

FORENSIC AUDITING AND FRAUD MITIGATION IN FEDERAL PUBLIC ENTERPRISES IN RIVERS STATE, NIGERIA

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ABSTRACT

The study examined forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria. The objectives of the study among others were to; Examine the influence of expert witness on falsification of financial statement in federal public enterprises in Rivers state, Nigeria. Determine the influence of litigation support on falsification of financial statement in federal public enterprises in Rivers state, Nigeria. Determine the influence of expert witness on payroll fraud in federal public enterprises in Rivers state, Nigeria. This study basically adopted correlational survey research design. The population of the study is hundred twenty-seven (127) knowledgeable and competent staff in fifteen (15) conveniently selected only internally generating revenue federal public enterprises in Rivers states, Nigeria. The instrument of the study was primary data. The research questions were analyzed using Mean and Standard Deviation in the distributive statistics tables. And hypotheses were analyzed using multiply regression. The findings of the study among others were; expert witness does have a significant influence on falsification of financial statement in federal public enterprises in Rivers state, Nigeria. The influence of litigation support on falsification of financial statement in in federal public enterprises in Rivers state, Nigeria is not significant. Expert witness does have a significant influence on payroll fraud in in federal public enterprises in Rivers state, Nigeria. The study recommends among others; Professional forensic auditors should insist that the expert witnesses' techniques used in the study and other forensic auditing techniques are adequately utilized by directors and captains of public sector to totally eliminate falsification of financial statement reoccurrences. Expert witnesses should continue to give evidence and administer in the court of law in order to significant influence on falsification of financial statement in federal public enterprises in Nigeria. The two professional accountancy bodies in Nigerian should organize regular conferences, seminars and workshops for their members where emerging trends in anonymous communication are highlighted to help professional forensic auditors detect and prevent frauds or at least reduce in public enterprises.

Keywords: Expert Witness, Litigation Support, Forensic Auditing, Fraud Mitigation, Falsification Of Financial Statement, Payroll Fraud and Economic and Financial Crime Commission (EFCC)

INTRODUCTION

Public enterprises are establishment by government to make minimum profit on behalf of the government, in order for government to use this profit to finance public project and general administration for citizen benefit, but public enterprises year in year out make low profits or sometime deficits (loss) (Mukoro, 2023). According to Gabriel (2022), however, over the years, public enterprises in Nigeria has been highly suspected to recorded various heavy degrees of fraud and white-collar crimes such as financial embezzlements, ghost workers, financial recklessness, improper expenses, employees' false claims, incorrect valuation, diversion of funds and public resources, etc. In the light of the above, it appears that certify audit and auditing practices are not realistic (properly followed) and cannot reveal the fraudulent activities of managers and other staff in public enterprises, enhance the need for forensic auditing. Forensic auditing, also called investigative audit or fraud audit, is a merger of forensic science and auditing. It is the combination

of auditing, auditing and investigation. Forensic auditing is a rapidly growing field of auditing that describes the engagement that results from actual or anticipated dispute or litigations. Okoye and Gbegi (2022), concur that “forensic” means “suitable for use in a court of law”, and it is to that standard that forensic accountants generally work. Forensic auditing is an investigative style of auditing used to determine whether an individual or an organization has engaged in any illegal financial activity. Also, forensic auditing encompasses three major areas, investigation, dispute resolution and litigation support. Manning (2024), defined it as the combination of auditing, auditing and investigative skills to standard by the courts to address issues in dispute in the context of civil and criminal litigation.

Fraud mitigation is a set of processes, analyses or programs that allow businesses to identify and prevent unauthorized or fraudulent financial activities. This can be integrating accounting information systems or through digital accounting. Evrim (2017), it is essential for businesses to keep up with the technological advances. Today nearly all the businesses depend on computer technologies and the internet to operate as technological developments have introduced many practical methods for businesses. Yet, transformation of businesses technologically also presents new means for the criminals, which has led to new types of fraud. It is crucial for businesses to take measures to prevent fraud. Traditional methods to prevent or to detect Fraud seems to be ineffective for new types of fraud in the digital era. Therefore, new methods have been used to prevent and detect fraud.

Fraud is regarded as an irregularity or a deception. It is a means where an individual illegally enriches himself or herself (Aguolu, 2024). Public organizations lost many of their important assets as a result of fraud related problems. Many cases of corporate collapse in the Nigerian business environment; whether in the public or private sectors are caused by fraudulent government officials or workers. In most cases, fraud is a product of poor internal control systems in organizations. The mitigation of fraud can be affected if there is an efficient and effective internal control system, which can be applied to nip any fraudulent practice in organizations in the bud (Ama, 2022). Fraud is often defined as wrongful or criminal deception intended to result in financial or personal gain. The impact of fraud ranges from financial loss to declines in organizational performance, credibility, and public confidence. As a result, risk management strategies and internal control systems should be implemented, monitored, and modified as necessary by management and governing bodies.

