

## **FORENSIC ACCOUNTING AND FRAUD DETECTION IN A MICROFINANCE BANK IN OSUN STATE, NIGERIA**

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### **ABSTRACT**

*The study examined the influence of forensic accounting on fraud detection and prevention in microfinance banks in Osun State, Nigeria. Descriptive survey research design was adopted for the study. A total number of 378 staff of fifteen microfinance banks, in Osun State represents the population, however, the study sampled 300 staff using purposive sampling method. Questionnaire were used to gather the data for the study, Data were analysed using tabular simple percentage while regression analysis was employed for inferential statistics analysis. Results of the findings, revealed that forensic accounting practices (digital forensics and document examination forensics) have positive and significant influence on fraud detection and prevention in microfinance banks in Osun State, Nigeria. Result further revealed that forensic accounting practices are key enablers of detecting and preventing fraud in microfinance banks in Osun State. The study concluded that forensic accounting techniques are critical enablers of detecting and preventing fraud committed by the microfinance banks in Osun State. Finally the study recommended that microfinance institutions in Osun State should leverage litigation support in order to detect and prevent fraud, as this method facilitates the discovery of anomalies through document analysis, hence assisting in fraud detection and prevention. The study further recommended that microfinance banks should employ digital forensics as part of their fraud investigations and as a continuous process rather than as a time-limited exercise.*

### **Introduction**

Forensic accounting can be called the use of examination and research capabilities to examine annual financial statements in preparation for a court. However, there are many purposes and job variations that can be used that can not necessarily coordinate with this description (Adebisi, Okike, & Yoko, 2016). A forensic accountant can be hired to do everything possible to calm divisional disputes over the disclosure of fraud in large companies. The increase in consciousness

and the importance of capturing and preventing fraud has caused a constant increase in the demand for forensic accountants. However, fraud is not the only reason why the industry has changed since its foundation (Abdulrahman, 2019).

Forensic accounting techniques, such as trend analysis and computer-assisted audits, play a pivotal role in identifying fraudulent patterns. Adebisi et al. (2022) indicate causal relationship between these forensic techniques and fraud prevention,

reinforcing the idea that employing such methods is essential for effective fraud detection in microfinance banks. Henry (2017) argues that forensic accounting services significantly reduce fraud in the Nigerian banking sector. By enhancing internal controls and operational integrity, these services help to fortify microfinance banks against fraudulent activities. This is crucial in environments where systemic vulnerabilities exist. The qualifications and skills of forensic accountants have a direct impact on detecting financial crimes. Julius and Stanley (2021) emphasize the importance of incorporating forensic accounting training into higher education curricula.

Sarkar (2010) submits that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria emphasizing the visibility of forensic accounting services (Dhar & Sarkar, 2010). As a result, the general expectation is that forensic accounting can pay the flood of the financial misconception in most sectors of the Nigerian economy. However, there was non-adequate emphasis, in particular the evidence of how forensic accounting can be adopted to curb financial crimes outside the multiple anecdotal evidence. Consequently, the study aims to investigate the impact of forensic accounting in the detection of fraud. Corruption has been seen as the major problem hindering the development of Nigeria.

This has been attributed to the nature of the 1999 constitution adopted by the country as agreed by some analysts. Nigeria as a nation is blessed with numerous mineral resources, in lieu of enjoying the supposed blessing, the country has found itself in a number of setbacks in her development process the result which is largely attributed to the corrupt nature of the leaders, public officials and/or perhaps other stakeholder in the country. Number of financial crimes have

been persistent on the high side, mismanagement and misappropriation of public funds in the Nigerian polity has been a norm. At inception, importance was attached to the issue of fraud prevention by the current administration in Nigeria. It got to the extent that many arrests were made, the number of prosecution cannot be viewed in the same manner. However, all the effort(s) proved abortive as the number of fraudulent cases in the country is persistently increasing on the pages of newspaper every day.

Among the important steps taken to avert this ugly situation of fraud in Nigeria is introduction of forensic accounting. Several researches had been conducted on this and lots of recommendation made. Some of the studies conducted are the study of Okoye and Ndah (2019) who investigated the connection among forensic accounting practices and the prevention of fraud in production organizations in Nigeria, Okafor and Agbiogwu (2016) investigated the impact of forensic accounting capabilities at the control of Bank fraud in Nigeria. After careful review of the previous researches, it was observed that most of the studies do not consider institutions that investigate fraud rather they focus on institutions that can itself be involved in fraudulent activities. Besides, what has the application of forensic accounting done to reduce fraud in microfinance banks in Nigeria to barest minimum?

