THE INFLUENCE OF INSTITUTIONAL FACTORS ON THE ADOPTION OF FORENSIC ACCOUNTING IN FRAUD INVESTIGATION PROCESS: A QUALITATIVE CASE STUDY OF NIGERIAN EFCC

Ibrahim Umar and Yusuf Aliyu
Department of Accountancy, Yobe State University Nigeria
ibrahimgaba@gmail.com

Abstract

This qualitative case study investigated the influence of institutional factors on the adoption of forensic accounting in fraud investigation process by the Nigerian Economic and Financial Crimes Commission (EFCC). This study adopted a qualitative method to an inquiry using case study approach. EFCC is chosen as a case and participants were purposively recruited from senior, middle and first-line management in the EFCC. Data were gathered using semi-structured interviews, institutional documentary evidence and non-participatory observation. Data were analyzed thematically and aided by Nvivo software and Microsoft word processor. The results of this study showed the combined effects of external and internal factors on the EFCC's adoption of forensic accounting in fraud investigation. The finding has implication for theory and practice especially on the adoption of forensic accounting literature and anti-corruption policies.

Keywords – anti-corruption, EFCC, forensic accounting, Nigeria

1. Introduction
The growing incidence of fraudulent practices especially public sector corruption has continued to be a global issue. Successive efforts by policy makers, professional and the academic communities have yielded little success. The concerns have been on identifying the types of fraud and devising means of investigating these fraudulent practices. This has called for the adoption of advanced fraud investigation skills globally. Specifically, there is growing demand for forensic accounting skills (Carnes & Gierlasinski, 2001). Despite the growth in demand for forensic accounting services, Bierstaker, Brody and Pacini (2006) found that there is an underutilization of forensic accounting by organization in fraud investigation process. Organizational decisions to adoption decisions have been researched depicting the influence of a number of factors. Despite the numerous
literatures on adoption of innovation, there is apparent lack of attention to organizational adoption of forensic accounting in fraud investigation process. Few studies have paid attention to forensic accounting education (Rezaee & Burton, 1997; Rezaee, Lo, & Ha, 2014) professional perception on fraud detection methods (Bierstaker et al., 2006) and behavioral intention to use forensic accounting in fraud detection (Muthusamy, 2011). In addition, these studies were conducted using accountants, chief finance officer or conducted in more advanced countries with fewer studies in developing nations were corruption – a form of fraud (ACFE, 2014) remains a major obstacle to development (Agbiboa, 2014). Thus, the purpose of this study is to investigate the perceived factors influencing the adoption of forensic accounting in fraud investigation process by an Anti-Corruption Agency (ACA) in Nigeria which has previously received little attention.

2. Review of Related Literature

Previous studies on forensic accounting were devoted to the development of forensic accounting programs (Prabowo, 2013; Rezaee & Burton, 1997; Rezaee et al., 2014), the demand for forensic accounting services (Carnes & Gierlasinski, 2001), understanding fraud detection techniques (Bierstaker et al., 2006) and the intention to use forensic accounting (Muthusamy, 2011). Using a survey of 86 professional accountants, fraud examiners and auditors, (Bierstaker et al., 2006) reported that forensic accounting is most effective fraud detection tool but has the least adoption rate by organization. In a similar study, (Muthusamy, Quaddus, & Evans, 2010) argued that the growth in fraudulent practices is attributable to non-adoption of forensic accounting by organizations. Accordingly, the non-adoption of forensic accounting by organizations were presumed to be influenced by contextual, organizational and individual factors (Bierstaker et al., 2006; Muthusamy, 2011).