The frequent reports of fraudulent practices in Nigeria justify the application of forensic auditing in the public enterprises. The establishment of Independent Corrupt Practices and other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) saddled with the responsibilities of fighting and curbing the menace of corruption, frauds and fraudulent practices have not really performed their duties to the expectation of Nigerians and observers in the international communities. Top civil servants and political leaders are busy embezzling public funds, laundering and engaging in sharp corrupt practices without fears of getting caught. Thus, forensic auditing is aimed at mitigating, detecting and preventing public fraud and other corrupt practices. Hence, the study is focused on examining forensic auditing and fraud mitigation of federal public enterprises in Rivers State, Nigeria.

Over the years, fraud mitigation has been difficult to handle at all tiers of government and has negative effect on economic development. The problem is so entrenched and harmful in the Nigerian bureaucracy that the nation is losing billions Oseloka, (2016). All government enterprises are faced with the problem of large number of ghost workers (payroll fraud), and other financial crimes. Similarly, government owned enterprises are mostly associated with mismanagement and misappropriation or diseconomy of funds meant to be used in the provision of public goods (Dinapoli, 2024). This is especially as most of those at the helms of affairs in these government owned enterprises ascend to their positions as a reward for political support. These managers mostly take their reign in those positions as a time to reap bountifully and continuously defraud the treasury. This is usually at the expense of the citizens. Hence, service delivery or performance is always at its

lowest and fraud mitigation is doubtful. Thus, forensic auditing is aimed at revealing, mitigating, detecting and preventing public fraud and other corrupt practices in Nigeria public enterprises.

In an attempt to address this problem, prior empirical studies (Emeh & Obi, 2022; Enofe, et al, 2021) report that effectiveness of audit and fraud prevention, the presence of audit can reduce the occurrence of fraud. These studies mainly concentrated on the use of audit detecting or investigating financial crimes or frauds in various sectors / industries especially in the deposit money banks, while a hand full on payroll fraud and integrated payroll and personnel system. These studies above, to the best of the researcher's knowledge cannot make a general conclusion on forensic auditing and fraud mitigation in public enterprises.

Thus, to fill the existing content gap in empirical literature this study concentrates on forensic auditing and fraud mitigation in Nigeria public enterprises. Also, the study utilizes Nigeria government forensic auditing dimensions of expert witness and litigation support and measures of payroll fraud and falsification of financial statement that have not been wholistically used by other studies. The study also, introduced 'Economic and Financial Crime Commission (EFCC)' as a moderator variable of the study that interacted and analyzed with the dependent variable and the two dimensions respectively, which have not been utilized by others studies to the best of our knowledge. Hence the study seeks to examined forensic auditing and fraud mitigation Nigeria public enterprises in River's state.

Aim and Objectives of the Study

The general aim and objectives of this study is to examine forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria. Specifically, the study attended to the following objectives

1. Examine the influence of expert witness on falsification of financial statement in federal public enterprises in Rivers state, Nigeria.
2. Determine the influence of litigation support on falsification of financial statement in federal public enterprises in Rivers state, Nigeria.
3. Determine the influence of expert witness on payroll fraud in federal public enterprises in Rivers state, Nigeria.
4. Examine the influence of litigation support on payroll fraud in federal public enterprises in Rivers state, Nigeria.
5. Evaluate the moderating influence of EFCC on the relationship between forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria.

Research Hypotheses

- H₀₁: Expert witness does not have a significant influence on falsification of financial statement in federal public enterprises in Rivers state, Nigeria.
- H₀₂: The influence of litigation support on falsification of financial statement in in federal public enterprises in Rivers state, Nigeria is not significant.
- H₀₃: Expert witness does not have a significant influence on payroll fraud in in federal public enterprises in Rivers state, Nigeria.
- H₀₄: Litigation support does not have a significant influence on payroll fraud in in federal public enterprises in Rivers state, Nigeria.
- H₀₅: EFCC does not influence the relationship between forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria.

Conceptual Reviews

Concept of Forensic Auditing

Forensic auditing also known as investigative audit or forensic audits can be said to be a new field in auditing in Nigeria and borne out of the need of ensuring quality assurance of financial statements.

The term "forensic auditing was coined by Peloubet in 1946, he said, forensic auditing is the application of auditing knowledge and investigative skills to identify and resolve legal issues. It is the science of using auditing as a tool to identify and develop proof of money flow. These tools and/or techniques, skills and knowledge can be invaluable for fraud and forensic auditing investigators. Forensic auditing is the integration of auditing and investigative skills (Dada, et al.,). According to Adegbe and Fakile (2012), forensic auditing is the practice of utilizing auditing, auditing and investigation skill to assist in legal matter and application of specialized body of knowledge to the evidence of economic transaction and reporting suitable in the purpose of establishing accountabilities or valuation of administrative proceedings. In the view of Bologna and Lindquist cited in Omar and Jomitin (2022), forensic and investigative auditing is the application of financial skill and investigative mentality to resolve issues conducted within the context of rule of evidence. As a discipline, it encompasses financial expertise, fraud knowledge and understanding of business reality and working of legal system. Therefore, forensic auditing, forensic accountancy or financial forensic is the specialty practice area of auditing that describe engagements that result from actual or anticipated dispute or litigation. It can also be viewed as encompasses all auditing and financed analyses performed for assisting counsel in connection with investigation assessment and proof of issues in a dispute resolution proceeding.

