

**FORENSIC AUDITING AND MONEY LAUNDERING INVESTIGATION IN NIGERIA.
A CASE STUDY OF THE ECONOMIC AND FINANCIAL CRIME COMMISSION
(EFCC)**

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Abstract

The study examined the impact of forensic auditing on money laundering investigation in Nigeria, a case study of The Economic and Financial Crime Commission. The specific were to examine the impact of evidence gathering and preservation, data analytics and digital forensics and Interviews and laundering investigation in Nigeria. Data were collected from 60 senior and junior staff of The Economic and Financial Crime Commission (Benin Zonal Office). Date collected were analyzed using descriptive statistics, tables, frequency and regression. From the analysis it was revealed that that evidence gathering and preservation, data analytics and digital forensics and Interviews and Field Investigations were found to have a statistically significant positive effect on money laundering investigations in Nigeria. Based on the findings the study therefore recommends that that EFCC should Implement stricter chain-of-custody protocols across all stages of investigation to ensure the admissibility of evidence in court. EFCC should expand its digital forensic capabilities by acquiring advanced tools such as block chain transaction analyzers, AI-driven forensic audit platforms, and metadata extraction software.

Keywords:Forensic Auditing, Money Laundering Investigation, The Economic and Financial Crime Commission (EFCC)

Introduction

Money laundering is a global economic pandemic, which has caused waves of economic unrest and robbed the citizens of a brighter and more resourceful future. A renowned authority for combating illicit financial affairs, The Financial Action Task Force (2019) alerts the masses on how money laundering creates “the biggest loophole in the global economic system. They further buttressed the fact that illicit outflows estimated at over \$1 trillion annually robs evolving countries of investments they are in earnest need of as a result of this sheer act of wickedness mostly perpetuated at the helms of powers, which is liable as a criminal offense. Financial crimes such as money laundering have become a threat to national security, economic stability, and development across the continent. Especially in Nigeria, where the roots of corruption seem to stem deeper than the roots of our forefathers. In Nigeria, the grand movements of corruption, well-schemed crimes, and the financing of terrorism have been aided and abetted by a global menace called money laundering, which undermines the economic sovereignty of a nation,

brutally weakens a country's financial integrity, and cripples its international reputation (Uche, 2020). A key player in the fight against these crimes has been the Economic and Financial Crimes Commission (EFCC). The commission employs several forensic methods and techniques in the detection, prevention and prosecution of financial crimes.

Forensic auditing is in the limelight of the detection of financial crimes; it also engages techniques like data analytics, artificial intelligence-based transaction monitoring, and digital forensics to unravel illegal activity (Akinyomi & Olagunju, 2019). Nonetheless, the efficacy of these measures has habitually been eroded as a result of insufficient regulatory enforcement, a lack of forensic proficiency, and political encroachment. An essential instrument in the investigation and prosecution of money laundering crimes is forensic auditing. Forensic auditors can track the movement of illegal funds and unearth complex financial schemes by using strategies like evidence gathering & preservation, data analytics & digital forensics, and interviews and field investigations.

Money laundering continues to harm Nigeria's financial stability and worldwide reputation even though the country has one of the most comprehensive anti-money laundering laws in the region (Akinyomi & Olagunju, 2019; Uche, 2020; Nwaze, 2021). The efficiency of traditional forensic auditing techniques has decreased as a result of the growing use of technology and complex financial instruments employed by criminal networks to conceal the source of illegal cash despite the creation of specialized organizations such as the EFCC (Okafor, 2023). While highlighting the enduring nature of these difficulties, current research (e.g., Akinyomi & Olagunju, 2019; Eguando, 2023; Mohammadi, Naghshbandi, & Moridahmadibezdi, 2020; Osanyinbola, 2024; Oyerogba, 2021) does not suggest that an in-depth empirical study has been carried out to unravel the impact of forensic audit techniques on money laundry in Nigeria. The EFCC's Benin Directorate, strategically situated in Southern Nigeria, has been instrumental in the investigation and prosecution of money laundering crimes.

Nevertheless, more research is needed to fully grasp how forensic auditing techniques aid successful financial crime prosecutions. Again, previous researches on forensic auditing and money laundering in Nigeria concentrated primarily on financial institutions other than the EFCC, which is the focus of this study. This study will close these identified gaps by examining the impact of forensic auditing on money laundering investigation in Nigeria. A case study of The Economic and Financial Crime Commission (Benin Zonal Directorate). The specific objectives are to effectiveness of evidence gathering and preservation, efficiency of data analytics and digital forensics and interviews and field investigation on money laundering investigation in Nigeria.