Several research works have been conducted revolving around the sparses of forensic accounting and fraud prevention and detection. Most of the studies, such as Okoye and Ndah (2019); Bassey (2018); Aigienohuwa, Okoye, and Uniamikogbo (2017); Raymond, Nkiru, and Jane (2016); Okafor and Agbiogwu (2016); Onodi, Okafor & Onyali (2015); Zachariah, Masoyi, Ernest, and Gabriel (2014); and Osunwole, Adeleke,

and Henry (2014), examined impact on forensic accounting on fraud prevention and detection in financial institutions, banks, to be specific. However, very few studies focused on financial crime agencies, i.e., ICPC and EFCC, moreover, the studies Umanhonlen, Otakefe and Ogiedu (2020) and Naziru Lawan and Magaji (2018) failed to capture the core operations that are attributed to forensic accounting in fraud prevention and detection. Given this gap, this study seeks to examine the impact of forensic accounting on fraud detection and prevention in Nigeria, with specific references to digital forensics and document examination forensics.

## **Literature Review**

### **Conceptual Framework**

#### **Forensic Accounting and Fraud**

Okoye and Gbegi (2013) concur that "Forensic" means "suitable for use in courts," and forensic accountants usually use this standard as the basis. Forensic accounting covers three main areas, namely investigation, dispute resolution and litigation support. Forensic accounting is a special business field of accounting, which describes the business arising from actual or expected disputes or litigation (Bassey, 2018). "Forensic" means "appropriate to be used in a courtroom docket of law", and it's far to that fashionable and ability final results that forensic accountants commonly need to work. Forensic accountants, additionally known as forensic auditors or investigative auditors, regularly need to deliver professional proof on the eventual trial.

Degboro and Olofinola (2007) describe forensic accounting as the application of criminal methods and the integration of accounting investigation activities and legal procedures to detect and investigate financial crimes and related

accounting improprieties. Dhar and Sarkar (2010) also defined forensic accounting as the application of accounting concepts and techniques to legal issues. It requires reporting, determining responsibility for fraud, and treating the report as evidence in court or administrative litigation. Joshi (2003) saw forensic accounting as the applications of specialized knowledge and specific skills to stumble upon the evidence of economic transactions.

#### **Qualities of a Forensic Accountant**

For an accountant to be an efficient forensic accountant DiGabriele, (2009) has outlined the following knowledge as essential:

- a. Deductive analysis
- b. Creative thinking
- c. Unstructured problem solving
- d. Investigative flexibility
- e. Analytical proficiency

#### **Forensic Accounting and the Benefits of Forensic Accountants**

According to Manning (2002), forensic accounting is the combination of accounting, auditing and investigative skills to a standard that is required by a court of jurisdiction to address issues in dispute in the context of civil and criminal litigation. Ehioghiren and Atu (2016) describe a forensic accountant as someone who can look behind the faced-out, accept the records, at their face value- someone who has a suspicious mind that (considers that) the documents he or she is looking at may not be what they purport to be and someone who has the expertise to go out and conduct very detailed interviews of individuals to develop the truth, especially if some are presumed to be lying. The forensic accountant's services are relevant to various types of business organization. Okunbor and Arowoshegbe, (2012) shows that the quality of forensic accounting services in Nigeria is determined by the quality of forensic

accounting personnel and the methods/approaches employed by the forensic accountant.

**Forensic accountants are of benefits in the following areas:**

- i. Objectivity and credibility
- ii. Accounting expertise and industry knowledge
- iii. Provision of valuable manpower resources
- iv. Enhanced effectiveness and efficiency

**Professionalism and Forensic Accounting**

Forensic Accounting Profession is an offshoot of the general professional accounting and it is affiliated to professional accounting institutes. For the purpose of practice, individual firms of general accounting consultants departmentalize and train experts in investigative accounting within their general practice (Idowu, 2019). For example, The Canadian Institute of Chartered Accountants (CICA) demonstrated the Alliance for excellence in investigative and forensic accounting (IFA Alliance) in 1998 to enforce a specialist certification program for chartered accountants practicing in investigative and forensic accounting. The IFA Alliance carry out their operations through a board of directors which is supported by several committees, including marketing and member services, education, certification, and standards (Abdulrahman, 2019).

