# The Effect of Forensic Investigation on Financial Crime in Nigeria Economy

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**Abstract**
This study is aimed at investigating the relationship between Forensic Audit and Financial Crimes in the Nigerian Economy. The ex post facto research design was adopted. Time series data on different variables of Forensic Audit and Financial Crime spanning from 2016-2020 with a sample of twenty (20) observations made on quarterly basis from secondary sources were collected from the Economic and Financial Crime Commission website, the data were analyzed descriptively with mean, standard deviation, minimum and maximum values, skewness and Kurtosis. The robustness test of the variables was conducted on stationarity, co-integration, error correction model, autocorrelation, and Granger causality with Augmented Dickey Fuller (ADF) model. In testing the hypotheses of the study, the Auto-Regressive Distributed Lag (ARDL) regression technique was applied. The empirical results indicate that Forensic Audit significantly relate to Financial crime; explaining about 65.0% and 73.0% of variation in assets misappropriation and money laundry respectively. Whistle blowing, expert witnessing and forensic investigation were each found to significantly relate to financial crime. Information and communication technology training does not significantly moderate forensic audit and financial crime in Nigeria. The study therefore conclude that forensic audit has the potency to significantly mitigate the incidences of financial crime in Nigeria. It is recommended that forensic auditors of corporate bodies should work closely with the anti-graft agencies (EFCC, ICPC etc.) and provide them with all relevant information that would enhance the fight against assets misappropriation. Further, government should enact and implement effective legislation for the protection of whistle blowers in Nigeria. Forensic auditors who carries out forensic investigation of financial crimes should be well remunerated by their employers and regular Information and Communication Technology training should be organized for forensic auditors to enhance their skills in fighting financial crime in Nigeria.; there should be a statutory requirement for forensic auditor to certify financial statements and external auditors' reports of both public and private sectors organizations to promote transparency and accountability; and Section 14(2) of the Economic and Financial Crime Commission (EFCC), which provide for an option of plea bargaining should be repealed. The biblical injunction of Exodus 22:7, which commands that criminals should pay double of the amount stolen should be invoked.

**Keywords:** *Forensic Investigation, Financial Crime, Audit, Asset Misappropriation, Money Laundering*

## Introduction

Financial crime in Nigeria today is deeply rooted in almost all the aspects and levels of the economy which has impacted negatively on the Nigerian economy and the society as a whole. As noted by Okoye (2016), the manifestation of financial crime can be comfortably described as wild and endemic. It is committed in the public and private sectors of the economy thereby serving as a serious hindrance to economic growth and development. A survey of crime shows that 37% of those that responded in fifty countries, reported financial crimes having USD2,199,930 average loss per company (Price Water House Cooper, 2003). Economic and financial crime can be understood to be a crime that does not involve violence but equivalent to normal economy disruption resulting in financial loss or earning that is deliberately earned by a person or in group of persons in an organization in a way that legislative enactment that governs the economic activities are violated. The country operates a system which actively favors' the corrupt and discourages people with integrity and character. Thus people, who run for public office on records of excellence in character, end up miserable losers in the power game. Generally economic and financial crimes are global problem and it affects the economy of any country and the society at large. It has eaten deep into the economy of many nations including Nigeria. In Nigeria, not only do officials steal, but stealing has also become official (Jegede, 2008). Karwai (2000) reported that the identification of the causes of fraud is very difficult. He stated that modern day organizations frauds usually involve a complex web of conspiracy and deception that often mask the actual cause.

Thornhill (1995) stated that forensic audits require a clear and detailed audit plan that is designed to obtain information on how, when, and where a wrongdoing occurred and who committed such a wrongdoing. Normally, a preliminary examination would be conducted to allow for the assessment of the allegations or complaints in terms of specified criteria such as materiality and impact. An audit plan should have clear objectives and timeliness, and it should identify the skills needed, the estimated costs, and any limitations on the scope of the examinations. Contractors should have statement of work (engagement letter) detailing their roles and responsibilities. Arokiasamy and Cristal (2009) had described forensic audit as the application of financial skills and investigative ability within the context of rule of evidence to examine unsettled issues.