In other to achieve the objectives of the study, the following hypothesis were tested in the study.

Ho₁: Evidence gathering and preservation has no significant impact on money laundering investigation in Nigeria.

Ho₂: Data analytics and digital forensics has no significant impact on money laundering investigation in Nigeria.

Ho₃: Interviews and field investigation has no significant impact on money laundering investigation in Nigeria.

LITERATURE REVIEW

Money laundering

According to the United Nations Office of Drugs and Crime (UNODC, 2023), money laundering is "disguising the proceeds of crime by integrating them into the legitimate financial system." Money laundering is the manipulation and intentional concealment of the illicit source

of financial gains to legalize their appearance. Okafor (2023) purports money laundering as the act of hiding the source, type, existence, location, and disposition of funds and assets that have been acquired unlawfully or through criminal acts such as drug trafficking, 419, embezzlement, or corruption. Levi & Reuter (2006, p. 290) echoes money laundering as the steps that allow criminals to enjoy their illicit riches undetected; it involves converting the proceeds of crime into assets that appear legitimate. In Nigeria, organized crime, illegal trade of drugs and oil, and corruption in the public sector are all closely related to money laundering.

Forensic Audit

Arens, Elder, and Beasley (2014) view forensic auditing as a systematic process by which auditors collect and evaluate information to provide an opinion about the reliability and correctness of the financial statements. The audit role is essential for risk management and for boosting the reliability of financial data, according to Boynton and Johnson (2006). Singleton and Singleton (2010) state that forensic audits are carefully prepared to comply with legal standards. Therefore, forensic auditing is a collaboration of the definitions as provided by all the experts above. It's important to understand the distinctions between forensic auditing and forensic accounting.

In the words of Singleton and Singleton (2010), forensic auditing requires practitioners to have both a detective's curiosity and an accountant's precision to identify and analyze financial abnormalities.

Evidence Gathering and Preservation

Evidence gathering and preservation constitute the cornerstone of forensic auditing, ensuring that every piece of information relied upon in an investigation retains its integrity, authenticity, and admissibility in legal proceedings. Forensic auditors must meticulously plan and execute evidence handling protocols that anticipate challenges posed by both physical and digital environments, thereby safeguarding the chain of custody from initial collection through to courtroom presentation (Rowlingson, 2004). At the outset of an investigation, auditors develop a forensic readiness strategy, identifying likely data sources, enterprise resource planning systems, email servers, financial ledgers, third party records, and establishing clear policies for access, collection, and storage. Such pre-incident planning minimizes the risk of evidence spoliation and accelerates response times when suspicious activity is detected (Agoro & Clarke, 2025).

Data Analytics and Digital Forensics

The two main foundations of modern forensic auditing are data analytics and digital forensics, which enable investigators to uncover complex money-laundering schemes hidden in enormous amounts of electronic and financial data. By utilizing statistical and algorithmic methods, including network analysis, clustering algorithms, and outlier detection, on whole datasets, forensic auditors go beyond conventional sampling and uncover patterns and irregularities suggestive of illegal financial flows (Ernst & Young, 2020).

According to Brown-Liburd, Issa, and Lombardi (2015), clustering algorithms can be used to group transactions based on similarities, revealing odd clusters of high-value transfers or recurring low-value deposits, or "smurfing," which is a feature of layering tactics. In order to reveal hidden ownership structures and cooperation networks that aid in money laundering, social network analysis further maps relationships between people, businesses, and transactions (Hussaini, Abubakar, & Aliyu, 2020).

Interviews and Field Investigations

Interviews and field investigations are two essential techniques that stand out in the field of forensic auditing as the main ways that auditors gather information and gain insight. These are not merely procedural measures; they are basic methods that allow the forensic auditors to delve deeper into financial data, identify irregularities, unearth fraudulent schemes, and create a verifiable account of what happened. Forensic auditing defines an interview as a purposeful conversation aimed at obtaining relevant information from individuals who are knowledgeable about the facts under investigation. Crumbley, Heitger, and Smith (2017) define forensic interviews as structured encounters designed to elicit honest disclosures, assess credibility, and identify dishonest behavior. They are frequently used to investigate discrepancies, confirm suspicions, and gather testimonies that might not be included in official documentation.

Since memory, motivation, and emotion are human components that are essential to fraud detection, interviews are an essential part of the forensic process. On the other hand, field investigations are the on-site inspection of operational environments, assets, and records to confirm facts, watch systems in operation, and physically trace financial transactions (Eguando, 2023).

