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Enhancing Public Confidence in Audit Reports of Listed Insurance Companies in Nigeria: Forensic Audit Perspective

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The auditor's report is the end-product of an audit; its importance to the business community cannot be overemphasized. It is the statutory confirmation that the accounts prepared by Management may be relied upon as true and fair. Public confidence in or lack thereof in auditor's report is very critical to the very relevance of the audit practice. The purpose of this study is to examine how public confidence in auditor's report may be enhanced with particular reference to audit report of listed insurance companies in Nigeria. Primary source of data was appropriately used. 132 questionnaires were administered to Financial Advisers of 21 selected Stock Brokers and Accounting Firms operating at the floor of Nigeria Stock Exchange, Abuja, out of which 124 were filled and returned. Descriptive statistics of frequencies and percentages was used to analyse the responses from the respondents, while Pearson Product Moment Correlation was used to test hypotheses one and two while hypothesis three was examined using paired sampled t-test. The result of the study indicates that there is an inverse relationship between statutory audit and public confidence in audit report. It was found that forensic audits practice has a significant relationship with public confidence in audit report of listed insurance firms in Nigeria. The third hypothesis of the study shows that there is a significant difference between statutory audit practice and forensic audit practice in enhancing public confidence in audit report of listed insurance firms in Nigeria. It was concluded that public confidence in statutory audit report is on the decline following sudden collapse of firms that had unqualified audit report. It was recommended among others that the government should enact an act establishing forensic and investigative auditors in Nigeria separate from the existing accounting professional bodies since there is no public confidence on the audit report prepared by the existing accounting professional bodies again. By so doing, the Financial Reporting Council of Nigeria will make forensic audit report mandatory for all organisations and in particular for the listed insurance firms in Nigeria, which will in turn restore the public confidence in audit report.

Keywords: statutory audit, forensic audit, public confidence, financial report

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Introduction

Background to the Study

When companies collapse for whatever reason and have previously received a “clean” opinion from the auditors, public reaction focuses first on those auditors and the possibility of their failure. The business issue that should be communicated to users of financial statements is not properly disclosed, governance structures fail to prevent or detect this, and an audit report failure results (IFAC, 2003). There has been pressure on statutory auditors to say more in their reporting. In providing lens for regulatory thought and action, statutory audit as it is currently practiced, threatens to be a learned ignorance (Power, 1999).

It has been observed that public confidence in auditor’s report is declining globally. This may not be unconnected with sudden collapse of companies that appeared or reported to be doing well in the recent past. Ijeoma (2015) has observed that sometimes, management exploit the available high degree of flexibility in the accounting standards, such as the selection among the available methods of depreciation in determining the annual depreciation expenses to reduce the total amount of expenses, and therefore, increase the amount of income. She stated further that the selection among the available methods of inventory valuation sometimes appears approximate by some management to increase inventory value thereby leading to higher amount of income generated by over-valued inventory. It has been revealed in the case of Enron that its officers used creative accounting practices to conceal about $600 million in net losses over a period of three years 1997-2000 which led to a crisis of confidence in the stock market. In Nigeria, there are instances of deficiency of financial reporting and corporate disclosure which affected Cadbury Plc, Oceanic Bank, and Intercontinental Bank Plc (Otusanya & Lauwo, 2010).

Okoye and Gbegi (2013a) have suggested that forensic auditing will bring significance improvement in the quality of audit report especially with its investigative skill and potential use in a legal process. This study examines how public confidence in audit report may be enhanced, from the perspective of forensic audit, with particular reference to listed insurance companies in the Nigeria Stock Exchange.

This study will be significant to different group of people, particularly, those who rely on report of auditors to make informed economic decision and those who provide financial advisory services, like stockbrokers, accounting firms, the government, bankers, existing and prospective shareholders. The study is a topical issue today in Nigeria because accusing fingers are being pointed at the auditors over the failure of the banks that had clean i.e. unqualified, audit opinion, yet collapsed suddenly, leaving the public in doubt as to the credibility of auditor’s report.

