FORENSIC AUDIT AND PROFITABILITY OF CONSUMER GOODS MANUFACTURING COMPANIES IN KWARA STATE, NIGERIA

BY

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(20PGDA2000106)

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A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, LANDMARK UNIVERSITY, KWARA STATE IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF SCIENCE IN ACCOUNTING.

JUNE, 2022

**DECLARATION**

I, **OPEYEMI STELLA IBITOYE**, of the Department of Accounting and Finance, College of Business and Social Sciences, Landmark University, Omu-Aran, hereby declare that this thesis entitled ***“Forensic Audit and Profitability of Consumer Goods Manufacturing Companies in Kwara State*”** submitted by me based on my original work.

Any material(s) obtained from other sources or work done by any other persons or institutions have been duly acknowledged.

OPEYEMI STELLA IBITOYE ………………………………

(Researcher) Signature & Date

**CERTIFICATION**

This is to certify that this thesis has been read and approved as meeting the requirement of the **Department of Accounting and Finance**, Landmark University, Omu-Aran, Kwara State, Nigeria, for the Award of **Master in Accounting.**

………………………………. ……………………………..

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Head of Department Signature and Date

Dr. Ben-Caleb Egbune

**………………………………….. ……………………………….**

(External Examiner) Signature and Date

**DEDICATION**

This research work is dedicated to God Almighty, the Superlative God, who gave me life and ability to complete this study. To him alone be all the glory.

It is also dedicated to every career woman out there, who are ready to pursue their career no matter the hindrances.

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***ABSTRACT***

*This research work examined the impact of forensic audit on profitability of consumer goods manufacturing companies in Kwara State, Nigeria which entails the return on asset (ROA), return on equity (ROE) and net profit margin (NPM) The study made use of quantitative survey approach. The population of the study consists of the consumer goods manufacturing companies in Kwara State, Nigeria. Judgmental sampling technique was used to select Olam Nigeria Limited and Heritage Company. Core staffs from the two companies totaling, 110 respondents constitute the sample size for the study. Primary data was obtained from the sample of the population using questionnaire. Linear regression and Pearson correlation analysis technique was used to analyze the data gathered. Findings revealed that forensic audit, proxy by red flags (financial statement fraud) has positive on return on asset of consumer goods manufacturing companies in Kwara State, there ia also a positive significant relationship between asset misappropriation and return on equity of consumer goods manufacturing companies in Kwara State and with forensic audit skills conflict of interest has no significant impact on the net profit of consumer goods manufacturing companies in Kwara State. The study concludes that forensic audit has a positive significant impact on profitability of consumer goods manufacturing companies in Kwara State. The study recommends that the companies need to design, strengthen, support and promote programs and trainings to ensure certification of forensic auditors especially on investigative skills.*

*Key Note: Forensic Audit, Fraud, Profitability, Investigative Skills*

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**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background to the Study**

Fraud is any activity that relies on deception in order to achieve a gain. Fraud becomes a crime when it is a “knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. (Black’s Law Dictionary), and this remains a dynamic occurrence in corporate organizations.

As a result, critical security and fraud detection procedures must be implemented, that are capable of detecting and blocking any form of fraud, no matter how complicated. Forensic audit is one of the measures that can be put to use. This is one of the types of audits that is largely responsible for the investigation of financial fraud, and it is mostly utilized in the public and private sectors. Fraud, bribery, and other financial crimes have a major detrimental impact on economic growth, making it impossible for a nation to deliver basic services to its population. Fraud has reached alarming magnitudes in Nigeria, resulting in ongoing resource mismanagement and the loss of corporate and government assets (Nonye & Okoli, 2015).

In the last decade, financial fraud and scandals have dominated the front pages of most newspapers. Several certified representatives and governing agencies have attempted to fix the weaknesses in their reporting mechanism (Imam, Kumshe, & Jegere, 2015). A forensic auditor is a professional who analyze and interpret financial records for legal proceedings, their analysis is what they communicate as evidences of the strength of the financial report for testifying in the court as outcome of their investigation. Forensic auditor also communicates their findings in the form of reports for legal actions.

Accounting fraud involving financial statement manipulation to show excessive profitability can result in substantial financial failures, lawsuits, and bankruptcy for manufacturing enterprises. Despite the potential for short-term economic gains from accounting fraud, responsible companies face a drop in financial performance, huge fines, and insolvency.

A technique for preventing fraud and corruption is the forensic audit. It gives courts and authorized legitimate authorities information and adequate documentation to examine and offer as proof during the judicial process, enabling them to decide whether or not there is a fraud case based on legal provisions. A Certified Chartered Accountant (CCA) who uses specialized techniques to find and stop particular sorts of criminal conduct in businesses and governmental institutions is known as a forensic auditor.

Fraud examiners prepare and analyze evidence for use in fraud investigations in line with legal search laws; they analyze financial data, collect evidence, and interview witnesses and suspects, among other things. Fraud examiners analyze whether a fraud has occurred and build a case to support their findings. An accountant and a detective must work together as a fraud examiner. The accountant/auditor must have a thorough understanding of financial books and records, as well as the capacity to analyze them and produce various schedules and statements, as well as serve as a forensic accountant in court. The detective is skilled at interviewing witnesses and gathering evidence, as well as having a thorough understanding of criminal law, particularly the rules of evidence. The fraud examiner function is developed when the elements of both the accountant/auditor and the detective are merged.

Corporate establishments are essentially set of people who have the different social mindset but the same business mind set and decide to come together to render certain service to their environment with the sole aim of making profit. While also performing activities that leads to the achievement of set objectives by the stakeholders,

The primary goal of an establishment is to generate profit, but profit in accounting appears to have evolved into a continuing goal that appraises not just the attainment of consumer goods, but also the market's overall advancement. In order to exist and flourish throughout time, a business must make a profit. Profit is an essential component of any firm. The primary goal of most businesses is to make money. The bottom line of a fit and performing organization is their positive result. Businesses can use return on asset to invest in new products, services in order to maintain a functional working environment or making investments in new goods, services A business might anticipate expansion if it turns a profit. This cannot be done in a system where there are no checks and balances. The most crucial sign of a company's overall performance is its profitability. The government, creditors, potential investors, and shareholders all need to understand the profitability ratio analysis.

Manufacturing companies in kwara state has added significant value to the economy of the state, this research work examine three different companies on fraud activities in their organization using judgmental sampling among the three companies, which answer the questions on how forensic auditing impact the profitability of consumer goods in kwara state.

Thou a number of studies has been carried out on forensic accounting/auditing e.g forensic accounting and financial fraud, forensic auditing in detecting, investigating and preventing bank fraud, usage of forensic accounting in Nigeria corporate organization; to mention view but to the best knowledge of research little research are focus on consumer goods manufacturing sector in Kwara State. The relevant of forensic audit in kwara state was due to the the alleged NEMA Fraud: Rice processors disown firm that got N2.4 billion contract and the allegation is against Olam company.

Also the claim against Bua foods of existing litigation involving BUA Sugar Refinery Limited (now BUA Foods) of ₦2,535,990,982 (two billion, five hundred and thirty five million, nine hundred and ninety thousand, nine hundred and eighty-two Naira).

The above context brought about the study Impact of Forensic Audit on Profitability f Consumer Goods Manufacturing Companies in Kwara State, Nigeria.

**1.2 Statement of the Research Problem**

Corporate establishments are basically individuals or group of people who decided to come together with common goal of solving a social problem in their environment. The stakeholders who are likely to be both insiders and outsiders of the organization, may have participated in financial crime for a variety of reasons. From the report of Punch Newspaper dated August 22, 2021 on the stolen #1.9 billion by eight money deposit banks in Nigeria as a result of fraudulent acts.

Skills, knowledge, and professionalism are thought to be effective in reducing deception and other irregularities in the Nigerian private and public sectors Prior studies have shown that Nigerian auditors have failed to successfully prevent fraud in both open and closed sectors because fundamental safeguards are not in place and they lack the necessary skills to work in the private sector (Imam, et al, 2014).

Furthermore, low ethics practice is one of the significant issues that are disturbing both   
public and private services most particularly the private sector accountants who are responsible for the receiving, keeping and disbursing organization fund. This made fraud and other financial crime rampant in the private sector. According to the report from Inyang & Akaegbu, 2014 in economics at your finger tip.

Therefore, it is imperative for this study to clearly unravel the impact of forensic auditing on the financial performance of manufacturing companies.

**1.3 Research Questions**

In order to address the problem mentioned above, the following research questions are considered:

1. To what extent does financial statement fraud affect the return on asset of consumer goods manufacturing companies in Kwara State?
2. To what extent has asset misappropriation affected the return on equity of consumer goods manufacturing companies in Kara State?
3. How does conflict of interest affected the net profit margin of a consumer goods manufacturing companies in Kwara State?

**1.4 Research Objectives**

The primary objective of this study is to examine the impact of forensic audit on profitability of consumer goods manufacturing companies in Nigeria. The specific objectives of this study are to:

1. Determine the impact of financial statement fraud on return on assets of consumer goods manufacturing companies in Kwara State.
2. Examine the relationship between asset misappropriation and the return on equity of Consumer goods manufacturing companies in Kwara State.
3. Examine the effect of conflict of interest on the net profit margin of consumer goods manufacturing companies in Kwara State.

**1.5 Research Hypotheses**

HO1: Financial Statement Fraud, proxy by red flags has no significant effect on ROA of consumer goods manufacturing companies in Kwara State;

H02: There is no significant relationship between Asset Misappropriation and return on equity of consumer goods manufacturing companies in Kwara state;

H03: Conflict of Interest has no significant impact on the net profit of consumer goods manufacturing companies in Kwara State.

**1.6 Scope of the Study**

This study is restricted to the impact of forensic audit on the profitability of selected consumer goods manufacturing industry in Kwara State. The study shall focus on the components of forensic auditing namely; fraud examiners, red flags, forensic auditors, forensic audit, and financial performance. Also the variables of forensic audit in an organization such as; financial statement fraud, asset misappropriation and conflict of interest in an organization, which has an effect on the return on asset, and net profit margin of consumer goods manufacturing companies in Kwara State. However specifically the study shall examine relevant issues bordering on corporate crime.

The vis-à-vis the practice of exploring auditing and investigation skills to establish the reality of corporate crime occurrence in consumer goods manufacturing companies. The study will also cover the forensic audit activities in Consumer Goods Manufacturing Companies in, Kwara State.

**1.7 Significance of the Study**

Academics and researchers will benefit from this study since it contributes to the idea of forensic auditing's utility in reducing business misconduct. It will also serve as a basis for future academics and academicians working on similar projects, as well as a reference for future empirical investigations in the disciplines of forensic auditing and corporate crime reduction. Also the study will be relevant to forensic auditors, business managers and the general public.

**1.8 Definitions**

**Forensic Auditing**: Forensic auditing encompasses the entire process of examining a financial situation, which may include testifying as a professional witness if the fraud is brought to trial. A forensic audit examines and scrutinizes a company's or individuals monetary records in order to produce proofs that can be utilized in law court. Most large auditing firms include a forensic auditing department. Forensic auditing is a branch of accounting with an expertise in the area of investigations as well as specialist who understand the legal environment, are required for forensic auditing.

**Red Flag:** A red flag is a warning sign or indicator indicating a business's practices, financial standing, or an unpredictability point to a problem or constitute a threat. Red flags are any undesirable characteristics that analysts or investors notice.

A red flag in a profit-making organization indicates that something is wrong with the system, process, or financial performance. When a red flag is marked, management should investigate and address the condition as soon as possible. A red flag could be a negative change in a company's income statement.