Forensic Audit and Money Laundering

Combating money laundering necessitates the methodical use of forensic auditing methods in addition to audacious legislative measures. The inability of oversight panels to carefully examine the dealings of public office holders, who frequently have protective influences, is a major obstacle to stopping money laundering in Nigeria. The efficacy of anti-money laundering frameworks is compromised by this hesitation. Nevertheless, forensic audit provides a potent, scientifically supported method for piercing the layers of opacity that surround illegal financial activity. The Economic and Financial Crimes Commission is one significant player in this conflict (EFCC). Forensic auditing procedures are used by the EFCC to thoroughly review financial records for abnormalities that may suggest money laundering. One of the biggest obstacles to effective anti-laundering initiatives in Nigeria is the government officials' unwillingness to collaborate, as they often reject open inspection.

According to Folashade (2012), this kind of non-cooperation fosters an atmosphere that is conducive to money laundering since powerful individuals are protected from thorough scrutiny.

Empirical Review

Akinyomi & Olagunju (2019) set out to explore how forensic accounting penetrates complex money laundering schemes within Nigerian financial institutions. Their objective was to demonstrate that forensic accounting extends beyond mere number crunching to become a crucial detective tool. Using qualitative methods such as interviews with forensic accountants and detailed case study analysis, they found that these professionals meticulously trace transactional webs deliberately designed to confuse traditional audits. Their findings confirm that without this forensic approach, many laundering schemes would remain hidden, allowing illicit funds to circulate unchecked.

KPMG's (2019) Global Forensic Services Survey similarly sought to measure the value of forensic data analytics in organizational AML efforts. Using survey data from forensic teams worldwide, KPMG identified significant improvements in detection efficiency when digital forensic techniques were integrated. Their findings highlight that forensic experts leveraging data analytics can correlate seemingly unrelated transaction histories, network connections, and metadata, thereby exposing laundering schemes that would otherwise go unnoticed.

Looking locally, Chukwu (2020) examined the role of digital forensic auditing in AML controls within Nigerian NGOs. Utilizing qualitative interviews and data mining case studies,

Chukwu's research objectives were to evaluate the effectiveness and adoption challenges of digital forensics in a sector vulnerable to laundering. The study revealed increased transparency and accountability where digital tools were deployed but noted uneven adoption due to limited technical capacity and awareness.

Mohamad, Abdullahi & Ahmad (2020) expanded this technology focus to Nigerian banks by investigating AI and blockchain applications in AML frameworks. Employing quantitative data analysis and case study methodologies, they found a remarkable 40% improvement in fraud detection rates attributable to AI's pattern recognition capabilities and blockchain's immutable ledgers that enhance transaction transparency and traceability. Their research highlights how combining AI and blockchain forms the cutting edge of digital forensic technology, promising a more secure and efficient financial ecosystem.

Ernst & Young (2020), through their comprehensive Global Fraud Survey involving over 2,500 respondents across multiple sectors, aimed to assess the efficacy of fraud investigation methods globally. Their mixed-methods approach combining quantitative survey data with qualitative case studies revealed a striking paradox: while interviews remain a critical intelligence-gathering method, many organizations, including Nigerian enforcement agencies, fail to fully leverage digital forensic tools that could amplify interview effectiveness. The study's findings indicate that traditional interviews often miss vital opportunities for cross-referencing real-time data insights with investigative questioning, thereby limiting their power to uncover complex laundering schemes.

In Nigeria, where the EFCC and other regulatory bodies routinely conduct interviews, this gap translates into lost nuanced intelligence. Especially without integration of digital forensic techniques such as sentiment analysis, behavioral analytics, and AI-driven pattern detection.

Theoretical Review

Fraud Triangle Theory

The Fraud Triangle Theory, developed by Donald R. Cressey in 1973, provides a basic framework for understanding the situational and psychological elements that support fraudulent acts. According to the theory, fraud happens when three essential elements; opportunity, pressure (or incentive), and rationalization come together. This theory is relevant in combating money laundering, as these elements are not only theoretical within the Nigerian financial and public sector context; instead, they are observable, measurable, and intricately connected to systemic problems. Pressure, especially in Nigeria, is frequently caused by systemic poverty, political patronage, socioeconomic instability, and a "get-rich-or-die-trying" mentality.

These pressures, which can vary from personal financial hardship to irrational organizational performance targets and outside political influence, are commonly experienced by those who work in both public and private financial institutions.

