ANUK COLLEGE OF PRIVATE SECTOR Accounting Journal

VOL. 1 NO. 2 DECEMBER, 2024

A Publication of College of Private Sector Accounting
ANAN University Kwall, Plateau State, Nigeria.

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Published December, 2024.

Web Address: https://www.anukpsaj.com, Email: anukpsaj@gmail.com

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Printed by:
MUSSAB Printers,
NB, 9 Muri road by gwari road, Kaduna State, Nigeria.
Phone contact: 07038776658,
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I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
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AUDITING FAILURE, FLAWS AND FICTION: AN IMPETUS FOR RAPID GROWTH OF FORENSIC EXAMINATIONS IN NIGERIA

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ABSTRACT

The broad objective of the study is to examine the rapid growth and demand of forensic examination as a results of audit failure and flaws. The study adopts a survey research design. The method was adopted because it is likely to generate the kind of information required as well as providing good basis for the generalization of findings. The population of the study comprises of staffs of selected banks. Primary data was used for the purpose of this research. This research work employed the use of structured questionnaire in eliciting the required data needed to test the formulated hypotheses. Regression analysis was utilized as the method of data analysis and the results will be used in testing the hypotheses specified in the study. The study finding reveals that there is a need for forensic examinaers in the Nigerian banking system, Forensic axamination is an effective tool for addressing financial crimes in the banking system and finally that Conventional auditing techniques are not effective in curbing financial crimes. The recommendation is that there *is the need for corporations in Nigeria to engage the services of forensic axaminers as forensic auditing now appears as a one of the strategic and dynamic tool for the management of all types of financial crimes. Also, they need to focus on training and up-dating the skills of the internal control and audit staffs.*

1.1 Introduction

Forensic examination, according to Bolgna and Linquist (1995), are undertaken in accordance with the norms of evidence and involve the use of financial expertise and an investigative mindset to unresolved problems. In addition, Manning (2002) defined forensic accounting as the use of financial accounting and investigative abilities to resolve legal disputes in both civil and criminal cases, to a standard that is acceptable to the courts.

According to AICPA (2004), forensic examination and accounting integrates all areas of accounting expertise and involves applying accounting principles, theories, and discipline to facts or hypotheses at issue in a legal dispute. The three-pronged process of using accounting, auditing, and investigative expertise to support legal matters is known as forensic accounting. The term "engagements that originate from existing or prospective conflicts or litigation" refers to engagements in the speciality practice area of accounting. Because it provides the highest level of certainty and has the general accounted connotation of having been arrived at in a scientific manner, forensic accounting can therefore be considered as a component of accounting that is eligible for legal examination (Apostolou, Hassell, and Webber, 2000).

Forensic examination is thought to have developed quite abruptly in reaction to some new fraud-related problems, which were brought on by the increasing demands associated with white-collar crimes. The recent corporate scandals—classic examples being the frequently mentioned Enron and WorldCom cases—have also raised awareness of the profession of forensic accounting. In the application of accounting for investigative reasons, forensic accounting is considered as encompassing all the other disciplines. Because some crimes are becoming more complex, forensic accounting must be added to the arsenal of techniques used to successfully investigate and prosecute people who engage in illegal activity.

Failures and flaws in audits are a worldwide problem that affect all legal systems. Take the recent failure of large international corporations like Enron and World Com. Global behemoths like John Mathews Bank (JMB), Bank of Credit and Commerce International

(BCCI), Barring Brothers, Nomura Securities, Brex, and Long Term Capital Management (LTCM), which all failed earlier in the 1980s and 1990s due to fraud-related reasons, are just a few examples (Muraina et al. 2010). Where were the Auditors has always been the cry of the investing public in such situations. Nigeria is also not immune to instances of audit failure. Consider the five banks—Afribank, FinBank, UnionBank, and Standard & Poor's—that failed the CBN stress test in 2009 Oceanic Bank and Intercontinental Bank. The banks shared a characteristic. Only a few months after their auditors gave them a clean bill of health, CBN designated them as distressed. The accounting controversy at Cadbury (Nig.) Plc., which surfaced in 2006, may have been the cause of Nigeria's largest audit failure in recent memory. Since then, this affair has been pejoratively referred to as Nigeria's Enron.

