Functions Of Investigative Accounting And Litigation Support In Prevention Of Financial Crimes In Developing Nations: Cases And Consequences For Institutions In Nigeria

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Abstract
The study draws attention to both the usefulness of investigative accounting practices as a meaningful tool for fraud detection, prevention and reduction and litigation support in Nigeria. Case evidences were drawn from Nigerian institutions to explore the functions of investigative accounting and litigation support in combating financial impropriety. This paper adopts a theoretic research design using secondary sources. Analytical methods adopted in this paper are content analysis and thematic review of fraud cases in Nigeria. Data were drawn from journal articles, EFCC reports, CBN bulletins, Transparency International reports, and case documentations. The theories of Fraud Triangle, Fraud Diamond, Fraud Pentagon, and Fraud Hexagon were reviewed. The findings revealed that investigative accounting effectiveness is limited by political interferences, lack of adequate training, and weak enforcement. The paper recommends for institutional reforms, professional training, and integration of investigative accounting into national anti-fraud strategies in Nigeria to enhance transparency, strengthen litigation processes, and restore corporate integrity.

Keywords: *Financial impropriety, investigative accounting, litigation support, political interference, fraud theories*

1.Introduction

As reported by Transparency International's Corruption Perception Index, Nigeria continuously ranks among the most corruption-prone nations. Nigeria has faced numerous financial scandals, including large-scale corruption, money laundering, and fraud, often involving high-profile individuals and entities in sectors like the oil industry, government pensions, and banking.These fraud-related challenges create a hostile business environment, discourage foreign direct investment, and undermine sustainable development. Nigeria faces a wide range of fraud, from the "419" advance-fee scams and romance fraud targeting international victims to large-scale corruption, embezzlement, and cyber fraud like the 2023 Flutterwave breach involving over ₦2.9 billion in unauthorized transfers. Other cases include the N30 billion fraud trial involving Bassey Akpan, the Abdul-Rasheed Maina Pension scam, involving the N2.1 billion pension funds. These cases highlight systemic issues and varying methods, from manipulating official contracts to sophisticated hacking and money laundering. Corruption and financial crimes have become global issues, but they appear more prevalent and damaging in emerging economies where governance structures are weak resulting in severe

economic and social consequences. Investigative accounting has increasingly been recognized as a solution to these challenges. Unlike traditional auditing, investigative accounting combines investigative techniques, litigation support, and accounting expertise to uncover fraudulent activities, prevent misappropriation, and provide evidence for legal proceedings.

This paper examined the functions of investigative accounting in fighting financial crimes in emerging economies, with Nigeria serving as a study. The paper draws on fraud theories, case examples, and institutional evidence to demonstrate the relevance and challenges of investigative accounting.

2.1Conceptual Framework

2.1.1Investigative Accounting

Investigative accounting is the integration of accounting, auditing, and investigative skills to examine financial information suitable for use in legal proceedings. Investigative accounting goes further to detect, investigate, and document fraudulent practices and litigation support. In summary, investigative accounting acts as a bridge between the fields of accounting and law, applying their analytical and investigative skills to unravel financial mysteries and provide essential support for legal and judicial processes.

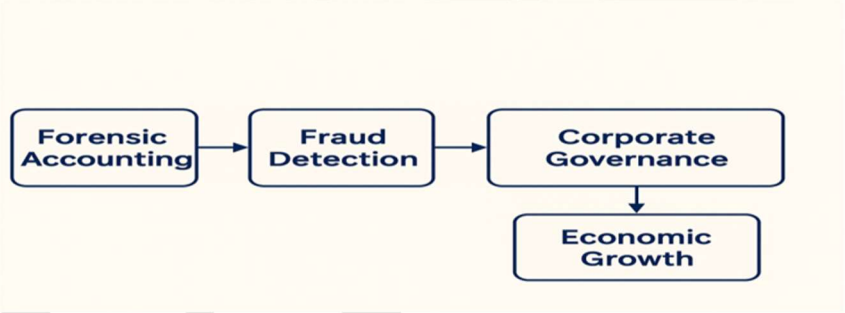


Diagram 1: Forensic Accounting → Fraud Detection → Corporate Governance → Economic Growth

