

## **Fraud and the Nigerian Public Sector Performance: The Need for Forensic Accounting**

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### **Abstract**

*The research is designed to examine fraud and the Nigerian public sector performance: The need for forensic accounting. The population of this study comprised of 190 senior staff of the three Anti-Corruption Agencies in Nigeria (EFCC, ICPC, and CCB) with the sample size of 129. The study methodology includes both primary and secondary sources of data collection; questionnaire was used in collecting primary data while secondary data were obtained from EFCC, CCB and ICPC. The data generated for this study were analyzed using simple percentages and presented in tabular form while the hypotheses were tested using Analysis of variance (ANOVA) and regression analysis with the aid of SPSS version 20.0. Our findings show that, first, Public sector fraud has significant effect on economic growth in Nigeria, and second, there is positive and significant influence between the use of forensic accounting and the performance of the Nigerian public sector. The research recommends that, first, it is obvious that public sector fraud affects economic growth in Nigeria and as such appropriate sanctions should be applied when fraud is discovered or detected. Second, Government should establish a Public Recovery Fund (PRF) where money recovered through forensic accounting should be kept and this money should be properly used to enhance efficient and effective performance in the public sector.*

**Key Words:** Fraud, Public Sector, Performance, Forensic Accounting

### **Introduction**

Fraud arises from the exposure of illegal financial activities within the public and private sectors of the economy perpetrated by executives and all cadres, such illegal activities involve to a large extent, missing or misdirecting funds, over stating expenses, understating revenue, improper foreign exchange dealings within and outside the banks, embezzlement, illegal capital transfer, illegal currency manipulation and large scale banking and insurance fraud, which form the centre piece of fraud that have contributed in keeping investors away. Nigeria has remained underdeveloped, as it is certain that nation with high incidence of fraud cannot develop (Owojori and Asaolu, 2009). Fraud in developed economies is often reported in both private and public sectors. The problems in developing Third World nations particularly Nigeria is that fraud is common and affects a lot of citizen and in most cases perpetrators get away with the act. This is to say that, only in few instances are the nefarious act uncovered on time, investigated, prosecuted and adequate punishment given. Consequently, many involved are left free and hence, there is no deterrence for future fraudulent acts. Fraud has been cited as Nigeria's biggest single problem both in public and private sectors. It has not only snapped public trust in government but it has cost the government and people of Nigeria billions, due to corrupt management of public companies, unrealized public projects and deteriorated infrastructure caused by looted maintenance budget (Sabo, 2003).

Fraud has had severe negative consequences on Nigeria, ranging from negative economic impact to negative national image (Ribadu, 2003). In Nigeria, large scale fraud in revenue collection and remittance to the federal government by some revenue generating agencies and oil firms have been confirmed by the Auditor General (AG) of the Federation. In 2009 report presented to the National Assembly, the AG said sharp practices characterise the calculation of the revenue accruing from the oil sector to the federation account (<http://www.information.org>). Huge amount of money is lost through fraud or due to internal control inadequacies and other criminal temptations which drains the nation's meager resources through fraudulent means with its far-reaching and attendant consequences on the development or even socio-economic or political programmes of the nation. Thus, like Kamaludeen (1991) observes "billions of naira is lost in the public sector every year through fraudulent means" this he argues represents only the amount that is ferreted out and made public. Indeed, much more substantial or huge sums are lost in undetected frauds or those that are for one reason or the other hushed up.

According to Oboh (2012), the audit done for the ministry of finance by the renowned audit and advisory consultant, KPMG exposed the massive corruption in the NNPC between 2007 and 2009. The summary of the 41 page report is that NNPC is the biggest pot of sleaze in the country. The report detailed the corporation's sharp business practices, violation of laid down rules and regulations, illegal deduction of funds belonging to the state, and failure to account for several billions of naira that should go to the federation. Moreover, from 2009-2010, Nigeria lost ₦13.8 billion to various financial scams (Onyeje, 2009; EFCC media report, 2010 adopted from Oboh, 2012). What all these tend to expose is that there is a management or operational problem in the Nigeria public sector in the area of financial or accounting control.