Investors, auditors, and even the larger society as a whole bear the penalty of failed audits. Investors lose enormous sums of money on a yearly basis due to fraud and corporate failure. According to Bakre (2007), companies who fabricated and purposefully exaggerated their accounts and then failed or got into significant difficulties caused Nigerian investors to lose several billions of dollars. For instance, the share price of Cadbury (Nig) Plc. dropped from an all-time high of #65.52 in December 2005 to #8.65 as of October 2009 during the height of the company's accounting controversy. Similar to how Enron's demise brought about the company's share price to drop and the subsequent loss of money for stakeholders. The following are the results of the recent collapse of the Nigerian capital market, which some banks and their auditors have been accused of causing by recklessly extending margin loans and manipulating the share prices of the banks.

Since the dawn of the twenty-first century, forensic accounting and auditing have assumed a significant role in both private and public enterprises. The avoidable collapse of some formerly well-known public companies, such as Tyco and Enron, in the late 1990s, as well as the terrorist attacks of September 11, 2001, both significantly influenced the high and rapid growth for forensic accounting experts who can create a new, significant, and lucrative specialty. Targeting financial and operational fraud, finding hidden assets, and adhering to federal requirements are the goals of forensic accounting methods (Pirraglia, n.d).

The structure of forensic examination has been more complex with encouraging results as fraudsters have become more dangerous as a result of audit failure and faults imaginative with disastrous effects. To find the evidence of economic transactions, forensic accounting incorporates specialist knowledge and specific abilities. It has developed to counteract the rising incidence and economic effects of fraud and abuse, financial crimes, and corruption. Despite their potential effectiveness, traditional auditing is not always a forensic accountant. New national and international antifraud and anti-money laundering laws have been prompted by the worldwide economic repercussions of recent accounting scandals and the rising tide of fraud and corruption, Due to these, there is a large demand for forensic examination and fraud investigation services. To keep up with the workload, an increasing number of professional accounting companies are creating dedicated fraud analysis and forensic accounting divisions. At the same time, businesses and government agencies are having trouble obtaining forensic accountants and fraud examiners with extensive expertise and high-caliber skills.

Ojaide (2000) noted that there is an alarming increase in the number of audit faiure and fraudulent activities in Nigeria emphasizing the visibility of forensic accounting services. According to the Centre for Forensic Studies (2010) report, the increasing need for forensic examinationand investigative accounting in the banking sector results from the nature of modern-day banking that involve large volume of complex data, which makes it difficult to monitor those transactions by applying manual audit processes. This Study Was Motivated Based On The Backgroud Of The Study

Ojaide (2000) noted that there is an alarming increase in the number of audit failure and fraudulent activities in Nigeria emphasizing the visibility of forensic accounting services. According to the Centre for Forensic Studies (2010) report, the increasing need for forensic examinationand investigative accounting in the banking sector results from the nature of modern-day banking that involve large volume of complex data, which makes it difficult to monitor those transactions by applying manual audit processes.

The gap in the literature, to find out the causes of conventional audit failures and flaws which gave impetus to the rapid growth and demand of forensic examination. But it is important to note that despite the fact that forensic has attracted a lot of research interest in Nigeria (Ewa and Udoayang, 2012; Adegbie and Fakile, 2012; Izedomin and Mgbame 2011, for example), not enough attention has been paid to how forensic examination in curtailing financial crimes in the Nigerian economy. This is why a study of this kind is required, and the questions that follow will be used to examine this issue.