Forensic investigation is the utilization of specialized investigative skills in carrying out an inquiry conducted in such a manner that the outcome will have application to a court of law. According to Brickner et al (2010), forensic investigation is the practice of employing accounting, and investigative skills to assist in the determination of whether criminal matters such as employee theft, securities fraud including falsification of financial statements, insurance fraud and identity theft have occurred. In terms of fraud investigation, the effective services of forensic accountants are to investigate, prevent and detect fraud within individuals, corporate and governmental levels (Alshurafat et al., 2019). Fraud is extremely expensive, and the best way to reduce fraud is to take steps to prevent fraud from occurring (PwC, 2016). Forensic auditor plays a significant role in detect, prevent and prosecute those individuals who are involved in criminal activity (Brickner et al (2010).

**Conceptual Framework**

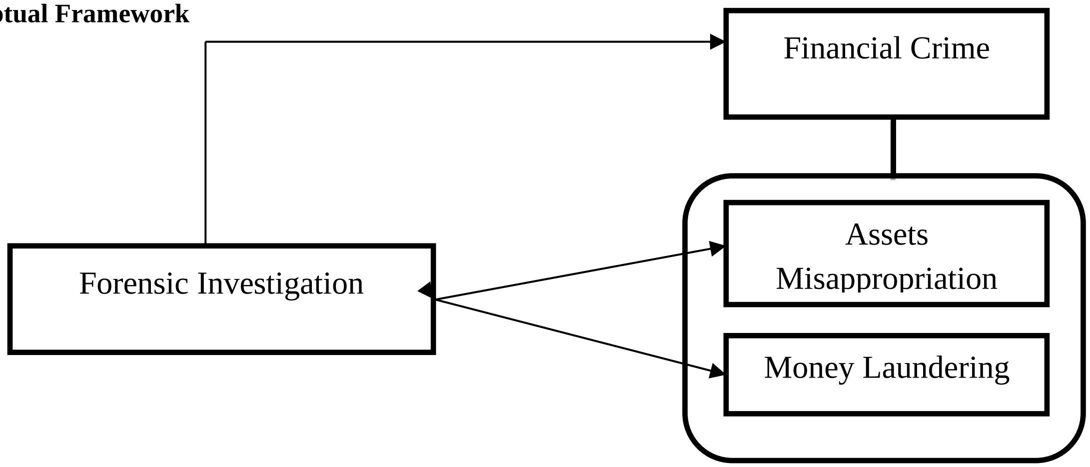


**Fig.1: Conceptual Framework of Forensic Investigation and Financial Crime**

**Purpose and Objectives**

The purpose of this study is to investigate the relationship between forensic investigation and financial crime in Nigeria.The objectives of the study are as follows:

i. Explore the impact of forensic investigation on assets misappropriation in Nigeria.
ii. To examine the impact of forensic investigation on money laundering in Nigeria.

**Theoretical Foundation**

The contractual arrangement between parties normally requires that management issues a set of financial information that purports to show the financial position and results of operations of the entity. One of the theories advocating the need for auditing giving rise to contractual arrangement is the policeman theory. The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud. This was the most widely held theory on auditing until the 1940s. Under this theory, an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud. However, due to its inability to explain the shift of auditing to, 'verification of truth and fairness of the financial statements,' the theory seems to have lost much of its explanatory power.

This present study is however anchored on the policeman theory that is usually used in crime mitigation as well as auditing. The theory assumed that the forensic auditor is a policeman whose primary concern is to the detection and prevention of fraud so as to reduce the overall cases of reported corporate fraud

