

ANALYSIS OF PUBLIC ACCEPTABILITY OF FORENSIC AUDIT PRACTICE IN BENUE STATE LOCAL GOVERNMENT COUNCILS.

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ABSTRACT

This study is to determine the acceptability of forensic audit practice in the public sector of Nigeriawith particular reference to Benue State local government councils. The researcher used primary data. Two hundred and Seventy (270) questionnaires were administered to management and finance staff of six local government councils in Benue state while two fifty (250) were filled and returned.The researcher used tables and simple percentages to analyze the data. Chi-square (X^2) was also used as a statistical tool to test the hypothesis. Findings show that local governments in Benue State are aware of forensic audit practice and also are willing to accept the concept of forensic auditing. The researcher therefore recommended that there should be department of forensic audit in the Office of Auditor General for local governments and also proper training should be given to forensic Auditors for efficient and effective forensic auditing. The researcher also recommends that the services of forensic Auditors should be made mandatory in the public institutions through legislation.

Keywords: Forensic Auditing, Forensic Accounting, Public acceptance.

Introduction

The Nigerian public sector is made up of the federal, state and Local Governments. This three tiers of government have continue to witness corruption and financial crimes ranges from employment theft, payment fraud, fraudulent billing system, management theft, bribery, embezzlement, computer credit card fraud among others (EFCC, 2004) The evidence of fraud continuous to increase across nations. It is a major concern to developing nations like Nigeria. It is so endemic that fraud and corruption is gradually becoming a normal way of lifeUkpai in Cletus and Uwaoma, (2014) revealed the following causes of fraudulent practices in public institutionsand functions like absence of

political maturity to counter balance the temptation of fraudulent practices, lack of systematic planning and organization; rapid increase in civil service workforce; resulting in chronic low pay and the search for alternative income; wrong and poor value systems; prevalence of private interest to public interest, and lack of practical distinction between politics and economics.

Corruption and financial crimes are in most cases have been committed by those who are in the higher authority, entrusted with responsibility of taking care of fund Ribadu, (2007) state that all these crimes continued in the system in spite of government landscape steps to address them, because

many in power want the old system to continue.

It is also not only those that have occupied positions of high authorities, but the trend and volume of increase of fraud has involved all levels in the public sector. The junior, middle and top management levels.

The federal government has been making several efforts in tackling these ugly phenomena by setting up many anti-corruption institutions to curtail cases of fraud and other activity of financial and economic crimes but the efforts seemed not to have yielded the desired result or have not been effective, (Ehioghriem & Atu, 2016).

This problem of corruption and financial crimes has put accounting professional associations into a new perception paradigm that goes beyond statutory or financial audit to forensic audit practice. Forensic auditing can sometimes be referred to as forensic accounting. A forensic audit is a specialization within the field of accounting, and forensic auditors often provide expert testimony during proceedings.

According to Stevenson and Larry, (2015) "forensic audit is an application of methodologies and technologies by an independent entity used to obtain a detailed understanding of the underlying economic risk facing an organization". Today's technologies allow for cost-effective means to continuously monitor (not spot check) corporate activities under forensic audit practice.

Borthakur, (2017) Forensic audit/accounting is a specialized branch of accounting that requires a specialized skill set for fraud detection. He further said that a forensic auditor examines a company's system of internal controls to identify any weakness in the internal controls designed to safeguard assets and to determine whether anyone in the company has exploited control weaknesses to misappropriate assets for personal gain,

including corruption, bribery, extortion, embezzlement, misappropriation etc. it also adds a legal substance to the auditing procedures.

This study is meant to analyze the public acceptability of forensic audit practice in Benue State Local Government Councils.