Organizational studies have depicted the influence of contextual factors on the adoption of new strategy, products, process or innovation. In a study to understand the combined influence of individual, organizational and contextual factors on the adoption of innovation, Kimberly and Evanisko (1981) reported that the location of the organization and level of competition account for about 30% of the adoption decision in public hospital. In a similar study, Damanpour and Schneider, (2006) reported a positive influence of community resources on the adoption of innovation in public sector in the US. Thus, the role played by environmental factors on adoption decision can never be overemphasized because they provide inputs and pose as constraints to organizational strategic decision. This is line with the propositions of the Resource Dependency Theory (Pfeffer, 1987), Strategic Decision Theory (Child, 1972) and Contingency Theory (Donaldson, 2006). Despite these efforts little is known about the influence of external factors on the adoption of forensic accounting by an ACA. Thus, necessitating the conduct of this research.
Damanpour and Schneider (2006) found the significant influence of organizational factors in the adoption of innovation. Organizational size, complexity and slack resource were reported to have influenced both initiation and adoption decision. Additionally, there is a reported positive influence of specialization, differentiation and professionalism and the negative influence of formalization and centralization on the adoption of innovation. Other factors include organizational slack and age of the organization (Damanpour, 1987; Kimberly & Evanisko, 1981). Previous studies have also examined the predictive ability of individual factors on organizational strategy and performance. The characteristics of organizational leaders were found to affect adoption behavior of organizations. Kimberly and Evanisko (1981) argued that the power to allocate organizational resources strongly influence the adoption of innovation in an organization. Previous studies have reported the influence of managers education background, job tenure and age (Damanpour & Schneider, 2009; Kimberly & Evanisko, 1981). These are in line with the propositions that organizational strategies and performance are predicted by manager's background characteristics (Hambrick & Mason, 1984).

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However, despite the growth in literature on adoption of innovation, little is known about the influence of these factors on the adoption of forensic accounting in fraud investigation process. Bierstaker et al., (2006) posit that non-adoption of forensic accounting may be attributable to organizational resources while Muthusamy, (2011) reported on the influence of financial cost, stakeholder pressure and attitude on the intention to use forensic accounting in fraud investigation process. However, these studies were restricted to private organizations using professional accountants or chief financial officers with little attention to other management cadre, consideration to accommodate public sector entities and the role played by ACAs in the investigation of fraudulent practices. Organizational adoption of forensic accounting by public sector entity has received limited research attention and hence this study aims to fill this gap.

3. Method The current study adopted a qualitative case study approach Case study was considered appropriate research method for this study because it allows for the investigation of a phenomenon within its real-life context, allowing for data collection from multiple sources (Merriam, 1988; Yazan, 2015) and where significant event cannot be manipulated experimentally (Soltani, Lai, & Phillips, 2008). In addition, this study adopted a single case study approach (Creswell, 2013; Yin, 2011). The choice of single case study was necessitated by the need for in-depth investigation and rich description where little
is known about the phenomenon understudy. The key issue in this study is the management understanding of factors influencing the adoption of forensic accounting in fraud detection process.

There are three major anti-corruption agencies in Nigeria – Code of Conduct Bureau (CCB), Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC). The CCB is established in 1979 with a mandate to establish and maintain a high standard of morality in the conduct of government business. The ICPC was created in 2000 to receive, investigate and prosecute corruption cases as well as examining and reviewing correction of corruption-prone system and to educate and enlighten the public against corruption. The EFCC is empowered to prevent, investigate, prosecute and penalize economic and financial crimes and to enforce all laws relating to economic and financial crimes in Nigeria. For the purpose of this study, EFCC was chosen as a case. The choice of EFCC was informed by the scope of operations, recorded operational activities and the existence of a forensic laboratory in the Commission (EFCC, 2013; Human Right Watch, 2011).

The primary data used for this study were gathered through semi-structured interviews, annual reports and budgets and non-participatory observations. A total of twelve (12) interviews were conducted in the natural setting of the participants during a period of four months. Participants interviewed were purposively selected from various managerial levels to fulfill the criteria for multiple perspectives and triangulation in qualitative research method (Soltani et al., 2008). Six (6) senior-level managers (directors), four (4) middle-level managers (Heads of departments) and two (2) first-line managers (forensic accountants) were interviewed. In order to elicit the views and perceptions of the research participants on the factors influencing the adoption of forensic accounting, the interview questions were crafted as open-ended and semi-structured. An interview guide was designed to reflect three major areas – environmental, organizational and individual factors influencing the adoption of forensic accounting by the EFCC. This was guided by the previous findings in innovation adoption process, organizational studies and theoretical postulations (Child, 1972; Hambrick & Mason, 1984; Kimberly & Evanisko, 1981).

