



AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS

Muhammad Rabiu Garba¹, Dr. Shehu Abubakar², Dr. Nasirudeen Abubakar³

*^{1,2,3}Department of accounting, Faculty of Management Science,
Kaduna State University.*

Corresponding Author(s)' Email/Mobile: +2348033109926¹

Abstract

The main objective of this study is to empirically examine the application of forensic accounting skills in improving financial reporting quality (FRQ) of listed Deposit Money Banks (DMBs). The study employed a survey research design and the population of the study consists of all the DMBs listed on the floor of the Nigerian Stock Exchange as at 31st December, 2020. The study used primary sources of data collection through survey instrument and ninety- eight (98) copies of questionnaire were administered to respondents drawn from DMBs. The variables of the study consist of dependent variable which is financial reporting quality and independent variable which is forensic accounting skills proxied by fraud prevention detection and deterrence skills (FPDDS), forensic audit, investigation and interviewing skills (FAIS), litigation mediation and arbitration skills (LMAS), and computer assisted review and audit review (CARAR). The data was analyzed using PATH analysis via Smart-PLS software. The result of the analysis revealed that FPDDS have positive and significant effect on FRQ, FAIS have a positive and significant impact on FRQ and LMAS have positive and significant influence on FRQ. CARR has no significant effect on FRQ. The study concluded that forensic accounting skills have a significant impact on financial reporting quality collectively but base on the individual result of each set of skills, it was found that some have positive and significant impact on FRQ of DMBs while other have no any significant impact. Also, the study recommended that considering the important of forensic accounting techniques especially forensic audit, investigation and interviewing skills that have significant impact on financial reporting quality of all the DMBs. In addition, it is recommended that internal audit staff should regularly undergo training and development programs to acquaint them with relevant knowledge and skills for effective forensic auditing.

Keywords: forensic accounting skills, financial reporting quality, listed deposit money banks, Nigeria

1. Introduction

The issue of financial reporting quality is a contemporary matter in business circle, in which the creed of stakeholders is doubtful of the process of preparing the financial statements. The financial reports ought to be relevant, accurate and reliable because the quality of its users' decision depend large on the quality of the information contains in the reports (Enofe et al., 2016). Indeed, the quality of financial statements testified users' confident on their decision. However, due to ongoing corporate scandals

AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS

and collapse of corporate organizations, so much has been reported on the lack of credibility and objectivity of financial statements.

Financial reports are expected to portray the management efficiency in the discharge of its duties. Financial reports have an important influence on investors and creditors because they contain an independent and expert opinion on the fairness of the report which improves its reliability (Abdullahi et al., 2017). Financial report of any entity is expressed in monetary terms based on the economic realities using the following components of financial statements in conjunction with International Financial Reporting Standards (IFRS) roadmap: Statement of monetary or financial position, statement of alteration in equity, comprehensive income statement, report of cash flow and the accounts notes. Each of these components is prepared to provide insight into specific areas of the financial reports (Nwaiwu & Aaron, 2018).

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. 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 enhancing overall market efficiency (Ezeagba, 2014). Analysts and investors depend on monetary data when analyzing monetary performance of any firm and when predicting future direction of any firm's stock (Abdullahi et al., 2017).

Over the years, corporate organizations and stakeholders had sought the need for quality financial reporting system. Financial Reporting Quality (FRQ) relates to the ability of a company's reported performance to best symbolize its true earnings. The level of confidence reposed on financial report is determined by the quality and reliability of such reports. However, there are two factors that underpin the credibility of financial reports. The first is the quality of the report prepared by the management of the enterprise while the second is the care and skill displayed by the auditors and other gatekeepers in their statutory duties (Ezeagba, 2014). The former is the obligation of management while the latter is the duty of the gatekeepers; especially the statutory auditor.

Gbegi & Adebisi (2014) attributes the collapse of Enron, WorldCom, Tyco, Adelphia, to corporate fraud. In Nigeria, Cadbury Nig Plc whose books were criminally manipulated by management was credited to have lost 15 billion Naira. In the case of the nine collapsed commercial banks in Nigeria, about one trillion naira was reported to have been lost through different financial malpractice. Generally, financial fraud is varied and committed by individuals and institutions.

It was argued 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 observing that because the financial statements 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 (Enofe et al., 2016). This is apparent from the public feature getting instances of financial summary misrepresentation which have pulled in the consideration of universal network and shocked the capital markets.

These frauds have constituted a challenge and made a negative impact not only on investors' confidence but have also dealt a devastating effect on corporate reputation while also jeopardizing its going-concern profile (Ezeagba, 2014). For instance, quantify the breakdown of Enron, WorldCom, Tyco, Adelphia, to corporate money, it was revealed that over \$460 billion was said to have been lost. In Nigeria, Cadbury Nig

**MUHAMMAD RABIU GARBA¹, DR. SHEHU ABUBAKAR², DR.
NASIRUDEEN ABUBAKAR³**

Plc whose books were creatively controlled by the board, Cadbury was reported to have lost N15 billion. On account of nine banks in Nigeria, around one trillion naira was said to have been lost through various sorts of budgetary control and ill-advised detailing (Ezeagba, 2014).

The banking sector which is considered very volatile and sensitive has gone through some moments of deep-rooted crisis with the recent being the abrupt removal and even trial of five Chief Executive Officers and spontaneous dissolution of their board. The issues that led to this action by the apex bank the CBN was blamed on poor corporate governance which saw some insider abuses that led the affected banks actually having negative balance in their shareholders' funds (Kolapo & Olaniyan, 2018).

