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Challenges of the Economic and Financial Crimes Commission and Their Influence on Adoption of Forensic Accounting: A Conceptual Framework

Ibrahim Umar^{a*}, Rose Shamsiah Bt Samsudin^b, and Mudzamir Bin Mohamed^b

^a*Department of Accountancy, Yobe State University, Nigeria*

^b*School of Accounting, College of Business, Universiti Utara, Malaysia*

Abstract

Corruption in forms of bribery, embezzlement, misappropriation and money laundering has been a major issue in Nigeria. International reports, and academic findings about corruption in Nigeria depict adverse situation thereby damaging the country's image. Efforts were made by successive Nigerian government to curb this menace include enacting laws and establishing Economic and Financial Crimes Commission (EFCC) which has remained an issue of discussions. This conceptual paper reviews the literature on the perceived challenges of the EFCC, identifies the probable factors that influence organization's decision to adopt forensic accounting in fraud detection process and proposed a framework for an in-depth investigation into possible factors influencing EFCC's adoption of forensic accounting in Nigeria. In so doing, possible policy and academic implications will emerge which form the basis for implementation and further study.

Keywords: Anti-corruption, EFCC, corruption, forensic accounting and Nigeria

1.0 INTRODUCTION

Academic and policy discussion on corruption in Nigeria has remained an opened debate (M. A. O. Aluko, 2002; Ogbeidi, 2012). This is particularly common among researchers, media houses and the common man on the street (Shehu, 2015). This has no doubt created a bad image of the country among international players. For instance, in their annual reports, Transparency International has ranked Nigeria among countries of the world with a high perceived level of corruption (Transparency International, 2012). In a similar report, United State Department of International Affairs (2012) also reported that there exist massive corruptions in Nigeria affecting every sector of the economy and doubted the efforts of the Nigerian Government in fighting economic and financial crimes.

Previous researchers have also studied the Nigerian efforts in fighting corruption. Some were focusing on the development of corruption in Nigeria (Agbibo, 2013a; M. A. O. Aluko, 2002; Ogbeidi, 2012) while others reviewed the challenges of the EFCC (Sowunmi, Adesola, & Salako, 2010; Umoh & Ubom, 2012). In addition Enofe, Okpako and Atube (2013), Owolabi, Dada, and Olaoye (2013) studied the impact of forensic accounting in fraud detection and consequently recommended the adoption of forensic accounting in the EFCC's fraud detection process.

However, limited studies have accorded attention to organizational use of forensic accounting in fraud detection process (Bierstaker, Brody, & Pacini, 2006; Muthusamy, 2011) indicating an apparent inadequacy of research findings on the adoption of forensic accounting. It is therefore the aim of this paper to review these challenges as they affect the achievement of the objective of the EFCC and to propose a framework for understanding the factors influencing the adoption of forensic accounting in its fraud detection process. To achieve these objectives, the

*Corresponding author. Tel.: +6014-6494392, Fax.: +000-00000000
E-mail: ibrahimgaba@gmail.com

study is divided into four sections: introduction, review of related literature, proposed framework and the conclusion.

2.0 REVIEW OF RELATED LITERATURE

Corruption is considered one of the greatest obstacles to economic and social development (Mauro, 1995). Beside representing a significant additional cost of doing business in many developing countries, it is also capable of undermining development by distorting the rule of laws as well as weakening and gradually crumbling the institutional foundation upon which economic growth depends (Elijah, 2007). Previous studies on corruption examined the causes of corruption (Goel & Nelson, 2010), the effects of corruption (Mauro, 1995) and also anti-corruption efforts (Desta, 2006; Fjeldstad & Isaksen, 2008; Quah, 2010). These studies revealed that corruption is caused by a number of factors including the system of government, the level of economic development and the religious perspectives (Ades & Tella, 1996; Treisman, 2000). For example, Treisman (2000) found that corruption is more pervasive in developing countries that practice federal system of government. Furthermore, Transparency International's annual Corruption Perception Index (CPI) showed that 6 out every 10 most corrupt countries are found in developing nations especially of Africa. In support of this finding, Agbiboa, (2013b) examined the historical development of corruption in Nigeria and reported the massive level of corruption in the Nigerian public sector.