2.1.2 Litigation Support in Investigative Accounting

This involves applying specialized accounting and investigative skills to support legal proceedings by providing verifiable evidence, explaining complex financial transactions to judges, juries and other legal professionals and acting as expert witnesses to help courts resolve fraud cases. It involves using accounting expertise to provide evidence, analysis, and expert witness testimony in legal proceedings, such as fraud cases or disputes, to help attorneys understand complex financial transactions and present clear, substantiated financial information to courts and decision makers. This process involves investigation, evidence gathering and presentation of reports in a manner that is appropriate for a court of law, and reconstruction of financial records, tracing assets, tracing the source and destination of laundered funds or other misappropriated assets and the presentation of findings as expert opinions to clarify financial schemes and contribute to dispute resolution, asset recovery and securing convictions.

2.3 Theories of Fraud

These models collectively provide a theoretical lens for investigative accounting practice.

2.3.1 Fraud Triangle

The Fraud Triangle is a framework developed by Donald Cressey (1953) to explain the factors that lead individuals to commit fraud. It is widely used in auditing, forensic accounting, and criminology. Fraud Triangle explains why fraud happens (Pressure, Opportunity, and Rationalization).



Diagram 2: Fraud Triangle

The fraud triangle identifies three key elements:

1. Pressure (Incentive/Motivation): This is the driving force that pushes individuals toward committing fraud. The common pressures include:

a. Financial difficulties (debts, low income and medical expenses)
b. Lifestyle demands (living beyond means and social status pressure)
c. Workplace pressure (meeting unrealistic performance targets or quotas)

Example: An employee may commit fraud to pay off personal debts or maintain an expensive lifestyle.

2. Opportunity: This is the situation that allows the fraud to occur. Fraudsters exploit weaknesses in internal controls, lack of oversight, or poor corporate governance. Examples of opportunities include:

i. Weak or non-existent internal controls
ii. Lack of supervision or segregation of duties
iii. Overriding of controls by management

Example: A cashier who both records financial transactions and handles cash without supervision may have the opportunity to steal.

3. Rationalization (Justification): This is the mindset that allows the fraudster to justify unethical actions. Persons committing fraud often convince themselves that their actions are acceptable or temporary. Common rationalizations include: “I am only borrowing the money and I’ll pay it back.” “I am underpaid, so I deserve this.” “The company won’t miss this small amount.”

Example: employees may rationalize fraud by believing they are not adequately compensated for their work. Fraud occurs when all three elements: Pressure, Opportunity, and Rationalization come together. If pressure exists but there is no opportunity, fraud may not occur. If opportunity exists but there is no pressure, fraud may not occur. If rationalization is absent, even with opportunity and pressure, the individual may resist committing fraud. This is why

organizations focus heavily on reducing opportunities (through strong internal controls and governance), because opportunity is the element management can control most effectively.

2.3.2 Fraud Diamond

The Fraud Diamond model was proposed by Wolfe & Hermanson (2004), the Fraud Diamond adds a fourth element of "capability" to Cressey's original Fraud Triangle. It suggests that even when pressure, opportunity, and rationalization exist, fraud will not occur unless the person has the capability to commit it. Fraud Diamond explains who can commit fraud, by adding the element of capability.



Diagram 3: Fraud Diamond

The Four Elements of the Fraud Diamond include:

1. Pressure (Incentive/Motivation) same as in the Fraud Triangle. Personal financial problems, greed, addiction, or unrealistic performance targets can create motivation.

2. Opportunity: The chance to commit and conceal fraud exists where internal controls are weak or oversight is poor.

3. Rationalization (Justification): The mental reasoning that makes fraud seems acceptable.

Fraudsters may think "I deserve this" or "The company owes me."