**Types of Financial Malpractices**

There are many kinds of economic misconduct, however those need to be cited in detail. Identity theft is the usage of a person's non-public economic facts (inclusive of credit score card number, social safety number, financial institution account number) to behavior fraudulent transactions or withdraw cash out of your account without a person's consent. Sometimes the facts stolen

from sufferer may be used to open credit score card or financial institution bills and depart the sufferer liable for all of the payment (Aderibigbe & Zachariah, 2014). Embezzlement is a criminal offense that takes place while a character steals cash or belongings that she or he has been entrusted to manage, with hyperlinks to FindLaw's robbery and larceny subsection (Afubero & Okoye, 2014).

- i. **Money laundering** is a crime involving the movement of illicit money and other gains into legitimate channels in order to disguise the money's illegal source and frustrate tax officials (Aguolu, 2014).
- ii. **Securities fraud** is a crime in which a corporate officer, for example, makes misleading statements about the company's stock performance or discloses confidential information related to its stock (Aguolu, 2014).
- iii. **Tax evasion fraud** is the crime of not paying one's legally required share of either federal or state taxes, which is punishable under the law severely and can lead to asset forfeiture or imprison (Aguolu, 2014).

**Concept of Fraud**

Temitope (2014) defined what fraud is through announcing fraud is a pastime that takes location in a social putting and has intense effects for the economy, corporations, and individuals. It is an unprincipled contamination that ruptures forth while greed meets the opportunity of deception. The fraud investigator is just like the attending medical doctor searching and listening for the symptoms and symptoms and signs and symptoms that screen an outbreak. According to Collins dictionary (2019), fraud is the crime of gaining cash or economic blessings through a trick or

through lying. It additionally went similarly that fraud is some thing or a person that deceives human beings in a manner this is unlawful or dishonest. There are major techniques of having something from others unlawfully (Albrecht, Albrecht, & Zimbelman, 2011).

Nowadays, fraud is greater complicated and worrying than ever. In latest years, the complex nature of contemporary-day fraud has pushed the boom of forensic accounting, a gap subject this is frequently called crime scene investigation (CSI) of accounting, frequently skilled in each accounting and crook investigation. Forensic accountants play a big function in crook justice and civil litigation (Modugu & Anyaduba, 2013).

### **Services Provided by Forensic Accountants**

According to Adefeso (2018), forensic accounting includes a wide range of financial statement investigations and litigation support areas. Forensic accountants can hold a variety of positions, including consultants, internal auditors, bankruptcy experts, bank examiners, valuers of closed companies, as well as lawyers and professors. Among the many services offered by forensic accountants are: litigation support, expert witness engagements, divorce business valuation, and lost earnings engagements.

### **Steps to Achieving Forensic Accounting Engagement**

Zysman (2012) outlines the following steps to perform forensic accounting business. The first factor that a forensic accountant needs to do before conducting an investigation is to meet with the client, understand important facts, understand the participants and the cause of the problem, and then conduct a conflict check when the relevant parties are established. After that, they perform an initial investigation to allow

subsequent planning to be based upon a more complete understanding of the issue.

Next step is to develop an action plan that considers the knowledge gained by meeting with the client and carrying out the primary investigation and which will set out the objectives to be accomplished and the methodology to be utilized to accomplish them.

Following step involves, obtaining relevant evidence to make the work more interesting, this may involve locating documents, economic information, asset, a person or company, another expert or proof of the occurrence of an event.

Next, forensic accountant should perform the analysis by calculating the economic damages, summary of a large number of transactions, perform a trace of assets, perform present value calculations using appropriate discount rates, perform regression analysis or sensitivity analysis, use a computerized application such as spread sheet, data base or computer model and use charts and graphs to explain the analysis.

Final step is to prepare the report, which may include sections on the nature of the assignment, scope of the investigation, approach utilized, limitation of scope and findings and/or opinions. (Zysman 2012.)

### **Theoretical Review**

For the purpose of this research work, The Fraud Triangle Theory, Fraud Diamond Theory and The Agency Theory will be considered.