Following this, the CBN conducted a forensic examination on their financial reports which confirmed that the Chief Executives have filed very misleading financial reports both to the CBN and other stakeholders. The report reveals that out of the loan portfolio of N2.8 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 (Funshio & Ibrahim, 2019). 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 organization, hence the study of forensic accounting.

Oyedokun et al. (2018) defines Forensic Accounting as the application of specialized skills to stumble upon evidence of economic transaction. It is an integration of accounting, auditing and investigation skills. Forensic accounting focus is on both evidence of economic transactions and reporting which is as contained within an accounting system, and the legal framework which allows such evidence to be suitable to the purpose (s) of establishing accountability and valuation (Oyedokun et al., 2018).

There have also been instances where forensic accountants were called to determine the cause(s) of the collapse of the companies, who are involved and what (monetary value) was involved (Chukwu et al., 2019). The gap is that forensic accounting techniques are not deployed in the day-to-day running of the business of the organization with respect to the internal control functions, however, when the chips are down, these techniques are being requested from firms of forensic accountants to investigate the "what, who and when" and the fraudulent activities (Oyedokun et al., 2018).

Ezeagba (2014) Submits that Forensic Accounting (FA) is an accounting analysis that can 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 but goes further to verify the underlying facts that could be tendered as evidence even in the courts, has been veritable in the strengthening the quality of reports being published by corporate organizations. 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.

Several studies have been conducted in the area of FA, specifically on the relationship between forensic accounting and financial reporting quality (Chukwu et al., 2019; Enofe et al., 2016; Ezeagba, 2014; Funshio & Ibrahim, 2019; Abdullahi et al., 2017; Nwaiwu & Aaron, 2018; Oyedokun, Enyi & Dada 2018). However, the

AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS

studies reported mixed findings some reported positive and significant relationship between forensic and financial reporting quality example (Chukwu et al., 2019; Enofe et al., 2016). Even though, these studies were conducted in Nigeria, but they failed to cover the gap between the periods of 2018 to 2020, in which so much had happened like covid 19 that is issue of corona virus. They also reported contradictory findings, some reported positive and significant relationship between forensic accounting and financial reporting quality such as (Chukwu et al., 2019; Enofe et al., 2016; Nwaiwu & Aaron, 2018; Oyedokun Enyi, Dada 2018), while some reported negative like (Abdullahi et al., 2017).

This study specifically seeks to examine empirically the impact of forensic accounting skills on financial reporting quality of Nigerian deposit money banks. Based on the research questions and objectives of the study, the following hypotheses were formulated in null form:

- H₀₁** Fraud prevention, detection and deterrence skills do not have any significant effect on financial reporting quality of listed DMBs in Nigeria.
- H₀₂** Forensic audit, investigation and interviewing skills do not have any significant impact on financial reporting quality of listed DMBs in Nigeria.
- H₀₃** Litigation, mediation and arbitration skill do not have any significant influence on financial reporting quality of listed DMBs in Nigeria.
- H₀₄** Computer assisted review and audit review do not have any significant influence on financial reporting quality of listed DMBs in Nigeria.

2. Literature Review

This section literature review related to the study. Specifically, the section contains concept of forensic accounting, concept of financial reporting quality and also review of empirical studies on forensic accounting and financial reporting quality. Additionally, the section reviewed theories relevant to the study.

Conceptualisation

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.

Also, Forensic accounting relates to deterring, detecting and investigating frauds in financial reporting and 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. Silverstone and Sheetz (n.d.) 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.

The Oxford Advanced Learners Lexicon characterizes the word 'forensic' as having a place with, utilized in, or appropriate to a court of judicature or for open exchange or discussion (Pamukc, 2012). Pamukc (2012) contended that forensic accounting is the procedure of deciphering, condensing and introducing complex money related issues unmistakably, concisely and genuinely in a courtroom as a specialist witness should the need emerge. Pamukc (2012) further posited that from an organization, through government offices, regulatory authorities, and the judicial system, evidence abound to the effect that a high level of expertise is necessary to undertake the analysis of complicated financial transactions and events. The consensus here, therefore, is that forensic accounting has been tossed into the bleeding edge of the campaign against money related trickery.

**MUHAMMAD RABIU GARBA¹, DR. SHEHU ABUBAKAR², DR.
NASIRUDEEN ABUBAKAR³**

According to Oyedokun, et. al (2018), Forensic accounting is a science managing the utilization of accounting certainties and ideas assembled through inspecting strategies, methods and techniques to determine lawful issues which requires the mix of investigative, accounting, and examining aptitudes. Also express that forensic accounting is the art of social event and showing data in a frame that will be acknowledged by a court of statute against culprits of monetary wrongdoing.

Pamuk (2012) contended that scientific accounting is the utilization of investigative and diagnostic abilities to resolve monetary issues in a way that meets principles required by official courtrooms also noticed that legal examination is about the assurance and foundation of truth in help of legitimate case. That is, to utilize scientific systems to recognize and research a wrongdoing is to uncover all it's going to highlights and distinguish the offenders (Samarin et al., 2022).

The Centre for Forensic Studies in Nigeria argues that if well equipped, forensic accounting could be used to reverse the leakages that cause corporate failures (Ezeagba, 2014). The proactive forensic accounting practice seeks out errors, operational vagaries and deviant transactions before they crystallize into fraud. Though, conventional accounting/audit in the financial reporting context appear to have a common end that is, the examination of financial statements to ensure conformity with underlying rules and expression of unbiased opinion on the truth and fairness of such statements.