4. Capability (Skills/Position/Traits): This is what sets the Fraud Diamond apart. Even if the first three conditions are present, fraud may not occur unless the individual has the ability to carry it out.

Characteristics of a capable fraudster include:

i. Position of authority or trust (e.g. CEO, manager, accountant)
ii. Knowledge of systems, processes, and controls
iii. Confidence to exploit weaknesses without getting caught
iv. Ability to coerce or manipulate others
v. Strong ego and ability to handle stress/pressure from covering up the fraud

2.3.3 Fraud Pentagon: Adds arrogance and competence to the triangle.

2.3.4 Fraud Hexagon: Adds collusion and concealment.

3.Content Analysis and Thematic Review of Documented Cases of Fraud in Nigeria

3.1 Notable Financial Scandals Case Studies in Nigeria

Nigeria has faced numerous financial scandals, including large-scale corruption, money laundering, and fraud, often involving high-profile individuals and entities in sectors like the oil industry, government pensions, and banking. Nigeria has become known globally for these scams: Advance Fee Fraud (419) and Romance Scams which involve tricking victims into sending money through false promises of large sums or relationships.

Aviation Industry Fraud in Nigeria

A former Aviation Minister, Stella Oduah faced allegations of fraud in a N255 million armoured car scandal before her removal from office, and another fraud case of corruption and embezzlement of N9 billion in the aviation industry according to CJID.

Nigerian Pension Fund Fraud

Allegations were levelled against the former Director of the Police Pension Fund, Esai Dangabar for misusing N32 billion. Billions of naira was siphoned from pension funds through ghost workers and false claims. Forensic experts traced fraudulent accounts and presented evidence that led to some convictions.

The N2.1 billion pensions scam involving Abdul-Rasheed Maina. The Maina Pension Scam or scandal involved mismanagement of pension funds that impacted numerous pensioners. This involved probes into pension funds and the mismanagement of money meant for pensioners, a case detailed by HEDA Resource Centre.

Oil Sector Scam

High-profile cases include allegations against former Central Bank Governor Lamido Sanusi regarding the NNPC's failure to remit oil proceeds. The former CBN Governor Lamido Sanusi alleged that the Nigerian National Petroleum Corporation (NNPC) failed to remit billions of naira from oil proceeds. The alleged sum missing was N20 Billion Naira Oil Money and a monumental fraud by the average Nigerian involving kerosene subsidies scam.

Banking Sector Fraud

A N40 billion First Bank internal fraud have also highlighted issues in corporate accounting and banking security. An internal investigation revealed an employee siphoned N40 billion, exposing vulnerabilities in the bank's internal controls. Several Nigerian banks have faced insider fraud, including cases of loan diversion and falsification of financial statements. Forensic accountants played a role in unearthing fraud in Oceanic Bank and Intercontinental Bank before the 2009 banking reforms.

Cadbury Nigeria Plc Scandal (2006)

The Cadbury Nigeria's overstatement of profit by N13 billion The Company’s profit was found to be overstated by approximately N13 billion in 2003-2006, discovered by the Securities and Exchange Commission (SEC). Cadbury Nigeria overstated its accounts by over ₦13 billion to boost share prices. Forensic investigations revealed manipulation of financial records. This case highlighted weakness in Nigeria’s auditing processes and the necessity of forensic auditing.

Contract and Procurement Fraud

Contract and Procurement Fraud includes scandals like the N544.1 million grass-cutting contract scam linked to Babachir Lawal.

Unauthorized transfers

The Flutterwave breach in 2023, involving over ₦2.9 billion in unauthorized transfers, exemplifies the rise of sophisticated digital, cyber fraud. In the Flutter wave Breach of 2023; hackers stole ₦2.9 billion through unauthorized transfers from the company's system between January and February 2023.

Money Laundering Fraud

Money Laundering corruption cases also involve money laundering, such as the N7.6 billion case against Theodore Orji. The Ex-Governor of Anambra State Willie Obiano was involved in a N4 billion money laundering case.

