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IMPACT OF FORENSIC ACCOUNTING ON FRAUD CONTROL AND QUALITY FINANCIAL REPORTING IN TERTIARY INSTITUTIONS IN SOUTHWESTERN NIGERIA

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Abstract

This paper looked at how forensic accounting affected the control of fraud and the quality of financial reporting at tertiary institutions in Nigeria's southwest. The elucidating review research configuration was taken on in this review. The number of inhabitants in the review contained every one of the public tertiary foundations in southwest locale. Oyo, Osun, and Ekiti were chosen from the southwest using the purposive sampling method. The example of the review involved 710 respondents. Two examination questions raised were addressed by utilizing mean and standard deviation while three theories formed were broke down by utilizing relapse investigation. The outcomes showed that the use of measurable bookkeeping to significant region uncover deceitful exercises in tertiary organizations. The outcome uncovered further that there was a positive huge impact of measurable bookkeeping on extortion recognition and misrepresentation counteraction in tertiary foundations. Findings also showed that forensic accounting had a significant impact on the value relevance of financial reporting in tertiary institutions. The paper reasoned that the pervasive sorts of extortion in tertiary foundations should have been controlled with the utilization of measurable bookkeeping to significant areas of false exercises in tertiary organizations. The review suggests among others that there ought to be normal exercises of criminological specialist in tertiary foundations to discourage specific classifications of misrepresentation.

Keywords: Forensic Accounting, Fraud Control, Quality of Financial Reporting, Tertiary Institutions, Southwest

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Introduction

In the 21st century, corporate and personal lives in the nation are driven by avarice and unpatriotic behavior. The avaricious and unpatriotic actions undermine corporate morale and line the pockets of con artists at the expense of thousands of employees who rely on company income. This threat goes against the prevailing ideals of the 18th century, such as probity, integrity, and good character, which still favor happiness over greed and selflessness over selfishness. Fraud, according to Omoolorun and Abilogun (2017), has stifled national development and growth as well as eroded societal norms and values at both the national and corporate levels.

Fraud is a serious and endemic corrupt practice which centers on the misrepresentation of facts and figures in order to gain underserved benefits. Ebimobowei (2012) opined that Nigerian Tertiary Institutions is the most controlled, organized and regulated sector. Notwithstanding, management and Employee fraud reportedly includes manipulating accounts, stealing money, fabricating financial data, bribery, and bankruptcy, among other offenses, and this indicates that the problem is getting out of hand and that financial auditors lack the skills necessary to combat, catch, and stop widespread fraud in the system. Fraud prevention and detection have proven to be incredibly challenging to accomplish since fraudsters often appear to be more intelligent than the auditors tasked with these tasks. As a result, Ofiafoh and Otalor (2013) believed that fraud defaulters are becoming more intelligent, which has a significant impact on the accuracy and dependability of financial and reporting. It is impossible to overstate the role that fraudulent activity plays in the caliber of financial reporting and reports.

According to Omoolorun and Abilogun (2017), a tertiary institution's financial report is now a crucial topic for education participants because it reduces information gaps between educational management, investors, regulatory bodies, society, and other stakeholders. It also aids in evaluating the financial performance and state of institutional operations and serves as a roadmap for making important and necessary financial decisions. Fraudulent financial reports undermine rational economic judgment and actionable ideas, which harms the reputation of tertiary institutions. According to Ezeagbe, 2014 and Oladejo and Yinus (2015), the top management of tertiary institutions appears to be diverting public funds for easily acceptable and understood. This enhances the efforts of detecting fraud by employing forensic accounting service.

Forensic accounting services entail litigation supports, investigative techniques and expert witness to substantiate the occurrence of fraud. According to Alao (2016), forensic accounting entails documenting, classifying, summarizing, communicating, and analyzing financial transactions in order to make them admissible as evidence in court. Manning (2002) defined forensic accounting as "the use of financial accounting and investigation skills to a standard accepted by the court to handle disputed problems in the context of civil and criminal action." In a comparative soul, Owojori and Asaolu (2009) characterized legal bookkeeping as the blend of bookkeeping, examining, and researching abilities in recognizing and halting extortion and other deceitful activities as well as offering case support administrations in the court of law. Therefore, the purpose of forensic accounting is to offer proof that could be utilized in court to convict fraudsters. According to Okoye and Gbegi (2013), forensic accounting requires reporting when fraud is proven to have occurred, and the reports are used as evidence in legal proceedings. As a result of the aforementioned, forensic accounting could enhance the quality of financial reporting. In view of the previous,

the review analyzes the effect of measurable bookkeeping on misrepresentation control and quality monetary announcement in southwest, Nigeria.