Statement of Research Problem

A diminishing public confidence in the report of the auditors is not only a threat to the audit practice but a looming crisis moment for the accounting profession. Studies such as Power (1999), Ijeoma (2015) have shown that many audit reports communicate little more than the fact that an audit has been done and the reader is let to decode specialized and cautious expression of opinion and also statutory auditor, by the scope of his work cannot pontificate with any level of finality that fraud has occurred or not. Accounting practitioners have observed that the big accounting firms which were alleged to be accomplices in failed companies are auditors to many listed insurance companies in Nigeria. There is growing concern that the public no longer rely on the report of the auditors attached to published financial statements (Ijeoma, 2015). Okoye and Gbegi (2013b) have observed that external auditors may not have the required training to tackle modern frauds like white collar crimes such as security fraud, embezzlement, bankruptcies, contract disputes and possible criminal financial statement; including money laundering by organized criminals. Previous studies have not focused on the audit report of the insurance sub-sector which strives on public trust, and carry the risk of other sectors of the economy. This study seeks to examine how public confidence in audit report may be enhanced from the perspective of forensic audit, with reference to insurance companies listed on the Stock Exchange.

Objectives of the Study

The main objective of this study is to assess how public confidence in audit report may be enhanced through the use of forensic audit. The specific objective objectives of this study are:

(1) To examine the relationship between statutory audit practice and public confidence in audit report of listed insurance firms in Nigeria.

(2) To examine the relationship between forensic audit and public confidence in audit report of listed insurance firms in Nigeria.

(3) To ascertain if there is a significant difference in the public confidence in statutory and forensic audit report of listed insurance firms in Nigeria.

Research Question

(1) To what extent does statutory audit practice enhance public confidence in the audit report of listed insurance firms in Nigeria?

(2) What is the relationship between forensic audit and public confidence?

(3) What is the difference in public confidence in statutory and forensic audit report of listed insurance firms in Nigeria?

Statement of Hypotheses

H_{01}: Statutory audits practice has no significant relationship with public confidence in audit report of listed insurance firms in Nigeria.

H_{02}: Forensic audits practice has no significant relationship with public confidence in audit report of listed insurance firms in Nigeria

H_{03}: There is no significant difference between statutory audit practice and forensic audit practice in enhancing public confidence in audit report of listed insurance firms in Nigeria.

Review of Related Literature

Concept of Public Confidence

The English Living Dictionary defines confidence as “the feeling or belief that one can have faith in or rely on someone or something”. In the context of this study, public confidence in audit report means the feeling or belief of users of financial statement (the public) that they can have faith in or rely on the auditors or his report, in making informed economic decision. Studies have shown that public confidence in audit report is on the decline. This follows the wave of corporate failures that had been linked with corporate governance deficiencies in relation to false financial statements and misrepresentations together with what Ogiriki and Oyadonghan (2017) described as “unrealistic unqualified” audit reports. They posit that stock market financial analysts, corporate investors, and other stakeholders are all confused with the relationship between favourable audit reports and corporate failures in the business world. Osasu and Okunbor (2011) have stated that public confidence in audit report is a serious matter because the auditor’s relevance and economic sustainability rest on public trust in his work.

Other factors that affect public confidence according to Faboyede and Mukoro (2012) include:

- Auditor's conflict of interest (lack of independence).
- Audit firms gave a clean bill of health to 94% of public companies that were subsequently involved with accounting problems.
- Widening expectation gap—this refers to discrepancy between the people's expectation of the role of auditors, and what the auditors consider to be their roles and responsibilities as defined by law and professional practice (Iyoha, 2011).
- Economic dependence on client.
- Corporate failures—sudden collapse of corporate entities that had "clean", unqualified audit opinion has put the audit report to question. According to Ogiriki and Oyadonghan (2017), stock market financial analysts, corporate investors, and other stakeholders have questioned the relationship between favourable audit reports and corporate failures in the business world.
- Window dressing or creative accounting.

Concept of Forensic Audit

The Institute of Forensic Auditors (IFA) has defined forensic audit as an activity of collecting, verifying, processing, analyzing, and reporting data in order to obtain facts and evidence that could be used in financial disputes arising due to criminal activity. It is an investigation of a fraud or presumptive fraud with a view to gathering evidence that could be presented in a court of law. Soni (2014) opined that forensic audit is a technique to legally determine whether accounting transactions are in consonance with various accounting, auditing and legal requirements and eventually determine whether any fraud has taken place. Forensic auditing therefore is a blend of accounting, auditing, and investigative skills.

