especially bribery, seems not to have been felt in Nigeria. It is in the light of the failure of legislation that this study focused on application of forensic accounting technique for effective investigation of cases of bribery to ensure proper prosecution of those accused of such practices.

### **Objective of the study**

The objective of this study is to examine the relevance of forensic accounting technique in effective investigation and detection of bribery in Nigeria.

### **Statement of hypothesis**

Application of forensic accounting technique has no relevance to the effective investigation of cases of bribery in Nigeria.

### **Concept of bribery**

Sternberg (2000) stated that a bribe (which is a form of corrupt practice) is an incentive offered to encourage someone to break the rules of the organization he nominally represents and deliver an unfairly favorable outcome. Corrupt acts are increasingly regarded as unfair and indeed criminal by many high-income countries because the bribe-recipient's betrayal of trust with his employer, when practiced systemically by high-ranking public officials, compromises the development of fair and efficient markets (Boatright, 1999). Corruption is when individuals are misusing the public power they are bestowed with for private benefit. The corrupt act is when this responsible person accepts money or some other form of reward, and then proceeds to misuse his official powers by returning undue favours. For instance, it is an act of corruption when a state official takes a bribe to render some public service that is supposed to be free of charge or demands more than the official cost of it.

Nazari et al. (2012) defined corruption as, any form of unethical use of public authority for personal or private advantage; the perversion of integrity by bribery or favour. Action by a government functionary that is different from the standard, in order to favor someone in exchange for a reward. They concluded that existence of adequate regulatory and legal framework as well as a clean and efficient civil service with high morale reduces the risk of rampant corruption (bribery) in the society.

Therefore, a sound fiscal and monetary policy with due

encouragement and incentives for investment will certainly act as deterrent against corruption.

Williams (2005) defined corrupt practice as any immoral, illegal and unethical act and includes cheating, lying, and fraud. Khan (2005) put corruption as the misuse of entrusted power for private benefit. The forms, he said, include; bribes, cronyism and nepotism, political donations, kickbacks and artificial pricing and fraud of all kinds. El-Rufai (2003) viewed corruption as covering a wide range of social misconducts, including fraud, extortion, embezzlement, bribery, nepotism, influence peddling, bestowing of favor to friends, rigging of elections, abuse of public property, the leaking of a government secret, and sale of expired and defective goods, such as drugs, food, and electronic and spare parts to the public. According to Windsor and Getz (2000) acts of bribery are passive, in that their voluntary acceptance offers an assurance of personal advantage, which is a form of misuse of public responsibility. According to them, a single strongest determinant of corruption perception in any country is its per capita income. They said income in Nigeria rank among the poorest 6% of the world population. From a public institutional perspective, acts of corruption can compromise optimal delivery of infrastructure for the general well-being of the societies they are mandated to serve because a contracted firm may reduce the quality of goods and services to cover the cost of the bribe.

From the available literature reviewed above, it can be summarized that corruption is any form of unethical behavior that confer undue advantage on people in authority or their relations, efforts to secure wealth or power through illegal means. This includes bribery, fraudulent practices, embezzlement, favouritism and other sharp practices.

### **Concept of forensic accounting**

Forensic accounting is a special practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. Crumbley (2006) forensic accountant refers to a certified public accountant who performs an orderly analysis in an attempt to obtain the truth and which to form an expert opinion. Forensic accounting comprises litigation support, investigation and dispute resolution. The increase in number of bribery and fraudulent activities in Nigeria, and around the world has emphasized the need for the application of forensic accounting technique. This technique can be employed to effectively investigate and detect cases of bribery in Nigeria. According to Wallace (1991), forensic accounting until recently, was usually hidden away in the investigations department. He added that the increase in the visibility of forensic accounting can be seen as a by - product of economic recession as companies have not only become more litigious as their

profit margins are squeezed, but claims have also become grossly inflated with the result that bringing a financial mind to bear on the figures can have a rapidly deflating effect on them. Solicitors and barristers are influenced by the proven ability of an accountant to given expert witness in a professional manner. In his opinion, forensic accountants should be involved at an early stage in the dispute, since his advice on the probable quantum of a claim may assist in deciding whether it is cost effective to proceed with legal action or not.