Ezeagba (2014) submit that auditing is a process of reviewing others work to determine if they have followed the prescribed policies, procedure and practice. The job of a forensic accountant encompasses that of conventional accounting and auditing as the forensic accountant possesses skills that exceeds those of traditional auditor and provides services beyond the scope of a typical financial audit engagement though the place of current audit system in the corporate world cannot be underestimated, it can be enhanced by the introduction of forensic accountant into the audit team. The inclusion of forensic accountant in the current audit team model will equip the system in being proactive in identification of fraud. new field in accounting in Nigeria and borne out of the need of ensuring quality assurance of financial statements (Oyedokun 2021).

According to IASB, the essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in a company's financial reports (Mbobo & Ekpo, 2016). These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, which will also lead to a high level of quality. To achieve this level, financial reports must be faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on having transparent financial reports, and not having misleading financial reports to users; not to mention the importance of preciseness and predictability as indicators of a high financial reporting quality.

The Conceptual Framework for Financial Reporting of the FASB and the IASB, outlined agreed upon elements of high-quality financial reporting. The qualitative characteristics of financial reporting quality include: relevance, faithful representation, understandability, comparability, verifiability, and timeliness (Beest et al., 2009). They are divided into fundamental qualitative characteristics and enhancing qualitative characteristics. A theoretical explanation for each of these terms emphasizes their importance as qualitative characteristics, and also indicates what qualities are considered fundamental among different frameworks as all cited in (Drive et al., 2017).

AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS

Conceptual Framework

Independent Variables
Variables

Dependent

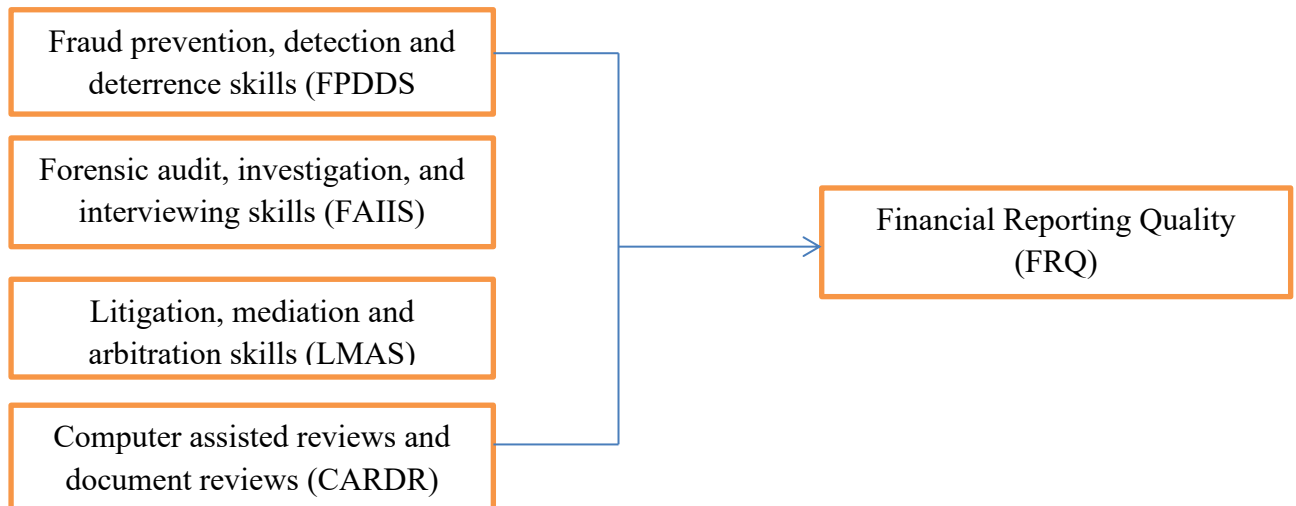


Figure 1: Conceptual Framework
Source: Author’s Compilation, 2026

Empirical Review

Chukwu et al. (2019) studied the effect of forensic accounting skills on the financial reporting credibility in Nigeria. They used questionnaires to elicit information from respondents from a sample size of 40 participants and used chi-square as techniques of data analysis. Their result shows that technical analysis skills, communication skills, accounting and auditing skills and psycho-social skills have a positive and significant effect on financial reporting credibility in Nigeria. However, the study used only a sample of forty participants which is not enough to make generalization in relation to the total number of the banks in Nigeria. Hence, the present will employ a larger size so as to get a more robust result that can be used to make generalization.

On the hand, Ezeagba (2014) conducted a study on the impact of forensic accounting and quality assurance on financial reporting quality using commercial banking sector as a reference in Nigeria. The Primary data were sourced to elicit information from accountants using a five scale Likert structured questionnaire which were administered to a sample size of Two Hundred and fifty respondents. Pearson’s correlation coefficient statistical tool was used to analyze the primary data. The study reveals among others 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. The sample size deployed on the study is sufficient but using only commercial banking sector as reference will not be enough in determining the impact of forensic accounting and quality assurance on financial reporting quality, Therefore the current study will include firms as also the reference in carrying out their investigation.

Nwaiwu & Aaron (2018) in their empirical study examine the effect of forensic accounting and quality assurance on financial reporting of public sector in Nigeria. Time series data on information communication and relevance were collected from

**MUHAMMAD RABIU GARBA¹, DR. SHEHU ABUBAKAR², DR.
NASIRUDEEN ABUBAKAR³**

selected public sector organization of 18 states in Nigeria; Pearson product moment coefficient correlation was used in analyzing the data. The statistical results indicate that there is no significant relationship between the variables of forensic accounting and quality assurance on variable of financial reporting. Furthermore, the result presented above shows that the sample size used in the study will not be enough for the sufficient of the result to be more reliable, therefore the current study will use the selected public sector organization for all the states in Nigeria.