#### **The Fraud Triangle Theory**

This principle is credited to American Criminologist Donald Cresset (1950). The fraud triangle is what the forensic accountant rely upon to discover suspected fraud, the reasons and the weak spot in the system that precipitated the fraud. The fraud triangle has been put forward to provide an explanation

for the superiority of fraud in organizations. According to Adebisi, Okike and Yoko (2016), forensic accounting is based at the fraud triangle to pick out vulnerable factors in the enterprise structures and to pick out feasible suspects in instances of fraud. It includes three center principles which collectively create a scenario ripe for fraud: incentive, possibility, and rationalization.

### **Fraud Diamond Theory**

The Fraud Diamond Theory (FDT) is an extended version of the Fraud Triangle Theory become propounded through Wolfe and Hermanson in 2004. Wolf and Hermanson (2004) added the fraud diamond version in which they offered some other view of the determinants of fraud. The version provides fourth variable "capability" to the three issue concept of 'fraud triangle' propounded through Donald Cressey in 1950 that is; stress, possibility and explanation. This concept believes that the presence of stress, possibility and explanation alone cannot result in fraud besides the man or woman/worker has the ability to devote that fraud. They opined that possibility opens the entrance to fraud, and that stress and explanation can draw someone closer to fraud. It consequently indicates that, for fraud to arise in any organization, which include the banks, those three factors should first be present (Okoye & Ndah, 2019).

### **Agency Theory**

Agency concept and the inner audit as propounded via way of means of Adams in 1994 is one of the theoretical framework that guided this study. Agency concept is notably hired in the accounting literature to provide an explanation for and expect the appointment and overall performance of outside auditors and monetary consultants. He argued that, business enterprise concept additionally affords a beneficial theoretical

framework for the study of inner auditing characteristic. He additionally proposed that business enterprise concept now no longer best allows to provide an explanation for and expect the lifestyles of inner audit however this is additionally allowed to provide an explanation for the position and duties assigned to inner auditors via way of means of the corporation and that business enterprise concept predicts how the inner audit characteristic is probable to be laid low with organizational change. He concludes that business enterprise concept affords a foundation for wealthy research, that could advantage each the educational network and inner auditing profession. This concept absolute confidence pertains to this take a look at because it allows to provide an explanation for the position and duties of inner auditors which if methodically carried out might assist to enhance monetary overall performance in tertiary establishments in Nigeria (Aderibigbe & Zachariah, 2014).

### **Empirical Review**

Onodi, Okafor & Onyali (2015), tested the impact of forensic research techniques in company fraud deterrence in Nigerian Banks. This observe followed a survey studies layout and information from number one supply have been accrued thru interviews and management of questionnaires, at the same time as secondary supply is composed of stories on fraud and forgery within side the banking quarter. Statistical equipment used to research the information encompass percentages, imply score, frequency tables, regression evaluation and Z-test. The end result discovered that there is a substantial relationship among the forensic investigative techniques and company fraud deterrence. The locating discovered that professional offerings of forensic investigators are typically required within side the prosecution

of fraud, however majority of the audit and accounting employees in Nigeria are tormented by bad belief and know-how of forensic investigative techniques.

Okafor and Agbiogwu (2016) performed a study at the impact of forensic accounting capabilities at the control of Bank fraud in Nigeria. In their studies work, they followed non-opportunity sampling approach to choose the five (five) business Banks used as populace for the examiner. Based at the evaluation of variance (ANOVA) the findings in their study found that ownership of simple forensic capabilities substantially reduces the prevalence of fraud instances in the banking quarter and that there may be a great distinction among offerings of forensic accountants and External auditors, and that the presence of forensic accountants in Banks can resource in decreasing fraud instances.

Aigienohuwa, Okoye, and Uniamikogbo (2017) tested the effectiveness of forensic accounting and fraud mitigation in the Nigerian banking industry using regression analysis. The number one supply of information turned into followed the use of the 5- Likert scale questionnaires because the studies device for information technology from respondents. The findings discovered that forensic accounting apart substantially reduces fraud in the banking industry, it has helped to enhance notably the inner manage device of banks. It turned into advocated that the regulatory companies and shareholders must strictly put into effect forensic accounting of banks and make sure that each inner manage and inner audit body of workers include this rising fashion.