Objectives of the Study

The main aim of this research is to investigate the effects of forensic accounting on quality financial reporting and fraud control at tertiary institutions located in Southwest Nigeria through empirical means. The study specifically aimed to:
Identify the prevalent types of frauds in tertiary institutions in the area of study.

1. Determine the significant areas of use of scientific representing extortion control and adequate quality monetary detailing in tertiary organizations.
2. Determine and gauge the effect of criminological bookkeeping on extortion location in tertiary establishments;
3. Determine the impacts of criminological bookkeeping on extortion counteraction in tertiary establishments and
4. Identify the impacts of criminological bookkeeping on quality monetary announcing (esteem significance, unwavering portrayal, and understandability) in tertiary organizations in the study area.

Research Questions

Research questions posed included the following ones:

1. What are the prevalent types of fraud in Southwestern tertiary institutions?
2. In Southwestern tertiary institutions, where is forensic accounting primarily used for fraud control?

Research Hypotheses

The following null hypotheses were formulated to guide this study:

1. Forensic accounting litigation support does not have any effect on fraud detection in tertiary institutions in tertiary institutions in Southwest, Nigeria;
2. There is no significant effect of forensic accounting investigative techniques on fraud prevention in tertiary institutions in the study area;
3. There is no significant effect of forensic accounting on value relevance of the financial reporting in tertiary institutions in the study area;

Area of Study

This research will be carried out in Southwest, Nigeria. It has a good number of public and private tertiary institutions. There are private and public Colleges of Education, Polytechnics and Universities in Southwest, Nigeria. These tertiary institutions are known to have varied number of students, staff (academic and non-academic), faculties and departments of studies. These institutions also keep financial records of their purchases and revenues generated from the students as well as subventions from the government (state and federal) and grants from governmental and non-governmental agencies.

Research Methodology

The research was carried out in Public tertiary institutions in Southwest, Nigeria. The study used a survey type with a descriptive design. The population of the study comprised of 710 staff of Bursary and Audit section of 14 institutions in Southwest. Purposive sampling technique was used to select three states from southwest which are Oyo, Osun and Ekiti, these states were selected because of their proximity to the researcher. The whole population was used as sample for this study. A self questionnaire title "Enhancement of fraud control and quality financial reporting (EFCQ) was used as instrument of this study. This comprises of section A and B. section A asks for information on the respondent's demographics whereas section B based on the variables of the study. Responses were rated using the likert scale of strongly agree (4), agree (3), disagree (2), strongly disagree (1). The two experts on forensic accounting validate the instrument while pilot study was carried out outside the sampled area in two public institutions with the use of 65 respondents and Cronbach Alpha was used to analyze the data with coefficient of 0.79 which indicates that instrument has high level of reliability. The three researcher assistants with researcher administered the questionnaire in which the administrative process takes one month. The entire administered questionnaire was retrieved. Both inferential and descriptive statistics were used to analyze the data collected.

Research Question 1: What are the prevalent types of fraud in Southwestern tertiary institutions?

To respond to this question, tertiary institution scores on common fraud categories in the Southwest were utilized. This was ascertained by classifying respondents as disagreeing if their average score was less than 2.5 and as agreed if their average score was greater than 2.5. This suggests that a mean score falling between 1.49 and 2.50 indicates agreement, whereas a value falling between 2.50-4.49 indicates disagreement.