Ministry of Interior Recruitment Scandal

Despite a fatal incident during recruitment, the Minister of Interior Abba Morro remained in office, exposing broader issues.

Assets Fraud Trial

Also is Bassey Akpan's N30 Billion Assets Fraud Trial: This is a high-profile case involving allegations of fraud and undeclared assets against a prominent politician.

4.1 Usual instances of investigative accounting and outcomes

Several studies show that investigative accounting significantly enhances fraud detection in both public and private sectors. However, obstacles such as government interference**,** lack of skilled professionals, and weak legal frameworks hinder its effectiveness.

Common instances and outcomes are as follows:

1. **Ineffective internal controls and oversight by the board of directors:** Many scandals expose fragility in corporate governance and banking system security.
2. **Lack of answerability:** The Economic and Financial Crimes Commission (EFCC) has been criticized for inefficiencies, and non-accountability in handling fraud cases leading to lengthy trials and delayed justice.
3. **Cosmetic accounting:** Widespread use of cosmetic accounting where accountants and the auditors take advantage of the loopholes in the accounting policies as per International Accounting Standards(IAS),Generally Accepted Accounting Standards(GAAP) and misleading financial disclosures in public companies.
4. **Government corruption:** A significant number of scandals involve political figures and government institutions.
5. **Consequences on the economy:** Financial crimes significantly influence the Nigerian economy, affecting investor confidence and the nation's reputation.

4.2.1 Obstacles to investigative accounting in emerging economies

The obstacles to investigative accounting in emerging economies such as Nigeria are: the weak legal and judicial systems which hinder its effectiveness, political interference, and lack of independence of forensic accountants, corruption, shortage of technical skills and training and the poor integration of investigative methods into anti-fraud agencies.

4.3 Findings and Discussion

Okoye & Akamobi (2019) conducted a study in Nigeria, which revealed that forensic or investigative accounting practices improve accountability and transparency in financial reporting. Together, the Fraud Triangle and Fraud Diamond help forensic accountants, auditors, and investigators understand both the motivations and the practical ability of individuals to commit fraud.

In developed economies such as the United States, the Enron and WorldCom scandals led to the Sarbanes-Oxley Act, which institutionalized forensic practices.

In emerging economies, forensic accounting is still developing but increasingly recognized.

The analysis shows that:

i. Investigative accounting provides stronger fraud detection, prevent misappropriation, and provide evidence for legal proceedings than traditional auditing.
ii. Fraud theories (triangle and diamond) explain much of the behavior observed in Nigerian fraud cases. For example in the Nigeria's pension fund fraud case, opportunity existed due to weak oversight, existence of pressure (personal gain), rationalization existed ("everyone is doing it"), but the fraud was only successful because certain officials had the capability (knowledge, authority, and access) to manipulate records and bypass controls.
iii. The use of technology such as forensic data analytics, block chain, Artificial Intelligence is becoming an essential tool for forensic accountants. However, challenges include political interference, weak legal frameworks, and shortage of trained forensic accountants.

4.4 Expectations and subsequent handling of investigative accounting in Nigeria

The adoption of technology-driven investigative methods should be encouraged. The Nigerian government should establish professional training programmes and certification in investigative accounting as well as the integration of investigative accounting into the curricula of Nigerian universities. There should be stronger collaboration between CBN, ICPC, EFCC and forensic accountants.

Conclusion

Investigative accounting is a critical tool for combating financial crimes in Nigeria and other emerging economies. The case studies presented herein has demonstrated its potential in detecting fraud, supporting litigation, and restoring investor confidence.

Recommendations

Professional accounting bodies in Nigeria such as ICAN and ANAN should develop specialized training and certification programmes.

Anti-graft agencies such as ICPC, EFCC, and Public Complaint Commission should adopt advanced investigative accounting technologies.

The Nigerian government should institutionalize investigative accounting in all public financial operations.

The Nigerian Judiciary should be strengthened to handle investigative evidence efficiently.

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