1.2 Research Hypotheses

1. H0: There is no rapid growth of forensic examination as a result of flaws and failures of traditional audit

H1: There is rapid growth of forensic examination as a result of flaws and failures of traditional audit

2. H0: Forensic examinations is not more effective in curbing financial crimes and fraud than traditional audit

H1: Forensic examinations is more effective in curbing financial crimes and fraud than traditional audit

2.0 Literature Review

2.1 Conceptual Reviews

Concepts Of Forensic Examination And Audit

A significant number of scholars have defined forensic examination both conceptually and operationally, and it has gradually made its way into the mainstream of contemporary accounting literature. According to Howard and Sheetz (2006), the process of understanding, summarizing, and factually presenting complicated financial matters in a court of law as an expert witness is all that forensic accounting entails. It is concerned with using accounting discipline to help resolve factual disputes in commercial litigation (Razaee, Crumbley and Elmore, 2006). Due to this, forensic examination has been elevated to the fore of the fight against financial fraud (Rumaswamy, 2005).

Forensic examination was defined by Bolgna and Linquist (1995) as the use of financial expertise and an investigative mindset to address unresolved problems while adhering to the norms of evidence. In addition, Manning (2002) defined forensic accounting as the use of financial accounting and investigative abilities to resolve legal disputes in both civil and criminal cases, to a standard that is acceptable to the courts.

Even if it is only used when the event or transaction is murky, examination is an essential component of forensic accounting and auditing. When a breach has been identified, an investigation is conducted to identify the perpetrator, the motivation behind the action, and the scope of any harm. It may be described as a thorough verification and elucidation of any uncertainty regarding a transaction or event.

To find the obscure, unusual, or difficult details pertaining to an event, one must look for and examine its specifics. To determine whether and why the keeping of the data resulted in a gap and the person responsible, a deliberate search and evaluation of the records must be conducted in accordance with the established and agreed-upon.

Auditing Failure And Flaws

According to Tackett et al. (2006), an auditing failure occurs when management materially misrepresents its financial statements and auditors fail to find and disclose such misrepresentations due to carelessness or incompetence. In light of this, audit failure is largely the product of an inefficient audit process. There have been debates among researchers on what makes an audit effective. Effective auditing is said to have, among other things, the following qualities:

i. Its performance is evaluated based on financial statements, other reports, and presentations.
ii. An efficient audit firm and team that follows excellent procedures has judgment, objectivity, and mental independence in addition to understanding the company and industry.
iii. The effectiveness of the communication between the financial team, external and internal auditors (Bender 2006) Numerous characteristics of audit quality or audit effectiveness are revealed by a synthesis of the research. Existing literature largely refers to these qualities as audit firm and audit team qualities, with audit team qualities being seen as being more significant. At the team and firm levels, audit firm experience with the customer is important.

Significant because it enables audits to be planned and carried out more effectively year after year. On the other hand, knowledge of the client's risks, opportunities, and accounting practices gained through industry experience allows for a more efficient audit. Technical and ethical compliance requires audit employees who possess the necessary training, expertise, and knowledge. All things being equal, a highly ethical workforce will produce a high-quality audit. Similar to this, an independent auditor or audit team is more likely to conduct an audit with an attitude of neutrality, impartiality, and care, increasing audit effectiveness. Other characteristics include the requirement that executives participate in an audit since doing so assumes that the audit will be conducted by individuals who are more qualified and experienced. A theoretical foundation for both audit firm and audit partner rotation appears to be the requirement for periodic freshness to be brought into an audit. The necessity for professional skepticism in the performance of an audit is a characteristic that is also discussed (Boon et al. 2008). Lack of these qualities in an audit team or audit company is likely to result in audit failure. Studies on audit quality or failure criteria are scarce in Nigeria. Such studies' findings are conflicting.

Challenges of forensic examination and auditing application

Financial accounting fraud detection (FAFD) has emerged as a topic of major importance for academia, research, and industry due to an increase in financial accounting fraud in the current economic environment. The employment of specialist processes to detect financial accounting fraud, collectively known as forensic accounting, has resulted from the organization's internal auditing system's failure to uncover accounting frauds (Sharma and Panigrahi, 2012).

Enyi (2009) undertook a study to offer

recommendations using real case problems on how to apply forensic accounting in investigating variances and suspected fraudulent activities in manufacturing processes and thus suggest that the application of forensic accounting applies to all scenes where fraud is a possibility. Financial fraud in Nigeria has seen highly publicized cases, especially in the banking system.

