



# COMBATING CORRUPTION AND FINANCIAL CRIMES IN PUBLIC OFFICES PRACTICES IN NIGERIA: FORENSIC ACCOUNTING TO THE RESCUE

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**Abstract:** This paper examined the practice of corruption and financial crime in public offices in Nigeria. It further explained forensic accounting, knowledge required to be forensic accountant, types of corruption, reasons why corruption is so rampant in public offices as well as its effect on the economy. Further focus of this paper was the place of forensic accounting in combating corruption in public offices. The following recommendations were made: The Independent Corruption Practices Commission (ICPC) should be merged with Economic and Financial Crimes Commission (EFCC) to enable them fight corruption effectively in Nigeria. The government as a matter of urgency should employ forensic accountants into the judiciary for accountability and transparency, among other

**Keywords:** Corruption, Financial Crime, Forensic Accounting

## Introduction

One of the greatest problems militating against the effective running of public offices in Nigeria is corruption and financial crime. Corruption has been defined as the abuse of public trust for private gain; it is a form of stealing (Todaro and Smith, 2006:552). The Federal Government of Nigeria's Independent Corrupt Practices and other related offences Act (2000) states that corruption includes bribery, fraud and other related offences. Osoba (2000:80) also argued that corruption is a form of antisocial behaviour by an individual or a social group which fixate unjust or fraudulent benefits on its perpetrators against established legal norms and agreed moral ethos of the society. Nigeria is ranked as one of the most corrupt countries in the world. The Transparency International (TI) in its survey 2004 covered on corruption 146 countries. In that report, Nigeria was rated the third most corrupt country beating Haiti, and Bangladesh to the second and last positions respectively.

The public offices are seen as a continuous source of corruption. Nigeria as a mono-product type economy has been plagued by vanishing of oil revenue into the pockets of western oil executives, middlemen, bunkers and local officials. Daily, low-level corruption is visible on the street; policemen extorting money from motorists to supplement their wages with the active

support of their office heads called “Olga Officer”. In Nigeria, financial gain derived from corrupt activities is often called “awful”. Nigerians have different attitudes towards corruption. Although they vaguely believe that corruption is not in the best interest of the nation, many hold the view that life is a grim battle for survival. To those who have this believe it is a waste of time to talk about corruption (Amadi, 1982:82). They only smile when they come across opportunities to be corrupt.

For decades, the government has accrued huge oil revenues, yet the public sectors in the country suffers from a lack of basic infrastructure, even those existing offices lack maintenance culture. In recognition of the harm corruption has been doing to public offices both at the grass root and higher offices of the nation, several policies and institutions have been established to fight it. These include War Against Indiscipline and Corruption and Independent Corrupt Practices Commission (ICPC), Economic and Financial Crimes Commission etc. However, Forensic Accounting has a big role to play in combating corruption and financial crime in Nigeria public offices. Forensic Accounting is a especially practice area of accounting that describes engagement resulting from actual or anticipated disputes or litigations come handy to handle the situation. Adelusi (2007) asserted that financial crimes appear to be a generic term used to cover all non-violent crimes which are committed with the aim of securing financial/economic advantages either directly or indirectly. To check this anomaly of corruption and financial crimes and help the poor economy of Nigeria and world economy to grow, accounting and auditing have to go beyond their normal routine and techniques of accounting and examination of records. We should go further in auditing and investigating skills to assist in legal issues. This is where forensic accounting comes to bear.

In the remaining sections of this paper attempt shall be made to expatiate the following areas below.