**Concept of Forensic Investigation**

Forensic investigation is the utilization of specialized investigative skills in carrying out an inquiry conducted in such a manner that the outcome will have application to a court of law. Forensic investigation is the practice of employing accounting, and investigative skills to assist in the determination of whether criminal matters such as employee theft, securities fraud including falsification of financial statements, insurance fraud and identity theft have occurred. Sanchez (2012) noted that businesses are often clever in hiding accounting tricks and gimmicks in form of creating accounting. So investigations must be ever to the signs of outright financial manipulations. Financial manipulations are acts of omission intended to hide or distort the real financial performance or financial conditions of an entity. A forensic auditor is often involved in investigating and analyzing financial evidence; developing computerized applications to assist in the analysis and presentation of financial evidence; communicating their findings in the form of reports, exhibits and collections of documents; and assisting in legal proceedings, including testifying in court as an expert witness and preparing visual aids to support trial evidence. In order to properly perform these services a Forensic Accountant must be familiar with legal concepts and procedures. In addition, a forensic auditor must be able to identify substance over form when dealing with an issue (Ofiafoh & Otalor, 2013).

Forensic investigations often relate to criminal investigations on behalf of police forces. For example, a forensic accountant may be retained by the EFCC, ICPC, the police force and organizations such as the law society. A forensic accountant's report is prepared with the objective of presenting evidence in a professional and concise manner. An average investigative accounting assignment would be related to employee theft, securities fraud, insurance fraud, kickbacks and proceeds of crime investigations. Certified Public Accountants (CPAs) and Certified Fraud Examiners (CFEs) work on-site to uncover the truth by examining financial and source documents for fraud. Examples of the forensic investigations are include: fraud and asset misappropriation schemes involving bookkeepers, controllers, managers and executives; use of construction loan proceeds by developers; allegations of fraud, waste and fair dealings in the operation of a business; analysis of Ponzi schemes; public corruption and misuse of funds; misuse of funds by a fiduciary; reconstruction of sources and uses of restricted funds and grants; examination of related-party transactions as a part of bankruptcy; internal investigations or disputes; analysis of investor fund usage; and investigations of the financial condition of businesses on behalf of lenders and investors. Each forensic auditor assignment is unique. Accordingly, the actual approach adopted and the procedures performed will be specific to it. However, according to Ofiafoh & Otalor (2013), many forensic investigation assignments will include the steps detailed below: (i) Meet with the Client: It is helpful to meet with the client to obtain an understanding of the important facts, players and issues at hand. (ii) Perform a Conflict Check: A conflict check should be carried out as soon as the relevant parties are established. (iii) Perform an Initial Investigation: It is often useful to carry out a preliminary investigation prior to the development of a detailed plan of action. This will allow subsequent planning to be based upon a more complete understanding of the issues. (iv) Develop an Action Plan: This plan will take into account the knowledge gained by meeting with the client and carrying out the initial investigation and will set out the objectives to be achieved and the methodology to be utilized to accomplish them. (v) Obtain Relevant Evidence: Depending on the nature of the case this may involve locating documents, economic information, assets, a person or company, another expert or proof of the occurrence of an event. (vi) Perform the Analysis: The actual analysis performed will be dependent upon the nature of the assignment and may involve: calculating economic damages; summarizing a large number of transactions; performing a tracing of assets; performing present value calculations utilizing appropriate discount rates; performing a regression or sensitivity analysis; utilizing a computerized application such as a spread sheet, data base or computer model; and utilizing charts and graphics to explain the analysis. **(vii)** Prepare the Report: Often a report will be prepared which may include sections on the nature of the assignment, scope of the investigation, approach utilized, limitations of scope and findings and/or opinions. The report will include schedules and graphics necessary to properly support and explain the findings (Huber & DiGabriele, 2015).