Thus, one needs no wonder much to see how devastatingly frauds have compromised the administrative competence, performance capacity and general credibility of the public sector. Initial estimates of major projects become little fractions of ultimate costs paid; original cash projections produce less than half of the benefits expected and projects which seemed technically feasible and economically viable, turned out "while elephant" if not abandoned, with serious implications for growth and development. Unless it is impossible, individuals or establishment affected negatively by the fraudulent practices will want to seek redress. Individuals, corporate body and interested government organization or organs acted towards seeking redress using divergent institutions like police and the law court. This and other pecuniary areas are where the services of the experts "Forensic Accountants" are been engaged. Forensic accountants utilize accounting, auditing and investigative skills while conducting an investigation. These accountants are trained to look into the dispute in a number of ways. They often analyse, integrate, summarize and present a complex issue in a manner which is understandable and probably supported by evidence (Owojori and Asuala, 2009) this study aims at assessing fraud and the Nigerian public sector performance: The need for forensic accounting.

### ***Statement of Problem***

Over the years, there has been a focus on the auditors need to do a better job in detecting and preventing fraud in the public sector. The review of literature revealed that majority of high level of fraud in the public sector are perpetrated by management who suppose to be the custodians of internal control and also under the supervision of the internal auditors. It suffices to say that the independence of the internal auditor is not guaranteed because he works as an employee of the government. Then come to the idea of external auditor, yet frauds are still being committed on daily basis. The review of literature to reveal whether the use of forensic accounting has influence on the performance of the Nigerian public sector has not been addressed. It is against this background that this study seeks to examine Fraud and the Nigerian public sector performance: The need for forensic accounting to see if the effect on the economy can be identified and whether the use of forensic accounting can influence the performance of the Nigerian public sector.

### ***Research Questions***

- i) What is the effect of public sector fraud on economic growth?
- ii) Is there any positive relationship between the use of Forensic accounting and performance of the Nigerian public sector?

### ***Objectives of the Study***

The general objective of this study is to assess fraud and the Nigerian public sector performance: The need for forensic accounting.

The specific objectives of this study are to:

- i. Ascertain the effect of public sector fraud on economic growth in Nigeria.
- ii. Ascertain the relationship between the use of Forensic accounting and the performance of the Nigerian public sector.

### Statement of the Hypotheses

**H<sub>01</sub>:** Public sector fraud has no significant effect on economic growth in Nigeria

**H<sub>02</sub>:** There is no positive and significant influence between the use of forensic accounting and performance of the Nigerian public sector.

### Theoretical Framework

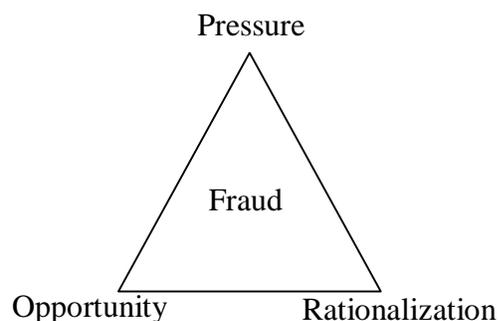
The theories that guide this work are the fraud triangle and fraud diamond as discussed below:

#### The Fraud Triangle

Cressey (1919-1987) was a student of Sutherland who builds on the initial works of the latter, to set forth the *Theory of the Fraud Triangle*, Cressey's work focuses on embezzlers whom he called "trust violators". His hypothesis states that:

*Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply their own conduct in situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property (Cressey, 1973 cited by Coenen, 2005).*

**Figure 1: The Fraud Triangle**



**Source:** Coenen (2005)

This hypothesis widely called the *Fraud Triangle* has three postulations:

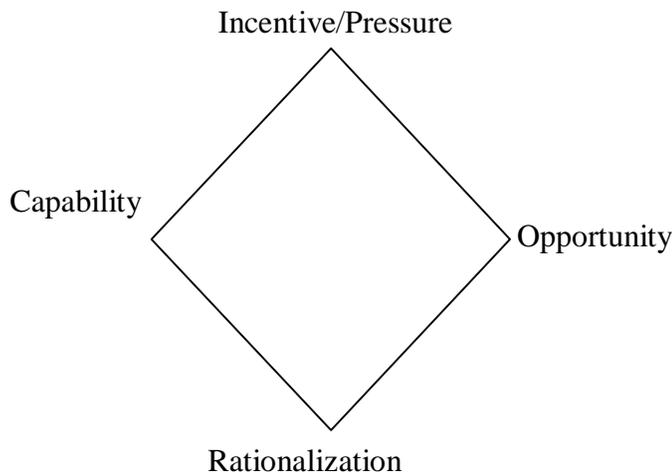
**Unshakable needs or Pressure:-** the individual has a need which could not be shared with persons who from a more objective point of view, probably could have aided in the solution of the problem. Cressey (1973) cited by Coenen (2005) divide these non-shareable problems into six basic sub types: Violation of ascribed obligations, Problems resulting from personal failure, Business reversals, Physical isolation, Status gaining, Employer-employee relationship.

**Opportunity:** - An opportunity affords itself for the individual to solve his financial problem by violating the position of financial trust he holds with his organization. The opportunity could be in the form of inefficient control and supervision in the organization.

**Rationalization:** - he makes attempts at self-justification to rationalize and explain his actions and silence his conscience.

#### Theory of the Fraud Diamond

Wolf and Hermanson (2004) proffer the Theory of the Fraud Diamond, in place of the triangle. They argue that the diamond offers a better view of the factors leading to fraud. They add a fourth variables, capacity, to the three-factor theory of Cressey. Capabilities mean that, the fraud perpetrator must have the necessary traits, abilities, or positional authority to pull off his crime.

**Figure 2: The Fraud Diamond**

**Source:** *Wolf and Hermanson (2004)*

Theory of fraud Diamond offers a better view of the factors to fraud. The theory adds fourth variable, capabilities, to the three factor theory of fraud triangle. Wolf and Hermanson believed many frauds would not have occurred without the right person with the right capabilities implementing the details of the fraud. They also suggested four observation traits for committing fraud; First, authoritative position or function within the organization, Second capacity to understand and exploit accounting systems and internal control weakness, Third, confidence that he/she will not be detected or if caught he/she will get out of it easily, Fourth, capability to deal with the stress created within and otherwise good person when he or she commits bad acts. Reviewing the literature shows that researchers classified the motive side of the fraud diamond differently. Some researchers classified them as personal, employment or external pressure, while other classified it as financial and non-financial pressure. However, it can be noticed that both classifications are interrelated. For instance, personal pressure can come from both financial and non-financial.

A person's financial pressure in this case could be gambling addiction or a sudden financial need, while a personal non-financial pressure can be lack of personal discipline or greed. By the same token, employment pressure and external pressure can come from either financial or non-financial pressure. Thus, Forensic Accountants have to keep in mind that pressure/motive to commit fraud can be either a personal pressure, employment pressure, or external pressure, and each of these types of pressure can also happen because of financial and non-financial pressure. Forensic Accountants also need to understand the opportunity for fraud to help them in identifying which fraud schemes an individual can commit and how fraud virus occurs when there is an ineffective or missing internal control. However, it can be criticized that even though the fraud diamond added the fourth variable capability to the fraud triangle and filled the gap in other theories, the model alone is an inadequate tool for deterring, preventing or detecting fraud.

This is because, the two sides of the fraud diamond (incentive/pressure and rationalization) cannot be observed, and some important factors like national value system and lack of corporate governance are ignored. Our present National Value System is not good, little or no premium is put on things like honesty, integrity and good character. The society does not question the source of "wealth". Any person who stumbles into wealth is instantly recognized and honored. It is a fact of our time that fraud has its root firmly entrenched in the social setting where wealth is honored without questions. Ours is a materialistic society which to a large extent encourages fraud. The desire to be with the high and mighty caliber of the society extreme want that is often characterized by need, cultural demands or cultivation of a life too expensive for the legitimate income of the individual. Corporate governance is the lock to all the factors that cause fraud to take place in the public sector. An important theme of corporate governance is the nature and extent of accountability of people in the public sector. Corporate governance is the principle and value that guides a company, organization and the public sector in the conduct of its day-to-day business and how stakeholders interrelate among one another (Anandarajah, 2001). Good corporate governance is the missing link in the Nigerian public sector, which is an index of fraud occurrence (Okoye, 2001).