According to Silverstone, Sheetz, Pedneault, and Rudewicz (2012), forensic audit is a new specialized service in external audit of financial statements. Vukadinović, Knežević, and Mizdraković (2015) outlined some elements of differences between forensic audit and statutory audit. They include:

Legislation. While statutory audit is guided by legislation and professional standard, forensic audit relies on professional regulation.

Objective. The core objective of forensic audit is prevention, investigation, and fraud detection, while statutory audit aims at expression of professional, independent, and competent opinion on the truthfulness correctness and accuracy of financial statements.

Limitation. Statutory audit is limited by professional standards beyond which it does not perform further checks. Forensic audit is not limited by such standard and can perform professional activities outside the standards.

Period of activity. Statutory audit expresses opinion on financial statements usually for one business year, while there is no specific timeline for forensic audit; activity lasts until the fraud is discovered.

Methodology. Statutory audit method is sampling, while forensic audit investigates every financial transaction which is connected to fraud.

The court proceedings. Statutory auditor may be a witness in court. The forensic auditor is required as a witness in court in the role of expert.

Obligation. Statutory audit is a mandatory requirement for all listed companies on the Stock Exchange.

Forensic audit is not a legal obligation for companies listed on the Stock Exchange.

Audit Report

The auditor's report is the end-product of an audit. It is usually very short but its importance to the business community cannot be overemphasized. The Companies and Allied Matters Act 2004 requires statutory auditors of a company to make a report to its members on the accounts examined by them, and on every statement of financial position and statement of comprehensive income, and on all group financial statement copies of which are to be laid before the company in a general meeting. Auditor's report is vital as a confirmation that the accounts may be relied upon as true and fair presentation of the financial position and performance of an entity (Agbadu-Fishim, 1998). Audit report of listed insurance companies must contain the following headings:

- Opinion of the auditors on the financial statements.
- Basis of opinion.
- Key audit matters and how it was addressed; for instance:
  (1) Insurance contract liabilities
  (2) Valuation of investment properties
  (3) Valuation of unquoted equity instrument measured at fair value through other comprehensive income.
- Other information.
- Responsibilities of the directors.
- Responsibilities of the auditors.
- Report on other legal and regulatory requirements.
- Name of the audit firm, the name of the engagement partner with his Financial Reporting Council Number.

Augustine and Uagbale-Ekatah (2014) have observed that the incessant financial fraud resulting to corporate collapse and the failure of the statutory audit to detect and prevent fraudulent activities which had led to the impoverishment of investors had given rise to need for forensic auditing. Statutory audit is professionally regulated by mandatory standards. Vukadinović et al. (2015) has also noted that same standards in certain cases prevent external audit to gain its full potential. This is particularly true in the case of fraud detection. The expansion of major financial scandals, occasioned by scams and ever-growing number of frauds in the recent past as well as the very substantial amounts of damages caused by frauds, has made an entrance for forensic audit.

Regarding the content of statutory audit report, Smieliauskas, Craig, and Amernic (2008) cited in Sijpesteijn (2011) proposed that the auditor's report be revised to replace the words "true and fair view" with "acceptable risk of material misstatement". According to Smieliauskas et al. (2008), audit reports constitute an inadequate response to a 30-year-old criticism that the audit reports "may be unclear and ambiguous to the average reader" (Cohen Commission, 1978). Smieliauskas et al. (2008) stated that the audit report should communicate the results of an audit process to best reflect the auditor's state of knowledge at the time the audit report is dated. They argued that the current wording of the standard audit report is deficient and that its expression, "true and fair view", is operationally defective.

According to Eyisi and Ezuwore (2014), forensic audit report addresses key audit matters of interest in detail. While statutory audit report is limited by professional standards, forensic audit report is not limited by such standard. Statutory audit report expresses opinion on financial statements usually for one business year, while there is no specific timeline for forensic audit report; report extends when fraud is discovered. The core objective of forensic audit report is to highlight incidences of fraud and the parties involved, while statutory audit report expresses opinion, with a clear caveat that the report is not an investigation and no liability could arise from third parties.