In terms of fraud investigation, the effective services of forensic accountants are to investigate, prevent and detect fraud within individuals, corporate and governmental levels (Alshurafat et al., 2019). Fraud is extremely expensive, and the best way to reduce fraud is to take steps to prevent fraud from occurring (PwC, 2016). Forensic auditor plays a significant role in detect, prevent and prosecute those individuals who are involved in criminal activity (Brickner et al., 2010). In seeking of fraud detection through the fraud examination process, forensic accountants are associated with many tasks such as collecting and analyzing documentary evidence. Forensic accounting practitioners participate in the investigation of financial crimes such as financial misstatement, money laundering, identity theft, administration flaccid, and government corruption (Brickner et al., 2010 Sanchez, 2012). Evaluating difficult financial transactions and offering evidence to the law courts regarding the financial and the criminal matter put the forensic accountants in the front of the commercial litigation and business dispute resolving process (DiGabriele, 2008). An expert witness is a specialist qualified by virtue of specialized knowledge, skill, experience, or training to assist in illustrating and communicating conclusions of facts in areas beyond the experience and comprehension of an average person. Forensic accountants usually testify in civil and criminal court trials or defense of a criminal matter. An example would be if a commercial dispute arose between partners, stakeholders, or companies (Brennan, 2005). Practitioners in the filed associated with different dispute resolution cases such as a commercial dispute, family dispute, valuations dispute resolution. Forensic accountants may recognize fraud and financial crime risks linked to the digital environment. Computer knowledge provides forensic accountants with additional competencies in terms of data preservation, collection and analysis and data visualization.

**Concept of Financial Crime**

Financial crime is generally believed to be a fundamental problem in the Nigerian Economy as it has hindered the economic growth and development of Nigeria as a Nation. According to EFCC (2004) financial crimes such as embezzlement, bribery, bankruptcy, security fraud, among others, have taken the centre stage in public discourse and is assuming a position of preeminence in the scale of governmental preference. The inability of the statutory auditor constrained by the relevant statutes and standards, to deal with the issues of financial crimes is also quite disturbing (Oworojori & Asaolu, 2009).

Financial crimes are the greatest threat to national economic and development as the nation has nothing to show for its huge earnings from oil. Waziri (2009) stated that corruption afflicts virtually all parts of the Nigerian society. It has eaten deep into Nigeria value system and is now threatening to spread to the culture as public adulation for wealth has increased. The society no longer asks questions as to how people came by their questionable wealth. In its 2004 report on worldwide corrupt practices, transparency International survey covered 146 countries, which rated Nigeria as the third most corrupt country, beating Haiti and Bangladesh to the second and last positions respectively. The focus of the Transparency International 2004 report was more on the oil sector as a revenue source for most oil producing countries. According to Owolabi (2007) Peter Eigen, chairman of Transparency International Board of Directors observed in 2004 that in oil producing countries, public contracting in the oil sector is plagued by revenue vanishing into the pockets of western oil executives, middlemen and local officials. He suggested that oil companies could help fight corruption by making public details of payments made to government and state-controlled oil firms. That access to vital information will minimize the opportunity for the payment of kickbacks to secure oil tenders, a practice that has blighted the oil industry in transition and post war economies. That Eigen said further that reconstruction will be wrecked by a wasteful diversion of resources to corrupt elites unless there are strict anti-bribery measures.

Nicola and Scartezzini (2000) stated the accepted fact that globalization of the market has introduced more, and new forms of opportunity for criminals. Globalization has given those interested in fraud, for instance, the opportunity to act on an international level by taking advantage of the lack of regulations in the commercial and financial markets of some countries. They use the latest technologies to provide themselves with links between criminals all over the world without concrete need for physical contact. The success of many crimes demonstrates how criminal organizations can easily build international connections for the planning and the perpetration of crimes, with the use of new technical know-how and equipment. They explained further that specialization, professionalism and organization characterize economic crime. The more complex the context in which criminals operate, the more professional experience they require, and the broad organizational structures they need in order to commit their crimes. This is the reason why large-scale economic offences need organization to better achieve their results and to reduce risks. Economic criminals need detailed information on laws, techniques and practices in order to assess opportunities and risk. Economic crime is influenced by information revolution in two ways. First as a valuable and contained factor of production, information itself is a direct and indirect object of crimes committed by white-collar criminals. Information means profit. It can be a direct target when it represents the primary goal of an economic crime (i.e. industrial espionage) where economic crime focuses on stealing information, sabotage of information system, and other criminal offences related to the security of information. The strategic role for which information is increasingly acquiring leads to the commission of these crimes. The growing relevance of information has a second important influence on economic crimes. In order to commit them, criminals need to adopt new instruments and new form of organization. Information is expensive and well protected. White-collar criminals know, because of their business background, that only with a flexible and organized structure it is possible to manage the complexity of information flow. They concluded that financial crime is characterized by the constant interrelation between legal and illegal activities. The fight against financial crime, which is increasingly trafficking in information, can be won only through better management of information. Mehta (2009) stated that economic crime occurs as a deviation from the violator's occupational role. Also most of the laws involved or violated are not part of the traditional criminal code. Such crimes are corruption, corporate fraud, public fraud, tax evasion, goods smuggling, stock manipulation, currencies forgery, credit card fraud, environmental crime, intellectual property infringement and the more recent phenomenon of Cyber-crime. A criminal committing an economic crime steals large sums of money and employs technology and communication to carry out unlawful commercial transactions, disturb database or orchestrate massive frauds. Another characteristic of economic, commercial, corporate or white-collar crimes is that they are often perceived as good business: and good business often requires „cutting corners‟. Legal violations by corporations are often viewed as part of the business system, much like industrial spying or psychologically suggestive marketing techniques. Those activities are considered as an extension of the capitalist system based on profit and a technical adherence to the letter rather than the spirit of the law.