Data were organized into interview files, documentary evidence and field notes and analyzed qualitatively. Interview audios were listened, transcribed and analyzed thematically (Braun & Clarke, 2006; Miles & Huberman, 1994; Ryan & Bernard, 2003). Categories were manually identified using three predefined themes (Attridge-Stirling, 2001; Lillis, 1999; Ward, Furber, Tierney, & Swallow, 2013) and aided by Nvivo 10 software (Richards, 1999). In all, after careful assessment, refinement and reviews,
ten (10) categories emerged from the interview transcripts as influential factors on the adoption of forensic accounting by the EFCC.

In addition, annual of reports of the EFCC were sought and reviewed for the period of 2010 to 2013. The review provided evidence of operations and the structure of the EFCC. Similarly, annual budgetary allocation to the EFCC was downloaded from the Nigerian Budget website. This is because funding was identified by previous studies as challenge to organization's decision to adopt forensic accounting (Muthusamy, 2011). Observational records in the form of field notes and memos were analyzed in a manner to link what was observed with the other data obtained during interview sessions for triangulation (Barbour, 2001; Bryman, 2012) and data saturation purposes (Mason, 2010).

Thus, using multiple sources of data and research participants, significant efforts were put to ensure rigor in data collection and analysis (Gioia, Corley, & Hamilton, 2013; Morse, 2015; Morse, Barrett, Mayan, Olson, & Spiers, 2002). Three researchers corroborated to review the categories and bracketing was used to include the voices of the participants in the final qualitative report (Creswell, 2013). In ensuring credibility of this, measures for triangulation (data and participant), external audit and peer debriefing were used (Morse, 2015) to achieve the minimum criteria (Creswell, 2013).

4. Findings The analysis of the data indicates that the adoption of forensic accounting is influenced by factors beyond and within the control of the EFCC. Majority of the research participants repeatedly mentioned inadequacy of funding, manpower, forensic experts, attitude and organizational level of development.

Funding has been one of the challenges faced by most organizations especially in public sector (Damanpour & Schneider, 2006) especially ACA (Quah, 2009). Accordingly, most participants expressed the belief that the main obstacle to the adoption of forensic accounting by EFCC is the inadequacy of funding. Accordingly, Research Participants 10 opined that when it comes to funding there a lot of issues. As a result of the inadequacy of funding, the priority of the agency has to change including the recruitment and training of forensic experts. […one of the major challenges is the challenge of funding. Because running an agency like this obviously does not come cheap. You need funding to investigate, you also need adequate funding to be
able to successfully prosecute. In addition I talked about the issue of training, and this doesn't come as cheap. Sometimes these training requires international certification, for instance for you to be competent data forensic analyst or even a forensic accounting analyst, you must attend certification training and must attend even international workshops. These things are not cheap. Mostly are done overseas. These things are not cheap you need funding (Research participant 05). […]think if we are given enough money to hire, the management might think about it and create it (Research participant 08). […]the worst and the greatest challenge are funding (Research participant 11)

Thus, inadequacy of budgetary allocation, which is the only source of funding to the EFCC, has remained a major obstacle in the adoption of forensic accounting. This according to the participants influences the decision to recruit, train and retrain forensic experts in the Commission. Furthermore, other factors that were considered beyond the control of the EFCC include the inadequacy of the forensic experts in Nigeria because none of the Nigerian universities offer forensic accounting program due to the relative newness of the concept. Likewise, global trend in fraud detection encourages the EFCC to adopt global best practices in fraud detection including forensic accounting. In addition, the cost of hiring a forensic expert is beyond the limit of the EFCC's pay package leading to staff turnover. […]I had offered to go places where they pay a lot of money than what EFCC does … most of colleagues that are here especially operatives who have gone (Research participant 10)] […]The entire work has moved to forensic investigation even the criminal investigation. The world has now moved to digital globe (Research participant 11)] […]we have to move with the current trend (Research participant 08)

Furthermore, inadequacy of manpower has remained the EFCC's problem. With total staff strength of less 2000, majority of which are supporting staff,

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police officers or administrative staff, research participants argued that, the shortage in manpower influences the use and adoption of forensic accounting in fraud detection process. A research participant said: […]Basically, staff is not adequate especially forensic accountants (Research Participant 11) […]when it comes to staffing it the most understaffed department in the whole of west Africa because we have less than 12 people in the forensics with the volumes of work (Research Participant 11)] […]we are only three forensic accountants now (Research Participant 10)]. […]there is inadequacy of manpower to handle everything (Research participant 07)] […]we have the issue of manpower especially in the forensics (Research participant 08)]. […]So staffing might be the reason and you know funding might be
needed to hire these experts (Research participant 12)] [...we don't have the capacity in terms of personnel (Research participant 03)]

Indeed, the above quotes reveal the inadequacy of manpower, especially forensic accounting experts in the EFCC has influenced the adoption and use of forensic accounting by the EFCC.