- Conceptual framework of forensic accounting.
- Who is a forensic accountant
- Attributes of forensic accountant
- Corruption and financial crimes
- Types of corruption
- Reasons why corruption is rampant in Nigeria public offices
- The result of corruption on Nigeria economy
- Reduction of corruption in public offices
- The place of forensic accounting in fighting corruption and financial crimes in public offices in Nigeria

## **2. CONCEPT OF FORENSIC ACCOUNTING**

Adelusi (2007) opined that forensic accounting is the specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. “Forensic means suitable for use in a court of law, and it is to that standard and potential outcome that forensic generally have to work. Forensic auditors, also referred to as forensic accountant or investigative auditors, often have to give expert evidence at the eventual trial. It includes the audit of accounting records to prove or disprove a fraud. It includes the interview process of all related parties to a fraud, when applicable. It also includes the act of serving as an expert

witness when matters are brought up in court. The term forensic in the accounting profession deals with the use or application of financial data in resolving allegations of fraud. Adelusi, Akinyoade, and Unuigbokhai (2007), defined forensic accounting as the practice of utilizing accounting, auditing and investigative skills to assist in legal issues. It combines the skills of a private investigator and financial wizardry. Forensic Accounting services allow accountants to exercise skills like innovation, creativity and imagination that go beyond mere routine work of an Accountant or Auditor.

The forensic market has witnessed a great deal of activity in recent years and this is set to continue. The growth of regulatory compliance requirements and the increase in fraud has witnessed a related growth in demand for forensic accountants and forensic technologists both within and outside the profession. Thus, the primary orientation of forensic accounting is explanatory (cause and effects) of phenomena including the discovery of deception (if any), and its effects introduced into an accounting domain.

Crumbley (2002), stated further that forensic accounting is focused, therefore, upon both the evidence of economic transactions and reporting as contained within an accounting system, and the legal framework, which allows such evidence to be suitable to the purpose(s) of establishing a transaction.

### **2.1 Who is a Forensic Accountant?**

Forensic Accountant may be involved in recovering proceeds of crime and in relation to seizure proceedings concerning actual or assured proceeds of crime or money laundering. Wikipedia (2007) stated that Forensic Accountant must be familiar with criminal and civil law of the land and if need be may consult a legal practitioner. In addition to being academically and professionally qualified, forensic accountant should possess the following qualification (i.e. B.Sc., HND, ACA, CAN, CPA etc) more than that, forensic accountant requires further knowledge in detection and prevention of fraud in public offices. In Canada, for instance, the Canadian Institute of Chartered Accountants (CICA) has established the Alliance for Excellence in Investigative and Forensic Accounting (Alliance). In India, there is a separate breed of Forensic Accountants called Certified Forensic Accounting professional.

Furthermore, an accountant can learn about Forensic Accounting by attending various seminars, courses, workshops, conferences and obtaining Certified Fraud Examiner (CFE) designation offered by the Association of Certified Fraud Examiners, Canada.

Other requirements include:

- The knowledge of rules and regulations governing financial institutions.
- Knowledge of principles and practice of financial system, laws regulation governing financial operations in the public and private sectors.
- Knowledge of accounting and auditing standards and procedures, evidence gathering and investigative techniques and litigation processes and procedures to perform their jobs.
- Information technology knowledge use and application of financial management systems including mathematics and statistical methods, software, graphic presentations to divers and lay audience.

### **2.2 Attributes of Forensic Accountant**

A capable forensic accountant should have the following attributes namely curiosity, persistence, creativity, discretion, organisation, confidence and sound professional judgment.

Wikipedia (2007) stressed that in addition to the attributes stated above, a forensic accountant must be open to consider all alternatives, scrutinize the fine details and at the same time see the big picture. Also, a forensic accountant must be able to listen effectively and communicate clearly and precisely.

### 3. WHAT CONSTITUTE CORRUPTION AND FINANCIAL CRIMES

To define corruption as a concept is a hard task because not all the acts involve exchange of money. However, some attempts have been made as a way of expressing the meaning of the concept. The International Monetary Fund (IMF, 2000) defined corruption as abuse of authoring or trust for private benefit. It is a temptation indulged in not only by public officials but also by those in positions of trust or authority in private enterprises and non-profit organisations. United Nations Convention against Corruption (UNCAC, 2000) defined corruption by merely mentioning specific acts of corruption. It merely states that “corruption includes bribery, fraud and other related offences.