With regards to this, various governments' efforts in Nigeria to tackle the menace of corruption included the enactment of laws and the creation of agencies to fight corrupt practices (Ikubaje, 2010; Persson, Rothstein, & Teorell, 2013). Notable among these laws are the Independent Corrupt Practices Act (2000) and the Economic and Financial Crimes Commission Act (2004). These laws also made provision for creation of anti-graft agencies, specifically, the Independent Corrupt Practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) with the mandate to fight fraudulent practices in Nigeria. Despite these efforts, cases of misappropriation, bribery, embezzlement, and money laundering by public officials has been common in the Nigerian society (Chukwujekwu, Chukwuma, & Okechukwu, 2009; Obuah, 2010). For example Agbiboa (2013) highlighted the cases surrounding the fuel subsidy scam where about \$6.8 billion was mismanaged in the Nigerian subsidy regime in 3 years. While Ikechukwu (2013) reported Police Pension fraud where a whopping sum of N32 billion was diverted by the Nigerian public officials. It is estimated that these forms of corrupt practices accounted for 20 per cent of the Nigerian GDP (Obuah, 2010). In a summation, Agbiboa (2014) posits that about \$440 billion was siphoned from Nigeria through grand corruptions. These incidences of corrupt practices have undermined the government efforts for a corrupt-free government.

Analysis of the Nigerian anti-corruption efforts depicts that one organization that remain active is the EFCC (Umoh & Ubom, 2012) mainly because of its efforts in investigating and prosecuting economic and financial crimes in Nigeria (Obuah, 2010). The EFCC in its early days was able to investigate arrest and prosecute cases of financial crimes especially those involving Politically Exposed Persons (PEPs) (Human Right Watch, 2011). However, previous studies revealed that the EFCC faces a number of challenges in its efforts to achieving its mandate (Sowunmi et al., 2010; Umoh & Ubom, 2012).

2.1 The perceived challenges of the EFCC

Undeniably, the war against corrupt practices has been hampered by a number of factors. These include the Nigerian political system which encourages corruption, presence of overburdened weak judicial system, fraudulent practices by defense attorneys and therefore, the performance of the EFCC in the war against corruption has been undermined both by factors beyond the control of the EFCC as well as internal challenges within the Commission.

2.1.1 External/environmental factors

The EFCC operates in an environment that makes the achievement of its mandate very difficult. These are factors beyond the control of the EFCC. One of the difficulties lies with the Nigerian legal system that is described as outdated, limited by insufficiency of judges and unpatriotic nature of the Nigerian lawyers (Human Right Watch, 2011; Sowunmi et al., 2010; Umoh & Ubom, 2012). This can be seen in the length of time taken to dispense justice (Human Right Watch, 2011). This also poses a serious challenge to the EFCC (Obuah, 2010). For example, the absence of legal supports to admit electronic evidence in the Nigerian laws and the inadequacy of courts and judges, who at times judged as corrupt, makes the EFCC a toothless bulldog (United State Department of International Affairs, 2012) especially where government interferes with the court systems in place.

Although the EFCC is said to be an independent body to fight corruption, interference by government has undermined its effectiveness. For example, the removal of the chairmen of the Commission at will signify tempering with the activities of the Commission (Inokoba & Ibegu, 2011; Oke, 2014). In addition, analysts also reported the possibility that the Commission has been used as a weapon of oppression by the ruling class (Samuel, Chinoye, & Prosper, 2013). As observed by Inokoba and Ibegu (2011), the EFCC is criticized for been selective and discriminatory so as to meet the need of certain parties. It was suggested by Ngube and Okoli, (2013) that the Commission investigates only those who went against the incumbent government. All these claims have affected the public perception of EFCC and gradually the supports towards the EFCC (Sowunmi et al., 2010).

In addition, the existence of multiple anti-graft agencies has made the fight against economic and financial crimes a waste of time and resources. Bamidele, Olaniyan, and Ayodele (2015), argued that competition among these agencies has been a major challenge to the EFCC. Instead of concentrating on their roles in combating corruption, the Commissions have been used as 'white elephant' and center of expenditure. The fight of corruption was put in the hands and the responsibilities of the police. The creation of Independent Corruption Practices Commission, Code of Conduct Bureau and the EFCC saw the emergence of competition between different agencies fighting on same issue – financial crimes (Ayodele, 2014). Hence, there are calls by various groups to merge the agencies in order to cut administrative costs (Punch, 2013) and to avoid overlapping of functions.

2.1.2 Internal/organizational challenges

The job of fighting corruption requires competencies in legal, financial, investigative and forensic skills. Studies have investigated the competencies of the EFCC in fighting corruption in Nigeria. For example, Augustine and Uagbale-Ekatakah (2014) examined the growing relevance of forensic accounting in fraud detection and recommended the adoption of forensic accounting by the EFCC to fight corruption. However, Dada (2014) argued that the EFCC lack a forensic accounting unit to properly investigate economic and financial crimes. This might be due to internal factors such as untapped staffing potentials and limited organizational resources (George, Tordies, & Emmanuel, 2012).