In addition, some of the participants believe that the adoption and use of forensic accounting is a management decision which is influenced by their attitude towards forensic accounting. Educational background, job tenure and age were found to influence organizational strategic decision including the adoption decisions. It was observed that those occupying strategic positions in the EFCC are seconded police office whose training and attitude are focused towards criminal investigations rather than financial investigations. [Initially when the Commission was formed, the nucleus of people that formed the Commission came from the Nigerian police force, but the situation that we still have is that those that are with us from other agencies are at senior level not the lower level (Research Participant 09)]

[We have 10 or 11 departments but 7 of them are headed by police. They take the major decisions of the Commission because they occupy the strategic positions in the Commission. The capacity is not there with them the police and nobody's mind is tilted towards the forensic accounting (Research Participant 03)]. [They still belief that the forensics is irrelevant to them so they don't want much staff. Why should they bring more staff and stock the place with people while they don't do anything? (Research participant 11)]. [It is practically interest because if that department is created a better part of the job of investigation will naturally go to the experts and the police do not want that. No police man wants a superior technically more sounded than him (Research Participant 03)]

As can be observed from the above quotations, the EFCC is dominated by Nigerian Police largely due to the fact that they occupy strategic positions in the EFCC. This is connected with the level of development of the EFCC. When the EFCC was formed, the only agency that was known for investigation was the Nigerian police and was the reason they are brought in to set up the EFCC.

Additionally, the analysis of the interview transcripts depicts that the EFCC is a young law enforcement agency that is considered a work-in-progress. As such it addresses challenges as they evolve. Considering the inadequacy of budgetary allocation, manpower and management, some research participants opined that structuring the EFCC is a gradual process where issues are identified and solutions are proffered. [As far as we are concern, we are work-in-progress. We are not where we ought to be yet in terms of capacity development. We are still trying to overcome all constrains to develop our capacity to be where we ought
to be (Research Participant 05). Well you know the commission is growing. It is about 13 years old. The building process in still in progress, we are still recruiting. We are trying to establish now, a whole unit; because since we have attained some level of maturity we are now diverging into specialization (Research Participant 01).

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[Well as I mentioned, like the extractive industry unit, we saw the need to have a section to handle issues and cases emanating from the oil sector. Also we have the pension section due to the recent cases in the country. You see, the EFCC is just growing and as we are moving, more ideas come and we deal with them (Research Participant 02)].

Furthermore, level of development attained by the EFCC as well as need assessment by the management to improve influence the decision to adopt forensic accounting. Accordingly, the EFCC was observed from the discussion that structurally, given the challenge of funding and staffing, it only expands where there is urgent need to do so base on management perception and assessment. However, participants expressed the views that now the EFCC has attained some level of maturity that will require the creation of special units including forensic accounting unit. […]like the extractive industry unit, we saw the need to have a section to handle issues and cases emanating from the oil sector. Also we have the pension section due to the recent cases in the country. You see, the EFCC is just growing and as we are moving, more ideas come and we deal with them (Research participant 02)] […] so forensic accounting unit is coming on board (Research participant 01)]

On the other hand, it emerged from the discussions that the attitude of the management towards forensic accounting adoption is influenced by the background of the top management and the leadership style adopted. Consequently, some linked the delay in the adoption of forensic accounting to the dominance of police officers in the EFCC whose background are more of criminal investigation than financial investigation. Likewise, it was argued by some participants that the police are used to giving directives that seem to portray an autocratic leadership style.

5. Discussions The results of this study reveal that availability of experts, global trend, relative newness of forensic accounting were among the leading factors influencing its adoption by the EFCC. This is in agreement with previous
studies that lack of awareness of an innovation and compatibility of innovation affect the adoption rate of such innovation (Rogers, 2003; Sahin, 2006). Other argument advanced for organizational adoption of new techniques includes government revenue and budgetary allocation especially in public sector organization (Damanpour & Schneider, 2006). Therefore, inadequacy of budgetary allocation to the EFCC affects its structure and decision (Pfeffer & Salancik, 2003). Likewise, level of competition and age of organization influence the adoption decision process (Damanpour, 1987; Kimberly & Evanisko, 1981).

