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DOES FORENSIC ACCOUNTING ENHANCE QUALITY OF FINANCIAL REPORTING IN NIGERIA? : AN EMPIRICAL INVESTIGATION

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ABSTRACT: *This study examines the effectiveness of Forensic Accounting in engendering qualitative financial reporting in Nigeria using the banking sector as a reference. The research adopted empirical, survey and descriptive approach. Secondary data for this study were sourced from the annual reports of the chosen banks. Simple five scale binomial ranging from 0-4 were used to analyse the secondary data (financial reporting quality) of the selected banks. Primary data were also sourced to elicit information from accountants using structured questionnaire based on Likert 5-Scale with each containing fifteen questions. A five scale Likert structured questionnaires were administered to a sample size of Two Hundred and Fifty respondents. Respondents were chosen by simple stratification. Pearson's Correlation Coefficient statistical tool was used to analyse the primary data. The study reveals that the fundamental qualitative characteristics (relevance and faithful representation) of financial reporting accounting and the enhancing qualitative characteristics (understandability) can be significantly enhanced through Forensic Accounting. Analysis of the primary data further attested to the above revelations. To this end, the researcher recommends that relevant regulators of accounting practice in Nigeria such as the Financial Reporting Council of Nigeria and other relevant accounting bodies should ensure that forensic accounting be deeply entrenched to enhance the quality of financial statements and indeed the financial reporting system in Nigeria. Key industrial regulators such as the Central Bank of Nigeria, NDIC, SEC and so on should at regular intervals commission forensic accounting to ensure compliance on the key variables such as relevance, faithful representation, understandability and so on by the annual reports submitted to them by agencies of government and the organised private sector. They should also train and re-train their members on the intricacies of forensic accounting as regards these variables to enhance the utility capital providers and other stakeholders derive from financial reporting in Nigeria.*

KEYWORDS: Forensic Accounting, Financial Reporting Enhancement, Nigeria.

INTRODUCTION

Background of the study

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic entities to achieve useful economic decision making (FASB, 1999; IASB, 2008). Providing qualitative financial reports is important because it will positively influence capital providers and other stakeholders in making investments, credit and similar resource allocation decision thereby enhancing overall market efficiency(IASB, 2008). According to Warshavsky(2012),

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Financial Reporting Quality relates to the ability of a company's reported performance to best symbolize its true earnings. He further argues that analysts, investors and management have deployed dozens of forensic indices that aid the forensic accountant in assessing the probability of performance index manipulation by a suspect company. Warshavsky(2012), observed that because the financial statement are the responsibility of company's management, transactions can be structured to best achieve a desired accounting result by reporting key financial transactions to the company's advantage. He stresses that the quality of a company's earnings is one facet of an investigation that is often overlooked in the financial forensic process.

The banking sector which is considered very volatile and sensitive has gone through some moments of deep rooted crisis with the very recent being the abrupt removal and trial of five Chief Executive Officers and spontaneous dissolution of their boards. The issues that led to this action by the apex bank the Central Bank of Nigeria(CBN) were mainly blamed on poor corporate governance which saw some insider abuses leading banks having negative balance in their shareholders' funds. Following this, the CBN conducted a forensic audit which confirmed that the Chief Executives have filled very misleading financial reports to the CBN and other regulators. Their reports saw misstatements and misrepresentation of key financial reporting variables, concealment of actual figures which constituted bad loans and advances (Sanusi,2010).

Otusanya(2012) in (Ahamad, Zayyad and Rasak, 2013) observes that the Central Bank of Nigeria independence examination conducted on the five indicted banks in 2009 revealed how corrupt practices and manipulation of financial statements have concealed huge funds as non-performing loans. The report further reveals that out of the loan portfolio of ₦2.8 trillion, the aggregate non-performing loans were 40.81%. The recently widely reported case of police pension scam also points to the need to revamp the current trend of quality assurance approach on financial statements by incorporating forensic accounting,(Ahamad, Zayyad and Rasak, 2013). The process has heralded a new era demanding total disclosure of facts that would enable financial statement play the key role of educating and informing existing and potential investors on the true financial position of any organisation, hence the study of forensic accounting. Ramaswamy(2007) submits that Forensic Accounting can analyse and uncover possible financial reporting manipulations that is suitable for presentation in court.

The place of Forensic Accounting in entrenchment of quality assurance of financial statement cannot be overemphasized. The issue of quality is very critical to the usefulness that financial reports could serve and Forensic Accounting which looks beyond mere adherence of financial reports to policies and principles but goes further to verify the underlying facts that could be tendered as evidence even in the courts has been veritable in the strengthening of quality of reports being issued by accountants.