A major obstacle to the success of the Commission lies with inadequate funding. A media report indicates that the Commission is financially incapacitated by the budget provision (Johnbosco & Joseph, 2013). The media quoted the Chairman as saying that the commission cannot even pay staff salaries and other administrative expenses due to the budget shortfall. Inadequacies in funding can affect virtually every segment of the commission. This has made the commission ineffective because it is incapable of hiring competent lawyers, accountants or other investigators to achieve the commission's goal.

2.1.3 Other identifiable factors

In addition to both the external and internal factors, there may be other identifiable factors that may be able to promote or hinder the adoption of forensic accounting in fraud detection process. In their studies on the adoption of forensic accounting in fraud detection, Bierstaker, Brody and Pacini (2006) and Muthusamy (2011) argued that organizational resources, behavioral controls and perceived cost of fraud might influence the adoption of forensic accounting in fraud detection process. However, these studies used professional accountants; chief finance officers in private organizations as the subject understudy. Hence, to date little efforts have been geared towards understanding organizational decision to adopt forensic accounting in fighting economic and financial crimes in developing countries. Thus, this study proposes the investigation of factors influencing the adoption of forensic accounting in fraud detection process using the following proposed research framework.

3.0 PROPOSED CONCEPTUAL FRAMEWORK

This study proposes that, given the identified factors in the previous study, contextual factors have hampered the achievement of the EFCC and the presence of organizational and individual factors. Thus, investigating the challenges of the EFCC may reveal their influences on the adoption of forensic accounting for fraud detection process. In addition, an in-depth study of the possible, other identifiable factors may add to the existing literature on the adoption of forensic accounting in fraud detection process. Fig 1 presents the proposed research framework for an in-depth inquiry into the factors influencing EFCC's adoption of forensic accounting in Nigeria.

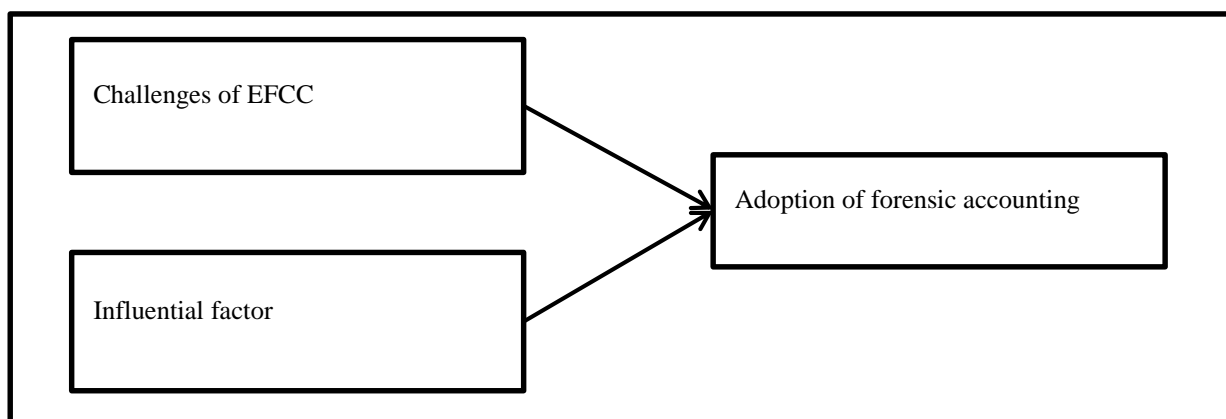


Figure 1: A proposed conceptual framework for adoption of forensic accounting by EFCC (authors, 2016)

4.0 CONCLUSION

The pervasiveness of fraudulent practices in Nigeria necessitated the enactment of laws and the creation of EFCC. Despite the existence of the EFCC, cases of economic and financial crimes dominated the media. This depicts the inability of the commission, to some extent, to tackle fraudulent practices in Nigeria. As revealed in the literatures, a number of factors might be responsible for the EFCC's failures to address this issue. The perceived challenges of the Commission are mostly internal and external factors. Internally, the Commission lacks the competencies and the capacity to fight corruption that is pervasive and grand in nature. In addition, despite the extent research on the EFCC, the literature indicates that less attention was given to understand these challenges and their influence on the adoption of forensic accounting by the EFCC. This study proposed an investigation into the influence of external and internal factors affecting achievement of EFCC's objective and the adoption of forensic accounting in fraud detection process. Future studies related to the proposed framework will offer insights regarding the challenges of the EFCC and factors influencing the adoption of forensic accounting in fraud detection process.

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