Statement of Problem

Financial crimes and corruptions are severe problems of concern globally. The wide-spread frauds in both private and public sector organizations have made traditional or statutory auditing and investigation inefficient and ineffective in the detection and prevention of the various types of frauds, confronting government busineses worldwide (Ehioghriem & Atu, 2016). The presence of both the internal and external auditors in the private and public sector organizations, yet financial crimes and frauds are still being committed on the daily basis (Okoye, & Gbegi, 2013). More so, previous research such as Okoye and Gbegi, (2013), Omar and Jomitin, (2013), Cletus and Uwaoma, (2014), Eka and Furry, (2015) have examined the concept of forensic auditing and accounting for fraud detection and prevention and its relevance in the state ministries and other public institutions. However, no research has been done on the public acceptability of forensic audit practice in the third tier of government in Nigeria. The third tier of government has been observed to be the tier of government where modern financial crimes are committed at a higher scale and lacks awareness and required training to be able to tackle these modern financial crimes like; embezzlement, bankruptcy, contract disputes, money laundering by organized criminals. Therefore, the need for awareness creation and acceptability of forensic audit practice becomes necessary at this tier of government and the public sector in general.

It is in view of the above problems that the study examined the acceptability of forensic audit practice in Local Government Councils with particular reference to Benue State Government of Nigeria.

Objectives of the study

The study generally aims to determine the acceptability of forensic audit practice in the public sector particular reference to Benue State local government councils.

The specific objectives of this study include:

- i. To examine the level of awareness of forensic audits practice in the Local Government Councils in Benue State.
- ii. To examine the level of willingness to accepts forensic audit practice in the local government councils in Benue State.

Research Question

The study has the following Research Questions:

- i. What is the level of awareness of forensic audit practice in local government councils in Benue State?
- ii. What is the level of willingness to accept forensic audit practice in the local government council in Benue State?

Statement of Hypothesis:

H0: The Local Government Councils in Benue State are not aware of forensic audit
H0: The local government councils in Benue State are not willing to accept forensic audit practice.

Conceptual Framework

Forensic Auditing:

Shanikat and Khan, (2013) defined forensic accounting as the application of special skills in accounting, auditing ,finance, quantitative methods ,certain areas of law and researchand investigative skills to collect, analyze and evaluate evidence matters and to interpret and communicate findings. It is a blend of accounting, auditing and investigative skills. It is an investigation of fraud or presumptive fraud with a view to gathering evidence that could be presented in a court of law.Dhami,(2015) viewed forensic accounting as simply analysis of evidence, it is the specialty practice area of accounting that describes engagements which result from real or anticipated litigation.Cletus and Uwaoma, (2014) argue that, forensic audit usually examines allegation and complaints about

wrongdoing involving significant public funds or assets. The procedures used are designed (who, what, how, when, and where) in a manner that ensures that any evidence of wrongdoing may ultimately be presented in administrative, civil or criminal proceedings.

Stenveson and Larry, (2015), Forensic auditing is focused on the identification, interpretation and communication of the evidence of underlying strategies economic and reporting events. It is not single-event based, like fraud examination and a forensic audit is not use to render an audit opinion. Forensic audit are easily adapted to a principle-based accounting environment with board guidelines applied to a variety of accounting investigation without using rule-based audit approaches or more narrowly focused fraud practices.Koh, Arokiasame and Alsuat, (2009) forensic accounting is said to a science dealing with the application accounting facts gathered through auditing methods and procedures to resolves legal problems. It also requires the integration of investigative, accounting and auditing skills.According to Editorial board of the Institute of Chartered Management Accountants of India, (ICMAI)(2018) defined forensic audit as an examination of evidence regarding an assertion to determine its correspondence to established criteria carried out in a manner suitable to the court.

Bhagwan, (2014) view that forensic auditing is a technique to legally determine whether accounting transactions are in consonance with various accounting, auditing and legal requirements and eventually determine whether fraud has taken place. However, there is an increase use of auditing skills to prevent fraud by identifying and rectifying situations which could lead to frauds being perpetrated (i.e risk). He furtherstated that forensic auditing is either "Proactive" or "Reactive" Uzoka, (1990) as cited in Cletus and Uwaoma, (2014) proactive forensic auditing is aimed at preventing economic and financial crimes by promoting an overall fraud awareness culture in the

public sector through, inter alia, publications, presentations/workshops, and participation in relevant national and international initiatives. This is done with the aim of promoting a culture of zero tolerance on corruptions through this medium above and making stakeholders aware of deficiencies in the measures instituted to prevent or detect economic crimes. Ansari, (2005) as cited in Cletus and Uwaoma, (2014) consider Reactive forensic auditing as techniques focuses on the investigation of allegation of economic and financial crimes. The submitted allegation are confirmed or refuted by collecting and submitting substantive evidence.