Ayoola (2005) remarked that, the commonest form of corruption used to be bribery but in recent years this has been overtaken in level of prevalence by embezzlement and theft from public funds, extortion, abuse for discretion, abuse of public power for private gain, favouritism and nepotism, conflict of interest, extortion and illegal political financing.

#### 3.1 Types of Corruption in the Public Offices in Nigeria

Okoduwa (2007) categorized corruption into five types as follows:

- (i) **Moral corruption:** This involves favouritism, nepotism, assigning jobs services or resources based on family ties, party affiliations, tribe, religion and other petty preferences.
- (ii) **Ground corruption:** this occurs at the highest level of government usually in the contract process and involves enormous monetary value. It often impacts heavily on government budget and growth prospects.
- (iii) **Bureaucratic corruption or petty corruption:** this occurs at the level of government bureaucracy. It usually aims at private monetary gain (usually small amount of money involved) through wrongful inducements and illicit payments for rendering public services.
- (iv) **Political corruption:** this involves the subversion of the political process and it is aimed primarily capturing power. It is associated with group corruption as it seeks peculiar benefits.
- (v) **Judicial corruption:** this occurs at judicial level when judicial officers betray their positions to prevent judgment for personal gains.

#### 3.2 Effects of Corruption on Nigeria Economy

Corruption ravages the public offices the world over, it is by no means peculiar to Nigeria. But, Transparent International noticed recently that endemic corruption in Nigeria has negatively affected the fabric of society in profound ways. It has created the sad paradox of widespread and dehumanizing poverty in the midst of abundant natural human resources. The devastating effects of corruption are massive unemployment, Armed robbery, prostitution, human trafficking, drug trafficking, thuggery, touting, advance fee fraud, violent ethnic and religious hostilities, money ritual, militancy, election rigging, brazen injustices, distortion in the flow of foreign investments and economic growth, family background, get rich quick

syndrome, under employment, lack of job security, high cost of living and feeding large extended family.

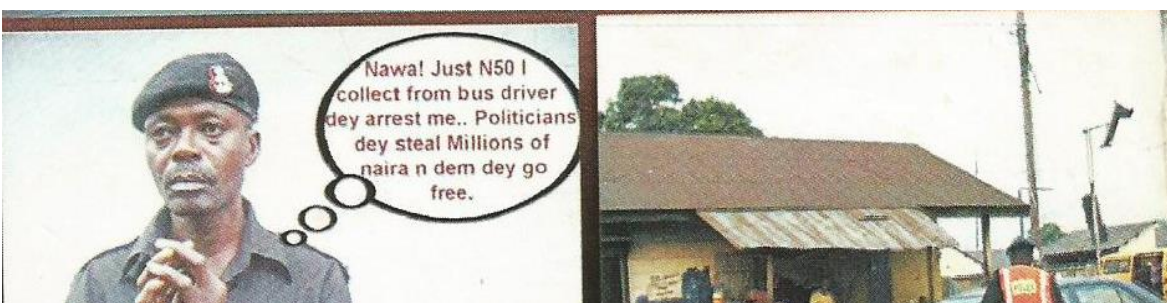
Osawaru (2013) notably itemize other hidden effects of corruption on the economy of Nigeria as follows.

- (1) Flamboyant life-style Examples of Nigeria leaders as Encouraging the Envy of different youth employees in public offices. In contemporary Nigeria societies many different youths have emerged to earn a living above their income with a sole aim of using criminal tactics to extort money from public offices. The average Nigerian graduate who is working in public office want to ride on the latest cars worth some millions of naira in imitation of his counterpart who are politicians ranging from (counselor of ward, chairman of local government area) and other political appointment.
- (2) Excessive desires in encouraging money dwelling and laundering.
- (3) Derivation of pleasure in hoarding of concrete wealth in all nooks and crannies in some world's big cities.
- (4) Miscellaneous wasteful expenditure in perpetrating extra-marital affairs with concubines without recourse to hard-earned money. Other causes of corruption are kidnapping for ransom, child abuse, pick pocketing, sex abuse, hooliganism, waywardness, neighbourhood terrorism, restiveness, insecurity of life and property, enforcing early child marriage, Boko-Haram, Cooperate begging etc.