Theoretical Framework

This study is anchored on the Limberg's Theory of Inspired Confidence (1932), which has to do with auditor's function. The theory stresses the social responsibility of the auditor. Limberg argued that the auditor derives his general function in society from the need for an expert and independent opinion based on that examination. Audit function is rooted in the confidence that the public or society places on the effectiveness of the auditor. The public confidence is, therefore, a condition for the existence of audit function. Consequently, if the confidence is betrayed, the function, too, is destroyed, since it becomes useless. He argued further that, there were two circumstances in which the public confidence could be betrayed, namely (i) if the expectation of society is exaggerated, that is, it exceeds what the auditor is capable of performing, (ii) if the auditor under-performs. He recognized that society's needs are not static. They are dynamic and influenced by changing perceptions and changes in the environment. The central area of Limperg's work is related to the social responsibility of the independent auditor and possible mechanisms for ensuring that audits meet society's need.

In the light of recent corporate failures, all of which had "clean" statutory audit report, this theory extensively supports the need for the audit function to be dynamic, as against the fixed template provided by regulation and professional standards on auditing.

Empirical Review

Osasu and Okunbor (2011) carried out a study to determine the level of public confidence in audited report and also to know the extent to which users of this information are aware of the nature of the audit report. Using z-test statistical tool, the authors noted that most users of audited report do not have the ability to analyse and interpret audit reports and recommended that the auditors should be given freehand in the course of the audit work. The authors did not evaluate the adequacy of content of statutory audit report as a basis of enhancing public confidence in the audit report.

Ogiriki and Oyadonghan (2017) conducted a study on corporate governance failure and enhanced public confidence in audit reports. The authors focused attention on false financial statement misrepresentation linked with corporate governance deficiencies, as reason for falling public confidence in audit report. The study ignored the extent to which statutory audit report complies with disclosure requirements.

Faboyede and Mukoro (2012) in their study, *Restoring Confidence in Nigeria Banks*, identified auditor's lack of independence as a factor that has affected public confidence in auditor's report. They ignored the insurance subsector which bears the risks of not only the banks, but other risk-takers in the economy.

Sijpesteijn (2011) investigated the value relevance of the auditors' communications. He posits that "value relevance" refers to the quality of audit report, in communicating effectively about the audit process, the responsibilities of the auditor, the nature of assurances provided by the auditor and other items, which could be important in a decision-making process. The author asserted that "value relevance" will be established by assessing users' understanding of messages as contained in the audit report and identifying users' needs and requirements regarding topics which should be attended to (more extensively) in the audit report.

Smith and Crumbly (2015) have argued that it is not unreasonable to consider alternatives such as forensic audits to help provide stakeholders with assurances about the economic risks a company is facing. They observed the number of financial frauds that have been continually perpetrated within U.S. companies have raised serious questions as to whether traditional financial controls are working. The authors sought to know if the traditional audit model is still doing its share in providing oversight over financial activities. They concluded that today the answer might be, not very well, but what other choice is there? They propose forensic audit to be the solution.

Ijeoma (2015) evaluated the use of forensic accounting techniques in curbing creative accounting. The objective of this study was to empirically examine forensic accounting techniques in curbing creative accounting. Primary source of data collection was employed and the statistical tools used in analyzing the data include: Kruskal-Wallis test mean rank and percentage distribution. From the findings of the study it was revealed that strong evidence exists on the effectiveness of techniques used by forensic accountants in helping to curb the problem of creative accounting. The result further revealed the existence of strong evidence that forensic accountants have enhanced their efficiency overtime better than when they use statutory audit. Also, it was found that there exists strong evidence that the emergence of forensic accountants has restored confidence in the credibility of corporate firms and their report as compared to statutory audit. Hence, by applying accounting principles, auditing skills and investigative procedures in solving certain legal problems, forensic accountants help lawyers, courts, regulatory bodies, and other institutions in investigating financial frauds. It was established from the findings of this study that there is need that forensic accountants must possess solid knowledge and skills in the area of accounting and auditing.

The empirical review shows that earlier writers have concentrated effort in exposing the general problem of statutory audit but little or no attention paid to the evaluation of the audit report of listed insurance firms. Beyond identification of the problems with statutory audit, the crux of this study is to proffer solution to the declining public confidence in audit report by taking forensic audit perspective.

Methodology

In this research work, survey design was used, which related to collecting data from the population for intensive study and analysis. The population of study for this research comprises 132 professional staffs of 18 firms of Stock Brokers and Professional Accountants. 132 questionnaires were administered out of which 124 were filled and returned. Other sources of information include audited report of listed insurance companies, textbooks, publication from journals as well as internet sources. For the purpose of analysis, the collected data have been tabulated in a table using percentages to show the results of analysis of experts' views. While Pearson Product Moment Correlation was used to test hypotheses one and two while hypothesis three was examined using paired sampled *t*-test.