**Profitability**: Extra income generated by an establishment over their investment is refer to as profitability. When an organization or stakeholder invest over a certain period of time and at the end of the period the income exceeds the investment, it is said that the organization is healthy. Profitability is assessed using the net profit ratio and the earnings per share ratio. In contrast to the net profit ratio, which compares profits after taxes to revenues, the earnings per share ratio compares profits on a per-share basis to revenues.

**Investigative action:** This includes using forensic accountants and auditors to track down cash, identify assets, recover assets, and do due diligence evaluations. In fraud and misappropriation cases, forensic accounting is sometimes utilized to describe the specifics of a financial crime in court.

The actions of investigators are governed by law, which takes into account the unique characteristics of each type of evidence. In most cases, investigative actions are carried out after the initiation of a criminal case, with the exception of viewing the crime scene, which may be done before the initiation. During the inquiry and preliminary investigation, the agency with jurisdiction over the matter or that has been particularly assigned to the case conducts the investigation. Only the court hearing the case may conduct investigations once the trial has begun. Only the investigator, the person conducting the investigation, the prosecutor, and the court itself have legal authority to conduct investigations.

**Fraud:** Fraud is unethical conduct carried out with the purpose of obtaining an unauthorized profit for the perpetrator or depriving a victim of a right. Fraud is described as withholding important information from another party or making false statements about something with the primary goal of obtaining something that would not have been provided if the deceitful practices had not been carried out.

**Consumer Goods**: Consumer goods are things the typical person purchases for their personal use. Consumer goods, usually referred to as final goods, are the manufactured things that consumers can purchase from store shelves. Jewelry, food, and clothing are examples of consumer goods. Consumer goods are frequently referred to as final goods or end products because they are the culmination of a drawn-out production process.

**Manufacturing Company**: Manufacturing is the large-scale conversion of raw materials, parts, and components into finished goods using both manual labor and machines. A manufacturing business is one that transforms parts, pieces, or unfinished goods into finished goods. These finished goods may be offered for direct sale to customers or may be offered to other producers for use in the creation of new products. Machines, robots, computers, and humans routinely collaborate to create products in manufacturing firms in today's world.

**CHAPTER TWO**

**LITERATURE REVIEW**

**2.1 Conceptual Review**

Forensic auditing refers to a wide range of services, it refers to the vast spectrum of investigative work that an accountant in practice could be requested to do. This type of job usually entails an inquiry of an organization’s financial problems, and is sometimes coupled with an investigation into alleged fraudulent activities. Forensic examination, which is known as applied measures that the forensic auditor performs in order to obtain proof related to the claimed falsified activity, is part of the forensic accounting process. The inquiry will be structured similarly to a financial audit, with a forecasting stage, a period for gathering proofs, an evaluation process, and a client report. It would be decided whether fraud had occurred, who was involved, the monetary amount of the fraud (financial loss sustained by the client), and lastly, submit findings to the client or to the court in the event of suspected fraud.

Finally, forensic auditing describes the methods employed to acquire evidence. To find and gather proof of items like the length of a fraud's existence and the methods utilized by its perpetrators to conceal audit tactics; Evidence may also be used to support other topics that may be crucial in a court case. Considering the presumptions above, this review of related literatures would be centered on the following conceptual review under the following headings:

* Concept of Forensic Auditing
* Forensic Auditing in Practice
* Need for Forensic Auditing
* Forensic Audit Tools
* Fraud in an organization
* Impact of Forensic Audit on Profitability of Consumer Goods Manufacturers
* Adjustment Strategies Employed by Consumer Goods Manufacturing Companies in curbing Fraud
* Summary of the reviewed Literature.

**2.1.1 Concept of Forensic Audit**

Forensic audit is generally scrutinizing and appraising a business's or entities monetary histories in order to obtain proof for use in a law court or legal procedure. Utmost accounting companies have a forensic auditing unit, which is an expert within accounting. Al Samara, et al., (2017) described forensic auditors as the investigation and detection of financial crimes and other economic malpractices using criminal methods and including investigative accounting concerns and legal processes.

Accountants and auditors are becoming increasingly interested in forensic accounting. According to a survey conducted by Imoniana et al, 2018. Due to the rapid increase in fraudulent activities and related economic crimes, 42 percent of firms have opined the need for forensic accountants/auditors. Forensic accounting/auditing is an innovative and fast emergent branch of accounting (particularly in Nigeria) that focuses on discovering and averting financial fraud and white-collar crime. Forensic Accounting was created by combining accounting, auditing, and investigation abilities with the goal of discovering or preventing economic and financial crimes.

Among the methods of fraud include fraudulent payments, theft defalcation, unlawful lending, dishonest substitutes, lending money to borrowers who cannot be identified, phony contracts, and many others. Outpacing despotism and misappropriation that changes with investments Okafor and Agbiogwu (2016). The forensic accountant or auditor can help here by giving accounting or financial data for legal purposes, as well as other evidence inputs. To attain this goal, a forensic accountant/auditor should have demonstrated skill in financial regulatory frameworks, scientific investigative techniques, interpersonal and communication abilities, and so on.

According to Othman et al, (2015), there are two types of organizational fraud. The first is the practice of exploiting business assets for personal advantage, while the second is the release of false financial information. It is obvious that due to the high prevalence of fraud in Nigerian organizations, traditional auditing and examination methods are inefficient at identifying and preventing fraud. Researchers found that the prevalence of fraud and other economic crimes had increased to about 70% in 2009. Due to the impact this situation has had on national development and the inefficiency of traditional auditors, forensic accounting and auditing have become necessary.

With its officer who are experts in detecting, averting, and providing legal assistance in Nigerian courts, forensic accounting is an area that is supposed to create and advance methodologies and skills for solving these predicaments. Ibrahim et al, 2017

The recent increase in corruption cases, combined with the high-risk character of today's company, has prompted a firm response and preparedness on the part of many stakeholders throughout the world in terms of human and other resource development. According to McMullen and Sanchez (2010), the demand for forensic auditor will continue to rise for the foreseeable future, particularly in the field of fraudulent financial reporting. The demand for forensic accountants is likely to increase in both the open and cloistered sectors (Harris, 2012).

Accounting fraud may provide a short-term economic benefit, but the long-term consequences for responsible companies include a drop in financial profitability, hefty fines, and bankruptcy. (Huber, 2017),

Furthermore, the report of 2013 waste management scandal that happened in USA, 2001 Enron disaster in Houston, Texas and the 2007 Tyco Scandal in New-York, revealed the ultimate threat of accounting fraud and the need for adequate intervention measures. In this context, forensic audit is the most effective approach for consumer products manufacturers to minimize financial manipulation and associated risk. The fact that forensic auditing combines accounting, auditing, and investigation skills sets it apart from most other professions. Forensic auditing has two main components:

* litigation services that recognize the public accountant/function auditor's as skillful or professional, and
* Investigation services that make use of the public auditor's expertise, which may be used in court as witness.

**2.1.2 Types of Forensic Accounting/Auditing**

Five (5) of the several types of forensic accounting and auditing, according to the Corporate Financial Institute: Embezzlement of money (customers, employees, or outsiders), Insolvency, Tax avoidance or fraud, Disputes over corporate valuation and Claims for certified laxity

**2.1.2.1 Financial Theft**

Older Nigerians worry a lot about financial fraud as the baby boom generation retires and more retirees take control of their own retirement accounts. The problem is projected to worsen. Fraud victimization is linked to overconfidence in one's financial competence. Fraud victims are more willing to take financial risks than non-victims with similar propensities.

Financial theft, according to Investopedia, is a type of financial fraud in which someone takes money or other assets by deception or illegal action.

Financial theft/statement fraud is a term that financial market participants use to describe a range of actions in which they misrepresent the sincerity or financial soundness of a potential investment source, such as a company, fund, borrower, or investment product, or investment product, in the context of this work. Misrepresentations that constitute money theft or statement fraud, despite the deceptive element, involve otherwise lawful organizations, actors, or items. This sets them apart from investment frauds, which are meant from the outset to be ploy games. Financial statement fraud differs from fraudulent mis-selling tactics in that it spreads outright lies and inaccurate facts

**2.1.2.2 Tax fraud or evasion**

Governments in many wealthy nations have recently taken bold action to combat tax evasion by the wealthy. In particular, they have limited the options for evasion through unreported offshore accounts. (Johannesen and Zucman, 2014; Johannesen et al., 2020).

Tax fraud and evasion are particularly significant matters for the Internal Revenue Service (IRS),

and those who consciously fail to pay their fair share of income taxes risk severe penalties, including jail time. The IRS also recognizes that because the tax system is so complicated, even innocent mistakes or acts of neglect might look to be criminal activity. Tax problems, in any case, can grow increasingly difficult for taxpayers who do not settle them. This section explains the distinction between income tax fraud and ignorance, the repercussions of failing to pay one's taxes, and how to prevent tax-filing activity that the IRS may consider criminal or fraudulent. The most typical method of tax evasion in Nigeria is not submitting tax returns to the appropriate tax authority. Tax evaders may face criminal charges in court and be subject to fines, penalties, and occasionally even imprisonment as a result of their tax evasion. (Faseun, 2001)

Rasha and Andrew (2012) claim that the term "tax fraud" refers to a broad range of tax-related investigations, such as those into money laundering, corruption, the financing of terrorism, and other financial crimes like shady tax evasion that endanger states' strategic, political, and economic interests.

Tax Evasion can be defined as attempting to avoid assessment or payment of taxes owed using illegal means. If you purposefully understate your expenses or deductions, withhold tax returns when you have taxable income, or otherwise try to avoid detection by not revealing all of your revenue, which leads to an examination by a forensic auditor, are all common examples of tax evasion.

**2.1.2.3 Bankruptcy**

As the economy continues to crawl out of the rubble of the pandemic, forensic accountants/auditors will play a key role in ensuring that corporate stakeholders receive crucial information about their investments. Forensic accountants/auditors will be called upon to investigate fraud allegations, help with bankruptcy-related litigation and assess compliance with financing agreements, among other vital functions

According to John Tira and Maryellen Sebold 2021 in a magazine helping hand, discover more about the important role that forensic accountants/auditor will play as the economy emerges from the pandemic. After all, just because the pandemic is easing doesn’t mean that companies will bounce back overnight. The need for reliable and experienced forensic accountants/auditors will only grow throughout 2021 and into 2022 as the fallout of the pandemic is carefully deliberated and fully examined.

A forensic bankruptcy accountant/auditor is well-versed in the indicia of bankruptcy fraud, from detecting and recognizing bankruptcy fraud to comprehending the numerous bankruptcy fraud strategies. The following are some of the warning signs: Incomplete or missing books and records, Failure to keep regular business records, unusual asset depletion just before filing, Assets concealment and repeated bankruptcies**.**

**2.1.3 Corporate Valuation Disputes**

There are a variety of causes for corporate value conflicts. Whatever the cause, you need skilled valuation and financial professionals, like a forensic accountant or auditor, who have the necessary expert witness knowledge for your circumstance when it comes time to safeguard your interests.

Corporate valuation dispute advisory services include forensic accountant/auditor who investigate and gathered evidence in complex valuation situations, spanning a wide range of circumstances, including: Shareholders Dispute, Breach of Contract Matters, Merger and Acquisition Dispute and Misappropriation of Trade Secret.

**2.1.4 Professional Negligence Claims**

Forensic accounting is a highly specialized division of accounting that examines financial data in the context of a dispute throughout both the preliminary and litigation stages.

