

FORENSIC ACCOUNTING PRACTICES - A MEANS OF MITIGATING CORRUPTION: A CASE STUDY OF THE GAMBIA PUBLIC SECTOR PERSPECTIVE

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ABSTRACT

The aim of this research is on how forensic accounting practice could mitigate public sector corruption through fraud, bribery and embezzlement prevention. Review of relevant literature was carried out in order to gain deeper insight and understanding of the subject matter. Questionnaires were administered in order to generate the necessary primary data and were descriptively analyzed. Three hypotheses were identified and a Pearson's Correlation, regression and a coefficient analysis tests were conducted to test the hypothesis statements. The result revealed that fraud prevention, bribery prevention and embezzlement prevention all shows positive significant influence on public sector financial corruption mitigation. This implies that public sector financial stakeholders should give a great value of consideration to fraud, bribery and embezzlement prevention in the efforts of public sector financial corruption mitigation in the Gambia. To this effect, the research recommends that forensic accounting must be introduced as a compulsory tool in dealing with financial sector corruption in order to promote corporate governance. The government should encourage the practice of forensic accounting by providing adequate training and resources to forensic accountants such that they become an expert in their particular field of expertise and develop new courses at tertiary institutions relating to forensic accounting practices.

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1. INTRODUCTION

1.1 Background Study

Many people presume “Africa” as synonymous to corruption and corrupt practices (Malgwi, 2004). As many cases of corrupt practices affecting the continent or its citizens have drawn international attention. Corruption has been the greatest threat to the survival of African many countries or nation states (Agbiboa, 2012). Though the continent is blessed with abundant natural resources and enormous human resources capital, yet remains largely underdeveloped (Ogbeidi, 2012). (Ofiafoh, 2013) mention that, corruption have serious negative effect on human capital and infrastructural development in developing economies, especially list development countries where the menace has become endemic. Therefore, public sector corruption is a global phenomenon that has raised concern worldwide. Corruption practices in public sector includes crimes such as, fraudulent practices, bribery of public officials, embezzlement, nepotism, political corruption, extortion, money laundering, no asset declaration, window dressing of books of accounts and concealment. As a result, for any country to attain a proper economic development, its public sector needs to fight for a free corrupt practices environment.

However, modern organized corporate frauds are sophisticated, and well-resourced by managers, entrepreneurs, civil servants and politicians to mention but a few. By extension, there is widespread growth in white-collar crimes evidenced by both fraudulent financial reporting and misappropriation of assets. According to (Mazumder, 2011), law enforcement personnel are becoming more aware of white-collar crimes but lacks training and expertise in fighting these crimes, they are better trained in investigation of violent crimes but not economics crimes which requires the knowledge of accounting.

(Liodorova, 2018) added that, governments should encourage the practice of forensic accounting by providing adequate training and resources to forensic accountants such that they become an expert in their particular field of expertise and develop new courses related to forensic accounting. Furthermore, (Ozili, 2015) mention that, today, forensic accounting is one of the fastest emerging areas in law enforcement. The research concluded that, by utilizing accounting forensic financial irregularities, money laundering, embezzlement, and other fraudulent activities can be detected which otherwise would have a devastating impact upon the businesses or organizations in the long run. In the light of the foregoing discussion, is a need to respond to this changing criminal threat and the skills of non-traditional investigators like accountant and the legal experts are needed to combat the corporate ill, this has arouse the call for forensic accounting practices.

According to (Crumbley, 2009), forensic accounting is define as an action of identifying, recording, settling, extracting, sorting, reporting and verifying past financial data or accounting activities for settling legal disputes. Similarly, (Olajide, 2014) described forensic accounting has to do with the use of accounting discipline to help determine issues of fact in financial litigation. The research also reported that, it involves the application of accounting, business, legal and financial skills in settling commercial or legal disputes. (Olukowade,2015) concluded that, the role of a forensic accountant under contemporary conditions no doubt is very important because they help lawyers, courts, the police, regulatory bodies and other institutions in investigating and documenting frauds. Therefore, the impact of forensic accounting practices in the fight against public sector corruption has been dramatic over the last decade. This has created many job opportunities in the accounting profession at government agencies, such as The Central Bank department of National Treasury, the revenue authority and the office of the inspector general; all have an increased impact on accountants and others with forensic accounting investigation skills.