**Measures of Financial Statement Credibility**

**Assets Misapproriation**

Asset misappropriation fraud schemes, even in the simplest of forms, can often be difficult to detect and unknowingly result in losses that add up to significant dollars. Asset misappropriation fraud happens when people who are entrusted to manage the assets of an organization steal from it. Misappropriation is an intentional misuse of money. The misappropriation of money and other assets meant for a specific purpose for either personal use or for what it is not meant for. Such act is an unauthorized disbursement of money or other assets for personal gain. Misappropriation is the highest type of fraud in the public sector. People deliberately convert public fund to personal use without a blink of fear or conscience disturbance. Misappropriation of organization assets is the most common form of financial crime facing organizations today (Uzoka, 1990).

Udoayang and James (2004) assert that assets misappropriation is committed by the following means: outright taking away of corporate or government assets for personal use; payment of salary for non-workers; payment for fictitious purchase and contract; payment for no return inwards; teeming and landing; manipulation of any form for personal gains; over-stating of the contract price; conversion of government money into personal use; conversion of office impress to the personal allowance; unauthorized use of public funds or asset; payment against uncleared cheques; the claim of disease staff gratuity and pension benefits; misuse of medical allowances and reimbursements; embezzlement; larceny; cheques fraud and some fraudulent behavior may include cutting costs and manipulating financial records for personal needs.

**Money Laundering**

Muganda (2019) revealed that Finextra estimated that transaction laundering accounted for over $200 billion in the US in 2017 alone, with over $6 billion of these sales involving illicit goods or services, sold by nearly 335,000 unregistered merchants. While banks operating in the same country generally have to follow the same anti-money laundering laws and regulations, financial institutions all structure their anti-money laundering efforts slightly differently. Today, most financial institutions globally, and many non-financial institutions, are required to identify and report transactions of a suspicious nature to the financial intelligence unit in the respective country (Laut et al, 2013). For example, a bank must verify a customer's identity and, if necessary, monitor transactions for suspicious activity. This process comes under "know your customer" measures, which means knowing the identity of the customer and understanding the kinds of transactions in which the customer is likely to engage. By knowing one's customers, financial institutions can often identify unusual or suspicious behavior, termed anomalies, which may be an indication of money laundering.

Bracking (2007) asserts that one problem of criminal activities is accounting for the proceeds without raising the suspicion of law enforcement agencies. Considerable time and effort may be put into strategies that enable the safe use of those proceeds without raising unwanted suspicion. Implementing such strategies is generally called money laundering. After money has been laundered, it can be used for legitimate purposes. Many jurisdictions have set up sophisticated financial and other monitoring systems to enable law enforcement agencies to detect suspicious transactions or activities, and many have set up international cooperative arrangements to assist each other in these endeavors. The United Nations Office on Drugs and Crime (UNODC) estimates that the amount of money laundered globally in one year is "2–5% of global GDP, or $800bn – $2tn in current US dollars (Okogbule, 2007).