Financial statements reflect the financial effects of business transactions and events on the entity, internal control system if adequate will help in reducing the activities of fraudulent stakeholders. Forensic accounting focus is on both evidence of economic transactions and reporting which is as contained within an accounting system. Cases of financial statement misrepresentation have been reported, affected companies and their auditors have gone down while shareholders were greatly affected.

Oyedokun et al. (2018) examined the relevance of forensic accounting techniques in ensuring the integrity of the financial statements. Stakeholders who are members of recognized professional accountancy bodies in Nigeria were requested to answer research questions. This study adopts survey research method with the use of primary data and purposive random sampling techniques. Also 350 copies of questionnaires were administered as a sample size. Nominal scale method was used in the demographic section while Likert scale was used in other sections of the questionnaire. It was found that forensic accounting techniques FAS (FPDDS, FAIIS, LMAS, and CARDR) have positive influence on the integrity of financial statements (IFS) of business organizations. The study requested only recognized professional accountancy bodies in Nigeria to answer the research question of which the bodies can not to be enough in finding out the answers. Hence, the present will request both the public and private sectors organization in determining if forensic accounting techniques FAS (FPDDS, FAIIS, LMAS, and CARDR) still have positive influence on the integrity of financial statements (IFS) of business organizations.

According to Enofe et al. (2016) stated that Financial report and financial statement matter most for equity reported in Nigeria Banks. The study has drawn to consider the contemporary among the responded samples from selected Nigeria Banks based of the objectivity in Nigeria Banks. The sampled elements for the study consisted of 150 professional Accountant and employees selected from the Banks. To attained result used the proportionate random and stratified sampled technique. To test the level of compliant of financial reporting in Nigeria Banks, the econometric model employed in the study is a multiple regression model. Hence, the model is designed to measure the relations between the role of forensic accounting in fraud prevention, relevance of the audited financial statement and true and fair view of the audited financial statement. The results show that that all the variables (FP and TFAFS) but relevance of financial statement (RFS) exhibit positive relationship with forensic accounting in the Nigerian Banks. The above study was conducted during 2016 period of which they used a sample size of only 150 professional accountants and employees which were selected from banks of which the size will not be sufficient in getting out a reliable result. Therefore, if the present deploy a larger sample size in determining whether if all the variables (FP and TFAFS) but relevance of financial statement (RFS) still exhibit a positive relationship with forensic accounting in the Nigerian Banks.

In the study conducted by Abdullahi et al. (2017) which examined the effect of forensic accounting on the performance of Nigerian banking sector. The data were gathered from sample of Guarantee trust bank and Access Bank Plc's annual reports and accounts for (12) twelve years (2006-2017). The research work made use of

AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS

multiple regression method. Forensic audit (FAUD) was used as proxy for forensic accounting and the dependent variable, net profit margin (NPM), Profit after tax (PAT) and dividend per share (DPS) were used as independent variable. The result of the analysis shows that forensic audit has significant effect on the net profit margin of selected Nigerian banks. It was also observed that forensic audit influences profit after tax of Nigerian banks. The study also revealed that forensic audit has significant effect on retained earnings and dividend per share of Nigerian banks.

The sample was sourced from only two banks for all the banks in Nigerian of which if the sample were sourced from all the Nigerian banks may well determine the effect of forensic accounting on the performance of Nigerian banking sector. Therefore, the current study will use the all Nigerian as reference in the study to see whether if forensic audit has significant effect on the net profit margin of selected Nigerian banks. And to also observe that forensic audit influences profit after tax of Nigerian banks. Also revealed that forensic audit has significant effect on retained earnings and dividend per share of Nigerian banks.

Theoretical Review

The Profit After Tax theory is an accounting theory that is concerned with predicting unobserved phenomenon. It predicts the actions of choices of accounting policies by any firms and how this firm responds to novel accounting standards. It attempts to explain what informed certain choices of any stipulated or accounting policy and predicts their future based on facts and does not accept assumptions. It examines and distinguishes certain ramifications and reasons for expenditures then compares income against expenditures to determine if and why businesses are operating at gains or losses while building from their knowledge of the enterprises, predict their future transactions.

PAT started with investigation of some assumptions underlying normative accounting practices during 1960s. PAT is an accounting theory that could be employed in explaining and predicting or forecasting accounting practices that are appropriate for any particular firm (Abdullahi et al., 2017). This theory explains decisions of accounting policy by examining certain relationship or contracts between businesses, their owners, management, and debt holders who are rationale wealth maximizers, therefore this theory relates to this study since it concerned with predicting unobserved phenomenon (Mohammed, 2022). It predicts the actions of choices of accounting policies by any firms and how this firm responds to novel accounting standards (Bagura, 2020). It attempts to explain what informed certain choices of any stipulated or accounting policy and predicts their future based on facts and does not accept assumptions and this study try to bring out a way out to the problem of fraud cases in so many organizations likely in the domain of the study which is banking sector.

3. Methodology

This study employed a survey research design through the administration well-structured questionnaires. The population of the study consists of all the Nigerian deposit money Banks listed on the floor of the Nigerian Stock Exchange as at 31st December, 2020. This study adopted purposive sampling technique and administered survey instrument to 350 respondents drawn from different banks that made up the sample size.