Dimensions of Predictor Variables

Expert Witness Service

Expert witness; is a witness provided by a professional who is knowledgeable and skillful in the field of the case under investigation. Institute of Forensic Accounting in Nigeria (2016) reported that an expert witness is member who has been engaged, assigned or otherwise obligated to provide an Expert Witness Service. As an Expert Witness, the Member may express opinions or provide Other Evidence to the Court based on the Member's specialized knowledge derived from the Member's training, study or experience on matters such as whether technical or Professional Standards have been breached, the amount of damages, the amount of an account of profits, or the amount of a claim under an insurance policy (Zachariah et al., 2014).

Cordella and Iannacci (2023), an expert witness is a person with specialized skills who will testify in court. Such an expert is a third party whose testimony can be used in court. The expert witnesses can provide an opinion based on the specific skills and knowledge they possess. An expert witness is used when necessary to have an expert's opinion to help resolve a dispute. Expert witnesses may provide opinions on evidence such as the genuineness of documents, accident reconstruction, and computer forensics. In reaching their conclusions, experts may perform independent examinations of a party, make site visits, and review evidence in forming their opinion.

Litigation Support

Litigation Support represents the financial presentation of economic issue related to existing or pending litigations (Aribaba, 2021). Litigation support interprets and represent problems which are current and are about going for litigation at the law court. It helps in the realization of the role of the forensic accountant. The forensic accountant is called upon to show some evidence as the litigation proceedings are on. The expert in this field is also required to make his or her input in the resolution of the conflict. The person that carries out this function and others are required to be proficient enough to do the job expert witness and consultants (Bassey & Ahonkhai, 2017).

According to Akenbor and Oghoghomeh (2019), litigation Support involves the presentation and interpretation of various issues related to assisting existing or pending litigation by the forensic accountant. In the area of expertise, the forensic accountant may be asked to assign an estimated value for damages sustained by parties involved in legal disputes, and to assist in resolving disputes, even before they reach court room. On the role of forensic accountants in litigation case, He said that the roles are:

- Giving preliminary advice at the starting of proceeding on the number of damages based on initial interview of the pleading and the evidence available
- Identification of documents made available as evidence during proceeding
- Briefing counsels on the financial and accounting aspect during pre-trial of the cases and serving as an adviser to lawyers while the trials are on, particularly in the aspect of cross examining the expert from the other side.

Concept of Fraud Mitigation

Fraud mitigation is a set of processes, analyses or programs that allow businesses to identify and prevent unauthorized or fraudulent financial activities. This can be integrating accounting information systems or through digital accounting. Evrim (2017), it is essential for businesses to keep up with the technological advances. Today nearly all the businesses depend on computer technologies and the internet to operate as technological developments have introduced many practical methods for businesses. Yet, transformation of businesses technologically also presents new means for the criminals, which has led to new types of fraud. It is crucial for businesses to take measures to prevent fraud. Traditional methods to prevent or to detect Fraud seems to be ineffective for new types of fraud in the digital era. Therefore, new methods have been used to prevent and detect fraud.

According to (CAQ, 2023), organizations typically employ two strategies to mitigate the fraud risks, firstly by deterring potential fraud by having a strong ethical tone at the top and a proactive fraud management program and secondly by detecting fraudulent activities that have occurred. Meanwhile, some controls like whistleblower program may be used to deter fraud by their presence and at the same time may help detect incidents of fraud. There are many frauds prevention and detection strategies that can be utilized in order to reduce the chances of public enterprises fraud. As in today's technological era, fraud has become very complex and even more difficult to detect, thus the techniques used to deal with it must also be forensic auditing.

Measures of Fraud Mitigation

Falsification of Financial Statement

Financial statement fraud may be defined as a deliberate, wrongful act committed by publicly traded companies, through the use of materially misleading financial statement, that causes harm and injury to the investors and creditors. Falsifying financial statement is usually committed by top level management and thus also known as management fraud with the goal to artificially improve the financial performance and results of the company (Manurung & Hardika, 2021). Financial statement fraud may further be defined as a deliberate attempt by corporations to deceive or mislead users of published financial statements, especially investors and creditors, by preparing and disseminating materially misstated financial statements.

Financial statement fraud involves intent and deception by a clever team of knowledgeable perpetrators (e.g., top executives, auditors) with a set of well-planned schemes and a considerable gamesmanship (Razaee, 2023).