### 3.3 Combating Corruption in Public Offices in Nigeria

We all pretty know that corruption is a universal disease and every country is making effort to flight it. Various measures have been taken by governments and non-governmental organisations to combat corruption the world over. For instance in the United Kingdom, relevant legislation is contained in proceed of crime Act 2002 to combat corruption. The Transparency International (TI) a Non-Governmental Organisation that covers 146 countries stated statistically, that Nigeria's corruption perception index (CPI) is 1.2, contrasting those of Finland (10.0), Denmark (9.8) and New Zealand (9.4). Expectedly, Nigeria rose stoutly to criticize the report pointing out serious defects in the manner the results were arrived at.

In the year 2000 Nigeria established the independent corrupt practices and other related offences commission (ICPC) and Economic and Financial Crime Commission (EFCC) backed up by legislation that prohibits and prescribes punishment for corrupt practices. Prior to the establishment of these commissions, certain laws had been and are still in existence as legal instruments meant to combat corruption in the country. These laws include: the criminal code, the panel code, the recovery of public property (special military Tribunal Act Cap. 389, laws of the Federation of Nigeria 1990 as amended in (1999); the code of conduct Bureau and Tribunal Act (Cap 56 laws of the Federation of Nigeria (1990); the Criminal Justice (miscellaneous provisions) Decree, 1966 and the corrupt practices Decree 1975. All of these were formulated to checkmate corruption as regards public fund in the public offices.



**Source:** Umukoro (2009).

#### **4. THE PLACE OF FORENSIC ACCOUNTING IN COMBATING CORRUPTION IN PUBLIC OFFICES**

Forensic Accounting has in its arsenal to combat and reduce corruption employing the following skills:

**4.1 Investigative Accounting:** This includes;

- (a) investigating and analyzing financial evidences
- (b) developing computerized applications in the analysis and presentation of financial evidence.
- (c) Communicating of the findings in the form of reports, exhibits and collections of documents.
- (d) Assistance with the protection and recovery of assets.
- (e) Co-ordination of other experts: including
  - Private investigators
  - Forensic document examiners
  - Consulting engineers, Estate valuers

**4.2 Litigation Support:** This includes

- (a) Assisting in legal proceedings, including testifying in court and preparing visual aids to support evidence.
- (b) Review of the relevant documentation to form an initial assessment of the case and identifying areas of loss.
- (c) Review of the opposing experts, damages report and reporting on both the strengths and weaknesses of the position taken.

#### **5. CONCLUSION**

Corruption and financial crime has eaten deep into the world economy as Nigeria is not exceptional. To effectively address the menace of financial crimes, which is the bedrock of corruption, and engender development, there is need to devise new strategies for fighting corruption. The emphasis is shifting from detection to prevention as findings are based upon the scientific interpretation of evidences of the phenomena introduced into the books and record of an accounting system.

#### **6. RECOMMENDATIONS**

Arising from the above, the following recommendations were made:

1. The Independent Corruption Practices Commission (ICPC) should be merged with Economic and Financial Crimes Commission (EFCC) to enable them fight corruption effectively in Nigeria.
2. The government of the day should strengthen the judiciary by way of providing all the necessary tools needed to facilitate quick dispensation of justice.

3. The government as a matter of urgency should employ forensic accountants into the judiciary for accountability and transparency.
4. There is need to establish independent courts to handle corruption and related matters to facilitate speedy dispensation of justice.

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