Financial Reporting Quality which encompasses the earnings quality, is a broader concept that not only refers to financial information but also to disclosures and other non-financial information useful for decision making included in the report(Beest, Braam and Boelens, 2009). The FASB and IASB(2008) expressed their desirability of measuring the quality of financial reports and this was followed up basically by two basis of the fundamental characteristics(relevance and faithful representation) and the enhancing qualitative characteristics(understandability, comparability, verifiability and timeliness) ways of assessing the quality of financial statements.

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The forensic accountant fills that gap between other expectations on the financial statements to fulfill the yearly statutory requirements of presenting a true and fair view of the financial position of the organisation but would go further in ensuring that the documents and other underlying facts are tenable in the case of litigation. The rest of this paper will x-ray the role of the forensic accountants in enhancing the quality assurance of financial statements.

Statement of Problem:

The accounting profession has in the recent past been challenged with entrenching quality in the financials reports which is perceived as the hallmark of the profession. Recent developments tend to establish the contrary. The banking sector in Nigeria has had several reasons to be overhauled in the recent past, the basic reasons being that they do not worth what they claim (Sanusi,2010). The case of Enron and Worldcom as earlier cited also lay credence to this assertion and brought to the fore the extent of damage that poor quality financial reports can do. This study therefore seeks to establish the extent to which Forensic Accounting as an aspect of accounting can help in achieving qualitative financial statements that could aid stakeholders in making better investment decisions.

Many researchers have measured the quality of financial reporting indirectly by focusing on attributes that are believed to influence quality of financial reports such as earnings management, financial restatements and timeliness (Barth, Beaver and Lang, 2008; Schipper and Vincent, 2003; Cohen, Krishnamorthy and Wright, 2004). Despite, a considerable interest in the effectiveness of accounting standards on the quality of financial reporting, empirical literature emerged that offers contradictory findings about the questions to what extent accounting standards contribute to the decision usefulness of financial reporting information (Beest,et al. 2009).

The enhancement of financial investigation will not only unveil the untoward acts of criminals, lead to recoveries but this may only be achievable if auditors who have been conversant with the tricks involved in the manipulations of figures are involved in financial investigations and make necessary impact to improve on quality assurance on financial statements which are the basic records presented (Ahamad,Zayyad and Rasak,2013). Their study however reveal that conducting an independent audit and incorporating it into periodic audit will most likely not enhance financial crime investigation especially in the aspect of early detection and confirmation of fraud. The incorporation of forensic accounting skills into conventional may actualize timely detection and confirmation of manipulations of financial reports as forensic accounting is based on the premise of looking for indicators of abnormal occurrences in the accounting and financial reporting system, McKittrick (2009).

From the foregoing, it is evident that researches have been done on the impact of forensic accounting on prevention of financial frauds while little or no extant study has been on the need to employing forensic accounting to enhance quality assurance of financial statements and hence the justification for this study. The study is also further necessitated by the divergent views of scholars on the effectiveness of forensic accounting on quality assurance of financial statements while many anchor theirs on earning quality. This study specifically seeks to x-ray the potency of forensic accounting in entrenching qualitative financial reporting in Nigeria.

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Objectives of the Study

The broad objective of this study is to appraise the effectiveness of forensic accounting in achieving quality assurance on financial reporting in Nigeria. Specifically the study will:

(i) Determine the effectiveness of Forensic Accounting in enhancing the relevance of financial statements.

(ii) Evaluate the efficacy of Forensic Accounting in improving faithful representation of the financial reports.

(iii) Ascertain the effectiveness of Forensic Accounting in boosting the understandability of financial statements.

Research Questions:

The following research questions will guide this study:

(i) How effective is Forensic Accounting in enhancing the relevance of financial statements?

(ii) To what extent can Forensic Accounting help to improve faithful representation of financial reports?

(iii) To what extent does Forensic Accounting boost the understandability of financial statements?

Research Hypotheses

This study has the following null hypotheses:

(i) H_0: Forensic Accounting does not significantly enhance the relevance of financial statements.

(ii) H_0: Forensic Accounting does not significantly improve the faithful representation of financial reports.

(iii) H_0: Forensic Accounting does not significantly boost understandability of financial statements.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Origin and Development of Forensic Accounting:

Forensic accounting also known as investigative accounting or forensic audits can be said to be a new field in accounting in Nigeria and borne out of the need of ensuring quality assurance of financial statements. Joshi (2003) ascribed the origination of forensic accounting to Kutilya, the first economist to openly recognize the need for accountants to tender evidence in the court. Pouloubet(1946) as cited by Kasum(2009) coined the word "forensic accounting" but Crumbley and Apostolou(2007) asserts that forensic accounting can be traced

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to 1817 court decision where a young Scottish accountant issued a circular advertising his expertise in arbitration support in 1824" while Pouloubet was probably the first to publish the phrase "forensic accounting".