Financial statement fraud may involve the following schemes (Razaee, 2023):

1. Falsification of, alteration, or manipulation of material financial records, supporting documents, or business transactions
2. Material intentional misstatements, omissions, or misrepresentations of events, transactions, accounts or other significant information from which financial statements are prepared
3. Deliberate misapplication, intentional misinterpretation, and wrongful execution of auditing standards, principles, policies and methods used to measure, recognize, and report economic events and business transactions
4. Intentional omissions and disclosures or presentation of inadequate disclosures regarding auditing standards, principles, practices, and related financial information.

Improper Asset Valuation

Improperly valuing assets usually involves the value of an asset being artificially inflated to improve the financial situation as shown in the balance sheet. These schemes all have ties to either improper treatment of revenues or expenses on the income statement as per the double-entry auditing system. Most schemes fall into one of the following categories:

1. Illegitimate valuation of inventory, such as fraudulently valuing obsolete inventory as if it were saleable inventory;
2. Illegitimate manipulation of accounts receivable, which is particularly prevalent because (1) it directly influences income, (2) it allows for influential changes because accounts receivable commonly has a relatively high value and (3) it can be relatively easily done.

In many cases, financial statement fraud and misappropriation of assets (occupational fraud) occur simultaneously, that is, the manipulation of auditing figures and the diversion of funds by members of the organization are committed together. In general, a fraudulent posture in reporting the financial statements suggests a climate equally propitious for misappropriation of assets.

Improper Expense Recognition

Improper treatment of expenses and costs which is termed improper expense recognition usually involves fraudulently reducing expenses to improve the financial appearance of the company. This can be easier to do than revenue manipulation because it can be perpetrated by simply omitting costs or expenses. Ways to fraudulently manipulate expenses are listed below.

1. Omitting expenses to increase income, which can be easier than creating fictitious revenue.
2. Capitalizing expenditures that should be recorded as expenses. Capitalized expenditures are recorded as a long-term asset, which allows their cost to be allocated over a long period using depreciation without an immediate reduction in income, which is what happens if the item is recorded as an expense. Capitalizing expenditures is only allowed in certain situations as defined in auditing reporting standards. Inappropriately capitalizing expenses is commonly referred to as deferring the inevitable, because the cost will eventually be seen in the statements as depreciation for tangible assets.

Payroll Fraud

Pay rolling is the process which an organization passes through to pay its employees. It deals with records relating to the employees' salaries, deductions bonuses and income (Murray, 2017). Rietsema (2018), described payroll as a means or process by which an employee is paid by the organization for the services rendered. According to Ovaga and Eme (2022), Government pay rolling is defined as the listing of all the people who are employed by the Government council, showing the actual amount to be paid each worker at the end of every month. Therefore, before any person is pay rolled in the local government, he or she must be a bonafide worker of the council. Pay rolling is the process of listing the names of people employed in an organization, showing the amount of money to be paid to each of them (Hornby, 2001). Pay rolling therefore can be seen as an exercise that is carried out in any establishment where there are workers employed by an employer(s). It is done both in the private and government organization provided there are employees.

Payroll fraud is considered as any arrangement by which an employee causes the organization to pay money vide false claims (Marasco, 2024). Lomer (2018), argued that payroll fraud involves the stealing of organizations money using the organizations payroll system; and can be carried out by both management and regular employees. Payroll fraud is a global problem especially in the less developed countries of the world where people see their official position as opportunities to make excess moneys. Those in the payroll section employ all sorts of techniques to ensure that they perpetuate fraud without the notice of their employer. It is a malaise which has adversely affected smooth administration in all the levels of government- federal, state and Government in order to tackle this, both the present and past administrations in Nigeria had introduced several means like

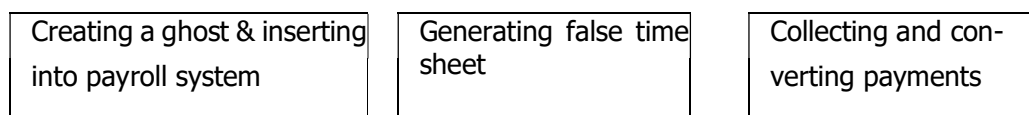
Treasury single Account (TSA), Economic and Financial Crime Commission (EFFC), Independent corrupt practices and other related offences (ICPC), Integrated payroll, and personnel information system (IPPIS), Biometric Verification Number (BVN) among others to ensure effective financial management in Nigeria. Though, some of the above strategic are not operational and active at the government level payroll fraud according to Faustinus (2022), quoted in Omilusi (2019), is as old as Civil service establishment in Nigeria. Payroll fraud can be seen as means or technicality employed to divert money unlawfully either for the benefit of the perpetrator or any other person.

Forms/Types of Payroll Fraud/Schemes

While there are various types of payroll fraud, the following have been identified as the common kinds of payroll fraud namely: Ghost Staff Fraud, Timesheet Fraud, Wage Falsification of fraud, Fraud in commissions and bonuses, Expense repayment fraud, misclassification of members of Staff (Lomer, 2018).