The justification of using this method is primarily based on their application by the previous studies such as Dada et al., (2013); Enofe et al., (2016); Ezeagba, (2014); Oseni, (2017); Oyedokun et al., (2018). The study used primary data as its

**MUHAMMAD RABIU GARBA¹, DR. SHEHU ABUBAKAR², DR.
NASIRUDEEN ABUBAKAR³**

sources of data and administered a well-structured questionnaire as the method of data collection. This study employed a five likert scale structured questionnaire which was adopted from the work of Oyedokun et al., (2018) and Madawaki and Amran (2013) after some modification on the following items of both the independent and the dependent variables of the questionnaire:

Table 1

Variables of the Study and their Measurement

S/N	Nature of variable	of Variable Proxy	Measurement	Source
1	Independent	Fraud prevention and deterrence skills	Measured using items FPDDS 1, FPDDS 2, FPDDS 3, FPDDS 4 of the questionnaire	Oyedokun et al., (2018)
2	Independent	Forensic audit investigation and interviewing skills	Measured using items FAIS 1, FAIS 2, FAIS 3, FAIS 4 of the questionnaire	Oyedokun et al.,(2018)
3	Independent	Litigation, mediation and arbitration skills	Measured using items LMAS 1, LMAS 2, LMAS 3 of the questionnaire	Oyedokun et al.,(2018)
4	Independent	Computer assisted review and document review skills	Measured using items CARDARS 1, CARDARS 2, CARDARS 3 of the questionnaire	Oyedokun et al.,(2018)
5	Dependent	Financial reporting quality	Measured using items FRQ 1, FRQ 2, FRQ 3, FRQ 4, FRQ 5, FRQ 6, FRQ 7 of the questions	Oyedokun et al.,(2018)

Source: Compiled by the researcher, 2026

The study employed the use path analysis as techniques of data analysis. Path analysis can be seen as a methodological tool that helps researchers using quantitative (correlation) data to disentangle the various (casual) processes underlying a particular outcome (Hair et al., 2019). SPSS software was used for data screening which deals with missing value analysis, nonresponse bias analysis and detecting unvarying out layers analysis (see appendix). While the main analysis was conducted using PLS software (smart PLS software) which deals with discriminate validity, convergent validity and test of hypothesis (Hair et al., 2013).

The model of the study indicated the relationship among the variables of the study is depicted below:

$$FRQ = f(FAS) \dots \dots \dots (1)$$

$$FRQ = f(FPDDS, FAIS, LMAS, CARDARS) \dots \dots \dots (2)$$

$$FRQ = B_0 + B_1FPDDS + B_2FAIS + B_3LMAS + B_4CARDARS + \dots \dots \dots (3)$$

**AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND
FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN
DEPOSIT MONEY BANKS**

4. Results and Discussion

The measurement model can be assessed through convergent validity and discriminant validity. Gorondutse et al., (2017) refer convergent validity as the degree to which a place of construct meets in measuring the concept on the construct. Looking at the Table 2 reveals that the AVE values between 0.670 to 0.606 and the CR values of the constructs above the recommended assessment of 0.7, which range between 0.802 to 0.818, it can be established that the measurement model has a sufficient degree of convergent validity (Bagozzi et al., 1991; Hair et al., 2014).

Table 2

Construct Convergent Validity and Reliability

Variables	Items	Factors Loading	Cronbachs Alpha	Composite Reliability	AVE
Computer assisted review, document review skill	CARDRS2	0.861	0.512	0.802	0.670
	CARDRS3	0.774			
Forensic audit investigation and litigation skills	FAIS1	0.772	0.673	0.819	0.602
	FAIS2	0.754			
	FAIS4	0.801			
Fraud prevention, detection and deterrence skills	FPDDS1	0.707	0.778	0.856	0.600
	FPDDS2	0.811			
	FPDDS3	0.728			
	FPDDS4	0.844			
Financial reporting quality	FRQ2	0.451	0.806	0.854	0.504
	FRQ3	0.593			
	FRQ4	0.694			
	FRQ5	0.797			
	FRQ6	0.859			
	FRQ7	0.783			
Litigation, mediation and arbitration skills	LMAS1	0.904	0.696	0.818	0.606
	LMAS2	0.804			
	LMAS3	0.594			

Source: Author's Compilation, 2026

Discriminant Validity

Having discussed on convergent validity above, this section explained discriminant validity. Discriminant validity refers to the level to which a set of constructs can truly be different from other construct (Bagozzi et al., 1988; Hair et al., 2017; Henseler et al., 2009). In investigating discriminant validity of the measurement model, Table 3 indicates the correlation matrix in which the diagonal elements represent the square root of the average variance extracted of the latent constructs. The result of the correlation matrix indicated in the table below ensures that the discriminant validity is confirmed (Hair et al., 2019).

Table 3
Discriminant Validity

	CARDRS	FAIS	FPDDS	FRQ	LMAS
CARDRS	0.819				
FAIS	0.439	0.776			
FPDDS	0.321	0.627	0.774		
FRQ	0.309	0.617	0.449	0.710	
LMAS	0.468	0.427	0.315	0.368	0.778

Source: Autor’s Compilation, 2026

Note: The bolded values in diagonals represent the square root of the AVE while those off the diagonals represent latent variable correlations.

Structural Model

After a careful assessment of the measurement model in figure 1, this subsection examined the structural Model for this study. Gorondutse et al. (2017) viewed Structural model as a model that expresses about the reliance of association in the hypothesized model. In terms of path coefficient, partial least squares by Argawal and Karahanna (2000) as cited in Gorondutse et al. (2017) is like the standardized beta coefficient in regression analysis.