This situation can only change when the public sector achieves a positive change in the character and orientation of their government leadership. The leaders can bring this desired change by promoting good corporate governance in the public sector through Integrity, Accountability and Transparency, which would lead to attainment of strong internal control system in the public sector and thus the likelihood of an individual committing fraud.

### ***Conceptual Framework***

Dandago (1997), fraud is an intentional misrepresentation of financial information by one or more individuals among management, employees or third parties. It involves the use of criminal deception to obtain an unjust or illegal advantage. It is a deliberate cheating or deception intended to gain an undue advantage. Ojeme (2010) sees fraud as different from error, which refers to “unintentional misstatements or omissions of amount or disclosures from an entity’s accounting records or financial statements.” Ojeme (2010) defines irregularities as a misstatement, omissions or acts which could have been carried out intentionally or unintentionally. It has to do with an activity or practice which is not according to the usual rules, or not normal. Ojeme (2010), an illegal act refers to any act that is contrary to the law. According to the Black’s law Dictionary, (1979) fraud (sometimes referred to as fraudulent act) includes all the multifarious means human ingenuity can devise that are resorted to by one individual to get an advantage over another by false suggestions or suppression of the truth. It includes surprises, tricks, cunning or dissembling and any unfair way by which another is cheated.

Zysman (2004) puts forensic accounting as the integration of accounting, auditing and investigative skills. Simply put, forensic accounting is accounting 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 (Crumbley, 2006). Coenen (2005) states that forensic accounting involves the application of accounting concepts and techniques. It demands reporting, where the accountability or the fraud is established and the report is considered as evidence in the court of law or in the administrative proceedings (Joshi, 2003). It provides an accounting analysis that is suitable to the court, which will form the basis of discussion, debate and ultimately dispute resolution (Zysman, 2004). This means that forensic accounting is a field of specialization that has to do with provision of information that is meant to be used as evidence especially for legal purposes. The persons practicing in this field (i.e. Forensic accountants) investigate and document financial fraud and white-collar crimes such as embezzlement and investigate allegations of fraud, estimates losses damages and assets and analyses complex financial transaction.

They provide those services for corporation, attorneys, criminal investigators and the Government (Coenen, 2005). Their engagements are usually geared towards finding where money went, how it got there, and who was responsible. They are trained to look beyond the numbers and deal with the business reality of the situation (Zysman, 2004). In summary, fraud hinders good governance, democracy, human rights security and government ability to provide basic amenities. It causes inequality and wide spread poverty by diverting public funds into the pockets of a few individuals. It creates waves of economic, social and political unrest hinders poverty alleviation initiatives, foreign investment and development aids in flow. It reduces public revenue and increases public spending, contributes to fiscal deficits and destabilizes sound fiscal, monetary and economic policies. On the aggregate, fraud distorts the effective and efficient allocation of economic resources and dis-equilibrates their market values.

### ***Research Design***

The research design for this study was based on non-experimental descriptive/survey design of collecting and analyzing data. Survey design was adopted in the study because it allows data to be collected from a sample with the aim of discovering the relationship or interactions among variables (Adefila, 2008, Izedonmi, 2005, Ihomeje and Tende, 2006, Osaze and Izedonmi, 2008). The data for this research were sourced from both primary and secondary sources.

### ***Population of the Study***

The targeted populations of this study were the senior staff of Economic and Financial Crimes Commission (EFCC), Independence Corrupt Practices and other related offences Commission (ICPC) and Code of Conduct Bureau (CCB).

The elements of the population considered in this research were the staff of Finance and Accounts units, audit unit, legal and prosecution unit, general investigative unit, financial intelligence unit and forensic unit. The senior staff of these units constituted the population for the study. The total population of the senior staff for the three agencies is one hundred and ninety (190). The study considered all the staff that falls within the above categories in these agencies qualified as members of the population because of their good knowledge and understanding of the application of forensic services in the agencies.