- **Ghost Worker/ Staff Fraud:** This occurs where employ meet record is opened or created in respect of a non-existent employee and wages paid to the fake employee, which is later withdrawn and used by the perpetrator. A ghost employee can also be an individual who is recorded on the payroll system but who does not work for the organization. The ghost can be a real person who knowingly or unknowingly is placed on the payroll or a fictitious person invented by the fraudster.

There are three basic steps to ghost worker fraud.



Ghost worker fraud is government theft. Individually, the amount may appear small but over time they add up to a significant amount, particularly if a number of ghosts are added and retired over time.

- **Time Sheet Fraud:** this is committed when an employee's bloats the number of hours he/she has worked in his/her time sheet and/is where an employee clocks in time for another employee which was not earned. Time sheet fraud occurs when the record of hours worked is falsified, and if this is not detected, it results in the workers being paid for more hours than they have worked. The risk of fraudulent time sheets being processed by the organization increases if the necessary controls and oversight are lacking. There are a number of ways that timesheet fraud can be attempted and therefore identified, and variations can be seen dependent on if these are done electronically or otherwise. This may be identified by the authorizing manager of finance department.

In order to mitigate the risk of fraudulent time sheets being processed, your organization should have clearly outlined instructions and relevant policies for the processes outlined surrounding the completion submission, and authorization of timesheets. Staff should ensure that they are familiar with such requirements so that timesheets are completed correctly. Additionally, the advice below provides details of how you can support the prevention and detection of fraudulent timesheets.

- Time sheets should include counter fraud declarations. Upon submission, there should be signed by the staff member and authorizer. A list of authorized signatories should be maintained.
- Original timesheets should be submitted before payments are made. Incomplete and ineligible timesheets should be returned.

- **Wage Falsification of Fraud:** This is a form of payroll fraud where an employee's salaries are cooked (usually increased) with the intention of later utilizing the excess. This scheme is often times perpetuated by collusion of the employee and those responsible for paying salaries or wages.

This form of fraud is common in the contemporary local government system in Nigeria. the introduction of biometric and incessant verifications have ameliorated the existence of fictitious names in the payment vouchers with this, the payroll officers resort to escalation of salaries of workers while they make the necessary deductions before the actual payment of salaries. The payroll officers do this in collaboration with the paymasters in the bank where the employees receive their salaries. Most times, the internal Auditor (IA) of the council who has the power to audit the payment voucher as prepared by the payroll officer can be carried along in the fraudulent exercise.

Theoretical Framework

White Collar Crime Theory: Sutherland, 1949 cited in Michael (2004), defined white collar crime as crime committed by a person of respectable and high social status in the course of his occupation stating that white collar crime are crimes committed respectable and of high-status staff in his place of work. White collar criminals are intelligent, opportunists, affluent and educated individuals who believed they can take advantage of circumstances to accumulate financial gain. Civil servant are highly educated and Fraudulent financial activities are illicit activities committed with the purpose of acquiring riches either individually, in group or organized manner thereby violating existing legislation or accounting policies governing the economic activities and administration of the organization. Hence, forensic auditing and forensic accounting is needed to fast track these highly educated fraudulent staff of banks. via relating effectively with litigation of money laundering crimes, litigation of fraudulent loans, adjudication of diversion of financial investment crimes and adjudication of financial statements crimes.

Reasons for Anchoring on White Collar Crime Theory

The study is based on white collar crime theory stating that white collar crime are crimes committed by respectable and of high-status staff in the place of work. White collar criminals are intelligent, opportunists, affluent and educated individuals who believed they can take advantage of circumstances to accumulate financial gain. Civil servants mostly involve in fraudulent act in Nigeria history are highly educated, intelligent, socially and politically affluence individuals who can get a jobs or contracts which allows them unfettered and unmonitored access to often large sum of money. Fraudulent financial activities are illicit activities committed with the purpose of acquiring riches either individually, in group or organized manner thereby violating existing legislation or accounting policies governing the economic activities and administration of the organization. Hence, forensic auditing is needed to fast track these highly educated fraudulent staff of the Nigeria civil service via relating effectively with litigation of money laundering crimes, litigation of payroll fraud, adjudication of embezzlement and diversion of funds and adjudication of financial statements crimes. And the intermediating variable is financial audit report.

Empirical Literature Review

Many researchers have attempted to examine the effect of forensic auditing on financial crime investigation, some of these eminent scholars includes: Oseni (2017), examined the effects of forensic auditing services on fraud and financial crime detection and prevention in Nigeria. The survey designed was used in the study with a sample size of 160 consisting of Auchi Polytechnic, Edo State Ministry of Finance, Audit Firms and Federal Inland Revenue Services. The simple random technique was used as the sampling technique, while the chi- square was employed in the data analysis. The tests of hypothesis were done using Microsoft Excel 2023 version. Tests were carried out at a significant level of 5% and three degree of freedom. The paper concludes that financial crimes and fraud have serious negative effect on human capital and infrastructural development in developing economies, especially countries like Nigeria. Forensic auditing services provide corporate organizations with the necessary tools to detect and prevent frauds and financial crimes. The study therefore recommends that professional accounting bodies should constantly conduct forensic

auditing training for accountants and Nigerians should embrace integrity, objectivity, fairness and accountability in their daily activities.