The implication of this findings therefore, show the dominant influence external factors influence the adoption of forensic accounting in fraud investigation by the EFCC. In line with the propositions advanced by Rogers (2003), external integration and communication have influenced the intention to set up a forensic accounting unit in the EFCC. The slow adoption of forensic accounting in fraud investigation by the EFCC is also externally influenced by the relative newness of the concept in Nigeria and the associated lack of sufficient number of forensic accountants in Nigeria and the EFCC in particular. This goes to show that there is greater need for awareness creation (Muthusamy, 2011) and external communication between the EFCC and successful ACAs to share ideas in fraud investigation process.

This study identified the significant influence of organization resource on the adoption of forensic accounting in fraud investigation process by the EFCC. Organizational factors such size, professionalism, specialization and slack resource were found to predict organization adoption rate of new ideas (Damanpour & Aravind, 2012). Hence, this study also found that resources such as personnel and funding influence the adoption of forensic accounting in fraud investigation process by the EFCC. The results show the predictive influence of financial resources in recruitment, training and welfare of personnel. These were observed to be significant in the decision to adopt forensic accounting in fraud investigation process. Over the years, the EFCC is perceived to be inadequately financed in achieving it objectives of fighting economic and financial crimes in Nigeria. The effects of insufficiency of funding were observed on the adequacy of personnel,

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professional capacity of the EFCC and strategic decision making process. This study further reveals that top management attitude and background were among the elements discussed as having relevance in the decision to adopt forensic accounting in fraud detection process by the EFCC which is in agreement with the findings that top management characteristics such age, tenure and role, education, attitude and gender
influence organizational decision making process (Damanpour & Schneider, 2006). Background characteristics such as diversity were observed to influence the performance of the EFCC including its structures. A significant dominant of police officers as top management team has impacted on the decision to adopt forensic accounting. There is an apparent resistant to change from police induced to forensic accounting fraud investigation process.

This study contributes to the literature on the adoption of forensic accounting in fraud investigation process. First, the study was able to identify and describe the external factors perceived to be influential in the adoption of forensic accounting by the EFCC. Suggesting that organization decision making to adopt forensic accounting in fraud investigation is influenced by external communication and integration, availability of forensic accounting experts, funding and relative newness of the concept of forensic accounting in Nigeria. Internally, insufficiency of personnel, inadequacy of professional forensic accountants and absence of slack resources were equally identified by this study. Leadership resistant to change is observed and was found to be influenced by their background characteristics as police officers. From the foregoing, this study contributes theoretically by associating the findings to contingency theory. The central issue in contingency theory is performance enhancement (Prajogo, 2016). Thus, organizational structuration is influenced by external and internal factors (Donaldson, 2006). Therefore, extending the application of contingency theory to the application of forensic accounting in fraud investigation process by the EFCC in Nigeria. In arriving at this finding, this study adopted a naturalistic approach to inquiry. The adoption of intensive and holistic description of the factors influencing the adoption of forensic accounting in fraud investigation process by the EFCC contributes to methodology by taking a constructionist and against post-positivist paradigm. Thereby resolving accounting issues in naturalistic view.

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6. Conclusion The increasing concern over economic and financial crimes has necessitated the growth in the number of ACAs. A precondition for an effective anticorruption fight is the adequacy of competent personnel with the required skills needed for modern day fraud investigation. These skills have been identified with forensic accountants and there is high demand for forensic accounting services. Despite this, little is known about the factors perceived to be influential on the decision to adopt forensic accounting by ACAs. From this study, the adoption of forensic accounting is perceived to be influenced by external communication and integration, relative newness of the concept, associated lack of sufficient number of forensic accountants in Nigeria and the EFCC. In addition, there is an observed influenced of organizational resources and top management attitude towards change in modern fraud investigation.
process. It is therefore, recommended that adequate budgetary allocation should be provided to the EFCC to employ competent forensic accountants, with leadership having diverse background to lead the EFCC.

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