Table 1: The Prevalent Types of Fraud in Southwestern Tertiary Institutions

Items	Mean	SD	Remarks
Falsification of accounts	3.30	0.668	Agreed
Forged cheque with forged signature	3.23	0.522	Agreed
Forged receipt booklets	3.45	0.663	Agreed
Inflation of expenditure figures	3.11	0.754	Agreed
Inappropriate bidding system for contracts	3.45	0.761	Agreed
Theft of cash/suppression of lodgment	3.23	0.522	Agreed
Opening and operating of fraudulent accounts	3.45	0.663	Agreed
Office allowances fraud	3.08	0.612	Agreed
Research grants fraud	3.00	0.592	Agreed
Using of assets and offices fraud	2.98	0.513	Agreed

Source: Field Survey, 2024

Table 1 reported that the respondents agreed that the prevalent types of fraud in Southwestern tertiary institutions include falsification of accounts, forged cheque with forged signature, forged receipt booklets, inflation of expenditure figures, inappropriate bidding system for contracts, theft of cash/suppression of lodgment, opening and operating of fraudulent accounts, office allowances fraud, research grants fraud and using of assets and offices fraud with mean and standard deviation scores of 3.30 (0.668), 3.23 (0.522), 3.45 (0.663), 3.11 (0.754), 3.45 (0.761), 3.23 (0.522), 3.45 (0.663), 3.08 (0.612), 3.00 (0.592) and 2.98 (0.513) respectively.

Research Question 2: What are the major areas of application of forensic accounting for fraud control in Southwestern tertiary institutions?

In answering this question, scores on the major areas of application of forensic accounting for fraud prevention and accurate financial reporting in Southwestern tertiary institutions were used. To answer this question, mean score below 2.5 indicates that the respondents disagreed while mean score that begins from 2.5 signifies that the respondents agreed.

Table 2: The Major Areas of Application of Forensic Accounting for Fraud Control and accurate Financial Reporting in Tertiary Institutions in Southwest, Nigeria

Items	Mean	SD.	Remarks
Controlling financial statement fraud in tertiary institutions	2.90	0.826	Agreed
Prevention of scandals in tertiary institutions	3.19	0.833	Agreed
Enhancing quality of financial reporting in tertiary institutions	3.02	0.907	Agreed
Guarantee the well-being of the public tertiary Institutions	2.79	0.828	Agreed
Uncovering economic educational crime	3.33	0.860	Agreed
Controlling electronic crime in tertiary institutions	3.30	0.668	Agreed
Monitoring and evaluation of internal control systems in tertiary institutions	3.23	0.522	Agreed
Ensuring regulatory compliance in tertiary institutions	3.45	0.663	Agreed
Investigation of employee theft in tertiary institutions	3.11	0.754	Agreed
Establishing effective line of communication in tertiary institutions	3.19	0.833	Agreed

Source: Field Survey, 2024

Table 2 reported that the respondents agreed that controlling financial statement fraud in tertiary institutions, prevention of scandals in tertiary institutions, enhancing quality of financial reporting in tertiary institutions, guarantee the well-being of the public tertiary institutions, uncovering economic educational crime, controlling electronic crime in tertiary institutions, monitoring and evaluation of internal control systems in tertiary institutions, ensuring regulatory compliance in tertiary institutions, investigation of employee theft in tertiary institutions and establishing effective line of communication in tertiary institutions were the major areas of application of forensic accounting for fraud control in Southwestern tertiary institutions with mean and standard deviation scores of 2.90 (0.826), 3.19 (0.833), 3.02 (0.907), 2.79 (0.826), 3.33 (0.860), 3.30 (0.668), 3.23 (0.522), 3.45 (0.663), 3.11 (0.754) and 3.19 (0.833) respectively.

Testing of Hypotheses

Hypothesis 1: There is no significant effect of forensic accounting investigation service on fraud prevention in Southwestern tertiary institutions.

In testing this hypothesis, scores relating to forensic accounting investigation service and fraud prevention are transformed and thereafter tested using simple linear regression. The decision rule is that if the significant value is less than 0.05 (P<0.05), the null hypothesis is rejected and it is not rejected if significant value is greater than 0.05 (P>0.05).