Bassey (2018) tested the impact of forensic accounting at the control of fraud in microfinance establishments in Cross River State. The observe followed a survey studies layout. Data have been accrued from each

number one and secondary reassets and analysed the use of the everyday least rectangular technique. The regression outcomes confirmed that the anticipated coefficients of the regression parameter are all terrible symptoms. The implication of those symptoms turned into the fact that the actively engagement of forensic research and litigation help reduces fraud in the selected microfinance banks in Calabar. The study recommends that control of micro finance banks in Calabar must broaden extra interest in forensic accounting for tracking and investigating suspected culprits in fraud instances.

Okoye and Ndah (2019) investigated the connection among forensic accounting practices and the prevention of fraud in production organizations in Nigeria. Using Ordinary Least Square approach of a couple of regression analyses on records gathered via questionnaire, the findings of the studies confirmed that there may be a nice and statistically great courting among fraud research practices and the prevention of fraud in production organizations. The findings additionally confirmed that there may be a nice and statistically great courting among fraud litigation practices and the prevention of fraud in production organizations.

### **Methodology**

Descriptive survey research design was used for the study. This is one of the most common types of quantitative social science research designs where a sample of respondents is selected from a population and, a standardized questionnaire is administered on them. This design was adopted in order to uncover answers to the research questions raised.

The population consists of 378 staff in fifteen microfinance banks situated in

Osogbo, Osun State. The purposive sampling technique which is a method of non-probability sample was used for this study. The study respondents were obtained through preliminary survey. The questionnaire contains seventeen (17) items. It was structured based on 4-point rating scale as: Strongly Agreed (4), Agreed (3), Disagreed (2) and Strongly Disagreed (1). Mean score of 3.50 and above is taken to be strongly agreed, between 2.50 and 3.49 is agreed, 2.0 to 2.49 is disagreed, while below 2.0 is strongly disagreed. Descriptive statistics was employed to describe the data and regression analysis was used to test the hypotheses at 0.05 level of significance.

#### Measurement of variables

The model of the study established the relationship between the dependent variable (Fraud prevention and detection) proxy by FA and independent variables (Document forensics and Document examination forensics) proxy by DF and DEF respectively.

#### Model Specification

Model specification from the linear function i.e.  $Y=f(x)$

$X$  = Forensic accounting (Independent Variable)

$Y$  = Fraud prevention and detection (Dependent Variable)

$$Y = \beta^0 + \beta_1 \dots \beta_n + U \dots \dots \dots (1)$$

$$FA = \beta^0 + \beta_1 DF + \beta_2 DEF + U \dots \dots \dots (2)$$

Where;

$x_1$  = Document Forensics

$x_2$  = Document Examination Forensics

$\beta^0$  = Autonomous Variable

$U$  = Forecasting Error Term

#### Results and Discussions

From the total of 300 questionnaires distributed, completed questionnaires received were 287 in number which represented 95.6% response rate and 11 questionnaires were not received which represented 4.3% of the total questionnaires distributed.

**Table 1: Demographic Information of the Respondents**

Variables	Frequency	Percent (100%)
<b>Gender</b>		
Male	214	75
Female	73	25
<b>Total</b>	<b>287</b>	<b>100</b>
<b>Age</b>		
less than 30yrs	135	47
30-39	95	33
40-49	51	18
50 above	6	2
<b>Total</b>	<b>287</b>	<b>100</b>
<b>Marital Status</b>		
Single	73	25
Married	138	48
Divorced	14	5

Separated	36	13
Widowed	26	9
<b>Total</b>	<b>287</b>	<b>100</b>
<b>Educational Qualification</b>		
OND	80	28
HND	107	37
B.Sc.	90	31
Master and above	10	3
<b>Total</b>	<b>287</b>	<b>100</b>
<b>Experience</b>		
less than 10yrs	104	36
10-19yrs	108	38
20-29yrs	52	18
30yrs and above	23	8
<b>Total</b>	<b>287</b>	<b>100</b>

**Source: Field Survey, 2024**

**Gender:** The table reveals that 214 respondents which constituted 75% of the respondents are male whereas 73 which constituted 25% of the respondents were female.

**Age:** The age classification as indicated in the above shows that the majority of the respondents were less than 30 years. The classification showed that 135(47%) were below 30 years, 95(22%) were between 30-39 years, 51(18%) were between 40-49 years whereby 6(2.0%) were between 50 years and above.

**Marital Status:** The classification of marital status of the respondents showed that 73(25%) were single, 138(48%) were married,

14(5.0%) were divorced, 36(13%) were separated whereby 26(9.0%) were widowed.