Results and Discussion

Presentation of Result Based on Specific Objectives of the Study

This section presents the result of the study based on the specific objectives. Respondents' views are analyzed in the table below. Questions 1 to 3 addressed study objective 1; questions 3 to 6 targets objective 2; and questions 7 to 9 provide answer to objective 3.

Table 1

Relationship Between Statutory Audit Practice and Public Confidence in Audit Report of Listed Insurance Firms in Nigeria

QN	Variables	Frequency	Percentage
	Objective No. 1 Questions		
1	A lot of users of financial report have expressed concern over sudden collapse of listed insurance firms that had unqualified audit opinion. Have you observed this too?		
	Yes	115	93%
	No	9	7%
	Total	124	100%
2	Considering the research findings on audit failure, do you think statutory audit report discusses key audit matters that enhance public confidence in audit report of listed insurance companies in Nigeria?		
	Yes	17	14%
	No	107	86%
	Total	124	100%
3	Studies have shown there exists audit expectation gap; do you think the current statutory audit practice enhances public confidence in his report?		
	Yes	15	12%
	No	109	88%
	Total	124	100%

Source: Field survey, 2018.

Table 1 shows that 115 respondents, which constitute 93% of the total respondents have observed concern of users of financial report over sudden collapse of listed insurance firms that had unqualified audit opinion, while nine of the respondents with a 7% have not observed the concern. This implies that the public confidence in the audit opinion is being threatened. In response to question 2 on Table 1, 17 respondents, representing 14% of the total respondents think that statutory audit report discusses key audit matters that enhances public confidence in audit report of listed insurance companies in Nigeria, while 107 of the respondents, representing 86% do not think so. This indicates that the public is not satisfied with statutory audit report discussion of key audit matters, which result in decline in public confidence in his report. The response to question 3 of Table 1 shows that 15 respondents, which represent 12% of the total respondent think the current statutory audit practice enhances public confidence in audit report, while 109 of the respondents, representing 88% do not think so. This validates study findings that there exists expectation gap and the current audit practice does not enhance public confidence in audit report.

Table 2

Relationship Between Forensic Audit and Public Confidence in Audit Report of Listed Insurance Firms in Nigeria

	Objective No. 2 Questions	Frequency	Percentage
4	Forensic audit is said to have emerged out of audit failure. Do you think forensic audit perspective would enhance public confidence in the audit report of listed insurance companies?		
	Yes	112	90%
	No	12	10%
	Total	124	100%
5	Studies have shown that forensic audit reports do highlight incidences of fraud in a firm and this enhances public confidence in the Audit report. Have you observed this?		
	Yes	104	84%
	No	20	16%
	Total	124	100%
6	A forensic audit report makes definite assertion that financial statement presents an accurate or inaccurate view of financial statement and this boosts public confidence in the report. Do you agree with this statement?		
	Yes	100	81%
	No	24	9%
	Total	124	100%

Source: Field survey, 2018.

Furthermore, responding to question 4, 112 of the respondents, representing 90% think the emergence of forensic audit is due to statutory audit failure, while 12 of the respondents, representing 10% do not think so. This indicates that forensic audit perspective would enhance public confidence in audit report of listed insurance companies. In responding to question 5, Table 2, 104 of the respondents, representing 84% have observed that forensic audit do highlight incidents of fraud in a firm, while 20 of respondents which represent 16% have not observed that. This indicates public confidence is boosted in audit report when incidences of fraud in a firm are highlighted by the auditor. The response to question 6 shows 100 of the respondents, representing 81% agree with the statement that public confidence is boosted in forensic audit report because it makes definite assertion those financial statement presents an accurate or inaccurate view of financial statement, while 24 of the respondents do not agree with the statement. This indicates public preference for definite statement about financial position of a firm, as against the opinion of "true and fair view" format of statutory audit report.