Table 3: Simple Regression Analysis Showing the Effect of Forensic Accounting Investigative Service on Fraud Prevention in Southwestern Tertiary Institutions

Model	Unstandardized Coefficients		Standardized Coefficient		
	B	Std. Error	Beta	t	Sig
(Constant)	12.988	1.767		7.349	0.000
Forensic Accounting(Investigation Service)	0.342	0.088	0.320	3.864	0.000

Source: *Output of data Analysis, 2024. Dependent Variable: Fraud Prevention in Southwestern tertiary institutions. Independent Variable: Forensic Accounting (Investigation Service).* *p <0.05 R = 0.828; R^2 = 0.686; F = 14.927; Sig = 0.000001

Table 3 showed that the regression coefficient was 0.342 which implies that 1 unit change in forensic accounting investigation service result into 0.342 changes in fraud prevention in Southwestern Tertiary Institutions. The R^2 (0.686), which shows the degree of determination of the effect of forensic accounting investigation service on fraud detection in Southwestern Tertiary Institutions explains about 68.6% of the systematic variation in fraud detection in Southwestern Tertiary Institution. There could be other factors influencing the remaining 31.4% that were not examined in this study. Because the model's overall fitness is less than the conventional crucial p-value of 0.05, as indicated by the F statistics of 14.927 with a probability value of 0.000, it is statistically significant. Because of the rejection of the null hypothesis, forensic accounting investigation services have a considerable positive impact on preventing fraud in Southwestern tertiary institutions.

Hypothesis 2: Fraud detection at tertiary institutions within the research area is not significantly impacted by forensic accounting litigation support services.

To test this hypothesis, forensic accounting litigation support service and fraud detection scores are converted, and then basic linear regression is used to assess the new values. The null hypothesis is rejected if the significant value is less than 0.05 (P<0.05) and is not rejected if it is larger than 0.05 (P>0.05), according to the decision rule.

Table 4: An examination of the impact of forensic accounting litigation support services on fraud detection in Southwestern Tertiary Institutions using Simple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		
(Constant)	12.087	2.477		4.879	0.000
Litigation Support	0.370	0.119	0.434	3.102	0.003

Source: *Output of data Analysis, 2024. Dependent Variable: fraud detection in Southwestern tertiary institutions; Independent Variable: litigation support service* *p <0.05 R = 0.757;

R^2 = 0.573; F = 9.623; Sig = 0.0003

Table 4 showed that the regression coefficient was 0.370 which implies that 1 unit change in forensic accounting litigation support service result into 0.370 changes in fraud prevention in Southwestern Tertiary Institutions. The R^2 (0.573), which shows the degree of determination of the impact of litigation support service on fraud detection in Southwestern Tertiary Institutions explains about 57.3% of the systematic variation in fraud detection in Southwestern Tertiary Institution. The remaining 42.7% might be due to other variables not included in this study and this implies an average relationship between forensic accounting litigation support and fraud detection in Southwestern Tertiary Institutions. The overall fitness of the model as shown in the F statistics of 9.623 with a probability value of 0.003 is statistically significant as it is less than the standard critical p-value of 0.05. The null hypothesis is therefore rejected hence forensic accounting litigation support service has a positive significant effect on fraud detection in Southwestern tertiary institutions.

Hypothesis 3: There is no significant effect of forensic accounting on value relevance of the financial reporting in tertiary institutions in the study area;

In testing this hypothesis, scores relating to forensic accounting and value relevance of the financial reporting are transformed and thereafter tested using simple linear regression. The decision rule is that if the significant value is less than 0.05 (P< 0.05), the null hypothesis is rejected if it is greater than 0.05 (P> 0.05), the null hypothesis is not rejected.

Table 5: The impact of forensic accounting on the value relevance of financial reporting in tertiary institutions in the southwest is demonstrated by a simple regression analysis.

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		
(Constant)	16.372	2.969		5.513	0.000
Expert witness	0.359	0.140	0.476	2.230	0.026

Source: *Output of data Analysis, 2024. Dependent Variable: value relevance of the financial reporting; Independent Variable: forensic accounting* *p <0.05 R = 0.692; R^2 = 0.479; F = 7.277; Sig = 0.026

Table 5 showed that the regression coefficient was 0.359 which implies that 1 unit change in forensic accounting result into 0.359 changes in value relevance of financial reporting in Southwestern Tertiary Institutions. The R^2 (0.479), which shows the degree of determination of the effect of forensic accounting on value relevance of the financial reporting in Southwestern Tertiary Institutions explains about 47.9% of the systematic variation in value relevance of the financial reporting in Southwestern Tertiary Institution. There could be other factors influencing the remaining 52.1% that were not examined in this study. Given that it is smaller than the conventional crucial p-value of 0.05, the model's overall fitness, as indicated by the F statistics of 7.277 with a probability value of 0.026, is statistically significant. Thus, the null hypothesis is disproved. Therefore, the value relevance of the financial reporting in Southwestern Tertiary Institutions is positively impacted by forensic accounting.