Forensic accountants are routinely called in to aid and examine negligence claims against accountants, auditors, and other financial professionals, according to Healys (2015) a professional lawyer.

Because of the complexities of financial cases, forensic accountants and auditors must be able to combine their accounting and auditing expertise with lateral thinking and strong investigation skills in order to provide a thoughtful and objective judgment of the defendant's professional competence. All pertinent financial material, including reports, contracts, audits, and investment logs, will be examined by the forensic accountant. After everything has been gathered, calculated, and tabulated, it should be made accessible to the court for presentation.

**2.1.5 Forensic Auditing Practice in Nigeria**

In spite of the alarming rise in complex financial and economic crimes and the dearth of specialists with the necessary expertise to investigate them, forensic accounting has not yet been fully adopted by Nigeria's government at all levels and the private sector. In an effort to accelerate professional training in this crucial area of accounting, the Institute of Chartered Accountants of Nigeria (ICAN) has launched its Forensic Accounting Faculty. In contrast, law enforcement organizations like the FBI and CIA have effectively marshaled their pool of special agents with forensic accounting knowledge, who make up the core of the bureau's financial crimes unit. This is especially true in advanced nations like the United States. Professional investigations are conducted by them into complex financial crimes such money laundering, financial institution fraud, and other economic crime.

The most significant law enforcement organizations directly engaged in preventing financial and economic crimes are the Economic and Financial Crime Commission, the Police Special Fraud Unit, and the Independent Corrupt Practices Commission (ICPC).

The EFCC is in charge of large-scale financial crimes, whereas the ICPC is in charge of smaller-scale offenses, researchers doubted that these law enforcement agencies provide forensic accounting training to its investigators. It is very common for ordinary investigating officers to handle major financial crime investigations after researching traditional crimes for a while. They are subsequently given a job in the economic offense wing, where they are responsible for handling financial crime cases containing detailed and complex financial records that must be examined in order to uncover criminality or the special modus operandi of white collar criminals. The case ends naturally because of his lack of specialized knowledge and credentials, and offenders are free to roam our streets.

An Act of Parliament No. 15 of 1965 established the Institute of Chartered Accountants of Nigeria (ICAN) to oversee the accounting industry in Nigeria and to issue licenses to those wishing to engage in accounting or auditing.

Passing the ICAN's professional examinations is Nigeria today is a criteria to join the organization. During induction, the person is then registered as a member. To become a forensic accountant, a chartered accountant must first join the Faculty of Forensic Accounting and Auditing and then write and pass a second exam to become a Certified Forensic Accountant (CFA). The person who completes it successfully earns a CFA and is immediately licensed to conduct forensic accounting and auditing.

The Institute of Chartered Accountants of Nigeria's CFA (Certified Forensic Accountant) credential is the only forensic certification offered in Nigeria. The platform used by the Institute for teaching and certifying professional accountants in forensic accounting, corporate investigations, and anti-money laundering is the faculty of audit, investigations, and forensic accounting.

Since the advent of the twenty-first century, forensic auditing has played an increasingly essential role in both private and public enterprises, particularly in advanced economies. In the late 1990s, the demise of some once well-known public businesses, such as Enron and WorldCom (MCI Inc.), along with the terrorist acts of September 11, 2001, drove the rise of forensic auditing/accounting, spawning a new, important, and lucrative specialty. Financial and operational fraud, the discovery of hidden assets, and compliance with federal regulations are all targets of forensic auditing procedures.

Forensic auditing uses particular techniques to produce evidence, to find and gather proofs like the length of time that fraudulent actions have been carried out in the business and how they were carried out and concealed by the offenders, audit methods, tactics, and procedures are used. Evidence could also be used to support other issues that could be crucial in a court case (Cressy, 2012).

**2.1.6 Need for Forensic Auditing**

The alarming rate of fraud and self-interest of employee in an organization brought about the need for a Forensic accountants/auditor because they examine beyond the numbers, forensic accountants and auditors differ from regular accountants and auditors. In actuality, forensic accountants look behind the figures whereas regular accountants and auditors focus on the numbers. It is therefore a scientific application of legal knowledge to legal issues and processes. The accounting and legal systems are connected via forensic accounting and auditing. So, it is possible to define forensic accounting/auditing as an accounting tool that aids the court in establishing the truth regarding a particular case in a court of law.

The Enron scandal, which involved a significant number of American forensic accountants, was one of the most high-profile cases in recent memory. There was a need to look beyond the traditional accounting function, which only satisfied compliance requirements, i.e., the company's books of accounts were kept in accordance with rules and regulations, as the financial crisis eroded investors' and the public's self-assurance in financial reports and audit services.

 Despite the fact that many tactics and activities have been developed to combat these vices, the issues still exist. The absence of forensic accounting practitioners to conduct qualitative forensic examination of financial statements and accounting records is a key roadblock in fighting financial crime cases. So many cases of financial crimes have been hindered by a lack of qualified forensic auditing experts who possibly will have stepped in at the right time and provided an accurate investigation to uncover the complex methods used by fraudsters, some of whom are themselves highly qualified financial professionals.

Because fraudsters believe they can always get away with it, there has been a significant surge in white collar financial crimes. However, due to insufficient law enforcement, the conviction rate in financial fraud cases is extremely low, which can be attributed to poor litigation support during the prosecution process and lengthy legal processes that are frequently misused to waste time. Imagine a case involving a powerful political figure who was given a carnival-like reception at the courthouse, with his followers singing and abusing anyone who brought their (accused) breadwinner to the court. Prosecutors frequently flop to prove and produce strong evidence to put fraudsters behind bars without the full support of accounting experts.

Here, forensic accountants and auditors can help by furnishing accounting or financial data, as well as other evidence inputs for legal purposes. To attain this goal, forensic accountants/auditors must have demonstrated proficiency in financial regulatory frameworks, scientific investigative techniques, interpersonal and communication abilities, and other areas.

**2.1.7 Forensic Auditing Tools**

Forensic auditing is a specialist within the discipline of accounting, and forensic auditors frequently testify as experts in court. Auditors use forensic techniques and methods to detect irregularities such as falsification of financial facts, fraud prevention, and detection. Forensic audit tools are used to locate and collect evidence in order to prove a case in court.

Three (3) crucial components make up the new perception of forensic auditing, which are thinking forensically, proactive and reactive forensic audit procedures, effective application of technology and data analysis.

**2.1.8 Forensic Audit Thinking – Thinking Forensically**

This means completing a critical evaluation of all supporting documentation during the audit and maintaining a high level of professional suspicion over any wrongdoing, or may happen in the future, such as fraud or financial irregularities. Furthermore, when an auditor believes there is a risk of fraud or financial irregularity, forensic reasoning kicks in. The audit task is approached with forensic thought from beginning to end.

**2.1.9 Forensic Audit Procedure – Proactive and Reactive**

Forensic auditing is more specialized, with the goal of detecting likely large misstatements in financial accounts due to fraud or error. Fraud Risk and Fraud Risk Assessment should be a part of audit procedures. According to Donald, three things make it possible for someone to commit fraud: the motivation that prompts the conduct, the opportunity that makes it possible, and the capacity for justification.

The likelihood that someone will successfully exploit all three facets of the fraud triangle is known as fraud risk. A business may be threatened by fraud from both internal and external sources.

The Fraud Triangle is similar to the scientifically documented Fire Triangle. Professor Albrecht establishes that the fire triangle tries to explain that fire requires heat, fuel, and oxygen in his paper titled "Iconic Fraud Triangle Persists." A fire requires fuel, oxygen, and heat to burn; also, to put out a fire (or, more accurately, to prevent a fire), one of the triangle's three sides must be removed. The fire can be quenched the fire by removing the fuel or removing the oxygen. You could also remove the heat to stop a fire.

Fraud Triangle Fire Triangle

FRAUD

Opportunity Motivation Air Heat

Rationalization Fuel

**Figure 1 – Iconic Fraud Triangle**

An essential proactive tool in any company's battle against fraud is a fraud risk evaluation. According to the Association of Certified Fraud Examiners, a proactive approach to recognizing and addressing an organization's susceptibility to internal and external fraud is fraud risk assessment.

It is crucial to see the evaluation of fraud risk as a continuous process rather than a one-time occurrence. The identification and prioritization of fraud threats is the first step in a company's fraud risk assessment.

**2.1.10 Forensic Audit Procedure**

Professional skills must be possessed to properly fulfill the forensic audit work, forensic processes must be used (either by the auditor or other forensic experts like certified fraud

Either qualified financial forensics or examiners): Having a thorough understanding of occupational fraud, such as financial statement fraud, asset theft, inaccuracy, and corruption, as well as how to handle fraud challenges, is advantageous. Understanding specific methodologies for research, analysis, and technology-based work as well as legal procedures (cardinal or computer forensics, for example, how to obtain, analyze, and interpret data).

**2.1.11 Forensic Audit Code of Ethics**

According to the guidelines for the professional; a forensic certified public accountant should conduct their investigations with the highest integrity, which is a critical quality of character essential to the accounting profession, according to the Forensic Certified Public Accountant Society's code of ethics. According to the AICPA's standards of conduct, an FCPA must show a dedication to the accounting profession's professionalism; any illegal, unethical, or activity that can result in a conflict of interest must be avoided by an FCPA.

An FCPA is required to follow all court rules, to testify truthfully, objectively, and without bias regarding any findings. Client information must be kept in the strictest confidence by an FCPA. All information identified during an FCPA's investigation must be shared with the client. Without the client's approval and authority, he or she should not disclose this information with anyone.

FCPAs are relied upon by those who want them to do their jobs honestly, objectively, carefully, and with a sincere desire to assist the public. They must enter into price agreements, provide a range of services, and provide high-quality services. These services cover anything that falls under the category of "forensic accounting," including business evaluations, divorce work, and forensic accounting and fraud investigations.

In a nut shell FCPAs should aim to promote forensic accounting/auditing as a profession and to consistently act professionally and positively represent the Forensic CPA Society.

**2.1.12 Fraud in an Organization**

Accounting fraud is the intentional fabrication of financial records to appear as though a business is financially sound. Additionally, it involves a worker, an accountant, or even the business itself misleading shareholders and investors. A business can overstate its revenue, failing to declare expenses, and misrepresenting assets and obligations in its financial accounts.

A variety of tactics invented by human intellect and employed by one person to gain an advantage over another by misleading suggestions or concealment of the truth. According to the Black Law Dictionary he describe fraud as any type of trick, surprise, cleverness, or deception, as well as any unethical way to defraud someone else.

Financial fraud is defined as one or more deliberate activities intended to defraud others and cause them financial harm. Misappropriation of assets is common in financial fraud and/or financial impropriety; in the following areas, Bribery, conflicts of interest, theft of money or property, theft of trade secrets or intellectual property, breach of fiduciary obligation, and statutory violations are all examples of misrepresentation of material facts. (Dictionary of Black Law)

Fraud is not defined as errors or unintentional omissions of data from an entity's accounting records or financial statements. Reporting fraud refers to the deliberate fabrication of accounting records, such as cost or sales records, in an effort to increase net income or sales figures.

Fraud in accounting is unlawful and can result in civil litigation being filed against the company and its management. Sensitization to fraud awareness activities is necessary for an organization to reduce the activities of fraud within the organization.

**2.1.13 Fraud Awareness Activities**

For a consumer goods manufacturing company to strive and survive in this corrupt economy, the organization should always embark on what is known as fraud awareness activities within their organization as to sensitize their staff on the implication on the company, stakeholders and even the employers.