In theory, electronic money should provide easy a method of transferring value without revealing identity as untracked banknotes, especially wire transfers involving anonymity-protecting numbered bank accounts (Perry, 2000). In practice, however, the record-keeping capabilities of Internet service providers and other network resource maintainers tend to frustrate that intention. While some crypto-currencies under recent development have aimed to provide for more possibilities of transaction anonymity for various reasons, the degree to which they succeed—and, in consequence, the degree to which they offer benefits for money laundering efforts—is controversial. Solutions such as ZCash and Monero are examples of crypto-currencies that provide unlinkable anonymity via proofs and/or obfuscation of information (ring signatures). Such currencies could find use in online illicit services (Ejumudo & Ikenga, 2015).

**Emperical Review**

Marion (2006) studied the association between forensic auditing and corruption in public sector organizations. He used litigation support as proxy for forensic audit and money laundering as a measure of corruption. The study which was conducted across seven (7) countries in Asian continent for a period of 18 years adopted the OLS regression technique for data analysis. The result shows a co-efficient of –0.603 with a p-value of 0.004, which suggests a significant relationship. This implies that forensic auditing has a significant negative relationship with corruption in public sector organizations in the seven countries of Asia. Gabb and Paccio (2011) investigated the effect of forensic investigation and expert witnessing on white-collar crime in the United States of America. Data for the study were collected from Transparency International from 1990 to 2010. A test of stationarity for a unit root was conducted with Augmented Dickey Fuller (ADF) test, which shows that the variables were stationary at levels. The Durbin-Watson test for autocorrelation revealed that there was no serial correlation in the model. The relationship was tested with OLS regression technique, which revealed a coefficient of -0.564 and -0.361 for forensic investigation and expert witnessing, and a p-value of 0.016 and 0.057 respectively. This suggests that forensic investigation has a negative significant effect on white-collar crime while expert witnessing has a negative non-significant effect on white-collar crime in the United States of America.

Ramamoorti (2017) conducted a study on the effect of litigation support and investigative accounting on fraudulent financial reporting in Jordan using time series data collected for a period of twenty-six (26) years. The stationarity test conducted with the Augmented Dickey Fuller (ADF) indicates that the variables of the study were stationary only after first differencing. The regression analysis was made with Auto-Regression Distributed Lag (ARDL) model. The result shows that litigation support has a coefficient of -0.681, which is significant at a p-value of 0.009 and investigative accounting has a negative coefficient of 0.275 with a p-value of 0. 050.. Similarly, Dada, Owolabi, and Okwu (2013) found a positive linkage between forensic accounting and fraud reduction, consequently forensic audit is a useful tool in fraud detection and reduction. Willingham (2015) investigated the extent to which forensic audit proxied by litigation support and investigative service influence assets misappropriation at the University of Utah. The study covers the period of 1996-2014. Data for the study were analyzed descriptively using mean and standard deviation. The OLS regression method was used in testing the stated hypothesis in the study at 0.05 level of significance. The findings of the study revealed coefficient of -0.483 and -0.591 for litigation support and investigative service respectively with p-values of 0.063 and 0.058. This suggests that litigation support and investigative service negatively influenced assets misappropriation though non-significant. Enofe, Omagbon and Ehigiator (2015) examined the impact of forensic audit on corporate fraud in Nigeria. The objective of the study is to determine the relationship between forensic audit and corporate fraud. In order to collect sufficient primary data, the survey method was employed and questionnaires designed and distributed to collect the needed data, while the data were analyzed using IBM SPSS Statistics 21ordinary least square (OLS) regression technique. The study concluded based on the statistical analysis that the frequent utilization of forensic audit services will significantly help in the detection, prevention as well as reduction of incidences of fraud in and businesses. Consequently, forensic audit was adjudged to be an efficient and effective tool against corporate fraud. It therefore recommended that forensic audit be made statutory for businesses and organizations.