Theoretical Framework

The basic theory considered in this research work is the Stakeholders Theory founded in 1984 by Freeman. Stakeholders is any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman, 1984) as cited in Fontain, Haarman and Schmid, (2006).

Evan and Freeman, (1990) as cited in Fontain, Haarman and Schmid, (2006) tried to build a normatic theory based on the preceding definition of stakeholders. To him, the main groups of stakeholders are customers, employees, local communities, suppliers and distributors, shareholders, the media, the public in general, business partners, future generations, past generations, academia, competitors, financiers, governments, regulators, policy makers.

In determining the level of acceptability of forensic audit practice in Benue State Local Government Councils, the study considers a variety of stakeholders including local government councils, management and finance officers. Those groups are very importance to the survival and success of the local government councils.

Empirical Review

Eka and Fury (2015) Examined Forensic Auditing as a tool for fraud detection and prevention in the public sector organization with particular reference to Indonesia. Both primary and secondary sources of data were used. Analysis of variance (ANOVA)

was used as a statistical tool to test the hypothesis. The study found out that the use of forensic accounting to significantly reduces the assurance of fraud cases in the public sector.

Omar and Jomitin (2013) examined the relevance of forensic accounting in public sector with a focus on selected government agencies in Klang valley. The researcher used structured interviews and questionnaire as sources of data collection. The study found that 100% of the respondents understood and knew the meaning of fraud, Forensic accounting and its roles in public sector. The study also found that 80% respondents understood and knew that fraud has a direct relationship with forensic accounting.

Cletus and Uwaoma, (2014) studied forensic auditing techniques and fraudulent practices of public institutions in Nigeria. The statistical tool used in testing the hypotheses was Pearson Product correlation coefficient. The findings suggest that both the proactive and reactive forensic auditing technique have a negative significant relationship with fraudulent practice in Nigerian public institutions. However, this study failed to find out the willingness of public acceptability of forensic audit practice in public institutions.

Omar and Jomitin (2013) examined the relevance of forensic accounting in ministries and agencies of public sector organization in Klang valley as a second tier of government. Eka and Fury (2015) studied Forensic Auditing as a tool for fraud detection and prevention in the public sector organization with particular reference to Indonesia. The researchers also focused on institutions, and state owned ministries and agencies leaving the gap of local government councils as the third tier of public sector. It is due to those research gaps that the study focused on the acceptability of forensic audit practice in Local Government Councils with particular reference to Benue State.

Research Methodology

In this study, the survey method of research design was used in generating the

necessary data. In an effort to gather information useful and reliable, then two sources of data were used namely, primary and secondary data. Questionnaire and interview are the instruments employed to collect the data. These are well structured and designed form of questions or interviews development to obtain required information from respondents.

Population of Study

The population of study for this research comprised of 23 local government councils in Benue State. The elements of the study include management and finance staffs that are knowledgeable in the area of forensic auditing.

Sample size/techniques

In this study, the researcher used a non-probability sampling (convenient sampling) to select two local government councils from each zone. The management and finance staff of the six (6) local government council which served the element of this study comprised of 818 staff. The research used the same convenient sampling techniques in selecting 45 staff for each of the selected local government councils bringing a total of 270 staff as respondents of the study. The six selected local government from zone A, B and C are tabulated below:

The sample size of 270 selected from the six (6) local governments were tabulated below

Zone	S/No.	Local Governments	Population(in persons)
A	1.	Konshisha	45
	2.	Vandeikya	45
B	1.	Gboko	45
	2.	Guma	45
C	1.	Otukpo	45
	2.	Apa	45
Total			270

Source: Field survey 2018

Method of Data Analysis

Tables and percentages were used in the analysis of the data collected from the respondents. The statistical tool used for testing of hypotheses was chi-square with the critical value of 3.84. if $x^2 > 3.84$ H_0 is rejected at 0.05 significance level.