**Table 1: Distribution of the population**

| S/No | UNITS                  | EFCC | ICPC | CCB | Total |
|------|------------------------|------|------|-----|-------|
| 1    | Finance and Accounts   | 15   | 15   | 15  | 45    |
| 2    | Audit                  | 15   | 15   | 11  | 41    |
| 3    | Legal and Prosecution  | 10   | 10   | 10  | 30    |
| 4    | General Investigation  | 10   | 10   | 07  | 27    |
| 5    | Financial Intelligence | 10   | 10   | 07  | 27    |
| 6    | Forensic               | 10   | 05   | 05  | 20    |
|      | Total                  | 70   | 65   | 55  | 190   |

**Sample Size and Sampling Technique**

In determining the sample size, we used Yamane (1968) formula to select our sample from the population. The formula is given thus by Adefila (2008):

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = Sample Size
- N = Total population (190)
- 1 = Constant

e = Allowable margin to error. In this case, we consider 5% (0.05) error margin adequate

$$(e)^2 = \frac{(0.05)^2}{190} = 0.0025$$

$$1 + 190(0.0025) = 1.475$$

$$\frac{190}{1.475} = 129$$

The sample size n = 129

After selecting the sample, we stratified this proportionately to the agencies depending on the proportion of the entire population that comes from each of the units in the agencies using Kurnar (1976) proportional allocation formula as cited by Adefila (2008), thus:

$$nh = \frac{n(NH)}{N}$$

Where:

- NH = Population of the stratum, n = The overall sample size
- N = The overall population

**Table 2: Distribution of sample among selected units in the agencies**

| S/No | Units                  | EFCC         |              | ICPC        |              | CCB          |              |
|------|------------------------|--------------|--------------|-------------|--------------|--------------|--------------|
|      |                        | No. of Staff | Administered | No of Staff | Administered | No. of Staff | Administered |
| 1    | Finance and Accounts   | 15           | 10           | 15          | 10           | 15           | 10           |
| 2    | Audit                  | 15           | 10           | 15          | 10           | 11           | 07           |
| 3    | Legal and Prosecution  | 10           | 07           | 10          | 07           | 10           | 07           |
| 4    | General Investigation  | 10           | 07           | 10          | 07           | 07           | 05           |
| 5    | Financial Intelligence | 10           | 07           | 10          | 07           | 07           | 05           |
| 6    | Forensic               | 10           | 07           | 05          | 07           | 05           | 03           |
|      | Total                  | 70           | 48           | 65          | 44           | 55           | 37           |

From table 2 above, we have a total of 48 staff from EFCC, 44 staff from ICPC, and 37 staff from CCB has filled the questionnaire.

### Research Instrumentation

The instruments for the data collection include personal interview and questionnaires. The instruments also included published materials and reports from Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices and other related offences Commission (ICPC) and Code of Conduct Bureau (CCB). Thus, the Economic growth is proxied using Gross Domestic Product (GDP). A total number of 129 copies of questionnaire were distributed to the senior staff of EFCC, ICPC and CCB, out of which 120 were fully filled and returned.

### Method of Data Analysis

Data from the questionnaire administered were analyzed using percentages. Research data were presented in tabular forms, followed by discussions of the results obtained. The hypotheses of the study were tested using Analysis of Variance (ANOVA), Regression Analysis with the aid of SPSS version 20.0.

### Data Presentation and Analysis

**Table 3: The application of Forensic Accounting Skills and Techniques in fraud investigation will build confidence in investors to come and invest, thereby bringing social and economic development of the nation**

| VARIABLES          | FREQUENCY | PERCENTAGE (%) |
|--------------------|-----------|----------------|
| Strongly Agree     | 54        | 45             |
| Agreed             | 56        | 47             |
| Strongly Disagreed | 5         | 4              |
| Disagreed          | 5         | 4              |
| TOTAL              | 120       | 100            |

Table 3 indicates that 45% of the respondents strongly agreed, 47% agreed while 4% of the respondents strongly disagreed, 4% disagreed that the application of Forensic Accounting Skills and Techniques in fraud investigation will build confidence in investors to come and invest thereby bringing social and economic development. It is therefore accepted that the application of Forensic Accounting Skills and Techniques in fraud investigation will build confidence in investors to invest, thereby bringing social and economic development of nation.