Forensic Accounting Defined

The word "Forensic" relates to crime solving. It is the application of science to decide questions arising from crime or litigation and thus introduced in the accounting domain to serve as a more reliable and evidential means of enhancing financial investigations and prevention or reduction of financial impropriety in all forms Modugu and Anyaduba(2013). Forensic accounting relates to deterring, detecting and investigating frauds in financial reporting (Kristic, 2009). Encarta dictionary (2011) defines it as auditing practices carried out to detect possible criminal activities concealed in financial accounts. It is the integration of accounting, auditing and investigative skills (Zysman, 2004). Howard and Sheetz(2006) define it as a process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert.

Financial Reporting Qualities:

The IASB(2008) explicitly express the desirability of constructing a comprehensive measurement tool to assess the quality of financial reporting considering all dimensions of decision usefulness. Hence, this measurement tool considers all the qualitative characteristics because these characteristics determine the decision usefulness of financial reporting information. Epistein and Jermakowicz(2010) while citing IASB(2008) stated that financial reporting qualities can be broadly divided into fundamental characteristics(relevance and faithful representation) and the enhancing qualitative characteristics (understandability, comparability, verifiability and timeliness).

(1) Fundamental Qualitative Characteristics: These are the most important and determine the content of financial reporting information, IASB (2008). They comprise relevance and faithful representation.

(a) Relevance: Relevance refers to the capability of making a difference in the decisions made by users in their capacity as capital providers. This concept will be tested in order to improve the comprehensiveness of the quality assessing measurement tool by considering a broader perspective on predictive value including both financial and non-financial information. Predictive value is the ability of past earnings to predict future earning (Francis, LaFond, Olsson and Schipper,2004; Lipe,1990; Schipper and Vincent, 2003). Predictive value explains information on the firm's ability to generate future cash flows.

(b) Faithful Representation: This shows or assesses financial reporting information by measuring if information faithfully represents economic phenomena the information purports to represent. Thus, annual reports must be complete, neutral and free from material error(IASB, 2008). Faithful representation is measured using five items namely: neutrality, completeness, freedom from material error and verifiability (Willekens, 2008; Rezae,2003; Cohen, et al, 2004; Jonas and Blanchet, 2000; Maines and Wahlen,2006; Gaeremynck and Willenkens; Kim,et.al, 2007, and Beest, 2009). The study therefore adopts some proxies such as free from bias; valid and well grounded arguments; neutrality, unqualified report and corporate governance statement.

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(2) The Enhancing Qualitative Characteristics: The enhancing qualitative characteristics can improve decision usefulness when the fundamental qualitative characteristics are established. However, they cannot determine financial reporting quality on their own, IASB (2008). These qualities are: understandability, comparability and reliability.

1. Understandability: This attribute will increase when information is classified, characterized and presented clearly and concisely (Beest et, al, 2009). Understability is referred to when the quality of information enables users to comprehend their meaning (IASB, 2008). The standard is measured using five items that emphasize the transparency and clearness of the information presented in annual reports (Jonas and Blanchet,2000; Courtis, 2005; IASB, 2006). Jonas and Blanket (2000) submitted that if annual report is well-organised, it is easier to understand where to search for specific information. Disclosure information and in particular the notes to the balance sheet and income statement , may be valuable in terms of explaining and providing more insight into earnings figure(Beretta and Bozzolan, 2004).

2. Comparability: This characteristic measures the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena (IASB, 2008). This implies that similar situations should be presented the same while different situations should be presented differently. To this extent comparability is measured using six proxies that are focused on consistency.

3. Timeliness: This qualitative characteristic defined the ability of information being made available to decision makers before it loses its capacity to influence decisions (IASB, 2008) and refers to the time it takes to reveal the information and is related to decision usefulness in general. The natural logarithm of number of days between year end and that the signature on auditor's report after year end is the basis for examining the quality of information in annual reports (Beest, et.al. 2009).

Forensic Accounting and Quality Assurance of Financial Statements:

The increasing spate of devolution of power from ownership to management has increased in the last decade and has now more than ever triggered off the need for quality assurance of financial statements. A qualitative financial statement should be devoid of any misstatement or misrepresentations. Kristic(2009) advocates the need for the broader accounting public and users of financial statements to base their decisions on information that shows the real picture of financial and revenue position of an enterprise. Fraudulent misrepresentation can range from overvaluation of inventory and improper capitalisation of expenses to misstatement of earnings and embezzelement(Harris & Brown 2000; Messmer,2004 in Digabriele, 2008).