Data Presentation and Analysis

From the 270 questionnaires distributed to the management and finance staff of the six (6) local government councils in Benue State on their view about an analysis of public acceptability of forensic audit practice in Nigeria, by which a totaled of 250 completed and returned while the remaining 20 were not returned.

Question one: Do you know about Forensic Audit?

Table 4.1

Responses	No of Respondents	Percentage (%)
Yes	220	88
No	30	12
Total	250	100

Source: Filed survey 2018

Table 4.1 indicates that 220 respondents representing 88% which are drawn from the management and finance staff of the local government councils who know about forensic audit while 30 respondents representing 12% do not know about forensic audit.

Question two: Do you understand the concept of forensic audit?

Table 4.2

Responses	No of Respondents	Percentage (%)
Yes	195	78%
No	55	22%
Total	250	100

Field survey: 2018

Table 4.2 shows that 195 respondents representing 78% understand the concept of forensic audit while 55 respondents representing 22% do not understand. This means that the third tier in the public sector understand forensic audit.

Question Three: Management and Finance staffs of Local Government Councils in Benue State are aware of Forensic Auditing?

Table 4.3

Answer	Number of Respondents	Percentage (%)
Strongly Agree	98	39.2
Agree	88	35.2
Disagree	34	13.6
Strongly Disagree	30	12.00
Total	250	100

Field survey: 2018

Table 3 shows that 98 respondents representing 39.2% of the management and finance staff strongly agreed that they are aware of forensic auditing, 88 respondents representing 35.2% also agreed while 34 respondents representing 13.6% disagree and 30 respondents representing 12% strongly disagreed. This means that local government councils in Benue State are aware of forensic audit practice.

Question 4: Forensic Audit practice is needed in the local government councils of Benue State.

Table 4.4

Answer	Number of Respondents	Percentage (%)
Strongly Agree	80	37
Agree	110	44
Disagree	35	14
Strongly Disagree	25	10
Total	250	100

Field survey: 2018a

Table 4 shows that 80 respondents representing 32% strongly agree that forensic audit practice is needed in the local government councils, 110 respondents representing 44% also agree while 35 respondents representing 14% disagree and 25 respondents representing 10% strongly disagree. This implies that forensic audit practice is needed in the third tier of public sector.

Question 5: Forensic auditors are needed in the Local Government Councils of Benue State?

Table 5

Answer	Number of Respondents	Percentage (%)
Strongly Agree	86	34.4
Agree	122	48.8
Disagree	14	5.6
Strongly Disagree	78	11.2
Total	250	100

Field survey: 2018

Table 4.5 shows that 86 respondents representing 34.5% strongly agree, 122 respondents representing 48.8% also agree, while 14 respondents representing 5.6% disagree and 28 respondents representing 11.2%. This means that the services of forensic auditing are needed in the local government councils of Benue State.

Question 6: The services of forensic auditors are preferable to those of traditional auditors (internal and external) in the local government councils in Benue state.

Table 4.6

Answer	Number of Respondents	Percentage (%)
Strongly Agree	97	38.8
Agree	114	45.6
Disagree	28	11.2
Strongly Disagree	11	4.4
Total	250	100

Field survey: 2018

Table 6 shows that 97 respondents representing 38.8% strongly agree that the services of forensic auditors are preferable in the local government councils of Benue State than the Traditional Auditors (internal and external), 114 respondents representing 45.6% also agree while 28 respondents representing 11.2% disagree 11 respondents representing 4.4% strongly disagree. This implies that Forensic auditors are preferable in the public sector than the traditional auditors.

Question 7: There is willingness to accept forensic audit practice in the local government councils of Benue State.