To fight corruption in the Gambia, many laws have been passed, tribunals set, and commissions of inquiries have been put in place but still yet bear meaningless fruit. The recent multi-million dalasis public finance embezzlement in the Gambia (Jannah Commission, 2019) have shaken the business world, International community and the Government of the Gambia. The public and governmental reaction to these events has been enormous. It has triggered congressional action that resulted in legislation (The Gambia Government Whitepaper, 2019) and auditing standards (Statement of Accounting Standard No. 99) that require public establishments and their auditors to be more aggressive in detecting and preventing fraud, which in turn, has elevated the importance of the forensic accounting profession in protecting the integrity of the financial system in order to prevent such fraud and embezzlement. To this effect, the focal point of this research work is on how forensic accounting practices could aid forensic accounting techniques as a means of mitigating corruption through fraud, bribery and embezzlement of reduction in the public sector accounting perspective of the Gambia.

1.2 Research problem

The failure of statutory audit to prevent and reduce misappropriation of corporate fraud and an increase in corporate crime in the Gambian public sector environment has put pressure on the professional accountant and legal practitioner to find a better way of exposing crime in the public sector accounting of the Gambia. The specific problem which this research intends to address is: Can forensic accounting practices helps to mitigate corruption in the public sector perspective of the Gambia through fraud, bribery and embezzlement reduction?

1.3 Research Objective

The main objective of this study is to investigate whether forensic accounting practices can help in mitigating corruption in the public sector perspective of the Gambia through fraud, bribery and embezzlement of public fund prevention in the Gambia.

2. LITERATURE REVIEW

2.1 Concept of Corruption

Many people presume that “Africa” is synonymous to corruption and corrupt practices (Malgwi, 2004). As many causes of corrupt practices affect its citizens have drawn international attention. Corruption has been the greatest threat to the survival of many African nation states (Agbibo, 2012). Though the continent is blessed with abundant natural resources and enormous human resources capital, yet remains largely underdeveloped (Ogbeidi, 2012).According to (Boatright, 1999), corruption is an unfair criminal act through which a bribe-recipient’s betrayal of trust exists between an employee and employer, practiced systemically by high-ranking public officials preventing the development of fair and efficient market. (Ataman, 2007), summit that corruption does not only means stealing money but also leakage of official confidential information, unfair practices in procurement and delays in fulfilling tasks. (Aluko, 2006) added that corruption is a multidimensional concept, thus differ from one work of life to another. In addition, (El-Rufai, 2003), report that corruption covers a wide range of social misconducts including fraud, extortion, embezzlement, bribery, nepotism, influence peddling, bestowing of favour to friends, rigging of elections, abuse of public property, the leaking of a government secret and sale of expired as well as defective goods such as drugs, food plus electronic and spare parts to the public. This study concluded that corruption include fraud, bribery and embezzlement of public fund. Meanwhile, the study of (Annan, 2004),

remark that corruption is a deceptive infection that has a wide range of destructive effects on societies, undermines democracy and the rule of law, leads to violations of human rights, misleads markets, wear down the quality of life and allows organized crime, terrorism and threats to human security. The study further alluded that, corruption is found in both developed and developing countries and is a major obstacle to poverty alleviation and development.