Discussion of findings

The findings of this study revealed that the prevalent types of fraud in Nigerian southwest tertiary institutions include falsification of accounts, forged cheque with forged signature, forged receipt booklets, inflation of expenditure figures, inappropriate bidding system for contracts, theft of cash/suppression of lodgment, opening and operating of fraudulent accounts, office allowances fraud, research grants fraud and using of assets and offices fraud. This confirms that financial frauds are very rampant in all sectors especially educational sector. This outcome corroborated the submission of Adeniji (2014) who discovered that financial frauds are very rampant in all sectors especially education sector but the types of fraud perpetrated in each sector depend on their mode of operations.

It was also found in the study that the major areas of application of forensic accounting for fraud control in southwestern tertiary institutions includes controlling financial statement fraud in tertiary institutions, prevention of scandals in tertiary institutions, enhancing quality of financial reporting in tertiary institutions, guarantee the well-being of the public tertiary institutions, uncovering economic educational crime, controlling electronic crime in tertiary institutions, monitoring and evaluation of internal control systems in tertiary institutions, ensuring regulatory compliance in tertiary institutions, investigation of employee' theft in tertiary institutions and establishing effective line of communication in tertiary institutions This indicates that forensic accounting is considered a holistic approach to control fraud in tertiary institutions in southwestern Nigeria as expose employees indicted in fraud to face persecution.

Also, it was revealed in the study that there was a positive significant effect of forensic accounting investigation service on fraud detection in Nigerian Southwest Tertiary Institutions. This implies that fraud detection in Southwestern Tertiary Institutions could be enhanced through forensic accounting investigation service. This might be due to the fact that the implementation of active investigation service acts as deterrence to fraud in the future as both senior and junior staffs were aware that any financial malfeasance will be investigated and likely uncovered. This was in tandem with finding of Ayodele and Ibukunolu (2018).

However, the findings of this study confirmed that there was a positive significant effect of forensic accounting litigation service on fraud prevention in Nigerian Southwest tertiary institutions. This connotes that fraudulent activities that engulfed the tertiary institutions in Southwest State could be curbed through forensic accounting litigation service. This outcome was in agreement with the findings of Ezeagbe (2014). He confirmed that litigation support service rendered by forensic accountant has positive effect on fraud prevention.

Lastly, it was revealed that there was a significant effect of forensic accounting on value relevance of financial reporting Southwestern Tertiary Institution. This implies that the full operation of forensic accountants enhance quality financial reporting which postulate good reputation of the Southwestern Tertiary Institution. This outcome was in tandem with the outcome of Enofe, Utomwen and Danjuma (2015) who discovered that forensic accountant enhances value relevance of financial reporting and addressing financial misrepresentation in educational sector.

Conclusion

In light of the study's findings, it was concluded that the prevalent types of fraud in tertiary institutions such as falsification of accounts, forged receipt booklets, inflation of expenditure figures among others needed to be controlled with the application of forensic accounting to major areas of fraudulent activities in Nigerian Southwest tertiary institutions. It was further concluded that forensic accounting services could enhance and stimulate fraud control in southwest tertiary institutions.

Recommendations

The suggested actions were as follows:

i. The presence of forensic investigators can dissuade certain types of fraud, particularly those that are motivated by financial or economic demands rather than habit. For this reason, forensic investigators should be employed on a regular basis in tertiary institutions.
ii. In order to identify and stop fraudulent practices in Nigerian Southwest tertiary institutions, qualified specialists such as Professional Forensic Accountants should carry out the inquiry where necessary and suitable, as well as where there is proof of fraud.
iii. Procedures to embark on litigation services should be well appreciated to prove the innocence or criminality of suspects.
iv. The employees indicted in fraud should be allowed to face prosecution and bear the steep penalty so that fraud perpetrators should be properly sanctioned without any favoritism. In this way, other employees will dissuade from such kind of act.
v. Forensic accounting services should be retained in tertiary institutions so as to enhance quality financial reporting without misrepresentation of any fact that can undermine the reputation of the institutions.

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