Forensic accounting and qualitative financial reporting - skill and attributes:

If the forensic accountant must suceed in his assignment, he must have knowledge and understanding of fraudulent financial transactions,legal processes, high acumen of elements of fraud and criminology concepts and above all investigative skills Singleton, *et. al.* (2000) in Njanike, Dube,Mashayanye(2009) .The forensic accountant must be part corp, part lawyer, part accountant and partly a psychologist. Honrenbeech(2002) in Njanike, et.al.(2009) acknowledge that a forensic auditor should have a well developed professional skeptism(sniffer attitude and investigative mind), analytical and logical mind, personal integrity, expertise in internal controls and acumen in interviewing techniques.

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Fraud and Omissions as key causes of poor quality financial reporting

Fraud has generally been described as that unlawful acquisition of property (EFCC Act, 2004). However, fraud as defined by Kristic(2009) may be most apt for this study when he says that fraud are acts that are undertaken with the intent of making financial statements incorrect and falsified. He further avers that financial reporting fraud could be perpetrated by:

- False presentation of facts that has important character;
- The awareness of a perpetrator about the falsity of presentation and manifestation of total negligence of the truth;
- Persons that receives information treats it as reliable and relies on it in making decision;
- Eventual financial damage that the user of the information bears is created.

Theoretical Framework

Accountability is the bedrock of every business and so "Agency Theory" upon which this study is underpinned propound the relationship between manager (agent) and owner (principal). The Agency Theory explains a situation where the agent is hired to manage the company on behalf of the principal asserting that the separation of ownership and control give rise to information asymmetry where managers have better information on the firms' current and future performance than the principal(Investor Words, 2011 as cited by Ofor(2014). The Agency Theory further assumes that "no agents are trustworthy and if they can make themselves richer at the expense of their principals they will" (ICAEW, 2005 as cited by Ofor, 2014).

Empirical Reviews

Some of the empirical studies related to this study have thus far revealed divergent outcomes. Notable among this studies are:

Warshavsky (2012) who in his study titled "Analyzing Earnings Quality as a Financial Forensic Tool; while propagating the Beneish Model, stated that the model is used to identify companies that manipulate their earnings. The model employs eight model approach presented as financial indexes. The study detected the financial performance rate of many corporations including Enron, and so on. The study therefore concluded that companies like Enron and World com corporations had their earnings manipulated to enable the management achieve targeted financial reporting variables.

Modugu and Anyaduba(2013) while studying "Forensic Accounting and Financial Fraud, adopted the survey research approach, distributed 5-Scale Likert questionnaire to a sample size of 143 respondents, drawn from accountants in public and organised private sector. The hypothesis shows a significant agreement among stakeholders on the effectiveness of Forensic Accounting in fraud control, improving financial reporting and internal control. In a related study, Kasum(2008) researched on "The relevance of Forensic Accounting to Financial Crime in Private and Public sector of Third world economies. The researcher adopted the empirical survey cum exploratory approach. Questionnaires were distributed to diverse class of professionals comprising accountants, lawyers, economists and bankers. Analysis were done using Z-Score test of mean computed for the first three hypotheses and Z-Score test of proportion was computed for the last hypothesis. The study reveals that there is an alarming rate of corruption among the third world countries and that it is not only

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crumbling the economy but also affecting innocent national's standard of living and image. The study further reveals that the services of the experts (forensic accountants) are more required in developing economies and more especially in the public sector than developed economies. Ogodogun(2011) studied "Reducing Corruption in the Public Sector: The Forensic Accounting Pedagogy". The study adopted the descriptive approach and tested hypotheses. The study used the Pearson Product Moment Correlation Coefficient and the Spearman rank order correlation. A sample size of 124 of accountants in public service of Edo, Delta and Bayelsa states. 4-Point Likert Scale. Questionnaires were administered. Findings of the study were that there exists a significant relationship between corruption and forensic accounting; there is a very strong relationship between poor accounting records and corruption practices in the public sector and there is significant relationship between corruption and poor economic development.

Enofe, Mgbame, Ayodele and Okunbo(2013) in Forensic Accounting: A Tool for Detecting Fraud in Nigeria Business Environment while adopting the descriptive survey, distributed 50 questionnaire based on 5-Scale Likert Scale, 3 research hypothesis formulated and used SPSS to analyse data. The findings show that forensic accounting services are required in Nigeria; Forensic Accounting is an effective tool for detecting fraud in Nigeria business environment. Ahmad, Zayyad and Rasak(2013) in their study titled "An empirical examination of the role of forensic audit in enhancing financial investigations in Nigeria" employed the use of primary data collated via questionnaire based on 5 Likert-Scale administered among 240 accountants. They used the Pearson correlation coefficient statistical tool and multiple regression for analysis of data. They concluded that while forensic audit ensure earlier detection and confirmation of fraud and thus enhance financial crime investigations in the country but submitted that introducing independent audit skill into periodic audit will most likely not boost financial crime investigations especially in the aspect of early detection and confirmation of fraud.