Enofe and Utomwen (2019), examined the role of forensic auditing in curbing financial crimes. The study adopts a survey research design. The method was adopted because it is likely to generate the kind of information required as well as providing good basis for the generalization of findings. The population of the study comprises of staffs of selected banks. Primary data was used for the purpose of this research. This research work employed the use of structured questionnaire in eliciting the required data needed to test the formulated hypotheses. Regression analysis was utilized as the method of data analysis and the results will be used in testing the hypotheses specified in the study. The study finding reveals that there is a need for forensic accountants in the Nigerian banking system, Forensic auditing is an effective tool for addressing financial crimes in the banking system and finally that Conventional accounting techniques are not effective in curbing financial crimes. The recommendation is that there is the need for corporations in Nigeria to engage the services of forensic accountants as forensic auditing now appears as a one of the strategic and dynamic tools for the management of all types of financial crimes. Also, they need to focus on training and updating the skills of the internal control and audit staffs.

Anuolam, et al., (2021), examined the significance of forensic auditing in the face of increasing fraudulent practices in Nigeria with a view to advancing some solution. A sample of 98 respondents were selected from a population of 140 using the Taro Yemen formular. 90 questionnaires were returned fully and correctly completed by the respondents. Regression analysis, correlation coefficient, Ordinary Least Squares (OLS) and E-view 7 Geometric software were used to analyze the data. The findings of the study show that forensic auditing is significant in the face of the increasing fraudulent practices in Nigeria. Based on the findings, it is recommended that the government should make forensic auditing compulsory for all accounting majors in the University and create enabling environment for the practice of forensic auditing in the country.

Akinadewo and Asaolu (2020), this study perceptually identified the possible ways of mitigating the problems of forensic accounting practice in Nigeria. The study adopted primary data through the administration of questionnaire to forensic accountants in Nigeria. The sample size was 306, determined through Krejcie & Morgan (1970) formula. Data were analysed using descriptive statistics like percentages, means, standard deviation, and graphs, among others. The findings reveal the existence of problems hindering the growth of forensic accounting practice in Nigeria. The results also reveal that the institutionalization of forensic accounting, establishment of separate institute for the certification of forensic accountants, the mandatory establishment of forensic accounting department and forensic accounting degrees in tertiary institutions, and adequate provisions of security for forensic accountants that testify in courts, among others, are the perceptual ways to mitigate the problems confronting forensic accounting. The study recommends among others for the establishment up of a team of professional and academic bodies to review the current practice of forensic accounting in Nigeria in inculcating the findings of this study in their reports for timely and effective implementation by the policy makers.

METHODOLOGY

This study basically adopted correlational survey research design. The population of the study is hundred twenty-seven (127) knowledgeable and competent staff in fifteen (15) conveniently selected only internally generating revenue federal public enterprises in Rivers states, Nigeria. The unit of respondents for the study consist of top administrative / management staff and middle administrative / management staffs of internally generating revenue federal public enterprises. The instrumentation was primary data. The research questions were analyzed using Mean and Standard Deviation in the distributive statistics tables And hypotheses were analyzed using multiply regression. A criterion means of 3.0 is set as a guideline for accepting and rejecting option. The criterion mean is calculated as follows: $5+4+3+2+1/5 = 3.0$. Fixing the criterion mean at 3.0 implies

that for any item to be accepted, it must score a minimum mean value of 3.0 or above, while anything less than 3.0 is rejected.

Model Specification and Estimation

According to Nmesirionye et al., (2019), regression analysis is concerned with the study of how one or more variables affect changes in another variable. Thus, on the basis of the theoretical framework, the study adopted the regression formula adopted in the work of with some modifications. The model is specified as:

$$FM = (FAD + \Sigma_t)$$

Where;

FM = Fraud mitigation (FFS and PAF)

FA = Forensic auditing (EXW and LIS)

Where:

FFS = Falsification of Financial Statement

PAF = payroll fraud

EXW = Expert Witness

LIS = Litigation Support

EFCC = Economic and Financial Crime Commission

Thus, the model will be;

$$FFS_{it} = \beta_0 + \beta_1 EXW_t + \beta_2 LIS_t + \Sigma_t \quad (i)$$

$$PAF_{it} = \beta_0 + \beta_1 EXW_t + \beta_2 LIS_t + \Sigma_t \quad (ii)$$

Where;

it = Regression Constant

β_0 = Regression Coefficient

Σ = Stochastic term

Test of Hypotheses: Multivariate Analysis and Results Interpretations

The First Model: $FFS_{it} = \beta_0 + \beta_1 EXW_t + \beta_2 LIS_t + \Sigma_t \quad (i)$