Table 4.7

Answer	Number of Respondents	Percentage (%)
Strongly Agree	125	50
Agree	75	30
Disagree	34	13.6
Strongly Disagree	16	6.4
Total	250	100

Field survey: 2018

Table 4.7 shows that 125 respondents representing 50% strongly agree that there is willingness to accept forensic audit

practice in the local government councils of Benue State, 75 respondents representing 30% also agree, while 34 respondents representing 13.6% disagree, 16 respondents representing 6.4% strongly disagree. This means that there is willingness to accept forensic audit practice in the local government councils of Benue State.

Test of Hypothesis: The hypotheses proposed in this study were tested using statistical methods chi-square (χ^2) with the help of SPSS software.

Test of Hypothesis One: In testing hypothesis one, question 3,4 and 5 were used.

H_0 : The local government councils in Benue State are not aware of forensic audit practice.

Opinions	Observed Frequency	Expected Frequency	df	χ^2 Cal	χ^2 Tab	Level of Sig	Decision
No influence	56 (22.4%)	125 (50%)	1	86.07	3.84	0.05	Significant
Influence	194 (77.6%)	125 (50%)					

Table 4.8

Values in parentheses are percentages ($\chi^2 = 86.07, df=1, p=0.05 > 0.00$)

On the table 8, the chi-square was used to find out the awareness of forensic audit practice. The result indicated that the chi-square calculated value of 86.07 is greater than the χ^2 table of 3.84 checked at 0.05 level of significant and 1 degree of freedom. It indicated that local governments in Benue State are aware of forensic audit practice. The null hypothesis is therefore rejected.

Hypothesis two: In testing hypothesis two, question 6 and 7 were used.

H_0 : Management and financial staff are not willing to accept forensic audit practice.

Table 4.9

Opinions	Observed Frequency	Expected Frequency	df	χ^2 Cal	χ^2 Tab	Level of Sig	Decision
No influence	44 (17.6%)	125 (50%)	1	117.76	3.84	0.05	Significant
Influence	206 (82.4%)	125 (50%)					

Values in parentheses are percentages ($\chi^2 = 117.76, df=1, p=0.05 > 0.00$) On the table 9, the chi-square was used to find out the

willingness to accept forensic audit practice. The result indicated that the chi-square calculated value of 117.76 is greater than the χ^2 table of 3.84 checked at 0.05 level of significant and 1 degree of freedom. It indicated that management and financial staff are willing to accept forensic audit practice. The null hypothesis is therefore rejected.

Discussion of Findings

The research has found out that local government council in Benue State are highly aware of the practice of forensic audit and the forensic auditors are needed in the local government council in Benue State to tackle modern financial crime. This finding is consistent with Umar and Jomitin (2013) who stated that in public sector fraud is serious business problems which involve serious litigation consequences and required awareness of the public sector to enable them tackle the fraud. The local government as one of the tiers of public sector needs to be aware of forensic audit and its role in detection and prevention of modern financial crimes.

The research also found that the local government councils are highly willing to accept the practice of forensic audit because of its ability to clean off the high level of modern financial crime in the sector. This is consistent with the finding of Koh, Arokiasamyabd Ah Saut (2009) who also found high level of public acceptance of forensic audit practice toward occurrence of fraud detection and prevention in Malaysia.

Conclusion

From the analysis of chi-square (χ^2) was used for the first and second hypothesis above, the result revealed that local governments in Benue State are aware of forensic audit practice and also accept the concepts of forensic auditing to be used in the third tier of public sector.

This result attest to the fact that the local governments in Benue State needs theservices of forensic auditors in the system who are well trained professionals to help detect and prevent the occurrence of fraud and corruptions in the third tier of governments.

Recommendation

1. The services of forensic auditors should be made mandatory in the public sector through legislation to curtail the menace of fraud and corruption.
2. They should be department of forensic audit in the office of Auditor General for local governments to handle special investigation concerning fraud and financial crimes committed by the staff of the local governments.
3. Forensic auditors should undergo regular training to acquired knowledge and skills for efficient and effective forensic auditing.

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