**Table 4: Public Sector Fraud has effect on performance in the Public Sector**

| VARIABLES          | FREQUENCY | PERCENTAGE (%) |
|--------------------|-----------|----------------|
| Strongly Agree     | 56        | 47             |
| Agreed             | 59        | 49             |
| Strongly Disagreed | 5         | 4              |
| Disagreed          | -         | -              |
| TOTAL              | 120       | 100            |

Table 4 shows that 47% of the respondents strongly agreed that public sector fraud has effect on performance in the public sector, 49% agreed to the above statement while 4% of the respondents strongly disagreed with the statements. Majority of the respondents are of the opinion that public sector fraud has effect on performance in the public sector. The implication here is that fraud has compromised the administrative competence, performance capacity and general credibility of the public sector in Nigeria.

**Table 5: Public Sector Fraud has effect on infrastructural development in the public sector**

| VARIABLES          | FREQUENCY | PERCENTAGE (%) |
|--------------------|-----------|----------------|
| Strongly Agree     | 51        | 43             |
| Agreed             | 53        | 44             |
| Strongly Disagreed | 16        | 13             |
| Disagreed          | -         | -              |
| TOTAL              | 120       | 100            |

Table 5 indicates that 43% respondents strongly agreed that public sector fraud has effect on infrastructural development in the public sector, 44% agreed with the statement while 13% respondents strongly disagreed that public sector fraud has effect on infrastructural development in the public sector. This implies that public sector fraud has effect on infrastructural development in the public sector.

**Table 6: Money recovered through forensic investigation can be used to enhanced performance in the public sector**

| VARIABLES          | FREQUENCY | PERCENTAGE (%) |
|--------------------|-----------|----------------|
| Strongly Agree     | 40        | 33             |
| Agreed             | 69        | 58             |
| Strongly Disagreed | 11        | 9              |
| Disagreed          | -         | -              |
| TOTAL              | 120       | 100            |

Table 6 shows that 33% respondents strongly agreed that money recovered through forensic audit can be used to enhance performance in the public sector, 58% agreed to the above statement while 9% respondents strongly disagreed with this statement. This implies that money recovered through forensic investigation can be used to enhanced performance in the public sector.

**Table 7: Money recovered from public holders through forensic investigation, if properly utilize will increase productivity**

| VARIABLES          | FREQUENCY | PERCENTAGE (%) |
|--------------------|-----------|----------------|
| Strongly Agree     | 48        | 40             |
| Agreed             | 69        | 58             |
| Strongly Disagreed | 3         | 2              |
| Disagreed          | -         | -              |
| TOTAL              | 120       | 100            |

Table 7 shows that 40% respondents strongly agreed that money recovered from public office holders through Forensic investigation, if properly utilized will increase productivity, 58% agreed to the statement while 2% respondents strongly disagreed with the statement. This implies that money recovered from public office holders through forensic investigation if properly utilized will increase productivity.

**Table 8 Data on fraud and Gross Domestic Product (GDP) from 2002 – 2011**

| YEARS | FRAUD          | GDP        |
|-------|----------------|------------|
| 2002  | 374,732,395.00 | 366,914.07 |
| 2003  | 778,695,657.98 | 404,905.03 |
| 2004  | 44,316,186.07  | 541,202.88 |
| 2005  | 41,201,500.00  | 560,155.86 |
| 2006  | 25,582,745.00  | 606,150.05 |
| 2007  | 20,320,940.00  | 633,026.86 |
| 2008  | 6,539,801.98   | 647,793.62 |
| 2009  | 3,254,438.86   | 594,168.96 |
| 2010  | 1,379,758.47   | 610,561.05 |
| 2011  | 1,084,400.00   | 574,268.66 |

**Source:** Auditor General of the Federation Office (2013) and Bureau of Statistic (2013)

The table above explained the amount of money lost from 2002 – 2011 from fraud and the Gross Domestic Product data from 2002 – 2011. This is to show the effect of Public Sector Fraud on the economic growth in Nigeria.