Table 4.9

Dependent Variable: FFS

Method: Least Squares

Date: 09/09/24 Time: 12:28

Sample: 1 87

Included observations: 87

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXW	1.185487	0.087717	13.51488	0.0000
LIS	0.045148	0.103377	0.436733	0.6633
C	4.349569	1.080157	4.026793	0.0001
R-squared	0.813612	Mean dependent var 13.50101		
Adjusted R-squared	0.809728	S.D. dependent var 5.579436		
S.E. of regression	2.433757	Akaike info criterion 4.646584		
Sum squared resid	568.6245	Schwarz criterion 4.725224		
Log likelihood	-227.0059	Hannan-Quinn criter. 4.678402		
F-statistic	209.5267	Durbin-Watson stat 2.164355		
Prob(F-statistic)	0.000000			

Source: Researcher's Statistical Computation from E-view (v.10), 2024.

From the output of table 4.9, the coefficient of EXW is 1.185487, this value means that there is a positive relationship between EXW and FFS with the implication that every unit increase in EXW is predicted to be accompanied by 1.185487 units increase in FFS. Meanwhile, the coefficient of LIS, is 0.045148. This value means that there is a positive relationship between EXW, LIS and FFS with the implication that every unit increase in EXW, is predicted to be accompanied by 0.045148, units increase in FFS.

The standard error of the regression coefficients are 0.087717 and 0.103377, respectively for EXW and LIS. This value identifies limit of error is expected to be inherent in the result. T-statistics is above 2 is a sufficient statistically evidence of significant @ 5% confidence level. The Prob value of EXW 0.0000, which means that expert witness has a significant influence on falsification of financial statement at the 5 percent significant level. This indicates that hypothesis one, which states that expert witness does not have a significant influence on falsification of financial statement in federal public enterprises in Rivers state, Nigeria, is rejected.

Meanwhile, the T-value and Prob values of LIS 0.436733 and 0.6633, these values suggest that the relationship is statistically insignificant at 5 percent significance level. This indicates that hypothesis two, which states that the influence of litigation support on falsification of financial statement in in federal public enterprises in Rivers state, Nigeria is not significant, is accepted.

The result showed that the coefficient of determination (R^2) which measures the goodness of fit is 0.813612, meaning that 81 percent of the variation in the dependent variable FFS can be explained by the dimensions of the independent variables. The result indicates that the model is proper and adequate for the study. The model goodness of fit and appropriateness is also supported by the outcomes of F-statistics and probability of F-statistics of 209.5267 and 0.000000 respectively. The Durbin-Watson statistics of 209.5267 also indicates the absence of serial autocorrelation.

The Second Model: $PAF_{it} = \beta_0 + \beta_1 EXW_t + \beta_2 LIS_t + \Sigma_t$ (ii)

Table 4.10

Dependent Variable: PAF

Method: Least Squares

Date: 09/09/24 Time: 12:42

Sample: 1 87

Included observations: 87

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXW	0.836303	0.064786	12.90871	0.0000
LIS	0.403018	0.076352	5.278449	0.0000
C	4.421278	0.797780	5.541974	0.0000
R-squared	0.882392	Mean dependent var		14.87788
Adjusted R-squared	0.878741	S.D. dependent var		5.187726
S.E. of regression	1.797520	Akaike info criterion		4.040527
Sum squared resid	310.1834	Schwarz criterion		4.119167
Log likelihood	-197.0061	Hannan-Quinn criter.		4.072345
F-statistic	360.1341	Durbin-Watson stat		2.285653
Prob(F-statistic)	0.000000			

Source: Researcher's Statistical Computation from E-view (v.10), 2024.

From the output of table 4.10, the coefficient of EXW is 0.836303 This value means that there is a positive relationship between EXW and PAF with the implication that every unit increase in EXW is predicted to be accompanied by 0.836303 units increase in PAF. Meanwhile, the coefficient of LIS is 0.403018 respectively. This value means that there is a positive relationship between LIS, and

FFS with the implication that every unit increase in LIS is predicted to be accompanied by 0.403018, and respectively units increase in PAF.

The standard error of the regression coefficients are 0.064786 and 0.076352, respectively for EXW and LIS. This value identifies limit of error is expected to be inherent in the result. T-statistics is above 2 is a sufficient statistically evidence of significant @ 5% confidence level. The Prob value of EXW 0.0000, which means that payroll fraud has a significant influence on expert witness at the 5 percent significant level. This indicates that there is a positive significant relationship between the two variables, thus hypotheses three is rejected.

Also, the Prob values of LIS is 0.0000. These values suggest that the relationships are statistically significant at 5 percent significance level, thus hypotheses four is also rejected.

The result showed that the coefficient of determination (R^2) which measures the goodness of fit is 0.882392, meaning that 88 percent of the variation in the dependent variable PAF can be explained by the dimensions of the independent variables. The result indicates that the model is proper and adequate for the study. The model goodness of fit and appropriateness is also supported by the outcomes of F-statistics and probability of F-statistics of 360.1341 and 0.0000000 respectively. The Durbin-Watson statistics of 2.285653 also indicates the absence of serial autocorrelation.