Ramaswamy(2007) argues that in investigative accounting, one small transaction that looks suspicious could be the thread that unravels a big accounting misdemeanour hence the need for forensic accounting. Okoye and Akamobi(2009); Owojori and Asaolu(2009), Izedomin and Agbame(2011) in Modugu and Anyaduba(2013) acknowledge the increasing incidence of fraud and fraudulent activities in Nigeria perpetrated through financial statements manipulations and regretted it is gradually becoming a normal way of life. Kasim(2009) observes that perpetration of financial irregularities are becoming the speciality of both private and public sector in Nigeria as individuals perpetrate fraud and corrupt practices according to the capacity of their office. Enofe, *et. al.*(2013) regret that the specific problem with fraud in Nigeria business environment is the negative effect on corporate earnings and a loss of investors' confidence. Jristic(2009) studied "The role of Forensic Accountants in Detecting Frauds in Financial Statements". The paper submits that inaccurate financial statements provide incorrect picture of earning capacity and financial position of an enterprise on which basis users, including all classes of stakeholders make their decision and consequently get exposed to fraud.

SUMMARY OF LITERATURE

From the foregoing reviews(conceptual, theoretical and empirical reviews), the study has been able to establish that the ability of Forensic Accounting in checkmating fraud has been

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carried out by various scholars both in Nigeria and in foreign countries. However, to the extent of our review no study has been carried out specifically to appraise the potency of Forensic Accounting in entrenching qualitative financial reporting in the banking industry both in Nigeria and overseas countries and this is the gap this study seeks to fill.

RESEARCH METHODOLOGY

Research Design: This study adopted the empirical, survey and descriptive approach.

Population: The population for this study comprised all the Twelve Deposit Money banks listed in the Nigeria Stock Exchange. The population for the purposes of the primary data consists of all accountants in Nigeria.

Sample Size: A sample size of five banks was randomly selected from where the secondary data were sourced. However, since the population for the primary data consists of all the accountants in Nigeria and this population will be pretty too large for this study, the researcher decided to narrow its respondents to five diverse groups namely the accountants in audit practice, those who prepare the financial who are in the banking industry, those in the academia, public and other organised private sectors. The justification of this choice of groups is primarily based on their inclusion in previous studies (Modugu and Anyaduba, 2013; Ahmadu, *et al*.(2013) Kasum, 2012; Lowe and Pany,1995 Abdulaziz, 2009).

Sources of Data: Both primary and secondary data were employed for this study as already indicated. Secondary data were sourced from the annual financial statements of the five banks being studied. Primary data were sourced through questionnaires which were used to elicit information from respondents comprising accountants from diverse fields as indicated in 3.3.1.

The primary data were sourced using the 5-Scale Likert questionnaire showing: 5=Strongly Agree; 4=Agree; 3= Undecided, 2= Disagree and 1= Strongly Disagree. Each questionnaire has fifteen questions. Questionnaires were administered to accountants who were stratified into five main groups thus:

Audit Firms	50
Academia	50
Public Sector	50
Financial Institutions(Banks)	50
Other Organised Private Organisations	50
	250

Secondary Data: Secondary data for this study were sourced using the financial statements of five randomly selected banks.

Test for reliability: The test for reliability has to do with the stability and consistency of an instrument across different times. It is a measure that indicates the extent to which a research instrument is without bias (error free) and hence ensures consistent measurement across times and across the various items in the instrument"(Tariq, 2009). To attain this, the researchers conducted a Cronbach's Alpha test with the aid of SPSS 17.

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Tools for Data Analysis: The primary data were analysed using Pearson's Correlation Coefficient and Multiple Regression is used for the analysis upon which it will make inferences. The degree of relationship between the dependent variable and each independent variable will be measured using the Pearson's Correlation Coefficient. However, the secondary data were analysed using binomial scale ranging from 0-4, where 0 = Absence of variable; 1= Low indication of variable; 2= average; 3= very significant indication and 4= excellent.

Model Specification

The proposed model of the relationship among the variables for the analysis is as following:

$Y = B_O + B_1X_1 + B_2X_2 + E$
Where Y= quality assurance in financial statement
X_1 = forensic accounting skills in the annual audit
X_2 = independent forensic accounting of financial statement s on annual basis.
B_O ,B_1,B_2 = Regression Coefficients
E = error term
Source: Ahmadu, et.al, 2013

PRESENTATION AND ANALYSIS OF DATA

Table 1: Operational measures utilized for the qualitative characteristics of Annual Reports(2012)

Qualitative Characteristics	Items	FBN	ZENITH	GTB	UBA	ACCESS
Relevance						
RR 1	AR discloses forward-looking information	2	3	2	1	2
RR 2	AR discloses information in terms of business opportunities and risk	3	2	2	2	3
RR 3	The Company uses fair value as Measurement basis	2	3	1	2	2
RR 4	AR provides feedback information on how various market events and significant transactions affected the company	0	0	2	0	1
Faithful Representation:						
FRR1	AR explains the assumptions and estimates made clearly	2	3	2	3	2