### ***Test of Hypotheses***

#### **Test of Hypothesis One**

**H<sub>0i</sub>:** Public Sector Fraud has no significant effect on economic growth in Nigeria.

In testing hypothesis one, data on public sector fraud and Gross Domestic Product were computed using SPSS version 20.0 and the result were presented and analyzed below;

**Regression**

Table 9a: Model Summary

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1     | .929a | .863     | .817              | 1.38227E8                  |

Predictors: (Constant), the gross domestic product

**Table 9b: ANOVA**

| Model |            | Sum of Squares | Df | Mean Square | F      | Sig.  |
|-------|------------|----------------|----|-------------|--------|-------|
| 1     | Regression | 3.597E17       | 1  | 3.597E17    | 18.828 | .023a |
|       | Residual   | 5.732E16       | 8  | 1.911E16    |        |       |
|       | Total      | 9.329E33       | 9  |             |        |       |

a. Predictors: (Constant), the gross domestic product

b. Dependent Variable: chances of Fraud

Table 9c: Coefficientsa

| Model |                            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|-------|----------------------------|-----------------------------|------------|---------------------------|--------|------|
|       |                            | B                           | Std. Error | Beta                      |        |      |
| 1     | (Constant)                 | -2.199E9                    | 5.642E8    |                           | -3.898 | .030 |
|       | the gross domestic product | 1934677.616                 | 445869.128 | .929                      | 4.339  | .023 |

a. Dependent Variable: chances of Fraud

$R = 0.929$

$Adjusted R^2 = 0.817$

$F(cal) = 18.828, F(tab) = 5.32$

$T(cal) = 4.339, T(tab) = 2.262$

Critical Value at 5% level of significance.

The result of the regression analysis in table 9a reveals that the functional relationship between the independent variable (public sector fraud) explains about 81.7% changes in dependent variable (Gross Domestic Product) with reference 2002 – 2011. This means that public sector fraud has effect on economic growth in Nigeria; in such a way that the more fraud is committed in the public sector the more the gross domestic product reduces. The analysis of variance (F – Statistic) in table 9b indicates that the mean is statistically significant at 5% level of significance. The  $F(1, 8) = 18.23$  is greater than the  $F(tab) = 5.32$ , therefore with respect to theoretical expectation, the Coefficient Gross Domestic Product are assigned correctly. The estimated parameters are statistically significant at 5% level of significance. This confirms the overall significance of the model that public sector fraud has significant effect on economic growth in Nigeria. The Student’s T-test from the result in table 9c indicate that  $T(cal) 4.339$  is greater than  $T(tab) = 2.262$  for the parameter estimates. The decision rule is that when the  $T(cal)$  is greater than the  $T(tab)$  we reject Null hypothesis and accept the alternate hypothesis. This means that the Null Hypothesis is rejected while the alternative hypothesis is accepted. It is therefore accepted that Public Sector Fraud has significant effect on economic growth in Nigeria.

**Test of Hypothesis II**

**H<sub>02</sub>: There is no Positive and Significant influence between the use of forensic accounting and Performance of the Nigerian Public sector**

In testing hypothesis four, the researcher used responses from questionnaire on question 1, 2, 3, 4, and 5 as tabulated below;

**Analysis of Variance (ANOVA)****Table 10a: Descriptive Sample**

|                   | N  | Mean  | Std. Deviation | Std. Error | 95% Confidence Interval for Mean |             | Minimum | Maximum | Between-Component Variance |
|-------------------|----|-------|----------------|------------|----------------------------------|-------------|---------|---------|----------------------------|
|                   |    |       |                |            | Lower Bound                      | Upper Bound |         |         |                            |
| strongly agree    | 5  | 49.80 | 6.261          | 2.800      | 42.03                            | 57.57       | 40      | 56      |                            |
| Agree             | 5  | 61.20 | 7.430          | 3.323      | 51.97                            | 70.43       | 53      | 69      |                            |
| strongly disagree | 5  | 8.00  | 5.385          | 2.408      | 1.31                             | 14.69       | 3       | 16      |                            |
| Disagree          | 5  | 1.00  | 2.236          | 1.000      | -1.78                            | 3.78        | 0       | 5       |                            |
| Total             | 20 | 30.00 | 27.112         | 6.062      | 17.31                            | 42.69       | 0       | 69      |                            |
| Model             |    |       | 5.666          | 1.267      | 27.31                            | 32.69       |         |         |                            |
| Fixed Effects     |    |       |                |            |                                  |             |         |         |                            |
| Random Effects    |    |       |                | 14.974     | -17.65                           | 77.65       |         |         | 890.407                    |