Analysis on the Moderating Variable

H₀₅: EFCC does not influence the relationship between forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria.

Partial Correlation Analysis

Control Variables			FA	FM
EFCC	FA	Correlation	1.000	.964
		Significance (2-tailed)	.300	.300
		Df	0	273
	FM	Correlation	.964	1.000
		Significance (2-tailed)	.300	.300
		Df	273	0

Source: Result of SPSS Computation, 2024.

From the output of the partial correlation explains that, EFCC bears significant influence on the relationship between forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria. The correlation coefficient of 0.964 means that, EFCC has positive interplay of forensic audit and fraud mitigation as depicted by the probability level of 0.015 which is lower than the chosen alpha level of 0.05, thus leading to the rejection of the null hypothesis and accepting the alternative hypothesis. Hence, there is significant influence of EFCC in the relationship between forensic auditing and fraud mitigation in federal public enterprises in Rivers State, Nigeria.

Summary Computation of Hypotheses Results

Hypotheses	Coefficient	T-Stat	P-Value 0.05	Statistical Decision	Remark
H ₀₁	1.185487	13.51488	0.0000	Significant	Reject
H ₀₂	0.045148	0.436733	0.6633	Not significant	Accept
H ₀₃	0.836303	12.90871	0.0000	Significant	Reject
H ₀₄	0.403018	5.278449	0.0000	Significant	Reject
H ₀₅	0.964		.300	Not significant	Accept

Source: Researcher's Computation, 2024

From the summary of hypotheses table above the result of the hypotheses of the study were presented in line with the statistical decision rule: 'if the probability value (PV) in is less than 0.05 alpha level, we Reject the null hypotheses and accept significant relationship. Meanwhile, if the

probability value (PV) is greater than 0.05 alpha level, we accept the null hypothesis and accept insignificant relationship'. Hence:

- H₀₁: Expert witness does have a significant influence on falsification of financial statement in federal public enterprises in Rivers state, Nigeria.
- H₀₂: The influence of litigation support on falsification of financial statement in in federal public enterprises in Rivers state, Nigeria is not significant.
- H₀₃: Expert witness does have a significant influence on payroll fraud in in federal public enterprises in Rivers state, Nigeria.
- H₀₄: Litigation support has a significant influence on payroll fraud in in federal public enterprises in Rivers state, Nigeria.
- H₀₅: EFCC does not influence the relationship between forensic accounting and financial crime control of commercial banks in Nigeria.

CONCLUSION

Forensic auditing is seen as encapsulating all the other areas in the use of accounting for investigative purposes. The increasing sophistication of certain crimes requires that forensic auditing be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal activities. The increasing need for forensic and investigative auditing in the public sector results from the nature of modern-day involves large volume of complex data, which makes it difficult to monitor those transactions by applying manual audit processes and the corrupt nature of the citizens. The general expectation is that forensic auditing may offer some respite to the seeming vulnerability of conventional accounting and audit systems to financial fraud. Consequently, the incorporation of modern forensic auditing techniques in an audit in Nigeria is seen as timely in order to prepare the accounting profession to deal effectively with the problem of unearthing ingenious fraud schemes arising from audit failure to detect frauds in Nigeria effective in curbing financial crimes. There is a need to provide a comprehensive framework involving the use of forensic auditing methodology particularly in the areas of audit planning and execution, and for a uniform reporting practice that would spread out the implementation control failures including failure of senior management in implementing prescribed controls. Fraud and white-collar crime have increased considerably over the past years, and experts believe that the trend is likely to keep on growing if adequate measures are not taken to curb this perfidy. Thus, government introduced economic and financial crime commission in the quest to combat fraud and fraudulent activities in both public and private sectors in Nigeria, which have done a great job from inception still date.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations are therefore made:

1. Professional forensic auditors should insist that the expert witnesses' techniques used in the study and other forensic auditing techniques are adequately utilised by directors and captains of public sector to totally eliminate falsification of financial statement reoccurrences.
2. Expert witnesses should continue to give evidence and administer in the court of law in order to significant influence on falsification of financial statement in federal public enterprises in Nigeria.
3. The two professional accountancy bodies in Nigerian should organize regular conferences, seminars and workshops for their members where emerging trends in anonymous communication are highlighted to help professional forensic auditors detect and prevent frauds or at least reduce in public enterprises.
4. Professional forensic auditors should insist that the litigation support techniques used in the study and other forensic auditing techniques are adequately utilised by directors and captains of public sector for accountable for fraud occurrences.

5. Many cases of public enterprises financial crimes are in economic and financial crime commission (EFCC) custody and most of them have not been presented to court or prosecuted. Thus, EFCC should facilitate the process of adjudication of public enterprises and top managers, directors and captains of industry's financial crimes.

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