2.2 Concept of Forensics Accounting

The studies of Arokiasamy & Cristal (2009), (Dhar, 2010), (Ramadhan, 2015) and (Sorunke, 2016) all revealed that, forensic accounting is a science that deal with the application of accounting facts and theories collected through auditing methods, techniques and procedures to resolve legal besides related problems which requires the integration of investigative, accounting and auditing skills. Likewise, DiGabriele (2015) defines forensic accounting as the integration of specialized accounting knowledge and positive mental attitude to resolve legal issues. Shanikat Khan (2013) remark that forensic accounting practice use auditing and investigating skills to assist evidence in legal matters as well as establish administrative proceedings. Similarly, (Oyedokun, 2013) forensic accounting is a scientific accounting method of uncovering, resolving, analyzing and presenting fraud matters in a manner that is acceptable in the court of law. (Owolabi, 2013), share similar conclusion. Furthermore, Grippio (2003) forensic accounting is a science (i.e., a department of systemized knowledge) that deal with the application of accounting facts gathered through auditing methods and procedures to resolve legal problems. Moreover Jayadas, (2017) and Olajide (2014) all alluded that forensic accounting practice emanated as a result of the failure of statutory audit to combat modern high level sophisticated corruption practices.

The above literature discussion confirm that mitigation of public sector financial corruption can be achieve through fraud, bribery and embezzlement of public fund prevention. As a result, this research identifies and adopted constructs that the research deems fit for further investigation. These variables are as follows:

Forensic Accounting and Fraud Detection & Prevention: Empirical evidence from a study by (Boritz, 2008) confirms that forensic accountants could detect significantly higher number of fraud than auditors. Srivastava, Mock and Turner (2003) in their study found that forensic audit procedures significantly lowered fraud risks. Also, research has also proven that proactive forensic data analysis using computer based sophisticated analytical tests can detect fraud that may remain unnoticed for years (Brown, Aiken, and Visser 2007). Furthermore, a study by Bierstaker, Brody and Pacini (2006) also revealed that fraud detection and prevention methods.

Forensic Accounting and Bribery Prevention: According to Shah (2018) the root causes of all financial problems in the public sector is an inefficient and poor corporate governance and a strong corporate governance is essential for the smooth running of an organization. Williams (2005) description of corruption does not only include fraud but also bribes cronyism, nepotism, political donation, kickbacks, artificial pricing and frauds of all kinds. As indicated by (Ramaswamy, 2005), bribery cases are due to poor corporate governance as it is more likely that a fraud may be committed. In addition, Bhasin (2016) investigated the rise of forensic accounting due to widespread financial corruption and identified the main duties (auditing, accounting, and investigative) of a forensic accountant in dealing with frauds and bribery.

Forensic Accounting and Embezzlement/Mismanagement of Public Fund: According to (Rezaee, 2005) public sector fund embezzlement is a deliberate attempt by public corporations to deceive or mislead users of published financial statements, especially the central government and general public or citizens, by preparing and disseminating materially misstated financial statements'. The studies of Apostolou (2001) Rezaee, (2002) and Ozkul (2012) all revealed that extensive mismanagement and embezzlement of public is a key component of public sector financial corruption. Shah (2018) added that in other to fight public sector financial corruption, mismanagement and embezzlement of public fund should be prevent first. To this effect, the above discuss constructs need to be further investigate in the premises of mitigating public sector financial corruption.

3. METHODOLOGY

3.1 Research Design

The aim of this research analysis was to examine the whether forensic accounting practices can help mitigate corruption in the public sector perspective of the Gambia. The primary objective of this research therefore, is to examine the perception of public sector accountants in mitigating corruption through fraud, bribery and embezzlement of public fund prevention. The respondents are public sector Financial Accounting stakeholders. The study employs a convenience sampling which is a non-probability sampling technique where respondents are selected based on their, availability, accessibility, willingness and proximity to participate in the study. A sample size of 70 respondents was used in the survey. A Pearson correlation analysis was used to examine the direction, strength and significance of the variables relationships as well as multiple regressions. SPSS version 22 was used to analyse the data. The study was entirely conducted in English Language and all the questions of the constructs were obtained from previous literatures. The scale items in all constructs are at least three (3) questions as recommended by most researchers.