Enofe, Onyeokweni and Onobun (2016) examined the impact of forensic auditing on financial crime in the Nigerian economy. The data were collected from primary sources with the aid of a well-structured questionnaire of three sections administered to one hundred and fifty (150) respondents. One hundred and twenty (120) of the questionnaire were retrieved and analyzed with chi-square statistical tools. The study reveals that forensic accounting proxied by investigative service do not help to deter fraudulent activities in Nigeria but provides the essential tools needed to reduce fraud. The study also concludes that, forensic auditing helps to reduce the incidence of corrupt practices in Nigeria and also bring theft perpetrators to book. The study therefore recommends that the use of forensic auditing techniques should be encouraged and applied by the Nigerian government, ministries, parastatals, corporate bodies and regulatory authorities as it can help curtail public and corporate financial crime and also assist judges to bring to book those involved in fraudulent practices.

**Methodology**

This study examined the effect of forensic investigation on financial crime in Nigeria. The research design adopted for this study is expost-facto research design. The population of the study comprised of The Economic and Financial Crime Commission (EFCC) and data was collected from the National scale covering 2016 - 2020.

**Table 1: Extent of Forensic Audit Services and Financial Crime Occurrence in Nigeria**

| | EW | WB | FI | AM | ML | ICT |
|---|---|---|---|---|---|---|
| Mean | 40.75 | 1920.35 | 3294.1 | 4506.55 | 24.3 | 0.65 |
| Median | 39 | 1773.5 | 3291.5 | 4698 | 22.5 | 1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Maximum | 66 | 5006 | 5698 | 6337 | 41 | 1 |
| Minimum | 18 | 791 | 216 | 2193 | 9 | 0 |
| Std. Dev. | 13.64156 | 1033.276 | 1537.388 | 1445.471 | 9.154234 | 0.48936 |
| Skewness | 0.101998 | 1.402111 | -0.492512 | -0.29729 | 0.221344 | -0.62897 |
| Kurtosis | 2.123219 | 4.958552 | 2.593777 | 1.523982 | 2.05007 | 1.395604 |
| | | | | | | |
| Jarque-Bera | 0.675299 | 9.749657 | 0.946074 | 2.110131 | 0.915283 | 3.463752 |
| Probability | 0.713445 | 0.007636 | 0.623107 | 0.34817 | 0.632774 | 0.176952 |
| | | | | | | |
| Sum | 815 | 38407 | 65882 | 90131 | 486 | 13 |
| Sum Sq. Dev. | 3535.75 | 20285537 | 44907688 | 39698345 | 1592.2 | 4.55 |
| | | | | | | |
| Observations | 20 | 20 | 20 | 20 | 20 | 20 |

**Impact of Forensic Audit on Asset Misappropriation**

Dependent Variable: AM

Method: ARDL

Sample (adjusted): 2 20

Included observations: 19 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (1 lag, automatic): WB EW IS ICT

Fixed regressors: C

Number of models evaluated: 16

Selected Model: ARDL(1, 0, 0, 1, 0)

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|---|---|---|---|---|
| AM(-1) | 0.681884 | 0.160442 | 4.250035 | 0.0011 |
| WB | -0.510873 | 0.207404 | 2.463177 | 0.0299 |
| EW | 12.8165 | 20.13424 | 0.636552 | 0.5364 |
| FI | -0.31784 | 0.155971 | -2.037798 | 0.0642 |
| FI(-1) | 0.224354 | 0.176542 | 1.270829 | 0.2279 |
| ICT | 406.6433 | 488.554 | 0.832341 | 0.4215 |
| C | 84.04667 | 1188.752 | 0.070702 | 0.9448 |
| R-squared | 0.740686 | Mean dependent var | | 4628.316 |
| Adjusted R-squared | 0.611029 | S.D. dependent var | | 1375.664 |
| S.E. of regression | 857.9672 | Akaike info criterion | | 16.62432 |
| Sum squared resid | 8833293 | Schwarz criterion | | 16.97227 |
| Log likelihood | -150.931 | Hannan-Quinn criter. | | 16.68321 |
| F-statistic | 5.712666 | Durbin-Watson stat | | 2.278203 |
| Prob(F-statistic) | 0.005158 | | | |

*Note: p-values and any subsequent tests do not account for model selection.