In their 2009 commentary on the use of forensic accounting in developing nations like Nigeria, Okoye and Akenbor stated that there are numerous obstacles in the field. The following difficulties facing the use of forensic accounting were identified by Crumbly (2001), Grippo and Ibex (2003). I Finding information that can be used as evidence in court is a big difficulty for forensic accountants. (ii) Successful criminal and civil cases depend on the admissibility of evidence that complies with the rules of evidence. (iii) The issue of inter-jurisdiction has been exacerbated by the globalization of the economy and the fact that a fraudster can be based anywhere in the world.

The fact that the law is not constantly current with the most recent technological breakthroughs poses a significant obstacle to the implementation of forensic accounting in financial fraud control in Nigeria, according to Degboro and Olofinsola (2007). Additionally, forensic accounting is regarded as a pricey service that only large corporations can afford to use to uncover any anomalies or fraud within their organizations. In addition, if the concerns go to court and require expert testimony, it will be exceedingly expensive. Therefore, to avoid high costs and the possibility of damaging publicity to their brand, the majority of businesses prefer to resolve the dispute out of court. Aside from that A recent development, particularly in developing economies, is forensic accounting. As a result, it is difficult to find accountants who have the necessary technical expertise in forensic matters.

2.2 Empirical Review

More literature reviews would therefore reveal new causes for audit failures. According to the available literature, these factors can be divided into two categories: those that have to do with the level of the audit-firm (reputation, specialization, qualification and proficiency, quality control) and those that have to do with the appointment of the auditor (independence and integrity).

Audit Failure Factors Relating to Auditor Appointment

Numerous research have suggested causes for audit failures following problems with auditor appointments. Some of these studies highlighted the efficiency of an organization's audit system, the caliber of the auditing job performed, and the tangible advantages of business management (Sikka, [2010]). Yamani [2011] included elements like independence, tenure, and the relationship an auditor has with the company's board of directors as contributing reasons to the failure of auditor appointments. Ponemon and Gabhart [2012] used the Kohlberg stage paradigm to tackle the problem ethically They believed that an auditor's ethical behavior was closely related to how they would conduct on their own in a circumstance where there appeared to be a conflict of interests. Additionally, they discovered that affiliation factors have less of an impact on independence judgments, which are more strongly influenced by penalty-related factors. This suggests that auditors with a lower ethical standard are more likely to reveal errors during the audit process because they may find it difficult to refuse any potential incentives. Also, perform an audit Due to the tight association between fees and audit failures, they have also been cited as an explanation (Barkess and Simnett, [2013]; Hillison and Kenedy; [2014]; Palmrose, [2015]).

Audit Failure Factors Relating to Audit Firm Level

The "Big Four Firms" and smaller firms compete for the audit market. The division or categorization is based on characteristics including: standing, expertise, industry specialization, quality control, and the quantity of procedures involved in an auditing process (Dopuch and Simumic [2017]). De Angelo [2018] asserts that major audit companies consistently uphold their integrity because they are rarely enticed by incentives to compromise their standards. Moore and Scott [2019] contend that as a result, there is a positive correlation between business size and the caliber of auditing services provided.

Overall, the auditing services industry places a high value on an audit firm's reputation. Since it takes time to establish reputation among all of the people in a company, commitment and maintenance are anticipated after it has. This is particularly significant because financial regulators and investors frequently rely audited financial data when making critical judgments. Therefore, auditor reputation serves as an important proxy for the quality and integrity of client financial accounts because these individuals do not remain within the firm but need this information (De Angelo, [2018]). It does imply that when financial irregularities are found after an audit exercise, the audit has failed and reputation impaired.

2.3 Theoretical Review

Stakeholders Theory:

This theory posit that management of firms owe a duty to the firms' important stakeholders. This principle collaborate with the normative approach to managing a firm, which says a firm is accountable to their different stakeholders. The directors and auditors of companies therefore owe these stakeholders the fiduciary responsibility of trust and high ethical level of morality in conducting the company's affairs.