**Level of Education:** The table reveals that 60(28.0%) of the respondents were OND holders, 107(37.0%) were HND holders, 90(31.0%) were B.Sc. holders whereby 10(3.0%) were masters and above holders.

**Years of Experience:** The working experiences as indicated in the table above shows that respondents had working experiences. The classification indicated that 104(36.0%) had lesser than 10 years' working experience, 108(38.0%) had between 10–19 years working experience, 52(18.0%) had between 20–29 years working experience whereby 23(8.0%) had 30 years and above working experience.

**Table 2: Mean and standard deviation of responses on digital forensics**

S/N	Items	Mean	S.D	Remark
1	Digital forensics is crucial for identifying electronic evidence of fraud in the microfinance bank.	3.96	0.932	Agree

2	The bank's implementation of digital forensics has significantly improved its ability to detect and prevent cyber fraud.	4.54	0.742	Agree
3	Digital forensics tools are effectively used in the bank to trace unauthorized access to financial systems.	3.99	0.687	Agree
4	Employees are adequately trained in digital forensics techniques to identify and respond to fraud incidents.	3.62	0.603	Agree
5	The use of digital forensics has led to more successful investigations and prosecutions of fraud cases in the bank.	4.08	0.903	Agree
6	Continuous investment in digital forensics technology is necessary to keep up with the evolving nature of fraud in the banking sector.	3.94	0.882	Agree
<b>Weighted Average</b>		<b>4.02</b>	<b>0.792</b>	

**Source: Field Survey, 2024**

The above table reveals that the respondents unanimously agreed that microfinance institutions applied digital forensic in the fraud detection and prevention in Nigeria. This is evidenced by

the aggregate mean and standard deviation which stood at 4.02 and 0.79 respectively, depicting little variations in the mean's distributions.

**Table 3: Mean and standard deviation of responses on documents examination forensics**

S/N	Items	Mean	S.D	Remark
1	Document forensics plays a crucial role in identifying fraudulent activities in the microfinance bank	4.11	0.812	Agree
2	The use of document forensics enhances the accuracy of fraud detection processes in the bank.	4.02	0.962	Agree
3	Regular application of document forensics improves the integrity of financial records in the bank.	4.38	0.861	Agree
4	Employees in the bank are well-trained in using document forensics to identify fraud.	4.13	0.659	Agree
5	The integration of document forensics in audit procedures has reduced the incidence of fraud in the bank.	4.09	0.821	Agree
<b>Weighted Average</b>		<b>4.13</b>	<b>0.82</b>	<b>Agreed</b>

**Source: Field Survey, 2024**

The above table reveals that the respondents totally agreed that microfinance institutions employed documents examination forensics in the fraud detection and prevention in Nigeria. This is evidenced

by the aggregate mean and standard deviation which stood at 4.13 and 0.82 respectively, depicting little variations in the mean's distributions.

**Table 4: Mean and standard deviation of responses on fraud prevention and detection**

S/N	Items	Mean	S.D	Remark
1	Bank uses acquired digital evidence to present cases in courts	4.10	0.893	Agree
2	Bank provides assistance of an accounting nature in matters involving existing or pending court cases.	4.02	0.944	Agree

3	Quantification of economic or financial damages for matters in court.	4.31	0.974	Agree
4	Evaluation of relevant documents in the initial review of the case in order to determine possible areas of fraud.	4.03	0.927	Agree
5	The digital evidence gathered by the commission is reliable, verifiable and consistent when presented in court cases.	4.09	0.983	Agree
6	Providing expert evidence and testimony in court.	4.10	0.893	Agree
<b>Weighted Average</b>		<b>4.10</b>	<b>0.935</b>	<b>Agreed</b>

**Source: Field Survey, 2024**

The above table reveals that the respondents totally agreed that microfinance institutions are active and effective in the fraud detection and prevention in Nigeria. This is evidenced by the aggregate mean and standard deviation which stood at 4.10 and 0.94 respectively, depicting little variations in the mean's distributions.

### Test of Hypotheses

Regression analysis was conducted for determining the impact of forensic accounting on fraud detection and prevention in Nigeria, and the outcome was tabulated as shown in table 5 below.