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Researcher's ratings on financial reporting variables as indicated in the financial statements of above named banks based on binomials (0 to 4). Here 0=Absence of proxy in Financial Statement; 1=Poorly done; 2=Good; 3=Very Good; 4=Excellent

***Note: RR= Relevance Rating; FRR: Faithful Representation Rating; UR= Understandability Rating; CR= Comparability Rating and AR: Annual Report**

TABLE 1 Continues:

FRR2	AR explains the choice of accounting principles vividly	3	3	3	3	3
FRR3	AR highlights positive and negative events in a balanced way when discussing the annual performance	2	3	2	3	3
FFR4	AR includes an unqualified auditor's reports	3	3	3	3	3
FFR5	AR extensively discloses information on corporate governance issues	3	3	2	3	3
Understability:						
UR1	The annual report is well organized	2	3	2	2	3
UR2	The notes to the balance sheet and the income statements are clear	3	3	2	2	3

Source:Researcher's ratings on financial reporting variables as indicated in the financial statements of the above banks based on binomials 0-4 where 0=Absence of proxy in Financial Statement; 1=Poorly done; 2=Good; 3=Very Good; 4=Excellent

***Note: RR= Relevance Rating; FRR: Faithful Representation Rating; UR= Understandability Rating; CR= Comparability Rating and AR= Annual Report**

UR3	Graphs and Tables clarify the information presented	3	3	2	2	3
UR4	The use of language and technical jargon is easy to follow in the	3	3	3	3	3

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annual report	3	3	2	3	3
UR5 The annual report included a comprehensive glossary	2	0	0	0	0
Comparability					
CR1 The notes to changes in Accounting policies explain the implications of the change	3	3	3	2	2
CR2 The notes to revisions in accounting estimates and judgements explain the implications of the revision	3	3	2	3	3
CR3 The company's previous accounting period's figures are adjusted for the effects of the implementation of a change in accounting policies or revisions in accounting estimates.	3	3	3	3	3
CR4 The result of current accounting period is compared with result in previous accounting period.	3	3	2	3	3
CR5 Information in the annual report is comparable to information provided by other organisations.	4	4	4	4	4
CR6 The annual report present Financial index numbers and ratios.	1	0	0	1	0
Timeliness:					
Natural logarithm of amount of days it took for the auditor signed the auditors' report after book-year end	3	3	3	3	3

Researcher's ratings on financial reporting variables as indicated in the financial statements. based on binomials (0 to 4) where 0=Absence of proxy in Financial Statement; 1=Poorly done; 2=Good; 3=Very Good; 4=Excellent

***Note: RR= Relevance Rating; FRR: Faithful Representation Rating; UR= Understandability Rating; CR= Comparability Rating and AR= Annual Report**

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Presentation of Data: Data gathered through the questionnaire are presented in tables. In all, a total of Two hundred and fifty questionnaires were distributed and responses analysed.

Table 1: Distributed Questionnaire: Analysis of respondents by sector of employment

Sector	Total distributed	Total returned	Total withheld	Returned as % of total
Public	50	41	09	0.82
Financial Industry	50	36	14	0.72
Academia	50	42	08	0.84
Manufacturing	50	28	22	0.56
Auditors in private practice	50	32	18	0.64
Total	**250**	**179**	**71**	**0.716**

Source: *Field Survey, 2014*

Table 1 shows that Two Hundred and Fifty questionnaire were distributed among accountants who are stratified according to the sectors of their employment. One hundred and Seventy Nine (179) representing 71.6% were completed and returned while seventy one 71 or 28.4% were withheld.

Table 2. Cronbach Reliability Analysis

Cronbach's Alpha	No. of items
.792	20

Source: Researcher's computations using SPSS, 17.

Table 2 above examines the properties of measurement scales and the items that compose the scales to determine the degree of its reliability. The Cronbach Alpha Coefficient should ideally be between 0.7 to 0.8. This is in line with studies by with studies done by Modugu and Anyaduba(2013) and Ahmad,et.al(2013). The Cronbach coefficient for this study can be said to have performed at an acceptable reliability value of 0.792 as Cronbach value less than 0.7 than the range indicate an unreliable scale. Therefore the instrument used in gathering the data is reliable.

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ANALYSIS OF DATA

Test of Hypotheses

Hypothesis One: Forensic Accounting does not significantly enhance the relevance of financial statement.