The Fraud Prevention and Awareness Training Course discusses what can be done to safeguard the workplace from fraud, whether it's protecting an individual or the company as a whole. Preventing fraudulent conduct is critical for any company's long-term success.

According to the ACFE's 2020 Report to Nations, tips identify 43 percent of fraud incidents, with just 50 percent of those reports coming from employees. Why is this number so low when these employees work in the firm, follow procedures, and may even work alongside potential fraudsters? Employees should be the first to notice any anomalies or inconsistencies, nevertheless, how do they know what to search for? What if they are unable to spot abnormalities because they are unaware of the possibility of fraud in a process? It is possible to significantly increase the likelihood that fraud will be detected by increasing employee knowledge of it and providing them with the training necessary to do so.

**2.1.14 Impact of Forensic Audit on Profitability of Consumer Goods Manufacturing Companies**

The importance of forensic auditing cannot be overstated since financial statement fraud, conflict of interest and misappropriation of company asset and conflict of interest is a norm in corporate organization in recent time; this results in global corporate bankruptcy. The aim of the study was to determine how forensic audit affected the financial performance of businesses in Nigeria's consumer goods manufacturing industry.

Managers should pay close attention to the effectiveness of forensic audit mechanisms, as shown by this study, to eradicate incompetence, misappropriation of asset and concealment of material to guarantee optimal level of profitability.

Profitability of an organization refers to how overall financial performance of an organization is the measuring of the firm's accomplishments, which serves as a sign of favorable conditions throughout time. The goals of performance measurement are to collect extremely helpful information on cash flow, corporate finances, efficiency, and effectiveness.

Managers can make the best decisions based on knowledge about the firm's performance, according to (Almajali, 2012). Among the various elements that affect a company's financial performance, research has discovered the following: Size, leverage, liquidity, age, and management competency index of the company (Almajali, 2012). The profitability of a company is assessed using Return on Asset (ROA), Net Profit Margin (NPM), and Return on Equity (ROE).

**2.1.15 Return on Asset (ROA)**

At year's end, management carefully examines the ROA statistic. A high ROA indicates that the company is getting the most out of its assets. Return on investment may indicate that additional investment is worthwhile and that the company can utilize new investment effectively when the ROA and measure are combined. According to Shopify (2014), analyzing a low ROA is essential for the effective operation of a business. If the ROA is continuously low, it may indicate that either management is not utilizing current assets to their full potential or that some firm assets are no longer useful.

Return on Assets (ROA) is a ratio that shows how much an asset plays in creating a net profit (Hery, 2015). The greater the ROA ratio shows the company's asset management's efficiency and effectiveness, the better (Hanafi, 2010).

Consequently, ROA is seen as a reliable method of gauging the productivity of manufacturers, but it might be suspect when used to gauge the efficiency of service providers or businesses whose major assets are people (Bloomsbury, 2009).

**2.1.16 Net Profit Margin (NPM)**

The Net Profit Margin, also known as the Profit Margin or the Net Profit Margin Statistic, is a metric used in finance to assess how profitable a firm is relative to its total sales. It establishes a company's net profit to revenue ratio. The net profit margin is calculated by dividing net profit, also known as net income, by total sales and then expressing the result as a percentage.

Margin of net profit is a technique for assessing net profit produced by businesses per one unit of sales currency is the net profit margin, or simply net profit margin in Indonesian. This ratio also gauges the effectiveness of management of taxes, administration, and production. According to the formula, a corporation is said to have the capacity to produce big profits if this ratio is relatively high (near to 100 percent, 100 percent, or higher). The formula for calculating net profit margin is net profit margin = (net income after tax: net sales) x 100%.

**2.1.17 Return on Equity**

A financial measure called return on equity (ROE) demonstrates how much net income a company generates for each dollar invested in it. This ratio is crucial because it shows investors how well a business uses its capital to generate profits.

Return on Equity is a two-part metric that includes the balance sheet and the income statement, where the shareholders' equity is contrasted with net income or profit. The total return on equity capital is a measure of a company's capacity to generate profits from equity investments. In other words, it determines how much profit is produced by each dollar of shareholders' equity.

**2.2 Theoretical Framework**

Examining the evolution of fraud theory across time requires learning patterns, such as patterns of behavior and environment, actors, and systems. Understand how forensic auditors apply theories as tools to tackle real-world problems in consumer products manufacturing organizations. This paper invites readers to distinguish various fraud theories and assess their significance to fraud prevention; it is believed that employer autonomy will not suffer the same fate as regional autonomy in terms of fraud chances decentralization. This study looked at three (3) theories, which are listed below:

* Fraud Diamond Theory
* Crowe’s Fraud Pentagon Theory
* Theory of work place deviance

**2.2.1 Fraud Diamond Theory**

The older fraud triangle theory gave rise to the fraud diamond theory. The Fraud Triangle Theory was put forth by Cressey (1953). White-collar crime was first described by Sutherland, according to Dorminey, Fleming, Kranacher, and Riley (2010), gave this argument credence as the three elements of the fraud triangle theory are perceived pressure, opportunity, and reasoning. According to this idea, fraud is impossible without these three elements, and the strength of each element determines the degree of fraud (Howe & Malgwi, 2006).

The fraud diamond hypothesis was developed by Wolfe and Hermanson (2004) by adding a third factor, capacity, to the fraud triangle theory. According to Wolfe and Hermonson (2004), even though there may be perceived pressure or desire, an opportunity, and a justification to commit fraud, it is unlikely to happen unless the fourth criterion, capability, is present (capacity). In other words, potential fraudsters must possess the necessary skills and expertise. As a result of their research, Wolfe and Hermonson (2004) included Capability as a new component to Cressey's famous fraud triangle.

Although perceived pressures or incentives, as well as opportunities and rationalizations, may exist, fraud cannot occur unless the fourth factor, capacity, is present. To put it another way, potential players must be capable of really committing fraud. Ruankaew Ruankaew Ruankaew Ruanka (2016). Frauds will not occur without the proper persons with the necessary ability to perpetrate fraud, according to Assem et al., (2012) and Sorunke et al. (2016). In other words, potential fraudsters must possess the necessary skills and abilities.

According to Ruankaew (2016), the elements of fraud diamond theory are as follows: Incentives, Opportunity, Rationalization, and Capability are all factors to consider.

Employees are frequently subjected to pressure in the workplace, which leads to dishonest activity. Albrecht and his colleagues (2006). The second factor that encourages fraud is opportunity. Someone will commit fraud if there is an opportunity and a lack of control in his or her organization, according to Rae and Subramaniam (2008). Furthermore, someone who has the chance will take advantage of his or her abilities and expertise to perpetrate fraud.

The rationalization component of the fraud diamond theory is a concept that justifies fraudulent conduct as normal, moral behavior. This is appropriate in a civilized society. More include Jackson, Holland, Albrecht, and others. According to Woolstenhulme (2010), if a person observes an It is impossible for him to categorize a specific action as a fraudulent action or her engagement in a fraudulent act. Many large-scale scams are unlikely to occur, according to Wolfe and Hermanson (2004), if the company lacks personnel with specific expertise.

As a result, forensic accountants must bear in mind that fraud might be motivated by personal, employment, or external pressure. Both financial and non-financial pressure might be the root of any of these pressure categories. Forensic accountants must also be aware of the potential for fraud in order to recognize the types of fraud schemes a person is capable of doing and the ways in which internal controls go missing or ineffective and so create a fraud virus or external pressure. Both financial and non-financial pressure might be the root of any of these pressure categories. Forensic accountants must also be aware of the potential for fraud in order to recognize the types of fraud schemes a person is capable of doing and the ways in which internal controls go missing or ineffective and so create a fraud virus.

**2.2.2 Crowe’s Fraud Pentagon**

Financial statement fraud, according to the ACFE (2016), is the intentional misrepresentation of a company's financial status by omitting the value of particular components of such statements with the intention of misleading the statements' users. Financial statement errors can be caused by obscuring the real facts as well as by inflating or understating the conditions. Crowe's Fraud Pentagon Theory was inspired by this theory.

Crowe (2011) identified five variables that lead to fraud in the Pentagon Fraud model: pressure, opportunity, rationalization, capacity, and arrogance. Cressey (1953) proposed the Fraud Triangle model, which included the first three variables of pressure, opportunity, and rationalization. Pressure is a state of mind that pushes someone to commit fraud and is influenced by factors such as financial needs, lifestyle, and the surroundings. The four categories of pressure are: internal pressures, external pressures, internal pressures, and internal targets. An opportunity is a circumstance in which a party may exploit a circumstance to commit fraud. In a company, there may be an opening due to a lack of monitoring. People may not commit fraud despite pressure, opportunity, and justification unless they are also capable of doing so. According to Sorunke (2016) and Tugas (2012), the prior model of the fraud scale and the fraud diamond theory is not yet capable of reliably identifying financial statement fraud.

**2.2.3 Financial statement fraud and pressure**

In cases of financial statement fraud, pressure is a component, according to Cressey (1953). According to Skousen et al. (2008), financial statement forgery is related to pressure. Most Indonesian studies indicate that pressure is a risk factor for financial statement fraud (Sihombing & Rahardjo, 2014; Maghfiroh, et al., 2015 and Widarti, 2015). Pressure builds when a company's performance falls short of industry standards, and management may falsify the financial records to make it seem as though the company is expanding consistently (Skousen et al., 2008).

**2.2.4 Fraudulent Financial Statement Opportunity**

Opportunity is the second element that fuels financial statement fraud (Cressey, 1953). There will be many points of vulnerability for management to tamper with accounts or transactions in businesses with insufficient internal controls. Opportunity can influence financial statement fraud, according to earlier studies in Indonesia by Tiffani & Marfuah (2016), Sihombing & Rahardjo (2014), and Kusumawardhani (2013).

**2.2.5 Fraudulent Financial Statements and Rationalization**

Rationalization is the process through which fraudsters attempt to justify their conduct. Various research in Indonesia suggest that financial statement fraud might result from such rationalization (Sihombing & Rahardjo, 2014; Tiffani & Marfuah, 2016).

**2.2.6 Capability and Financial Statement Fraud**

According to Wolfe & Hermanson (2004), fraud can only happen if the necessary people have the capacity to commit it. "Capability is a feature that impacts financial statement fraud," claims Hardika (2015). Being a CEO or other sort of leader can result in fraud since people in these positions may use their influence to persuade other people to commit fraud. A change in directors will be linked to political interests and content, posing a conflict of interest. A change in the board of directors may be a sign of fraud, according to Wolfe & Hermanson (2004).

**2.2.7 Financial statement fraud and haughtiness**

Research by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), according to Crowe, showed that 70% of fraudsters match a specific profile that involves pressure, hubris, and greed (2011). In 89 percent of instances, the CEO is complicit in fraud. According to Yusof & Simon and Crowe (2011) (2015), arrogance is a personality trait characterized by a sense of superiority, a basic ignorance, and the conviction that one is exempt from an organization's internal supervision. A politician who concurrently serves as the CEO or president of a business

is more likely to commit financial statement fraud as claimed by Yusof and Simon (2015).

**2.2.8 Theory of Work Place Deviance**

The study of unethical corporate behavior has gained popularity in recent years. Due to prominent corporations like Enron, WorldCom, and Tyco bringing attention to the inherent dangers of unethical corporate activities, employee deviation, such as stealing, withholding effort, and mistreating coworkers, is a significant problem for most enterprises.