**Table 5: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the
1	.853a	.625	.583	.686

a. Predictors: (Constant), digital forensics, document examination forensics

The value of the co-efficient of correlation R-value of .853 implies a positive relationship between digital forensics on fraud detection and prevention in. The value of R-Square of .625 shows that the level of variation in fraud prevention and detection is

contributed by the independent variables (digital forensics and document examination forensics) is at 62.5%. This implies that 37.5% of the variation is contributed by other factors not included in this model.

**Table 6: ANOVA<sup>a</sup>**

Model		Sum of	df	Mean Square	F	Sig.
1	Regression	12.257	3	4.086	21.298	.000 <sup>b</sup>
	Residual	54.288	283	.192		
	Total	66.545	286			

a. Dependent Variable: Forensic Accounting

b. Predictors: (Constant), Digital Forensics, Document Examination Forensics

The table 6 above clearly shows that the ratio of regression to residuals is positive, implying there was a significant

correlation between the independent and dependent variables used in this study. It can be observed that the p-value (0.000) is

the less than the level of significance (0.05) confirming that forensic accounting has significant effect on fraud detection and prevention in Nigeria. This justifies its

inclusion in the regression model. The coefficients of the regression model were fixed in table 7;

**Table 7: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardize d	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.844	.392		7.251	.000
Digital forensics	.151	.057	.142	2.636	.009
Document examination forensics	.099	.030	.217	3.283	.001

a. Dependent Variable: Forensic Accounting

As per table 7 above, checking at the column for significance, all of the independent variables are significant with values lesser than the p-value of 0.05.

### Hypothesis One

Digital forensics as independent variable to fraud detection and prevention shows that (t-statistic = 2.636, coefficient value of 0.151, p-value (0.009) shows that digital forensics have a positive and significant effect on fraud detection and prevention at 5% significant level. This implies that a unit increase in digital forensics would result to a significant increase of 0.151 unit in fraud detection and prevention in Nigeria. Therefore, we reject the null hypothesis that (H<sub>01</sub>: Digital forensics have no significant impact on fraud detection and prevention in Nigeria).

### Hypothesis Two

Document examination forensics as independent variable to fraud detection and prevention shows that (t-statistic = 3.283, coefficient value of 0.099, p-value (0.001) shows that Document examination forensics has a positive and significant effect on fraud

detection and prevention at 5% significant level. This implies that a unit increase in document examination forensics would result to a significant increase of 0.099 unit in fraud prevention and detection. Therefore, we reject the null hypothesis that (H<sub>02</sub>: Document examination forensics have no significant impact on fraud detection and prevention in Nigeria).

### Discussion of Findings

The study sought to examine the relationship between forensic accounting and fraud detection and prevention in microfinance bank in Osun State. The findings revealed that forensic accounting practices (digital forensics and document examination forensics) have positive and significant influence on fraud detection and prevention in microfinance bank in Osun State. This implies that forensic accounting practices are key enablers of detecting and preventing fraud by microfinance institutions in Nigeria since they have predictor power of detecting fraud and subsequent prevention of loss of funds. Therefore, this study is in concurrence with the assertions of other

researchers such as Onodi, Okafor and Onyali (2015); Okafor and Agbiogwu (2016); Aigienohuwa, Okoye, and Uniamikogbo (2017); Bassey (2018); Okoye and Ndah (2019); Umanhonlen, Otakefe and Ogiedu (2020) and Naziru Lawan and Magaji (2018), who in their findings revealed that forensic accounting increased fraud detection when forensic accounting services were adopted.

### **Conclusion and Recommendations**

From the analysis of collected data, the study found that efficient use of forensic accounting procedures helps to detect fraud and further assists in prosecuting fraud perpetrators since it employs document examination and digital forensics with the goal of finding any anomalies. The study concluded that forensic accounting techniques are critical enablers of detecting and preventing fraud committed by the microfinance institutions in Nigeria, since they possess predictive capacity for detecting fraud and consequent prevention of fund loss. Additionally, the study shows that fraud investigation as a forensic accounting technique enhances fraud detection and prevention in Nigeria.

In light of the findings, the study recommended that both the microfinance institutions should leverage litigation support in order to detect and prevent fraud, as this method facilitates the discovery of anomalies through document analysis, hence assisting in fraud detection and prevention. Additionally, the study suggests that the microfinance institutions use digital forensics as part of their fraud investigations and as a continuous process rather than as a time-limited exercise.

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