Agency Theory

In this relationship, a contract exists between the owners (shareholders) of the entity as principal and those engaged to run the affairs (management) of the business as agents. The agents in this contract are required to report regularly to the principal on how resources entrusted to them are managed and controlled for their benefit, hence, the need for corporate reporting, a medium whereby the agents (management) communicate with the principal (owners). It is expected that the reporting should be true and fair and without bias or manipulation to enhance informed decision-making (Etim and Ihenyen, [3]). The auditors on their part are suppose to act on behalf of those that appoint them (shareholders/principal) in protecting their interest when carrying out their duties and responsibilities of auditing financial statements and reports. Thus, the theory emphasis accountability and transparency on the part of the key players and participants in the financial accounting and reporting value-chain.

3.0 Methodology

3.1 Research Design

The research intends to examine the rapid increasing demand of forensic examination as a results of auditing failures and flaws in Nigeria eco-system. The research design for the study is the survey research design. It is adopted because the study deals with evaluation of opinions of respondents with regards to the focus of the study.

3.2 Population and Sample size

The population of a study is that group about whom we want to be able to draw conclusion (Asika, 1991).The population of the study comprises of staffs of selected banks.

We expect that these groups will be able to provide knowledgeable information that will be relevant in achieving the study objectives. The sampling was done using both the purposive and simple random sampling. The former is utilized in selecting the segment of the population useful for the study while the latter is used is selecting the participants from the identified segments. We finally adopt a sample of 50 respondents.

3.3 Source and Methods of Data Collection

Primary data was used for the purpose of this research. This research employs the use of structured questionnaire in eliciting the required data needed to test the formulated hypotheses. The five point Likert scale was utilized in developing the questionnaire. The research instrument comprised of (1) a brief set of demographic questions, including questions on age and gender. (2) Questions to elicit information on their increasing demand of forensic examination as a result of audit failure in curbing financial crimes.

3.4 Techniques and Tools of Data Analysis

Data were analyzed using descriptive and inferential (Multiple regression) statistics.

The statistical package for social science (S.P.S.S) 20.0 will be utilized as the method of data analysis. The package has a range of statistical techniques for conducting analysis of data that will be useful for this study

3.5 Variable definition and measurement

$Y = \beta + X1 + 2X2 + 3X3 + €$

Where:

Y= Growth of forensic examination

X1= Auditors competence

X2= Audit Quality Control

X3= Quantity Procedure Involved in Audit.

β= constant

Independent Variable

The independent variable for the purpose of this work are auditors audit failure and flaws.

This happens when an auditor give an erroneous audit report on a financial report of a firm while the firm fail to exist thereafter. Literarily, this implies that the precarious situation that lead to that such situation were not conveyed to the shareholders, but eventually emerge leading to the misfortune of such firm. It could be due to:

i. Auditor incompetence (AI): When an auditor is unable to notice financial infraction due to lack of competency to handle the jobs.
ii. Audit Quality Control (AQC): the process of providing an objective evaluation whether an audit has comply with all necessary professional standards
iii. Quantity Procedure involve in Audit (QPA): these are processes and methods use to obtain sufficient and appropriate audit evidences.

Dependent Variable

Forensic examination (FE): Investigation is the act or process of investigating or the condition of being investigated. A searching inquiry for ascertaining facts; detailed or careful examination.

4.0 Results and Discussion

4.1 Presentation and Analysis Of Results

Table 4.1 Description Statistics

Variables	Observation	Minimum	Maximum	Mean	Std. Deviation
FE	50	1	5	2.705	0.450
AI	50	1	5	2.830	0.89
AQC	50	1	4	2.527	0.74
QPA	50	7.89	11.57	1.874	0.105

Where: FE= forensic examination, AI= Auditors Incompetence, AQC= Audit Quality Control, QPA= Quantity Procedure in Audit.