According to Wikipedia, group psychology defines workplace deviance as the conscious (or intentional) desire to harm an organization, specifically a workplace. The idea has developed into a key tool in the field of organizational communication.

Furthermore, workplace deviance has been characterized as voluntary activity that violates significant organizational standards and, as a result, puts the organization, its members, or both in peril; this can lead to an employee defrauding the organization.

Robinson and Bennett (2000) claim that they used multidimensional scaling analysis to determine the severity and target dimensions of workplace deviance. Severity in this sense refers to how seriously the deviant behavior violates fundamental organizational norms and is consequently seen as potentially harmful to the organization or its members. While social loafing and unjustified absences are minor forms of deviance, physical aggression or theft are more serious forms.

Target on the other hand indicates whether the organization or its individuals are the intended recipients of the deviation. Theft, sabotage, and vandalism are a few examples of organization-directed deviance. Individually motivated deviation, on the other hand, can involve physical harm or slander. Even though a single deviant act might affect both individuals and organizations, organizational members often target one of the two with their deviant conduct.

**2.2.9 Adjustment Strategies Adopted by Consumer Good Manufacturing Companies**

The growing occurrence of fraud in consumer goods manufacturing companies has prompted certain consumer goods producers to implement policies or procedures to combat the problem. According to the literature reviewed, most consumer goods manufacturers use an effective internal control system on their employees to ensure efficient delivery and fraud prevention. Consumer products manufacturing organizations used three different tactics to lower the risk of fraud in this study. Internal control, defense in organization (financial control, security, risk management, quality, inspection and compliance), and internal auditing are the three-line adjustment tactics. Organization's internal control system will be considered for this research work.

**2.2.10 Internal Control System**

Internal controls are a company's systems, policies, and procedures for guaranteeing the accuracy of financial and accounting information, encouraging accountability, and preventing fraud, according to Investopedia. By improving the accuracy and timeliness of financial reporting, adhering to laws and regulations, and preventing employees from defrauding the company or stealing assets, internal controls can aid in boosting operational efficiency.

While internal control is a part of the first line of defense, internal audit is the third line of defense for a business. Financial control, security, risk management, quality, inspection, and compliance make up a company's second line of defense.

Below diagram indicates three lines of defense adopted by companies; which serves as adjustment strategies. (ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41)

**Adjustment strategies to be adopted by consumer goods manufacturing companies**

Internal Audit

* Management Control
* **Internal Control Measure**
* Risk management, security, and financial control
* Quality
* Inspection
* Compliance

**Figure 2**

First line of defense Second line of defense Third line of defense

Internal control and internal audit are two different concepts, notwithstanding their strong and common relationship. Everyone recognizes the necessity of internal control and internal audit in attaining the organization's goals for effectiveness and the accuracy of financial reports provided to the public. In this regard, increasing organizational understanding of internal control is critical.

Internal control entails developing and implementing the essential control systems and processes to mitigate the impact of any risks. It is the responsibility of management to develop an effective internal control system and to operate and monitor it as needed.

The accountability handbook (2013) states that internal controls have drawbacks, including the following: most controls are focused on routine transactions, so unusual transactions may evade strict oversight; employee collusion for personal gain or other reasons; and the possibility of human error still exists in any control system.

Employee carelessness, poor judgment, or a lack of understanding are the main contributing factors to this, along with workplace stress. Controls must be cost-effective in relation to the potential loss from fraud or error. The following safeguards can be put in place:

1. **Preventive measure:** These are controllers that anticipate potential issues and make modifications before they arise. They also rule out the possibility of a mistake, omission, or intentional deed. To avoid errors, preventive controls include using well-designed documents, setting suitable transaction authorization procedures, and only employing qualified staff. Separation of responsibilities, for example
2. **Detective Measure:** These are aimed to discover errors or anomalies after they have occurred, according to the Office of Internal Audit and Institutional Risk Management (2012).

* Performance Reviews: Management assesses current performance in relation to plans, forecasts, prior periods, or other benchmarks to determine how successfully goals and objectives are being met as well as to identify unexpected outcomes or peculiar circumstances that require additional investigation.
* Reconciliations: An employee compares several sets of data to one another, spots and looks into discrepancies, and where appropriate, takes corrective action.

1. **Corrective Measure**

These controls aid in minimizing threats, locating problems at their root, and fixing errors brought on by those problems. In order to prevent the issue from happening again, they additionally fix errors found by detective controls and adjust the processing system(s). Corrective controls, according to the IS manual (2012), return the system or process to its pre-negative incident state. If proof is found that someone has tampered with payment data, for example, a corporation may restore the entire system from backup tapes.

**2.3 Empirical Review**

According to a study done by Fatoki (2021) titled "The Effect of Forensic Accounting on Financial Fraud Management in Nigeria Puablic Sector," the study's goals were to determine how effective forensic accounting is at preventing fraud and to evaluate how effective forensic The Effect of Forensic Accounting on Financial Fraud Management in Nigeria Public Sector litigation is at recovering money that has been lost to fraud. The study's findings revealed a positive relationship between forensic accounting methods and fraud management, which were supported by primary data obtained using a well-structured questionnaire distributed to 250 respondents from the EFCC, ICPC, Office of the Accountant General, Office of the Auditor General, and other practicing accountants across the country. As a final recommendation, the study urges Nigerian universities to include forensic accounting courses in their curricula for the purpose of training accountants at all levels, from undergraduate to doctoral, and to train professional accountants in the public sector to become forensic investigators.

A case study of the Cement Company of Northern Nigeria was used in the research on forensic audit and business performance by Abdulsalam et al, (2020). Return on Asset, Return on Equity, and Net Profit Margin are used in the study to gauge forensic accounting and business performance. This investigation's objective is to ascertain whether there is a connection between forensic accounting and corporate performance. The survey method was used in this paper, the population consists of the Cement Company of Northern Nigeria's administrative workers. Purposive sampling was used to select the respondents. A systematic questionnaire was utilized to obtain quantitative data from respondents utilizing primary data. Multiple regression analysis was used to analyze and determine the relationship between forensic audit and firm’s performance (ROA, ROE and NPM).

The results of the study showed that forensic accounting and net profit margin, return on equity, and return on asset had a significant link. According to the study, formalization and specialization in the field of forensic accounting should be supported by the Association of National Accountants of Nigeria and the Institute of Chartered Accountants of Nigeria.

Nwaiwu and Aaron (2018) conducted research on the effects of a forensic accounting probe. The best method for organizational fraud detection and prevention, according to the authors, is forensic accounting. Additionally, the study's findings demonstrate that forensic accounting services enhance business performance generally.

Analysis of bank frauds: Nigeria's Experience was researched by Olaoye and Dada (2014). According to the survey, due to mistaken value values and the current hard economic situation, time frauds are on the rise, and banks are losing millions of naira to fraudsters virtually every day. The study recommended that employees be thoroughly checked before being hired, and that satisfactory references be obtained at all times. It also advocated for a persistent approach to disciplining violators and the implementation of a zero-tolerance approach to corruption.

A study on the evaluation of forensic accountants to develop management fraud risk detection techniques was conducted by Okoye and Gbengi in 2013. The study comes to the conclusion that when there is a significant risk of management fraud, forensic accountants can modify the scope and format of audit tests, enhance the efficacy of an audit plan, and suggest special methods that auditors do not. Involving forensic accountants in the process of assessing the risk of management fraud yields better results as well.

Forensic accounting: A tool for fraud detection and prevention in the public sector in Kogi state was the topic of research by Okoye and Gbengi (2013). A total of 5015 respondents from 5 ministries made up the population, of whom 370 made up the sample size. The hypotheses were tested using analysis of variance (ANOVA). It was shown that forensic accounting greatly lowers the incidence of fraud in the public sector and that forensic accountants are very different from traditional auditors.

Okafor and Agbiogwu (2016) investigated how forensic accounting affected Nigerian bank fraud management. The study concentrated on how forensic accounting expertise affected Nigerian bank fraud management. The study found that having improved skills helps the forensic accountant perform his duties. They chose the five (5) commercial banks that would make up the study's population through the use of a non-probability sampling method. Based on the analysis of variance (ANOVA), the findings of their study show that having some basic forensic abilities significantly lowers the number of fraud cases that occur in the banking industry, that there is a significant distinction between the services offered by forensic accountants and external auditors, and that having forensic accountants on staff helps to prevent fraud cases.

The effectiveness of the usage of forensic accounting services in Nigerian corporate organizations was examined by Okunbor and Obaretin (2010) using a simple regression model (SRM). The study found, among other things, that business organizations' use of forensic accounting services does not stop fraud. Based on the findings, corporate organizations should create a solid personnel policy that attracts top talent and high compensation as a countermeasure to the fraud plague.

Characteristics and talents of the Forensic Accountant is the title of a 2009 research by Davis,

"The effectiveness of forensic auditing in detecting, investigating, and preventing bank frauds" was the focus of Njanike, Dube, and Mashayanye's 2009 study. Data were gathered for the paper through surveys, in-person interviews, and document reviews. Data for the study was acquired from forensic auditors working for four audit firms, thirteen commercial banks, and four building societies in Harare, Zimbabwe. Thirty forensic auditors were chosen at random from four audit companies, four building sectors/societies, and thirteen commercial banks in Zimbabwe. It was discovered that the forensic accounting departments face a number of difficulties, including a lack of material resources, technical expertise, management intervention, and ambiguous recognition of the profession. The investigation came to the conclusion that forensic accountants needed to be better equipped both technically and financially to be more effective. Additionally, much like any other profession, forensic accounting should establish a constituted organization to represent its interests and oversee its operations.

Modugu and Anyaduba (2013) investigated forensic accounting and financial fraud in Nigeria. 143 participants, including managers, working auditors, and stakeholders, took part in the study using a survey design. The benefit of forensic accounting for fraud control, financial reporting, and internal control quality was widely acknowledged by stakeholders.

A study carried out by Zachariah, Masoyi, Ernest, and Gabriel (2014) on trends in fraud cases between the years of 2001 and 2012, taking into account the quantities involved, the most common types of fraud, and the losses suffered by banks. There are ups and downs in the number of fraud instances, according to the descriptive study. Because auditors and supervisory regulators are unable to stop the trend, banks continue to lose enormous sums of money, necessitating the development of new strategies to combat bank fraud. As stated by the writers, over the past few decades, the fraud threat has plagued Nigerian banks, causing distress and liquidation that hinders the responsibilities that banks play in the economy. Therefore, the study recommended modifying the current status to include forensic accountants on the audit team in order to implement forensic accounting in Nigerian banks.

Onodi et al, (2015) examine the role that forensic investigation techniques had in preventing corporate fraud in Nigerian banks. This study used a survey research design, and primary source data were gathered through questionnaires and interviews, while secondary source information came from publications on fraud and forgeries in the banking industry. Regression analysis, the Z-test, frequency tables, percentages, and mean scores are some of the statistical techniques used to analyze the data. The outcome showed a strong correlation between corporate fraud deterrent and forensic investigative methodologies. The results showed that while forensic investigators' expert services are typically needed in the prosecution of fraud, most audit and accounting staff in Nigeria have a poor understanding of and lack of familiarity with this field.

Finally, a study on the effect of forensic accounting on fraud detection was done by Enofe et al, (2013) they used the ordinary least squares method in their investigation. This technique was chosen because it offers the best parameter estimates for a single equation model while being susceptible to some key assumptions about the error term. Based on their research's conclusions, it is clear that while forensic accounting services give businesses the resources they need to identify fraud, they do not prevent it.