Table 3

Difference in the Public Confidence in Statutory and Forensic Audit Report of Listed Insurance Firms in Nigeria

S/N	Objective No. 3 Questions	Frequency	Percentage
7	It is mandatory for listed insurance firms to appoint statutory auditors while it is not a mandatory requirement to appoint forensic auditors. Can this be responsible for the non-inclusion of forensic audit report in financial report of insurance firms?		
	Yes	124	100%
	No	0	0
	Total	124	100%
8	Based on what you know about statutory and forensic audit reports, do you consider making both audits mandatory will enhance public confidence in the audit report of listed insurance companies?		
	Yes	5	4%
	No	119	96%
	Total	124	100%
9	Studies have suggested that statutory audit attribute is unable to sustain public confidence in audit report, hence the need for forensic audit perspective. Do you agree?		
	Yes	122	98%
	No	2	2%
	Total	124	100%

Source: Field survey, 2018.

All the respondents to question 7 agreed that the non-mandatory requirement for appointment of forensic auditor is responsible for the non-inclusion of forensic audit report in the annual report of listed insurance firms. This indicates a regulatory gap that needs to be filled up. The response to question 8 shows that 98 of the respondents, which represent 78% of the total respondents are of the view that making both audits mandatory will enhance public confidence in audit report of listed insurance companies, while 26, representing 21% opposed the view. This indicates the wish of the public to make both statutory and forensic audit mandatory to correct the limitation of statutory audit. In response to question 9, 122 of the respondents, representing 98% agreed that statutory audit attribute is unable to sustain public confidence in audit report, while two of the respondents, representing 2% do not agree. This shows that the statutory audit attributes as defined by standard is not sufficient to boost public confidence in audit report, hence the need for forensic audit perspective.

Analysis of the Hypotheses

Table 4

Descriptive Statistics 1

	Mean	Std. Deviation	N
STA	62.0000	53.07730	6
FRA	62.0000	47.78284	6
PBC	62.0000	63.91557	6

Source: Author’s computation, 2018.

As shown from the result of the descriptive statistics in Table 4 above, statutory audit has a mean of 62.000 with a standard deviation of 53.07730. Forensic audit has a mean of 62.000 with a standard deviation of 47.78284 and public confidence has a mean of 62.000 with standard deviation of 63.91557. These descriptive statistics shows the characteristics and distributions of the data used for the study.

H_{01}: Statutory audits practice has no significant relationship with public confidence in audit report of listed insurance firms in Nigeria.

Table 5
Correlations 1

		STA	FRA	PBC
STA	Pearson Correlation	1	0.162	-0.332
	Sig. (2-tailed)		0.759	0.520
	N	6	6	6
FRA	Pearson Correlation	-0.162	1	0.365
	Sig. (2-tailed)	0.759		0.047
	N	6	6	6
PBC	Pearson Correlation	-0.332	0.365	1
	Sig. (2-tailed)	0.520	0.047	
	N	6	6	6

Source: Author's computation, 2018.

As shown by the result in Table 5 above, there is an inverse relationship between statutory audit and public confidence in audit report. A negative value of *r* indicates that as one variable increases, the other variable decreases. Therefore, as statutory audit is increased in the study area, public confidence is decreased with a magnitude of 33.2%. The magnitude of the correlation coefficient indicates the strength of the association between the two variables. The result of the study indicates that the strength of the relationship is 0.332^{**} or 33.2% and the relationship is not statistically significant ($p > 0.01$). On the basis of *p-value* of the estimate, we accept the null hypothesis; that is, we accept that there is no statistically significant relationship between statutory audits practice with public confidence in audit report of listed insurance firms in Nigeria.

This finding is in line with that of Smieliauskas et al. (2008) cited in Sijpesteijn (2011) who stated the danger of risk of material misstatement. According to the authors, audit reports constitute an inadequate response to a 30-year-old criticism that the audit reports "may be unclear and ambiguous to the average reader". Smieliauskas et al. (2008) state that the audit report should communicate the results of an audit process to best reflect the auditor's state of knowledge at the time the audit report is dated. They argue that the current wording of the standard audit report is deficient and that its expression, "true and fair view", is operationally defective. Hence, the public confidence in audit report is reduced as a result of the ambiguity surrounding the specification of accounting information. Ogiriki and Oyadonghan (2017) who conducted a study on corporate governance failure and enhanced public confidence in audit reports also found similar result.

H_{02}: Forensic audits practice has no significant relationship with public confidence in audit report of listed insurance firms in Nigeria

Table 6

Correlations II

		STA	FRA	PBC
STA	Pearson Correlation	1	0.162	-0.332
	Sig. (2-tailed)		0.759	0.520
	N	6	6	6
FRA	Pearson Correlation	-0.162	1	0.565
	Sig. (2-tailed)	0.759		0.047
	N	6	6	6
PBC	Pearson Correlation	-0.332	0.565	1
	Sig. (2-tailed)	0.520	0.047	
	N	6	6	6

Source: Author's computation, 2018.