Table 3: Forensic Accounting and enhancement of relevance of financial reports

Item No.	Statement	No returned
1.	Forensic accounting will enhance disclosure of forward-looking information.	179
2.	Forensic accounting will produce annual reports that will disclose information in terms of business opportunities and risks.	179
3.	Forensic skills will enhance use of fair value as measurement basis.	179
4.	Forensic accounting will help produce annual reports with feedback information on how various market events and significant transactions affected the company.	179
5.	Forensic Accounting will aid the production of annual reports that will be specific and industry based.	179

Source: *Field Survey, 2014*

The statements in Table 3 above relates to the research hypothesis one (1) which was developed to proffer answers to research question 1. The data gathered from the response were used to test hypothesis one. The result of the test is presented thus:

Hypothesis 1: Forensic Accounting does not significantly enhance relevance of financial statements.

Table 4: Correlation between the Forensic Accounting and relevance of financial statements.

		Enhancement of the relevance of Financial Statements	Inclusion of Forensic accounting during conventional accounting
Enhancement of relevance of financial statements	Pearson correlation	1	0.168*
	Sig.(2-tailed)		0. 049
	N	176	179
Forensic Accounting	Pearson correlation	0.168*	1
	Sig.(2-tailed)	0.47	
	N	176	179

***Correlation is sig at the 0.05 level (2-tailed)**

Sources: Researcher's computation using SPSS, 17; 2014(See Appendix one for response to questionnaire).

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Hypothesis Two: Faithful representation of financial statements is not significantly enhanced through forensic accounting.

Table 5: Forensic Accounting and Faithful Representation of financial statements

Item No.	Statement	No returned
5	Forensic Accounting will enable the production of annual reports that explains the assumptions and estimates clearly.	179
6.	Forensic Accounting will ensure the produce annual reports that explains the choice of accounting principles clearly.	179
7	Forensic Accounting will highlight the positive and negative events in a balanced way when discussing the annual results.	179
8	Forensic Accounting is likely to disclose if auditor's report is qualified or not.	179
9.	Forensic Accounting will extensively disclose information on corporate governance issues.	179

Source: Field Survey, 2014

<u>Hypothesis Two:</u> Forensic accounting does not significantly improved faithful representation of financial statements

Table 5: Correlation between Forensic Accounting and Faithful Representation of financial reports.

		Improvement of faithful representation of financial statements	**Forensic accounting skills during conventional audits.**
Improvement of Faithful representation	Pearson correlation	1	0.183*
	Sig.(2-tailed)		0. 045
	N	177	179
Forensic accounting	Pearson correlation	0.183*	1
	Sig.(2-tailed)	0.052	
	N	175	179

***Correlation is significant at the 0.05 level (2-tailed); Source:** Researcher's computation using SPSS

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Hypothesis Three:

Table 8: Forensic Accounting and increased of understandability of financial statements

Item No.	Statement	No returned
9	Forensic Accounting enhances the production of annual reports with clearly stated notes to statement of financial positions and income statements.	179
10	Forensic Accounting aids annual reports that are well organised.	179
11	Forensic Accounting enhances the use of graphs and tables that will clarify the information presented.	179
12.	Forensic Accounting can aid the use of language and jargon which will be easy to follow in the annual reports.	179
13.	Forensic accounting will enhance the production of comprehensive glossary	179

Source: Field Survey, 2014

Hypothesis Three: Forensic Accounting does not be significantly boost understandability of financial statements.

Table 6: Correlation between Forensic Accounting and boosting of understandability of financial statements.

		Boosting of undertandability of financial reports	Forensic accounting during the conventional accounting.
Boosting of understandability of financial statements	Pearson correlation	1	0.168*
	Sig.(2-tailed)		0. 49
	N	177	177
Forensic Accounting	Pearson correlation	0.168*	1
	Sig.(2-tailed)	0.49	
	N	177	177

Source: Researcher's computation using SPSS *Correlation is significant at the 0.05 level (2-tailed)

Discussion of the results

The results suggest that forensic accounting will enhance relevance, faithful representation and understandability of financial statements thereby entrenching qualitative financial reporting in Nigeria banking industry as confirmed by hypotheses 1,2 and 3. It therefore suggests the acceptance of the alternative hypotheses as indicated by the p values of 0.049, 0.042 and 0.47 indicating a value that is less than 0.05(5% level of significance).

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A conclusion is inferred that Forensic Accounting will most significantly enhance the financial reporting quality in Nigeria banking industry.

Table 4: shows the result of hypothesis one which states that there is no significant relationship between Forensic Accounting and enhancement of relevance of financial statements. The result reveals that there is a positive and significant relationship between Forensic Accounting and the enhancement of relevance of financial statements. The null hypothesis is rejected and the acceptance of the alternative. Thus Forensic Accounting does significantly enhance the relevance quality of financial statements.

Table 5: This table shows the result of the test of second hypothesis which states that Forensic Accounting does not significantly enhance faithful representation of financial statements. The result indicates that there is significant relationship between forensic accounting and faithful representation and hence the acceptance of the alternative hypothesis. The null hypothesis is therefore rejected. The result therefore indicates that forensic accounting will enhance faithful representation.