3.2 Hypothesis Statement

Based on the above scientific literature review, seven hypotheses statement were adapted to further test the validity and reliability of the variables. All the three constructs were statistically significant with service quality (i.e. $p < 0.05$), thereby allowing us to confirm the hypotheses. The summary of the hypothesis statements adopted for this study are as follows:

H1: Fraud of public fund prevention will significantly ensure effective mitigation of corruption through the application of forensic accounting practices

H2: Bribery of public fund prevention will significantly ensure effective mitigation of corruption through the application of forensic accounting practices

H3: Embezzlement of public fund prevention will significantly ensure effective mitigation of corruption through the application of forensic accounting practices.

3.3 Data Collection Techniques

This research used both primary and secondary data collection process. According to Joseph et al. (2007), a multi-method style of data collection ensures the extrapolation of substantial population size and adds to the generality of results to a wide category of respondents. The primary source involves empirical data collection technique of structured survey administered questionnaire which measure the target respondents perceptions on the research variables (constructs). The secondary source of data was acquired as a result of contextual review of the appropriate literature on forensic accounting. Meanwhile, a self-administered survey structured questionnaires was used to obtain information from the target respondents on the specific variables. Furthermore, this study uses Likert's five (5) point scales ranging from 1-5, as a form of questioning in this study. This method encourages respondents to give their opinion and motivations relevant to the study (Saunders, 2009).

3.4 Population and Sampling Method

The population interest of this study is the stakeholder group of public sector finance in the Gambia. The sample respondent category include public sector Accountants, Auditors, Accounting Officers, Accounting Academicians, Auditing firms and the Gambia Association of Accountant (GAA) members. This research used a convenience sampling techniques. The data was collected from 70 respondents from the target sample population. In addition, convenience sampling techniques was used in the study.

4. RESULTS AND DISCUSSION

In the direction of evaluating the availability of the relationship concerning fraud prevention, bribery prevention and embezzlement of public fund prevention with public sector corruption mitigation, numerous statistical techniques were used. These techniques comprise of Pearson Correlation, coefficient and linear regression. The correlation coefficient of all the constructs tested did not exceed 0.74 which shows that the constructs are disperse and do not overlap with each other (Table 1). This implies that there is a positive correlation amongst the variables and all the three hypothesis of the study are confirm. It also means that all the variable move in the same direction with respect to the dependent variable. By extension, the constructs uses in this study are link to one another and move in parallel direction.

Table 1: Coefficient correlations Summary

Model		Embezzlement prevention	Bribery prevention	Fraud prevention
Correlations	Embezzlement prevention	1.000	.102	.210
	Bribery prevention	.102	1.000	.402
	Fraud prevention	.210	.402	1.000
Covariance's	Embezzlement prevention	.014	.001	.003
	Bribery prevention	.001	.012	.004
	Fraud prevention	.003	.004	.011

In addition to Pearson coefficient Correlation, a multiple and stepwise regression analysis was conducted to test the relationships between the various constructs as well as assess the strength of the predicting variables. The result of analysis is presented below in Table 2 and Table 3.

Table 2: Stepwise Multiple Regression Analysis.

Model	Unstandardized Coefficients			T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.890	.574		5.037	.000		
1 Fraud prevention	0.055	.103	.068	.529	.000	.775	1.290
Bribery prevention	0.074	.108	.092	.733	.005	.802	1.246
Embezzlement prevention	0.399	.118	.399	3.393	.001	.915	1.093

Table 3: Stepwise Regression Strength of the Relationship.