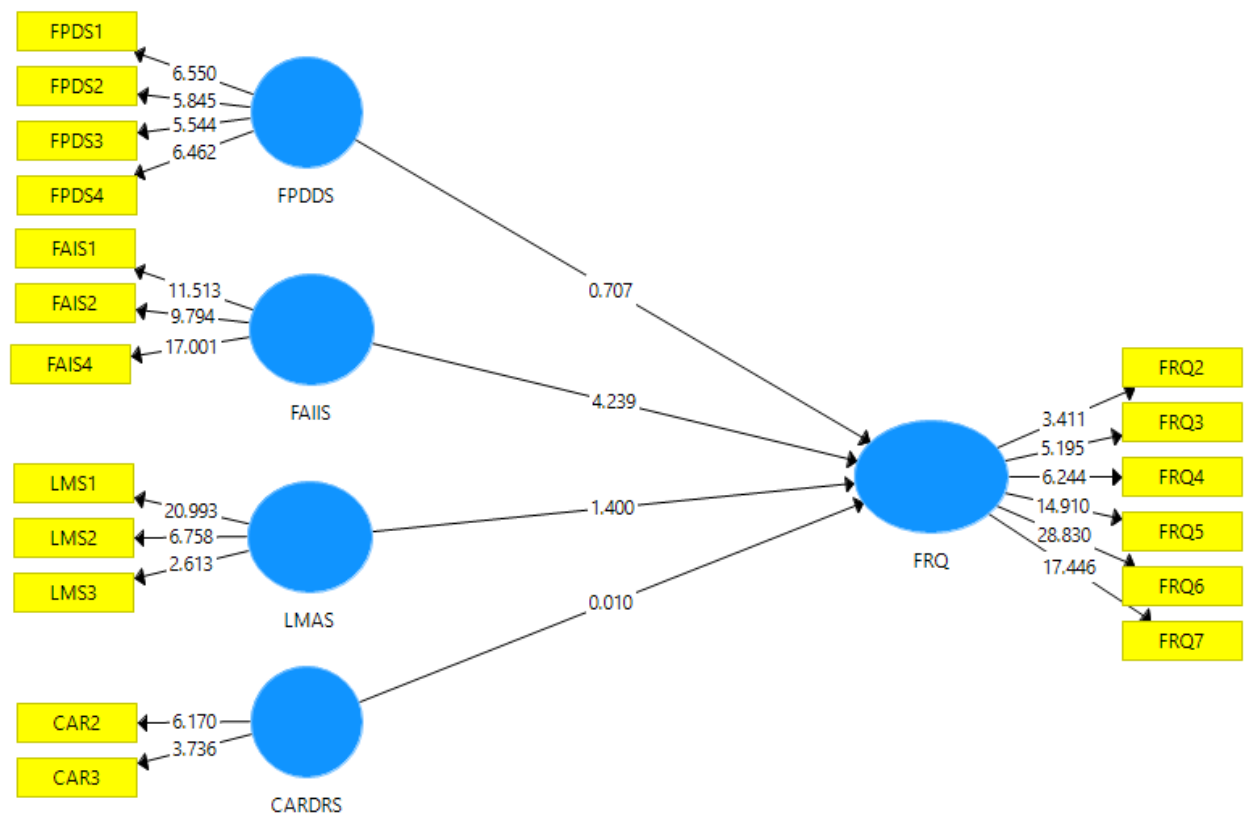


Figure 1: Structural model
Source: Author’s Compilation, 2026

**AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND
FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN
DEPOSIT MONEY BANKS**

Table 4

Result of Hypothesis Testing

	Path coefficient	Standard error	T-value	P-value	Decision
FPDDS → FRQ	0.093	0.136	0.689	0.031	supported
FAIIS → FRQ	0.506	0.132	3.820	0.000	Supported
LMAS → FRQ	0.123	0.098	1.263	0.007	supported
CARDRS → FRQ	-0.001	0.122	0.010	0.992	Non supported

Source: Author's Compilation, 2026

The above Table 4 indicated that three of the study hypotheses were rejected (supported) while one hypothesis was not rejected (not supported). The R² value indicated that, all the study variables of forensic accounting techniques (CARDRS, FAIIS, FPDDS and LMAS) are capable of influencing 0.399 (40%) of the changes in the dependent variable which is the financial reporting quality of Nigerian deposit money banks.

Table 5

Effects of FPDDS, FAIIS, CARDRS, LMAS on FRQ

	R Square	R Square Adjustment
FRQ	0.399	0.372

Source: Author's Compilation, 2026

Result of the hypotheses

The Effect of fraud prevention, detection and deterrence skills on FRQ of Listed DMBs

It was hypothesized that fraud prevention, detection and deterrence skills have no any significant effect on financial reporting quality. However, the result of the analysis shows significant effect of fraud prevention, detection and deterrence skills on financial reporting quality. This was indicated by T-value and P-value of 0.689 and 0.031 respectively. Therefore, the study rejected the null hypothesis and hence, we conclude that fraud prevention, detection and deterrence skills have positive and significant effect on financial reporting quality. This is indicated by a p- value of 0.031 which is less than 0.05.

The Impact of forensic audit, investigation and interviewing skills on FRQ of Listed DMBs

It was hypothesized that forensic audit, investigation and interviewing skills do not have any significant impact on financial reporting quality. Therefore, the result of the analysis shows a significant impact of forensic audit, investigation and interviewing skills on financial reporting quality. This was indicated by T-value and P-value of 3.820 and 0.000 respectively. Therefore, the study rejected the null hypothesis and hence, we concluded that forensic audit, investigation and interviewing skills have a positive and significant impact on financial reporting quality. This was denoted by P-value of 0.000 which is less than 0.05.