Table 6: This table tested the third hypothesis which states that Forensic Accounting does not significantly enhance understand ability of financial statements. The result shows that there is significant relationship between Forensic Accounting and enhancement of understadability of financial reports and hence the acceptance of the alternative hypothesis. The null hypothesis is therefore rejected. The result therefore indicates that forensic accounting does significantly enhance understandability.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

Summary of Findings: This study has appraised the impact of forensic accounting in enhancing the quality of financial statements. The major findings of the research are as follows:

(1) The analysis on this hypothesis shows that there is significant and positive relationship between forensic accounting and relevance of financial statement. This result collaborate previous studies (Modugu and Anyaduba, 2013; Jovan, 2009; Kasum, 2008).

(2) The second hypothesis shows that there is a strong relationship between forensic accounting and faithful representation and hence agrees with Modugu, & Anyaduba, (2013).

(3) The analysis on the third hypothesis depicts a very strong correlation between forensic accounting and understandability of financial statements and collaborates (Modugu and Anyaduba, 2013, Ogodogun, 2011).

Conclusion

This study has appraised the impact of forensic accounting in enhancing the quality assurance of financial statements. Content analysis of the financial statements of the banks understudy

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was done. The research also in addition used the Survey/descriptive research design approach. Questionnaire were designed and distributed to elicit opinion of respondents which are accountants cutting across those in auditing, banking, manufacturing, academia and public sectors. Two hundred and fifty questionnaires were distributed while one hundred and seventy nine were returned. Though the study of forensic accounting is fairly new and has not gained statutory recognition in Nigeria, the study advocates that forensic accounting has the potentials that will positively impact on quality of financial statements produced in Nigeria.

Recommendations

Sequel to the findings of this study, the researchers recommend:

(1) That accountants should acquire training in forensics to enable them carry out this investigative aspect and be in a position to offer advises that could unravel those issues which has mitigated quality assurance of financial statements.

(2) Forensic accountants should be employed to fortify the internal control of various organisations while reports are benchmarked against the fundamental and enhancing qualitative attributes in order to appreciate organisations that have adhered to the requirements.

(2) Accounting Regulators in Nigeria such as the Financial Reporting Council and other relevant accounting bodies should develop programmes to ensure certification of accountants in this area of accounting.

(3) The government of Nigeria through the National Assembly should enact a law to make forensic accounting/audits a statutory requirement for publicly quoted companies.

(4) The various universities and other tertiary institutions' authorities should formalize the study of forensic accounting by integrating it into their programme of study in the various departments of Accountancy.

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APPENDIX 1: QUESTIONNAIRE

Instruction

Please tick(x) in the boxes provided. The information sought is for research purposes and your responses will e treated with utmost confidentiality.

Educational qualification SSCE (   ) OND/NCE (   ) B.Sc./HND (   ) MBA/M.Sc. (   )

Ph.D(   )

S/No	Variables	SA	A	UN	D	SD	Total
1.	Forensic accounting will enhance disclosure of forward-looking information.	102	70	0	5	2	179
2.	Forensic accounting will produce annual reports that will disclose information in terms of business opportunities and risks.	98	66	2	9	4	179
3.	Forensic skills will enhance use of fair value as measurement basis.	92	82	6	6	3	179
4.	Forensic accounting will help produce annual reports with feedback information on how various market events and significant transactions affected the company	87	82	0	5	5	179
5.	Forensic Accounting will enable the production of annual reports that explains the assumptions and estimates clearly.	96	65	7	7	4	179
6.	Forensic Accounting will aid the production of annual reports that will be specific and industry based.	92	67	06	08	06	179
7.	Forensic Accounting will ensure the produce annual reports that explains the choice of accounting principles clearly.	78	98	1	1	1	179
8.	Forensic Accounting will highlight the positive and negative events in a balanced way when discussing the annual results.	89	71	6	5	8	179
		102	68	2	5	2	179
9.		92	67	06	05	09	179
10.	Forensic Accounting is likely to disclose if auditor's report is qualified or not.	63	100	4	3	9	179
11.	Forensic Accounting will extensively disclose information on corporate governance issues.	139	30	5	2	3	179
12.		87	66	10	8	8	179

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13.	Forensic Accounting enhances the production of annual reports with clearly stated notes to statement of financial positions and income statements.	79	58	12	17	13	179
14.	Forensic Accounting aids annual reports that are well organised.	85	60	08	11	15	179
15.	Forensic Accounting enhances the use of graphs and tables that will clarify the information presented.	42	112	16	06	03	179
	Forensic Accounting can aid the use of language and jargon which will be easy to follow in the annual reports. Forensic accounting will enhance the production of annual reports with comprehensive glossary						

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