Aderibigbe (2000) agreed with Wallace (1991) on the role of forensic accountants in investigation and litigation cases. He stated that these roles include giving preliminary advice on amount of damages based on initial interview of the pleading and the evidence available at the start of proceedings; identifying documents which should be made available as evidence; briefing counsels on the financial and accounting aspect of the case during pre- trial preparation and advising lawyers during the trials, particularly in cross examination of the other side's expert. He affirmed that a forensic accounting expert is employed in cases such as personal injury, accident claims, matrimonial disputes, general commercial disputes, the valuation of business as well as in the area of legal support in criminal cases such as prosecution of persons accused of corrupt practices (including bribery).

Ahmad (2012) said recent scandals in the corporate world have brought forensic accounting to prominence. The use of forensic accounting techniques, together with knowledge and skills in other investigative methods, will enhance the investigation and enforcement officers' ability to investigate and prosecute those involved in fraud, bribery and other corrupt practices and criminal acts. Thus, the development of this expertise is an urgent initiative for those departments involved in detecting, investigating and prosecuting such crimes. Given the increasing sophistication of such illegal activities, failure to develop respective expertise would endanger such agencies' effectiveness. Forensic accountant may apply certain examination techniques similar to those used in financial audits but the objective of these procedures is quite different.

When a professional accountant accepts an engagement where they anticipate that their finding or analysis may be subject to judicial scrutiny or administrative review, the professional accountant seeks a level of evidentiary detail and analytical precision which will be sustainable within the legal framework of such scrutiny or review. This approach is based on no more than the realistic appreciation that, while there is some evolutionary dialogue, in the end, the courts or appropriate administrative bodies are the ultimate arbiters of what accounting facts are. Hence a successful prosecution of bribery cases in Nigeria means reliance on proper investigation and the application of forensic accounting technique in such investigation is the thrust of this study.

**Table 1.** Summary of regression analysis for testing the hypothesis.

Variables	$\beta_0$	$\beta_1$	$\beta_2$	$\beta_3$	F	R <sup>2</sup>	P- value	Comment
Bribery prevention	2.612	0.220	0.079	-	1.641	0.076	0.207	Not Significant.

## METHODOLOGY

This study adopted the survey research design to ensure that reliable data is obtained empirically to assist in testing the relationship that exists between forensic accounting and investigation of cases of bribery. The research design can best be used to generate data that are analysed to arrive at reasonable conclusions that will be of practical application in dealing with cases of bribery among Nigerians. This study was carried out on the relevance of forensic accounting as investigative tool in effective detection and prosecution of cases of bribery in Nigeria, using all the staff of selected anti-corruption commission and three of the big professional accounting firms in Nigeria for the period 1999 to 2010. Separate sets of questionnaire were designed to collect information from the staff of the anti corruption commission and the professional firms respectively. Copies of questionnaire were administered on the various cadres of staff of the selected organizations.

Oral interviews were also conducted on staff of the commission and the professional firms that were carrying out investigation on cases of bribery and the staff of the professional accounting firms applying forensic accounting investigation technique. To assess the effect of forensic accounting in the investigation and detection of bribery in Nigeria, multiple regression analysis using Statistical Package for Social Sciences (SPSS) was employed.

### Model specification

$$\text{BRIP} = f(\text{BRII}, \text{BRID}) \quad (1)$$

$$\text{BRIP} = \beta_0 + \beta_1 \text{BRII} + \beta_2 \text{BRID} + \mu \quad (2)$$

Where:

BRIP= Bribery Prevention  
 BRII = Bribery Investigation  
 BRID= Bribery Detection

$\beta_0$  = intercept/ autonomous variable. It depicts the degree of the need for forensic accounting even without the existence of bribery.