The influence of Litigation, mediation and arbitration skills on FRQ of Listed DMBs

It was hypothesized that litigation, mediation and arbitration skills does not have any significant influence on financial reporting quality. However, the result of the analysis indicated a significant influence of litigation, mediation and arbitration skills

on financial reporting quality as indicated by T-value and P-value of 1.263 and 0.007 respectively. Therefore, this study rejected the null hypothesis and hence, the study concluded that litigation, mediation and arbitration skills have a positive and significant influence on financial reporting quality. This is indicated by a p- value of 0.007 which is less than 0.05.

Influence of Computer assisted review and document review skills on FRQ of Listed DMBs

It was hypothesized that Computer assisted review and document review do not have any significant influence on financial reporting quality of listed deposit money banks in Nigeria while the result shows that Computer assisted review and document review have an insignificant influence on financial reporting quality of listed deposit money banks in Nigeria. This was determined by T-value and P-value of 0.010 and 0.992 respectively. Therefore, this study fails to reject the null hypothesis and hence, we conclude that even though Computer assisted review and document review have a negative path coefficient -0.001 but it has no significant effect on financial reporting quality. This is indicated by a p- value of 0.992 which is greater than 0.05.

Base on the result of the analysis conducted, it was revealed that three of the independent variables (FPDDS, FAIS and LAMAS) are significant which implies that they play a critical role in enhancing FRQ of listed DMBs. However, the result also revealed that one independent variable (CARDRS) is insignificant which indicate that Computer assisted review and document review skills do not have significant influence on FRQ of listed DMBs. Collectively, the result indicated that forensic accounting skills have significant impact on FRQ. Individually, after thorough screening of the data and analysis, the study comes up with the following findings:

Fraud prevention detection and deterrence skills was found to have a significant impact on FRQ of listed DMBs, this is in line with Oyedokun et al.,(2018). This indicates that in the banking sector, the fraud prevention detection and deterrence skills play a significant role in enhancing FRQ of listed DMBs.

Forensic audit investigation and interviewing skills was found to have significant impact on FRQ of listed DMBs. This is in line with Adebisi et al.,(2016); Funshio & Ibrahim,(2019; Oseni,(2017). This also point that in the banking sector the forensic audit, investigation and deterrence skills have a significant impact on FRQ of listed DMBs.

A litigation mediation and arbitration skill was found to have significant impact on FRQ of listed DMBs. This is in line with Oyedokun et al.,(2018). This also point that in the banking sector the forensic audit, investigation and deterrence skills have significant impact on FRQ of listed DMBs.

Computer assisted review and documents review skills was found not to have any significant impact on FRQ of listed DMBs, this is contrary to Oyedokun et al.,(2018). This indicates that in the banking sector, the computer assisted review and documents review skills as forensic accounting techniques doesn't have any impact on FRQ of listed DMBs and it is in line with the findings of Saidu (2015).

5. Conclusion and Recommendations

It was concluded that forensic accounting skills have an impact on FRQ collectively but base on the individual result of each skill, it was found that some skills have positive and significant impact on FRQ of all the Nigerian deposit money banks while other have no any significant impact. Therefore, it was concluded that there is

AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS

need to conduct a further study in the other sector which might come up with a different finding.

The study was conducted in the banking sector as such the result cannot be generalized to other sectors such as manufacturing, telecommunication, oil and gas and others (Olowokure et al., 2015). Therefore, other researchers should explore other sectors that have not been covered by the study. Based on the findings, the following recommendations were made:

Considering the important of forensic accounting skills and FRQ of NDMBs, the study recommended that the NDMBs should employ more experts with forensic accounting skills to man their day-to-day activities especially internal control units because it has a great impact on the FRQ.

It is also recommended that core banking operations like cash management, treasury operation loan processing, forex transaction should be diligently guided and subjected to forensic accounting audit and examination. This is to ensure that maximization of customers' interest is the major focus but without contravention of regulations set out by Central Bank of Nigeria (Henry, 2017).

Professional standard code of conducts and guidelines for the practice of forensic accounting and investigation should be established to check the incessant cases of corruption in the banking sector. Internal audit staff of the NDMBs should regularly undergo training and development programs to acquaint them with relevant knowledge and skills for effective forensic auditing.

References

- Abdullahi, S. M., & Usman, S. H. (2017). Forensic accounting: A moderator to fraud risk factors in the Nigerian deposit money banks. *International Journal of Business & Cyber Security (IJBCS)*, 1(2), 37–52. www.ijbcs.abrmr.com
- Adebisi, J., & Gbegi, D. (2015). Fraud and the Nigerian public sector performance: The need for forensic accounting. *International Journal of Business, Humanities and Technology*, 5(5), 67–78.
- Bagozzi, R. P., & Yi, Y. (1988). On the evaluation of structural equation models. *Journal of the Academy of Marketing Science*, 16(1), 74–94. <https://doi.org/10.1007/BF02723327>
- Bagozzi, R. P., Yi, Y., & Phillips, L. W. (1991). Assessing construct validity in organizational research. *Administrative Science Quarterly*, 36(3), 421. <https://doi.org/10.2307/2393203>
- Bangura, A. B. (2020). Forensic accounting techniques and fraud prevention in Sierra Leonean deposit money banks. *Asian Journal of Economics, Business and Accounting*, 14(2), 20–50. <https://doi.org/10.9734/ajeba/2020/v14i230190>
- Beest, F. Van, & Boelens, S. (2009). Quality of financial reporting : Measuring qualitative characteristics. *NiCE Working Paper 09-108*.
- Dada, O. S., Owolabi, S. A., & Okwu, A. T. (2013). Forensic accounting a panacea to alleviation of fraudulent practices in Nigeria . *International Journal of Business Management, and Economic Research*, 4(5), 787–792.
- Ezeagba, C. E. (2014). The role of forensic accounting and quality assurance in financial reporting in selected commercial banks in Nigeria. *International Journal of Economic Development Research and Investment*, 5(2), 20–31.
- Gbegi, D. O., & Adebisi, J. F. (2014). Forensic accounting skills and techniques in fraud investigation in the Nigerian public sector. *Mediterranean Journal of*