**2.4 Gaps in Empirical Reviewed**

Financial fraud is the most prevalent among businesses, according to the research studied thus far, and was prompted by the self-interest of employers and some ignorance on the part of employees. Training on fraud, employee motivation, and the independence of internal auditors are some of the aspects that companies have neglected. It was also shown that most businesses do not educate their employees on fraud, including the causes of fraud, how to prevent it, and how to completely eliminate its effects. Organizations use internal control measures, but not in a comprehensive fashion, to prevent the incidence of fraud. However, the alarming amount of fraud in the economy today has rendered all efforts by organizations to restrict fraud ineffective, due to employee self-interest and a lack of internal control.

No internal control system, no matter how sophisticated, can guarantee efficient administration and the completeness and correctness of records, nor can it protect against fraudulent cooperation, particularly among those in positions of responsibility. Everyone is only concerned with their own self-interest, regardless of the company's profitability. Furthermore, the existence of incompetent and unqualified employees will obstruct the free flow of internal control, given the fact that no entity can be fully free of fraud; there will always be some level of fraud, regardless of how strict the internal controls are.

Finally, when compared to top management fraud, internal control has been seen or reported to be ineffective. As a result, without active engagement from management and the board of directors, as well as an effectiveness of internal audit department, senior management can simply override the internal control system.

Based on the examined literature, it was revealed that in order for consumer products manufacturing organizations to raise their profitability rate, they must reduce or eliminate fraud in their company; they must hire forensic auditors. The use of forensic auditing will have a substantial impact on the profitability of consumer products manufacturing enterprises in Kwara State and in Nigeria as a whole, given the alarming degree of fraud and employee self-interest

**CHAPTER THREE**

**METHODOLOGY**

This chapter deals with the general procedure that was employed for data gathering and analysis. The procedure for conducting the research was adequately and elaborately described under the following heading: research design, sample and sampling procedures, procedure for administration and data collection.

**3.1 Research Design**

A research design is a compilation of information or data explored by setting a hypothesis and consequently coming up with substantive findings in an organized way. Research can be done on an academic as well as on a scientific basis as well. Also a Research Design is simply a structural framework of various research methods as well as techniques that are utilized by a researcher.

This research work employs qualitative method through the survey approach;

**3.3 Population of the Study**

The population of the study consists of the consumer goods manufacturing company in Ilorin, Kwara State being the capital of the state, there are nine (9) major consumer goods manufacturing companies out of which two (2) was selected based on the use of forensic accounting.

**3.4 Sample and Sampling Technique**

The study selected Olam Nigeria limited and Heritage Company as the consumer goods manufacturing company focused on, in this study, using judgmental sampling technique. These two companies were selected based on their track record of being among the top players in the industry in Ilorin metropolis. Olam Company which was formerly managed by Dangote, are into the production of flour, pasted chemo and wheat, and they are the largest manufacturer of their product line in the state. Heritage Company are also a top manufacturer of their product line in the industry.

The purposive sampling technique is further used to select the core staffs in the selected companies as the required respondents for the study. Olam Nigeria limited has a total of 95 permanent staffs, among which are those that has been in the service of the company for over 5 years, the senior staffs, accountants, store units and their procurement units; while Heritage Company has a total of 15 permanent staffs which include the management team, accountant, auditor, marketing manager and their procurement unit. Therefore, a total of 110 respondents constitutes the sample size for the study.

**3.5 Sources of Data**

In the quest for information required for this research work, the researcher uses a major source of information which is Primary data. Primary Data was used to gather information. The questionnaire was a typed questions to which respondents provided answers, based on the option provided by the researcher. Closed ended question is formulated using the Likert scale principle.

* 1. **Research Instrument**

The data for this study was gathered using primary sources of information. The principal research tool in this study is a survey technique, therefore using a carefully crafted, standardized questionnaire that enables respondents to provide closed-ended answers which is necessary for the study's accuracy.

To obtain the needed information, a questionnaire was utilized to ask respondents questions. Inferences were made from the questionnaire's results. The modified five-point Likert scale was used to frame the questionnaire, with the options being Strongly Agree (5), Agree (4), Undecided (3), Disagree (2), and Strongly Disagree (1). The questionnaire is broken up into two sections: Section A asks about the respondents' demographics and Section B asks about the study hypotheses.

* 1. **Validity and Reliability of the research instrument**

A predefined format questionnaire used as the study tool for gathering data. The Human Resource Managers of the chosen companies gave the researcher permission to distribute the questionnaire. For purposes of authentication and verification, covering letters were attached to the letter. The questionnaire was distributed, which was duly completed by the respondents in the presence of the researcher while the researcher explained the purpose of the study and assured them that any information they provided would be kept confidential. Additionally, clear directions on how to complete and submit the questionnaire were given to the respondents. Face-to-face contact was used to deliver the questionnaires to the responders. The respondents in this study are the senior managers, accountants, auditors, store keepers, marketing manager, procurement unit and the senior staff of the company. 115 copies of questionnaires were taken to the field for the purpose of taking care of wastage.

**3.8**  **Method of Data Analysis**

In order to respond to the research question posed by this study, data analysis was carried out. For simplicity of analysis, the obtained data were sorted, categorized, and coded before being tabulated. The information is condensed and arranged into groups based on recurrent themes. The study was facilitated by the use of the Statistical Package for Social Sciences (SPSS) version 22 computer software, which is more user-friendly and best suited for analyzing management-related attitudinal responses. Hypotheses one and three were examined using a linear regression analysis, and hypothesis two was checked using a Pearson product moment correlation. The alpha level used to test each hypothesis was 0.05.

**3.9 Model Specification**

The mathematical form of this model of linear regression analysis formula is:

(Y = α + β1X1 + Ԑ)

NPM = *f* (FAS) ---------------- 3.1

ROA = *f* (FArf) ----------------- 3.2

NPM = α + β1 FAS + Ԑ -------------- 3.3

ROA = α + β1 FArf + Ԑ ----------------- 3.4

Where;

Y= Dependent Variable

α = Intercept or Constant

β= Slope of the regression line with respect to the independent variable

X = independent variables

Ԑ = error terms

FAS = Forensic Audit Skills

FArf = Forensic audit (Proxied using red flag)

ROA = Return on Asset

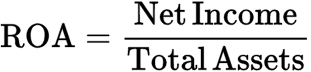
NPM = Net Profit Margin

If the p-value is less than the significant acceptance critical value, reject null hypothesis and accept the alternative hypothesis. Reject H0 at 5% (0.05) level significance.

**3.10 Operationalization of Variable**

Operationalization also establishes precise definitions for each variable, boosting the quality of the results and the design's robustness. The operational variable in this study

1. Return on Assets (ROA) Return On Assets (ROA) demonstrates the ability of capital invested in an entire asset to generate profits for all investors (bondholders and stocks). The ROA formula can be written as follows: Return On Asset =

 Multiply by 100

1. Net Profit Margin (NPM) Net Profit Margin is a ratio used to demonstrate a company's ability to generate net profit after tax. The calculation formula of Net Profit Margin (NPM) is as follows:



1. Return On Equity (ROE) Return On Equity (ROE) is a comparison between net ratio and own capital. This ratio represents the share of profit derived from (or being the right) of the capital itself and is often used by investors to purchase shares of a company. The calcul   
   ation formula of Return On Equity (ROE) is as follows:

ROE=SEBT​×AS​×EA​× (1−TR)

**where:**EBT=Earnings before taxS=SalesA=AssetsE=EquityTR=Tax rate​

**3.8.1 Independent Variable**

For this research work the variable was selected from the types of fraud that exist in an organization and red flag as indication that fraud exist in an organization.

The study uses one independent variables as a stand in for forensic audit; for this research work the independent variable is forensic audit proxy by red flags (RF), which are financial statement fraud, asset misappropriation and conflict of interest. The opinion was gotten from Okoye et al. (2015)

**3.8.2 Dependent Variables**

According to Rosikah et al. (2018) and

**CHAPTER FOUR**

**RESULTS AND DISCUSSIONS**

**4.1 Frequency Distribution Analysis**

The socio-demographic profile of the respondents reveals the respondents' educational background. It's critical to consider several demographic elements that could affect opinion in the correct context. The distribution of the 110 respondents' demographic profiles who gave the study their complete participation are shown. The respondents' demographic profile is shown in Table 4.1.

**Table 4.1 Frequency Distribution Analysis of Demographic Factors of Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| Variable | Items | Frequency | Percentage (%) |
| Gender | Female | 36 | 32.7 |
| Male | 74 | 67.3 |
|  | Total | 110 | 100.0 |
| Age | Up to 25 years | 18 | 16.4 |
| 26-35 years | 55 | 50.0 |
| 36-45 years | 31 | 28.2 |
| 46-55 years | 6 | 5.4 |
|  | Total | 110 | 100.0 |
| Religion | Christian | 81 | 73.6 |
| Muslim | 29 | 26.4 |
|  | Total | 110 | 100.0 |
| Marital Status | Married | 87 | 79.1 |
| Single | 23 | 20.9 |
|  | Total | 110 | 100.0 |
| Educational Qualifications | Master of Science | 24 | 21.8 |
| Bachelor of Science | 61 | 55.5 |
|  | HND | 25 | 22.7 |
|  | Total | 110 | 100.0 |
| Year of service in the current organisation | Below 5 years | 37 | 33.6 |
| 5-10 years | 56 | 50.9 |
| Above 10 years | 17 | 15.5 |
|  | Total | 110 | 100.0 |

Source: *Field Survey, 2022 using SPSS version 25*

Table 4.1 represents the analysis on the demographic distribution of the respondents, analysis on gender distribution of the respondents showed that 36(32.7%) are female and 74(67.3%) are female. This denotes that more males were represented than female in the study, i.e., there are more male staffs than the female staffs in the company. Analysis on age revealed that 18(16.4%) are up to 25 years, 55(50.0%) are between 26-35 years, 31(28.2%) are between 36-45 years, and 6(5.4%) are 46-55 years old. This clearly indicates that majority of the staffs in the company are in their middle age. 81(73.6%) are Christians and 29(26.4%) are Muslims i.e., there are more Christians than Muslims in the company. 87(79.1%) are married and 23(20.9%) are single. This depicts that there are more married staffs than single in the company.

Educational qualification result showed that 24(21.8%) are master’s degree holder, 61(55.5%) are B.Sc. degree holder and 25(22.7%) are HND degree holder. This implies that all the staffs are well educated. Finally, on the demographic factor analysis, 37(33.6%) of the respondents have worked in the company for below s years, 56(50.9%) have been working for 5-10 years, and 17(15.5%) for above 10 years. This denotes that majority of the respondents have been working in the company for 0-10 years.