Methodology

The research design adopted for this study is the survey design. Survey design was chosen because it allows for the collection of quantitative data from top management officials of the EFCC Benin Zonal Directorate, enabling the researcher to assess their experiences, perceptions, and challenges in combating money laundering. The population consist of 60 respondents while the sample size was 52 senior- and middle-level staff of the Economic and Financial Crime Commission, Benin Zonal Directorate. The study employed convenience sampling technique while structured questionnaire was used for data collection. The collected data was analyzed using descriptive and inferential statistics. Frequency distributions,

percentages and means were used to summarize responses while regression analysis was used to examine the relationship between forensic auditing practices and money laundering investigation outcomes. The model for this study is as follows:

$$\text{MLOI} = \beta_0 + \beta_1 \text{FAT} + \beta_2 \text{EGD} + \beta_3 \text{ITF} + \epsilon$$

Where:

MLOI= Money Laundering Investigation Outcomes

FAT = Forensic Audit Techniques

EGD = Evidence Gathering and Documentation

ITF = Investigative Training and Fieldwork

ϵ = Error term

β_0 = Constant term (intercept), representing the expected value of MLOI when all independent variables are zero.

DATA PRESENTATION AND DISCUSSION OF RESULT

Descriptive Statistics

The descriptive statistics were presented in relation to the Demographic Profile of the Respondent, evidence Gathering and Preservation, data Analytics and Digital Forensics, Interviews and Field Investigations and Money Laundering Investigation Outcomes.

Test of Hypotheses

Table 4.1: Regression Analysis

Hypothesis	R ²	P-Value	Beta	Decision	Interpretation
Ho ₁ : Evidence gathering and preservation has no significant impact on money laundering investigation in Nigeria	8.556	0.021	0.0342	reject Ho ₁	p = 0.021 < 0.05, this implies that evidence gathering, and preservation significantly predicts investigation success.
Ho ₂ : Data analytics and digital forensics has no significant impact on money laundering investigation in Nigeria	11.424	0.002	0.0054	reject Ho ₂	p = 0.003 < 0.05, this implies that; data analytics/ digital tools have a significant effect.
Ho ₃ : Interviews and field investigation has no significant impact on money laundering investigation in Nigeria	6.223	0.044	-0.0362	reject Ho ₃	Since p = 0.044 < 0.05, this implies that interviews/field investigations has a significant impact on money laundering investigation in Nigeria

Source: Researcher's Computation (2026), SPSS Version22.0

A regression analysis carried out on forensic auditing activities in the EFCC Benin Zonal Directorate reveals that three major components evidence gathering and preservation, data analytics and digital forensics, and interviews and field investigations each contribute significantly to the effectiveness of anti-money laundering efforts. The study found that evidence gathering, and preservation had a statistically significant regression with investigative success ($R^2 = 8.556$, $p = 0.021$), underscoring the importance of maintaining a proper chain of custody and leveraging secure digital storage. This aligns with the findings of Ojo and Salawu (2021), who emphasized that proper documentation and evidential integrity are foundational to successful prosecutions in Nigerian courts.

The second component, data analytics and digital forensics, showed an even stronger relationship with investigative success ($R^2 = 11.424$, $p = 0.002$). This finding supports the position of Nwokolo and Dike (2020), who argued that the advent of digital forensic tools such as automated transaction tracing, block chain analysis, and metadata recovery has revolutionized the detection of illicit financial flows. The robust performance of digital tools in the Benin Zonal Directorate reflects global trends where forensic data analytics are being used to reconstruct financial transactions, identify shell companies, and track money across borders (Adetunji, 2022).

Thirdly, the study found that interviews and field investigations contributed significantly as well ($R^2 = 6.223$, $p = 0.044$), affirming the value of human intelligence in financial investigations. As argued by Adekunle and Lawal (2023), while digital tools can uncover patterns, it is often interviews and fieldwork that provide motive, context, and the necessary narrative for legal prosecution. In the Benin Zonal Directorate, this triangulation of digital and human evidence appears to enhance the credibility and completeness of investigations.

Conclusion and Recommendations

The findings revealed that evidence gathering and preservation, data analytics and digital forensics and Interviews and Field Investigations were found to have a statistically significant positive effect on money laundering investigations in Nigeria. Overall, the findings affirm that the integration of these three forensic components leads to a holistic investigative process that improves both the efficiency and credibility of money laundering investigations. This study concludes that forensic auditing significantly enhances the effectiveness of money laundering investigations in Nigeria, particularly when implemented with institutional rigor and technical competence.

Based on the findings the study therefore recommends that EFCC should Implement stricter chain-of-custody protocols across all stages of investigation to ensure the admissibility of evidence in court. EFCC should expand its digital forensic capabilities by acquiring advanced tools such as block chain transaction analyzers, AI-driven forensic audit platforms, and metadata extraction software. And the EFCC should increase training for investigators on effective interrogation techniques, including psychological and behavioral assessment methods.

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