$\beta_1$  = coefficient of investigation of bribery. It depicts the degree of the need for prevention of bribery using forensic accounting technique.

$\beta_2$  = coefficient of detection of bribery. It depicts the

degree of the need for prevention of bribery using forensic accounting technique.

A priori expectations:  $\beta_0 > 0$ ;  $\beta_1 > 0$ ;  $\beta_2 > 0$

Where:

$\beta_0 > 0$  = in the absence of forensic accounting, some level of efficiency is expected in bribery prevention

$\beta_1 > 0$  = the more the employment of forensic accounting technique to prevent bribery, the greater the efficiency of bribery investigation

$\beta_2 > 0$  = the more the employment of forensic accounting technique to prevent bribery, the greater the efficiency of bribery detection.

From the estimated model in Table 1, it is obvious that some level of efficiency in bribery prevention is sustainable in the absence of forensic accounting as indicated by the positive value of the intercept ( $\beta_0 = 2.612$ ). The estimated model substantiates the proposition of a positive relationship between employment of forensic accounting technique and the efficiency of bribery investigation and detection. This is indicated by the positive values of the coefficients of bribery investigation and detection with the application of forensic accounting technique ( $\beta_1 = 0.220$  and  $\beta_2 = 0.079$ ). The implication of this is that though forensic accounting is not presently being employed to carry out investigation and detection of bribery cases by the EFCC, however it is clear that if applied, it will positively assist in effective detection and investigation of bribery cases because it has worked in other countries like the United States of America, Canada, Bangladesh and even South Africa. In 2009, forensic accountants were employed by the Central Bank of Nigeria to investigate the Chief Executive officers of the five banks accused of fraudulent dealings. This helped in the successful prosecution of one of the banks' chiefs, while four others are still under court trial.

From the result of the regression analysis, the p-value (0.207) associated with the coefficient of autonomous variable is not significant at 0.05 level of significance. R<sup>2</sup> of 0.076 has low explanatory power in explaining the variation in the dependent variable (bribery prevention), and the calculated F of 1.641 is very much less than the F tabulated of 4.08, Ho is therefore accepted. Accepting that bribery prevention has no significant relationship with bribery detection and investigation using forensic accounting technique in spite of the positive values of their coefficients is an indication that the non application

of forensic accounting by EFCC presently has negative effect on the success of bribery prevention by the agency.

## Conclusion

From the above result, it can be concluded that applying forensic accounting technique in the investigation and detection of cases of bribery has positive relationship with bribery prevention but it has not been applied by anti corruption agency, hence many cases of bribery being handled by the commission have been dismissed by trial courts due to ineffective system of investigation.

It can also be concluded that EFCC need to employ forensic accounting technique for the successful prevention of bribery in Nigeria.

Though the commission had not established a forensic accounting unit at the time of this study, professional accounting firms with expertise in forensic accounting technique were not also involved in the commission's investigation thereby confirming the position of Mazumder (2011) that law enforcement personnel in recent years have become more aware of white-collar crimes, however, they have lacked the training and expertise in combating such crimes. He said they are better trained at combating violent or personal behavior crimes, but now it has the responsibility to expand its knowledge and expertise into the economic crimes area. Since many detectives do not have an accounting background, they often fail to use financial information to support their cases. Forensic Accounting technique is a viable tool in combating such economic crime as bribery.

## RECOMMENDATIONS

\* Anti corruption agencies are should establish a forensic accounting unit where experts are involved in investigation of cases of bribery and other corrupt practices.

\* Staff that is involved in investigation of cases of bribery (and other cases of corruption) should be trained in the employment of forensic accounting to carry out its responsibility.

\* Where it is not feasible to train its personnel to handle investigation, in the short run, professional accounting firms should be employed to assist in investigation to ensure that adequate evidence is presented to the courts to ensure successful prosecution of cases of bribery.

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