**4.2 Graphical Representation of the Demographic Factors of Respondents**

**Fig. 4.1 Gender of the Respondents**

**Fig. 4.2 Age of the Respondents**

**Fig. 4.3 Religion of the Respondents**

**Fig. 4.4 Marital Status of the Respondents**

**Fig. 4.5 Organisational Status of Respondents**

**Fig 4.6 Year of service in the current organisation**

**4.2 Analysis of Questions**

**4.2.1 Analysis of Questionnaire items for Objective One**

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 4.2.1 Determine the impact of Financial Statement Fraud on return on assets of consumer goods manufacturing companies Kwara State** | | | |
| **Questions** | **Valid** | **Frequency** | **Percentage** |
| Forensic auditor services is needed more in the consumer goods manufacturing companies | Strongly Agree | 40 | 42.1 |
| Agree | 34 | 35.8 |
| Undecided | 13 | 13.7 |
|  | Disagree  Strongly Disagree | 2  6 | 2.10  6.3 |
|  | Total | 95 | 100.0 |
| Adoption of forensic audit skills in your company affects ROA positively | Strongly Agree | 34 | 35.8 |
| Agree | 37 | 38.9 |
| Undecided | 8 | 8.4 |
| Disagree | 11 | 11.6 |
|  | Strongly Disagree | 5 | 5.2 |
|  | Total | 95 | 100.0 |
| I have previously used forensic audit in financial statement fraud and corruption detection in my organisation | Strongly Agree | 37 | 38.9 |
| Agree | 20 | 21.1 |
| Undecided | 12 | 12.6 |
|  | Disagree | 17 | 17.9 |
|  | Strongly Disagree | 9 | 9.5 |
|  | Total | 95 | 100.0 |
| Forensic audit skills enhance reduction in operating cost | Strongly Agree | 26 | 27.4 |
| Agree | 37 | 38.9 |
| Undecided | 9 | 9.5 |
|  | Disagree | 13 | 13.7 |
|  | Strongly Disagree | 10 | 10.5 |
|  | Total | 95 | 100.0 |
| Forensic audit skills help my company to detect perpetrated fraud manufacturers | Strongly Agree | 21 | 22.1 |
| Agree | 43 | 45.3 |
| Undecided | 7 | 7.3 |
|  | Disagree | 14 | 14.7 |
|  | Strongly Disagree | 10 | 10.5 |
|  | Total | 95 | 100.0 |

Source*: Field Survey, 2022*

Table 4.2. 1 represents the analysis of questions for objective one, which determine **the impact of Financial Statement Fraud on return on assets of consumer goods manufacturing companies Kwara State.** From the table it is observed that majority of the respondent agreed to the questions. Result shows that Forensic auditor services is needed more in the consumer goods manufacturing companies, following that 74% of the respondents agreed to the question. More so, result showed that Adoption of forensic audit skills in detecting financial statement fraud affects ROA positively, in that majority of the respondent also agreed to the statement. It is also revealed from the analysis that Forensic audit skills enhance reduction in operating cost and Forensic audit skills help my company to detect perpetrated fraud manufacturers, with the result showing that majority of the respondent agreed to the statement. The study therefore concluded that forensic audit, financial statement fraud has a cognate impact on the return on asset of consumer goods manufacturing companies.

**4.2.2 Analysis of Questionnaire items for Objective Two**

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 4.2.2 Examine the relationship between Asset Misappropriation and the return on equity of consumer goods manufacturing companies Kwara State;** | | | |
| Questions | Valid | Frequency | Percentage |
| Fraud awareness in my company increase the equity of my organization | Strongly Agree | 39 | 41.1 |
| Agree | 34 | 35.8 |
| Undecided | 14 | 14.7 |
|  | Disagree  Strongly Disagree | 5  3 | 5.2  3.2 |
|  | Total | 95 | 100.0 |
| Misappropriated funds/assets transactions are  Identified through forensic accounting investigations. | Strongly Agree | 37 | 38.9 |
| Agree | 34 | 35.7 |
| Undecided | 9 | 9.5 |
| Disagree | 9 | 9.5 |
|  | Strongly Disagree | 6 | 6.3 |
|  | Total | 95 | 100.0 |
| The forensic auditing system serve as a watch dog on perpetuators of unethical dealings | Strongly Agree | 37 | 38.9 |
| Agree | 27 | 28.4 |
| Undecided | 8 | 8.4 |
|  | Disagree | 17 | 17.9 |
|  | Strongly Disagree | 6 | 6.3 |
|  | Total | 95 | 100.0 |
| The ability of an organization to increase her equity relies on curbing asset misappropriation by forensic auditors | Strongly Agree | 24 | 25.3 |
| Agree | 42 | 44.2 |
| Undecided | 9 | 9.5 |
|  | Disagree | 10 | 10.5 |
|  | Strongly Disagree | 10 | 10.5 |
|  | Total | 95 | 100.0 |
| Forensic auditing has a significant influence on fraud reporting activities. | Strongly Agree | 25 | 26.3 |
| Agree | 40 | 42.1 |
| Undecided | 5 | 5.2 |
|  | Disagree | 17 | 17.9 |
|  | Strongly Disagree | 8 | 8.4 |
|  | Total | 95 | 100.0 |

Source*: Field Survey, 2022*

Table 4.2.2 represents the analysis of questions for objective two, which is to examine the relationship between Asset Misappropriation and the return on equity of consumer goods manufacturing companies Kwara State**.** From the table it is observed that majority of the respondent agreed to the questions. Result shows that Fraud awareness on asset misappropriation increase the organization’s equity following that 77 % of the respondents agreed to the question. More so, result showed that, to create fraud awareness which can cause by asset misappropriation, majority of the respondent also agreed to the statement. It is also revealed from the analysis that ability of an organization to increase her equity relies on effectiveness of the forensic auditor in curbing asset misappropriation, with the result showing that majority of the respondent agreed to the statement. The study therefore concluded that there exist a cognate relationship between forensic audit, asset misappropriation and return on equity of consumer goods manufacturing companies.

**4.2.3 Analysis of Questionnaire for Objective Three**

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 4.2.3 Examining the effect of Conflict of Interest on the net profit margin of consumer goods manufacturing companies in Kwara State;** | | | |
| Questions | Valid | Frequency | Percentage |
| Forensic audit proxy by conflict of interest has a negative effect on net profit margin of consumer goods manufacturing companies. | Strongly Agree | 39 | 41.1 |
| Agree | 36 | 37.8 |
| Undecided | 12 | 12.6 |
|  | Disagree  Strongly Disagree | 5  3 | 5.2  3.2 |
|  | Total | 95 | 100.0 |
| Forensic audit activities and skills have a positive effect on conflict of interest in my company | Strongly Agree | 39 | 41.1 |
| Agree | 30 | 31.6 |
| Undecided | 8 | 8.4 |
| Disagree | 11 | 11.6 |
|  | Strongly Disagree | 7 | 7.4 |
|  | Total | 95 | 100.0 |
| Forensic auditing has a positive impact on turnover in the manufacturing companies | Strongly Agree | 31 | 32.6 |
| Agree | 33 | 34.7 |
| Undecided | 12 | 12.6 |
|  | Disagree | 11 | 11.6 |
|  | Strongly Disagree | 8 | 8.42 |
|  | Total | 95 | 100.0 |
| Application of forensic audit makes the internal auditor to be more proactive in checking financial records | Strongly Agree | 24 | 25.3 |
| Agree | 42 | 44.2 |
| Undecided | 9 | 9.5 |
|  | Disagree | 10 | 10.5 |
|  | Strongly Disagree | 10 | 10.5 |
|  | Total | 95 | 100.0 |
| Forensic auditing is the only method to detect transactions that are doubtful  . | Strongly Agree | 21 | 22.1 |
| Agree | 47 | 49.5 |
| Undecided | 7 | 7.3 |
|  | Disagree | 12 | 12.6 |
|  | Strongly Disagree | 8 | 8.4 |
|  | Total | 95 | 100.0 |

Source*: Field Survey, 2022*

Table 4.2.3 represents the analysis of questions for objective three, which is to examine the effect of Conflict of Interest on the net profit margin of consumer goods manufacturing companies in Kwara State

From the table it is observed that majority of the respondent agreed to the questions. Result shows that Forensic audit has a positive effect on net profit margin of consumer goods manufacturing companies that 79 % of the respondents agreed to the question. More so, result showed that, in that majority of the respondent also agreed to the statement. It is also revealed from the analysis that Forensic audit activities and skills have a positive effect in reducing the conflict of interest activities, which in turn affect the financial performance of consumer goods manufacturing company in Kwara State, with the result showing that majority of the respondent agreed to the statement. The study therefore concluded that there exist a cognate relationship between forensic audit, conflict of interest and net profit margin of consumer goods manufacturing companies.

**4.3 Test of Hypotheses**

**4.3.1 Hypothesis One Testing**

**Ho1:** Financial Statement Fraud, proxy by red flags has no significant effect on returns on asset of Consumer Goods Manufacturing Companies in Kwara State;

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 4.2** **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .405a | .164 | .155 | .946 |
| a. Predictors: (Constant), Forensic audit | | | | |

**Source:** *Author’s Computation (2022).*

The model summary of the regression study of the relationship between returns on assets of consumer goods manufacturing enterprises in Kwara State and financial statement fraud, as indicated by red flags, is shown in Table 4.2. This indicates a high and positive correlation between financial statement fraud and returns on assets with a (R) value of.405 (41%) At a threshold of significance of 5%, this direct interaction's magnitude is statistically significant. The R Square score of 0.164 indicates that 16% of variations in returns on assets of enterprises in Kwara State that manufacture consumer goods are explained or accounted for by financial statement fraud. While other factors or variables that are not part of this model but are included in the stochastic error term are responsible for the remaining 84% of variability.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 4.3 ANOVAa** | | | | | | |
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 16.337 | 1 | 16.337 | 18.261 | .000b |
| Residual | 83.200 | 108 | .895 |  |  |
| Total | 99.537 | 109 |  |  |  |
| a. Dependent Variable: returns on assets | | | | | | |
| b. Predictors: (Constant), Forensic audit | | | | | | |

**Source:** *Author’s Computation (2022).*

The overall importance of the independent variables in explaining the criterion variable is tested using regression, and Table 4.3.1 provides the F-statistics value for this test. Figures in Table 4.3 demonstrate that the level of returns on assets of consumer goods manufacturing enterprises in Kwara State were strongly predicted by financial statement fraud proxy by red flags in the chosen study region, with an F-statistics value of 18.261 and a P-value or sig value of 0.05. (Sig .000). Given that there is a less than 5% chance that the null hypothesis is true, this suggests strong evidence against it. F - Statistical denotes that the overall goodness of fit of the regression model is highly statistically significant due to the value of Fcal (18.261).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 4.4 Coefficientsa** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 2.413 | .306 |  | 7.884 | .000 |
| Forensic audit proxied with (red flags) | .341 | .080 | .405 | 4.273 | .000 |
| a. Dependent Variable: Returns on assets | | | | | | |

The regression coefficients for each independent variable's contribution to the criterion variable are displayed in Table 4.4. The findings indicate that the standard beta coefficient is 0.405. This indicates that when the variance caused by all other model variables and the Forensic audit proxy with (red flags) is controlled, the Forensic audit proxy with (red flags) provides a strong, distinct contribution to explaining Returns on assets. In Kwara State, consumer goods manufacturing enterprises saw a 40.5 percent boost in returns on assets for every 1 percent increase in forensic audit. Table 4.4's results led to the p-value being estimated for 0.000, which is less than 5 percent, and the 0.05 critical value. The null hypothesis was thus disproved. The study comes to the conclusion that Forensic Audit, as indicated by red flags, has a considerable impact on the returns on assets of enterprises that manufacture consumer goods.

**4.3.2 Hypothesis Two Testing**

**Ho2:** There is no significant relationship between Asset Misappropriation and return on equity of Consumer Goods Manufacturing Companies in Kwara State.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Tests of Normality** | | | | | | | |
|  | Asset Misappropriation | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
|  | Statistic | df | Sig | Statistics | df | Sig |
| Return on equity | Strongly disagree | .260 | 2 | . |  |  |  |
| Disagree | .300 | 5 | .200 | .883 | 5 | .325 |
| Undecided | .308 | 18 | .200 | .767 | 18 | .301 |
| Agree | .243 | 40 | .200 | .819 | 40 | .316 |
| Strongly Agree | .387 | 30 | .200 | .683 | 30 | .288 |
| a. Lilliefors Significance Correction | | | | | | | |

The above table presents the result of the normality test, following the sample size in the study been less than 2000, Shapiro-Wilk test result is used to determine normality of data. The result of showed Sig. value less than 0.05 for all the options, this reveals that the data are normally distributed, i.e., the null hypothesis is rejected. Hence, correlation analysis can be used to test the hypothesis.