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	ofChange Statistics				
					R Change	SquareF Change	df1	df2	Sig. F Change
1	.408a	.766	.728	.58619	.766	4.386	3	66	.005

Based on the result in Table 3 above, the coefficient of determination (R²) is 0.766 which implies that (76%) of the total variable in corruption prevention through forensics accounting in the Gambia. This means that fraud prevention, bribery prevention and embezzlement prevention explain (76%) of total public sector financial corruption mitigation, thus leaving only (24%) of the model is not capture by the variables. This empirical result is comparatively in uniform with the previous literatures such as (Madumere et al. 2013, Ofiafoh 2013, Olajide, D. S. 2014, Oluwatoyin et al. 2014, Ozili, P. K. 20015 & 2018, Olukowade 2015, Shah, M.K., 2018).

5. CONCLUSION

The purpose of empirical study is to investigate how forensic accounting practice could mitigate public sector corruption through fraud, bribery and embezzlement prevention. Three hypotheses were identified and a Pearson’s Correlation Analysis was conducted to test the hypothesis statements. The result revealed that fraud prevention, bribery prevention and embezzlement prevention all shows positive significant influence on public sector financial corruption mitigation with p. values of 0.00 level (2-tailed, p<0.05), 0.05(2-tailed, p=0.05) and 0.01(2-tailed, p<0.05) respectively. In addition, the study also conducts a regression analysis and the results revealed that fraud prevention, bribery prevention and embezzlement prevention with coefficient β scores of 0.068, 0.092 and 0.399 respectively have positive influence on the mitigation on public sector financial corruption in the Gambia. Furthermore, a collinearity analysis was also conducted to evaluate the variables and the result shows that the Variance Inflation Factor (VIF) for all the variables were less than 5.0, while the Tolerance level ranges from 0.775, 802 and 0.915 respectively, indicating that multicollinearity was not a problem for this research. This explains that public sector financial stakeholders should give a great value of consideration to fraud, bribery and embezzlement prevention in the efforts of public sector financial corruption mitigation in the Gambia.

5.1 Research Implication and Recommendations

The managerial implication of this study is that public sector financial corruption can be mitigated with the adequate practice of forensic accounting. Further, the practice can help mitigate corruption through fraud, bribery and embezzlement of public fund prevention in the Gambia’s public sector finance. In that regard, this study recommends that forensic accounting must be introduced as a compulsory tool in dealing with financial sector corruption in order to combat corruption as well as promote corporate governance. The government should encourage the practice of forensic accounting by providing adequate training and resources to forensic accountants such that they develop their skills up to expert level in the field of forensic auditing. Also, the government of the Gambia should enact a law to make forensic accounting/audits a statutory requirement for public sector enterprises. This will promote fair accountability of public fund in the public sector.

Moreover, Gambia Accountant Association (GAA) should encourage the formalization and specialization in the field of forensic accounting. The association should in partnership with Government and Universities should made forensic accounting courses as a key element in the finance and accounting studies across all Universities in the Gambia especially in the post graduate schools. It is hoped that if these recommendations are implemented and culprits treated without favoritism; the occurrence of public sector financial corruption will be mitigated drastically within the public sector finance which ultimately should impact on our global rating by transparency international.

5.2 Limitation and Suggestion for Future Research

It is relatively evident that this study has numerous limitations such as:

This empirical research sample size is moderately lesser in comparison with the previous studies sample size. As a result, the outcome of this empirical study may show concerns of representation due to insufficient sample size to denote the

whole population of public sector finance of the Gambia. Additionally, it is restricted to merely the public sector accounting of the Gambia. In this regard, future studies in this premise can increase the sample size ranging from 500-1000 respondents and extend the study to private sector. Also, this study used a convenience sample rather than a random sample i.e. the study adopts non probability sampling and not probability sampling. Therefore, future studies should use probability sampling like random or stratified sampling in order to generalize results obtained to a larger population. Moreover, future studies should employ longitudinal survey rather than cross sectional survey because in cross sectional survey, data is collected at a single time but does not consider the issues of causality, so future studies should use longitudinal in which the researcher will administer a survey to one set of respondents over multiple time points and issues of causality can be determined.

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