Source: Eviews Version 10

**Impact of Forensic Audit on Money Laundering**

Dependent Variable: ML

Method: ARDL

Sample (adjusted): 2 20

Included observations: 19 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (1 lag, automatic): WB EW IS ICT

Fixed regressors: C

Number of models evalulated: 16

Selected Model: ARDL(1, 1, 0, 1, 0)

| Variable | Coefficient | | Std. Error | t-Statistic | Prob.* |
|---|---|---|---|---|---|
| ML(-1) | 0.904035 | | 0.207985 | 4.346626 | 0.0012 |
| WB | -3.06E-05 | | 0.001489 | -0.02057 | 0.984 |
| WB(-1) | 0.002818 | | 0.001566 | 1.799067 | 0.0995 |
| EW | -0.22133 | | 0.143732 | -1.53984 | 0.1519 |
| FI | 0.000385 | | 0.00115 | 0.334617 | 0.7442 |
| FI(-1) | -0.0026 | | 0.001343 | -1.93248 | 0.0795 |
| ICT | -2.50716 | | 4.015838 | -0.62432 | 0.5451 |
| C | 15.70798 | | 8.026887 | 1.95692 | 0.0762 |
| R-squared | 0.735231 | | Mean dependent var | | 24.63158 |
| Adjusted R-squared | 0.566741 | | S.D. dependent var | | 9.280868 |
| S.E. of regression | 6.108889 | | Akaike info criterion | | 6.752928 |
| Sum squared resid | 410.5037 | | Schwarz criterion | | 7.150587 |
| Log likelihood | -56.1528 | | Hannan-Quinn criter. | | 6.820228 |
| F-statistic | 4.36366 | | Durbin-Watson stat | | 1.943983 |
| Prob(F-statistic) | 0.015023 | | | | |

*Note: p-values and any subsequent tests do not account for model selection.

Source: Eviews Version 10

**Results and Discussion of findings**

$H_{01}$: Forensic investigation has no significant impact on assets misappropriation in Nigeria.

In testing this hypothesis, data generated on forensic investigation were regressed with data on assets misappropriation in Nigeria. Forensic Investigation (FI) was found to have a negative coefficient of -0.31784. This means that an increase in the numbers of forensic investigation of financial crime carried out by EFCC will lead to a decrease in Asset Misappropriation in Nigeria. It was also found to be statistically significant with a t-statistic of -2.037798. Hence the null hypothesis, which states that forensic investigation has no significant impact on assets misappropriation in Nigeria, is rejected.

$H_{02}$: Forensic investigation has no significant impact on money laundering in Nigeria.
In testing this hypothesis, data generated on forensic investigation were regressed with data on money laundering in Nigeria. Forensic Investigation (FI) at lag 1 was found to have a negative coefficient of -0.0026. This means that an increase in the numbers of forensic investigation of financial crime carried out by EFFCC will lead to a decrease in Money Laundering in Nigeria. It was also found to be statistically significant with a p-value of 0.0795. Hence the null hypothesis, which states that forensic investigation, has no significant impact on money laundering in Nigeria is rejected.

**Conclusion and Recommendation**

The study therefore conclude that forensic audit has the potency to significantly mitigate the incidences of financial crime in Nigeria. The study recommends that forensic auditors of corporate bodies should work closely with the anti-graft agencies (EFCC, ICPC etc.) and provide them with all relevant information that would enhance the fight against assets misappropriation. Further, government should enact and implement effective legislation for the protection of whistle blowers in Nigeria. Forensic auditors who carries out forensic investigation of financial crimes should be well remunerated by their employers and regular Information and Communication Technology training should be organized for forensic auditors to enhance their skills in fighting financial crime in Nigeria.; there should be a statutory requirement for forensic auditor to certify financial statements and external auditors' reports of both public and private sectors organizations to promote transparency and accountability.

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