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 4.5 Correlations** | | | |
|  | | Forensic Audit | Return on Asset |
| Forensic Audit | Pearson Correlation | 1 | .465\*\* |
| Sig. (2-tailed) |  | .000 |
| N | 110 | 110 |
| Return on Asset | Pearson Correlation | .465\*\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 110 | 110 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed). | | | |

Source: Author’s computation using SPSS 25.0

A percentage increase in forensic audit results in a 47 percent rise in returns on equity, according to the correlation result between forensic audit proxy by asset misappropriation and return on equity for selected consumer goods manufacturing (r =.465, p.val.=.0000.05). This shows that the two variables have a very strong positive association. In the same direction, both variables are moving. The variables also have a 95 percent confidence level of statistical significance, and the outcome of the Sig. level likewise displays the evidence opposing the null hypothesis. As a result, the alternative is accepted and the null hypothesis is disproved. According to the study's findings, there is a significant correlation between misappropriation of asset and return on equity for enterprises in Kwara State that manufacture consumer goods.

**4.3.3 Hypothesis Three Testing**

**Ho3:** Conflict of Interest has no significant impact on the net profit of Consumer Goods Manufacturing Companies in Kwara State

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 4.6 Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .357a | .128 | .118 | .882 |
| a. Predictors: (Constant), Forensic audit skills | | | | |

**Source:** *Author’s Computation (2022).*

The model summary of the regression analysis of the relationship between Conflict of interest and net profit of consumer goods manufacturing firms in Kwara State is shown in Table 4.6. An (R) value of.357 (36%) indicates a substantial and favorable correlation between conflict of interest and net profit. At a threshold of significance of 5%, this direct interaction's magnitude is statistically significant. The r square value of 0.128 indicates that conflict of interest may explain or account for 13% of changes in net profit for consumer products manufacturing firms in Kwara State. While other factors or variables that are not part of this model but are included in the stochastic error term are responsible for the remaining 87% of changes.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 4.7 ANOVAa** | | | | | | |
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 10.604 | 1 | 10.604 | 13.623 | .000b |
| Residual | 72.386 | 108 | .778 |  |  |
| Total | 82.989 | 109 |  |  |  |
| a. Dependent Variable: Net profit | | | | | | |
| b. Predictors: (Constant), Forensic audit skills | | | | | | |

**Source:** *Author’s Computation (2022).*

The overall importance of the independent variables in explaining the criterion variable is tested using the F-statistics value for regression, which is shown in Table 4.7. The data in Table 4.7 demonstrates that the amount of net profit of consumer goods manufacturing enterprises in Kwara State was significantly predicted by conflict of interest capabilities in the chosen research region, with an F-statistics value of 13.623 and a P-value or sig value of 0.05. (Sig .000). Given that there is a less than 5% chance that the null hypothesis is true, this suggests strong evidence against it. Given that the value of Fcal is high, the total regression model's goodness of fit is highly statistically significant (13.623).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 4.8** **Coefficientsa** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 2.998 | .283 |  | 10.575 | .000 |
| Forensic audit skills | .275 | .074 | .357 | 3.691 | .000 |
| a. Dependent Variable: Net profit | | | | | | |

The regression coefficients for each independent variable's contribution to the criterion variable are displayed in Table 4.8. The findings indicate a typical beta coefficient of 0.357. This suggests that when the variance caused by all other variables in the model is controlled, conflict of interest has a significant and distinct impact on explaining net profit. A 1% increase in forensic auditing expertise resulted in a 35.7% rise in net profit for Kwara State consumer products manufacturing firms. Table 4.8's results led to the p-value being estimated for 0.000, which is less than 5 percent, and the 0.05 critical value. The null hypothesis was thus disproved. The study comes to the conclusion that the net profit of Kwara State's consumer goods manufacturing enterprises is not significantly impacted by forensic audit skills in curbing conflict of interest.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**5.1 Summary of Study**

The study evaluated the effect of forensic audit on the profitability of businesses in Kwara state that manufacture consumer goods.

The first chapter's main focus was the study's introduction; it also looked at the study's background and listed the research problem, the research problem statement, the research questions, the research objectives, the research hypothesis, the significance of the study, the scope of the study, and operational terms that were defined to prevent misunderstanding and enhance comprehension.

The focus of the second chapter of the study was a review of pertinent literature and the theoretical framework. The Crowe's Fraud Pentagon Theory, the Fraud Diamond Theory, and the Theory of Workplace Deviance were examined in the study. Numerous fraud and profitability strategies were evaluated as well. Profitability principles include net profit margin, return on assets, and returns on equity. Fraud concepts encompass things like fraud audit methodologies, fraud awareness campaigns, fraud audit procedures, and more. Many viewpoints and earlier researchers' conclusions on related studies were critically examined in the empirical review section.

Chapter 3 details the methodology of the study. As a result, all aspects of the study, including its field of inquiry, research design, study population, sample size and sampling method, data collection technique, research tool, research instrument validation, and data analysis technique, were covered in great details.

The analysis and interpretation of the results are the main focus of chapter 4. It involved performing a descriptive analysis of the demographic characteristics of the sampled respondents. The hypotheses one and three, which were established based on the variables, were tested using a linear regression analysis. The second hypothesis was investigated using Pearson's correlation. The data was examined using the statistical package for social sciences (SPSS) version 25 computer program.

On the basis of the findings of the impact of forensic audit on profitability of consumer products manufacturing enterprises in Kwara state, Chapter 5 provided the summary, conclusion, and recommendations.

**5.2 Conclusion**

According to the study's findings, forensic audit positively affects profitability of businesses that manufacture consumer goods in Kwara State. The profitability of businesses in Kwara State that manufacture consumer goods increases with the strength of forensic audit procedures. In the meanwhile, factors other than forensic auditing techniques are also likely to have an impact on profitability.

Furthermore, the study concludes that proper and immediate identification of red flags in forensic auditing reduce the risk of loss in the company. Periodic assessment of the company financial statement and other activities improves its profitability. The study also comes to the conclusion that implementing forensic techniques correctly can significantly lessen fraud in the organization. A corporation may have forensic procedures but not use them. Adequate supervision is one technique to effectively carry out a powerful forensic audit activity. This will ensure proper adherence to established norms and regulations.

**5.3 Recommendations**

On the basis of the study's findings, the following suggestions were made;

The report suggests that the companies need to design, strengthen, support and promote programs and trainings to ensure certification of forensic accountants especially on investigative skills. Forensic accountants are also advised to enroll for various modules of forensic certification by the Institute of Chartered Accountants of Nigeria (ICAN)**.** Forensic accountants should strive to implement the application of investigative accounting practices, skills and continue to acquire relevant trainings on forensics to improve their skills and be knowledgeable to offer professional advice and services that could unknot those concerns which have dulled quality assurance of financial/monetary reporting. The study also recommends an annual match between cash flow from operations and accruals, Net profit margins (NPM), returns on assets and also information content of the audited account should be scrutinized by forensic accountant to affirm the quality of the reporting and build stakeholders’ confidence.

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**RESEARCH QUESTIONAIRE ON FORENSIC AUDIT AND PROFITABILITY OF CONSUMER GOODS MANUFACTURING COMPANIES IN KWARA STATE**

Dear respondent, I have been recommended to carry out a questionnaire research on the Impact of Forensic Audit on Profitability of Selected Consumer Goods Manufacturing Companies in Kwara State. I will be very grateful if you can give your sincere opinion and answers to the questions. Every response and information you give will be treated with higher form of confidentiality and just for the purpose of this research. Thanks.

**Section A**

1. Gender: Male ( ) Female ( ) (please tick)
2. What is your age? (a) Up to 25 (b) 26-35 (c) 36-45 (d) 46-55 (e) 56-65
3. Religion: Christian { } Muslim { } Other { }
4. Marital Status: Married { } Single { }
5. Educational Status: Master of Science {} Bachelor of Science {} HND {} ND{} SSCE {}
6. Organizational Status: Senior Staff {} Junior {} Casual {}
7. Year of service in the current organization: below 5year {} 5-10 years {} Above 10 years {}

**Section B:** Statement Concerning Forensic Auditing (Strongly Agree {5}, Agree {4}, Undecided {3}, Disagree {2} Strongly Disagree {1}

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **I** | **General Question on Forensic Audit** | **YES** | **NO** | **UNDECIDE** | **NOT SURE** | **BLANK** |
| 8 | Do you know about forensic auditing |  |  |  |  |  |
| 9 | Do you understand the concept of forensic auditing |  |  |  |  |  |
| 10 | forensic auditor services is needed in Nigeria |  |  |  |  |  |
| 11 | The use of forensic auditing should be obligated in manufacturing companies |  |  |  |  |  |
| 12 | Adoption of forensic auditing affect internal auditing? |  |  |  |  |  |
| **II** | **Question on impact of Financial Statement Fraud on return on assets of consumer goods manufacturing companies Kwara State** | **SA** | **A** | **D** | **U** | **SD** |
| 13 | Forensic auditor services is needed more in the consumer goods manufacturing companies |  |  |  |  |  |
| 14 | Adoption of forensic audit skills in your company affect the ROA positively |  |  |  |  |  |
| 15 | I have previously used forensic audit in financial statement fraud and corruption detection in my organization |  |  |  |  |  |
| 16 | Forensic audit skills enhances reduction in operating cost |  |  |  |  |  |
| 17 | Forensic audit skills help my company to detect perpetrated fraud by manufacturers |  |  |  |  |  |
| **III** | **Question on the relationship between Asset Misappropriation and the return on equity of consumer goods manufacturing companies Kwara State** | **SA** | **A** | **D** | **U** | **SD** |
| 18 | Forensic auditing has a significant influence on  fraud reporting activities. |  |  |  |  |  |
| 19 | The forensic auditing system serve as a watch dog on perpetuators of unethical dealings |  |  |  |  |  |
| 20 | The ability of an organization to increase her equity relies on curbing asset misappropriation by forensic auditors |  |  |  |  |  |
| 21 | Forensic audit activities and skills have a positive effect on financial performance of consumer goods manufacturing companies in Kwara state |  |  |  |  |  |
| 22 | Forensic audit has a positive effect on the return on equity of consumer goods manufacturing companies in Kwara state |  |  |  |  |  |
| 23 | Misappropriated funds/assets transactions can be identified through forensic accounting investigations. |  |  |  |  |  |
| **IV** | **General questions on the effect of Conflict of Interest on the net profit margin of consumer goods manufacturing companies in Kwara State** | **SA** | **A** | **D** | **U** | **SD** |
| 23 | Forensic audit proxy by conflict of interest has a negative effect on net profit margin of consumer goods manufacturing companies |  |  |  |  |  |
| 24 | Forensic audit activities and skills have a positive effect on conflict of interest in my company |  |  |  |  |  |
| 26 | The forensic auditing system serve as a watch dog on perpetuators of unethical dealings |  |  |  |  |  |
| 27 | The ability of an organization to increase her equity relies on effectiveness of the forensic auditor |  |  |  |  |  |
| 28 | Application of forensic audit makes the internal auditor to be more proactive in checking financial records |  |  |  |  |  |