Table 10b: ANOVA

Sample

|                | Sum of Squares | Df | Mean Square | F       | Sig. |
|----------------|----------------|----|-------------|---------|------|
| Between Groups | 13452.400      | 3  | 4484.133    | 139.693 | .000 |
| Within Groups  | 513.600        | 16 | 32.100      |         |      |
| Total          | 13966.000      | 19 |             |         |      |

The result of data analysis in table 10a and 10b reveals that the mean is statistically positive and significant at 5% level of significance. The  $F(3, 16) = 139.693$  is greater than the  $F(\text{tab}) = 3.24$ , therefore the estimated parameters are statistically positive and significant. This means that the Null Hypothesis is rejected while accepting the Alternate Hypothesis since the  $F(3,16)$  of 139.693 is greater than the  $F(\text{tab})$  of 3.24. We therefore concluded that there is positive and significant influence between the use of forensic accounting and the performance of the Nigerian public sector.

**Discussion of Results**

The findings from the test of hypothesis one revealed that public sector fraud has significant effect on economic growth in Nigeria. This finding was confirmed by the majority responses from the questionnaire and oral interview with Anti-Corruption Agencies in Nigeria. It was discovered that the relationship was negative which was supported by the view of Association of Fraud Examiners (2004), Well (2003) who argues that the damages inflicted by fraud goes beyond client monetary loss. Collateral damages may include harm to external business relationship, employee morale, firm reputation and branding fraud hinders good governance, democracy, human rights security and government ability to provide basic amenities. It causes inequality and widespread poverty by directing public funds into the private or a few individuals. It creates wave of economic, social and political unrest which includes poverty alleviation initiatives, foreign investment and development aids inflow. It reduces public revenue and increases public spending, contributes to fiscal deficits and destabilizes sound fiscal, monetary and economic policies. On the aggregate, fraud distorts the effective and efficient allocation of economic resources and dis-equilibrates their market values. The findings from the test of hypothesis two revealed that there is positive and significant influence between the use of forensic accounting and the performance of the Nigerian public sector. This view was confirmed by Abiola (2009) who stated that development is having what observers call 'a push effect' on the economy as people are anticipating that forensic audit would reduce the level of fraud and corruption, it is believed that invitation of forensic experts will also galvanize the economy.

**Summary of Findings**

Summary of findings for this research is based on the analysis of data collected through questionnaire and testing of hypotheses.

The findings are summarized as follows:

- i. The test of hypothesis one reveals that public sector fraud has significant effect on economic growth in Nigeria.

- ii. The test of hypothesis two reveals that there is positive and significant influence between the use of forensic accounting and the performance of the Nigerian public sector
- iii. Money recovered from the public office holders have not been put into proper use that will increase performance in the public sector in Nigeria.

### **Conclusion**

This study appreciates the role of Forensic Accountants in minimizing the effect of fraud on the Nigerian economy and enhancing the performance of the economy as well. Above all, result of the study revealed that public sector fraud has significant effect on Economic growth in Nigeria and there is positive and significant influence between the use of forensic accounting and the performance of the public sector in Nigeria. We conclude as follows; That fraud in Nigeria is alarming and is not only crumbling the economy but also affecting innocent nation standard of living and image. Therefore, the services of Forensic Accountants are more required in the Nigerian economy in minimizing the effect of fraud.

### **Recommendations**

Consequent upon several revelations from the research conducted, there is need to make some recommendations, as follow:

- i. It is obvious that public sector fraud affects economic growth in Nigeria and as such appropriate sanctions should be applied when fraud is discovered or detected. Government should support training and guidance since these are vital in maintaining the effectiveness of the strategy for the detection, prevention and investigation of fraud. The standards setting process should be modernized and streamlined to ensure that guidelines can be attended, created or eliminated as changing condition dictates.
- ii. To further enhance the use of forensic accountants on the performance of the public sector, the code of conducts should be put in place and properly monitored. The institute of chartered accountings of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) should encourage formalization and specialization in the field of forensic accounting in their curricula and the academia should emphasize skills development in the field of forensic accounting through teaching and research in the area of forensic accounting at Undergraduate, Postgraduate, Higher National Diploma and Diploma levels.
- iii. Government should establish a Public Recovery Fund (PRF) where money recovered through forensic accounting should be kept and this money should be properly used to enhance efficient and effective performance in the public sector.

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