Table a presents the results of Descriptive Statistics, As observed, the mean for Forensic Examination **(FE)** and Auditors Incompetence (AI) is 2.705 and 2.830 respectively which is within the agree option **(Agree=2)** and suggest that most of the respondents agree that the reasons for rapid demand and growth of forensic examination in the banking sectors can be attributable to lack auditors competence to notice a case of financial misappropriation during the audit. The means for Quantity Procedure in Audit (**QPA)** and Audit Quality Control (AQC) are 1.874 and 2.527 respectively which is within the agree option **(strongly agree=1)** and suggest that most of the respondents strongly agree that poor quality control in audit and lack of enough quantity of audit procedure performed could be responsible for audit failure and hence lead to the high demand of forensic examination by the players in the banking sector. The standard deviation of all the variables differ significantly from zero and this is suggestive of the spread in the responses.

Discussion of Findings

The study findings reveal that there is a need for forensic examiners and auditors as conventional auditing practices fails in the Nigerian banking system. This finding is in line with the Centre for Forensic Studies (2010) report that emphasized the increasing need for forensic and investigative accounting in the banking sector resulting from the nature of modern-day banking. The study is also in line with McKittrick, (2009) which notes that forensic examiners are experienced auditors, accountants that can look into possible suspicions of fraudulent activity within a company and prevent fraudulent activities from occurring. Ojaide (2000) also agrees with our findings as he notes that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria emphasizing the need for forensic accounting services. Crumbley, (2006) Zysman (2001), also agree with the study finding as they pointed out that the past two decades have witnessed high-profile financial scandals signalling an increasing demand for forensic accountants and accounting.

The study finding also reveals that Forensic accounting is an effective tool for addressing financial crimes in the banking system. This is in line with Levanti (2009) which notes that forensic accounting can help protect organizations from the long-term damage to reputation caused by the publicity associated with insider crimes. The study finding is also in tandem with the findings of Crumbley (2006) Zysman (2001), Rumaswamy (2005), Bolgna and Linquist (1995). These studies have argued that forensic accounting is a specialized investigative skill that can be effective in curbing financial crimes and also providing evidence tenable in a court of law. In addition, the study finding also reveals that conventional accounting techniques are not effective in curbing financial crimes. The finding agrees with that of Grippo and Ibex (2003) Mazni and Mohd (2008); and Carey (2008) revealed that conventional accounting may not be effective in curbing financial crimes because of the complex nature with which crimes are perpetrated and this is also in line with the views of Baron, (2006) Wells, (2003).

5.0 Summary, Conclusion and Recommendation

5.1 Conclusions

Forensic accounting is seen as encapsulating all the other areas in the use of accounting for investigative purposes. The increasing sophistication of certain crimes requires that forensic accounting be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal activities. The increasing need for forensic and investigative accounting in the banking sector results from the nature of modern-day banking involves large volume of complex data, which makes it difficult to monitor those transactions by applying manual audit processes. This in turn makes the control utility of auditing ineffectual. Virtually all the weaknesses and challenges identified in the banking industry in Nigeria's post-consolidation, and criminal investigations and prosecutions arising from them, are issues for forensic accounting. The general expectation that the forensic examination may offer some respite to the seeming vulnerability and failure of conventional audit system. Consequently, the incorporation of modern forensic auditing techniques in an audit in Nigeria is seen as timely in order to prepare the accounting profession to deal effectively with the problem of unearthing ingenious fraud schemes arising from audit failure to detect frauds in Nigeria. The study findings show that; (i) there is a need for forensic accountants in the Nigerian banking.

5.2 Recommendation

We recommend more rigorous quality control measures by the individual audit firms and quality monitoring teams of the professional accounting bodies in Nigeria. A stiffer penalty should be imposed on erring auditors as in other climes. One commentator put it this way "in other climes the audit partner in charge of the audit would have been in jail". The controversy over mandatory rotation of auditors and provision of non- auditing services to audit clients has again been reignited and, based on this case study, should be prohibited. One limitation, though, of this study is that it is a one case study and therefore requires caution in the generalization of its findings.

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