**MUHAMMAD RABIU GARBA¹, DR. SHEHU ABUBAKAR², DR.
NASIRUDEEN ABUBAKAR³**

- Social Sciences*, 5(3), 243–252. <https://doi.org/10.5901/mjss.2014.v5n3p243>
- Gorondutse, A. H., Hilman, H., Salimon, M. G., Alajmi, R., Al Shdaifat, F. H., & Kumaran, V. V. (2019). Establishing the effect of government support on the relationship between gender egalitarian and women leadership effectiveness among public universities in KSA. *Gender in Management*, 34(4), 306–325. <https://doi.org/10.1108/GM-06-2018-0067>
- Hair, J. F., Ringle, C. M., & Sarstedt, M. (2011). PLS-SEM: Indeed a silver bullet. *Journal of Marketing Theory and Practice*, 19(2), 139–152. <https://doi.org/10.2753/MTP1069-6679190202>
- Hair, J. F., Ringle, C. M., & Sarstedt, M. (2013). Partial least squares structural equation modeling: Rigorous applications, better results and higher acceptance. *Long Range Planning*, 46(1–2), 1–12. <https://doi.org/10.1016/j.lrp.2013.01.001>
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Hair, J. F., Sarstedt, M., Hopkins, L., & Kuppelwieser, V. G. (2014). Partial least squares structural equation modeling (PLS-SEM): An emerging tool in business research. *European Business Review*, 26(2), 106–121. <https://doi.org/10.1108/EBR-10-2013-0128>
- Hair Jr., J. F., Matthews, L. M., Matthews, R. L., & Sarstedt, M. (2017). PLS-SEM or CB-SEM: Updated guidelines on which method to use. *International Journal of Multivariate Data Analysis*, 1(2), 107. <https://doi.org/10.1504/ijmda.2017.10008574>
- Henry, A. W. (2017). Effect of forensic accounting services on fraud reduction in the Nigerian banking industry. *Advances in Social Sciences Research Journal*, 4(12). <https://doi.org/10.14738/assrj.412.3342>
- Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. *Advances in International Marketing*, 20(2009), 277–319. [https://doi.org/10.1108/S1474-7979\(2009\)0000020014](https://doi.org/10.1108/S1474-7979(2009)0000020014)
- Kolapo, F. T., & Olaniyan, T. O. (2018). *The impact of fraud on the performance of deposit money banks in Nigeria*. 6(1), 40–49.
- Madawaki, A., & Amran, N. (2013). Audit committee characteristics and financial reporting quality: evidence from Nigerian listed companies. *Terengganu International Finance and Economics Journal*.
- Mbobu, M. E., & Ekpo, N. B. (2016). Operationalising the qualitative characteristics of financial reporting. *International Journal of Finance and Accounting*. <https://doi.org/10.5923/j.ijfa.20160504.03>
- Modugu, K. P., & Anyaduba, J. O. (2013). Forensic accounting and financial fraud in Nigeria: An empirical approach. *International Journal of Business and Social Science*, 4(7), 281–289.
- Mohammed, R. M. H. (2022). The impact of audit committee on financial reporting quality. *Journal of Global Economics and Business*, 3(11), 81–94. <https://doi.org/10.31039/jgeb.v3i11.91>
- Nwaiwu, N. J., & Aaron, F. C. (2018). Forensic accounting and quality assurance on financial reporting of public sector in Nigeria. *International Journal of Advanced Academic Research*, 4(3), 127–146. <http://www.ijaar.org/articles/Volume4-Number3/Social-Management-Sciences/ijaar-sms-v4n3-mar18-p9.pdf>
- Olowokure, O. A., Tanko, M., & Nyor, T. (2015). Firm structural characteristics and financial reporting quality of listed deposit money banks in Nigeria.

**AN EMPIRICAL ANALYSIS OF FORENSIC ACCOUNTING SKILLS AND
FINANCIAL REPORTING QUALITY IN LISTED NIGERIAN
DEPOSIT MONEY BANKS**

- International Business Research*, 9(1), 106. <https://doi.org/10.5539/ibr.v9n1p106>
- Oseni, A. I. (2017). Forensic accounting and financial fraud in Nigeria: Problems and prospect. *Journal of Accounting and Financial Management*, 3(1), 23–33.
- Oyedokun, G. E. (2021). Forensic accounting techniques , accounting numbers and fraud prevention in the listed insurance companies in Nigeria. *January*.
- Oyedokun, G. E., Enyi, E., & Dada, S. O. (2018). Forensic accounting techniques and integrity of financial statements : an investigative approach. *July*.
- Saidu, A. (2015). The application of forensic accounting techniques in fraud prevention and control in Nigeria: An analysis of its practicability. *International Journal of Advanced Studies in Business Strategies and Management*, 3(1), 187–200.
- Samarin, F. K., Khalilpour, M., & Ramzani, J. (2022). Factors affecting the detection of fraud in financial statements using structural equation modeling. *Int. J. Nonlinear Anal. Appl. In Press*, 6822(April), 2008–6822.
<http://dx.doi.org/10.22075/ijnaa.2022.27279.3546>