As shown by the result in Table 6 above, there is a direct relationship between forensic audit and public confidence in audit report. A positive value of *r* indicates that as one variable increases, the other variable increases in equal proportion. Therefore, as forensic audit is increased in the study area, public confidence is increased with a magnitude of 56.5%. The magnitude of the correlation coefficient indicates the strength of the association between the two variables. The result of the study indicates that the strength of the relationship is 0.565^{**} or 56.5% and the relationship is statistically significant ($p < 0.01$). On the basis of *p-value* of the estimate, we reject the null hypothesis; that is, we accept that there is a statistically significant. This means that forensic audits practice has a significant relationship with public confidence in audit report of listed insurance firms in Nigeria.

This finding is in line with that of Smith and Crumbly (2015) who in their study have argued that it is not unreasonable to consider alternatives such as forensic audits to help provide stakeholders with assurances about the economic risks a company is facing.

H_{03}: There is no significant difference between statutory audit practice and forensic audit practice in enhancing public confidence in audit report of listed insurance firms in Nigeria.

Table 7

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	STA	56.0000	6	11.38420	4.64758
	FRA	68.3333	6	24.43495	9.97553

Source: Author's computation, 2018.

Table 8

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	STA-FRA	-16.33333	22.35770	9.12749	-39.79630	7.12963	-1.789	5	0.013

Source: Author's computation, 2018.

The result of the paired sample test showed that there is a significant difference in the mean of statutory audit and the mean of public confidence in audit report in the study area and the difference is statistically significant ($p < 0.05$). Hence, we reject the null hypothesis; in other words, we accept that the estimate is not statistically significant at 5% level of significance. Hence, there is a significant difference between statutory audit practice and forensic audit practice in enhancing public confidence in audit report of listed insurance firms in Nigeria. This finding is in line with that of Ijeoma (2015) whose study evaluates the use of forensic accounting techniques in curbing creative accounting using Kruskal-Wallis test mean rank and percentage distribution. From the findings of the study it was revealed that strong evidence exists on the effectiveness of techniques used by forensic accountants in helping to curb the problem of creative accounting. The result further revealed the existence of strong evidence that forensic accountants have enhanced their efficiency overtime better than when they use statutory audit.

Conclusion and Recommendations

This study x-rayed the use of statutory vis a vis forensic audit and how the current practice of the use of statutory audit has been unable to sustain public confidence in audit report. The study exposed the unique attributes of forensic audit perspective; its objective and other features that meet the dynamic needs of the public or society which expects the audit to say more in its reportage. The study conclude that public confidence in statutory audit report is on the decline following sudden collapse of firms that had unqualified audit report. Secondly, forensic audit, although not a mandatory requirement, is preferred by the public because it is investigative and discussed in detail, key audit matters that enhances public confidence in the audit report. Furthermore, statutory audit is limited by standard and regulation and does not meet dynamic information need of the public. On the other hand, forensic audit report is flexible as it is not limited by standard and regulation, hence its positive impact on public confidence in audit report.

Recommendations

In the light of the revelations from the research conducted, the following recommendations are made to reinvigorate public confidence in audit report:

Improvement in reporting standard. Professional bodies in Nigeria, particularly, the Institute of Chartered Accountants of Nigeria (ICAN), and the Association of National Accountants of Nigeria (ANAN) should take steps to reverse the declining public confidence in statutory audit report. This can be done in area of reviewing current reporting template for statutory audit to accommodate the dynamic information need of the public.

Personnel skill enhancement. Accounting firms carrying audit of listed insurance firms should train their staff in forensic audit to augment the traditional audit practice. To sustain public confidence, the audit team must acquire forensic audit knowledge to investigate issue of fraud and report appropriately.

Regulatory backing. The government should enact an act establishing forensic and investigative auditors in Nigeria separate from the existing accounting professional bodies since there is no public confidence on the audit report prepared by the existing accounting professional bodies again. By so doing, the Financial Reporting Council of Nigeria will make forensic audit report mandatory for all organisations and in particular the listed insurance firms in Nigeria, which will in turn restore the public confidence in audit report.

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