

THE ROLE OF FORENSIC ACCOUNTANT IN BANKRUPTCY PROCEEDINGS: THE NIGERIA EXPERIENCE

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Abstract

It has been said that forensic accountants operate in a world of mystery, intrigue, and excitement, while still utilizing core accounting skills. Their work-which can be thought of as a technical puzzle that is filled with numbers and that sometimes requires a reconstruction of the pieces-fluctuates between calm periods of routine tasks and unpredictable shifts into "emergency mode" in order to meet an attorney's quickly approaching deadline. 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. The increasing occurrence of fraud in modern day business environment requires the services of forensic accountants to unearth fraudulent activities within and outside an organization. The importance of forensic accounting cannot be underestimated as a result of global persistent perpetration of fraud in organizations. This indeed has made researchers and management of companies to look into other means of tackling and reducing the menace of fraud.

Introduction

The incidence of bankruptcy and solvency in major organization in Nigeria in recent time poses a threat accounting profession because of its perennial nature. This has resulted to unending questions as to whether forensic accountants actually play any significant role towards the attainment of accountability and prevention of insolvency especially that which is currently happening in our major or key financial institution and other corporate organizations in the recent case of Skye Bank.

The increasing solvency and financial malpractices cases in corporate organizations have placed bankruptcy and accounting issues as top concern for both the international community and policy makers (Jonathan et al., 2010). Accountants and Liquidation Officers may be expected to report irregularities in company's accounts by enhancing transparency, accountability and developing techniques for it early detection and also proffers a way of preventing it occurrence. However, an emerging body of literature argues that accounting professionals have increasingly used their expertise to conceal and promote antisocial practices

through attestation to the fairness of the financial statements of organisations and also credence to financial statement by confirming that the audited financial statement and accounting records complied with the General Accepted Accounting Standards (GAAP), Auditing standards and company accounting policy.

But given the current high volume of both bankruptcies and frauds, and the complexity of many of those frauds, trustees, creditor committees and bankruptcy attorneys might want to consider going a step further by calling upon a forensic accountant, who can identify more red flags and find them sooner, potentially identifying them earlier in the bankruptcy process. Forensic accounting is seen as encapsulating all the other areas in the use of accounting for investigative purposes. The increasing sophistication of certain crimes requires that forensic accounting be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal activities.

According to AICPA (2004), Forensic Accounting is the application of accounting principles, theories and discipline to facts or hypothesis at issues in a legal dispute and encompasses every branch of accounting knowledge. Forensic accounting is the tripartite practice of utilizing accounting, auditing and investigative skills to assist in legal matters. It is the specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. Forensic accounting services generally involve the application of specialized knowledge and investigative skills possessed by CPAs to collect, analyze, and evaluate evidential matter and to interpret and communicate findings in the courtroom, boardroom, or other legal or administrative venue. More simply, in the context of litigation, the term forensic means to be suitable for use in a court of law.

The increasing need for forensic and investigative accounting in the bankruptcy proceedings results from the nature of modern-day bankruptcy fraud involving concealment of assets, which in turn accounts for nearly 70% of all fraudulent bankruptcy cases, some of which involve large volume of complex data, which makes it difficult to monitor those transactions by applying manual audit processes. This in turn makes the control utility of auditing ineffectual. Virtually all the weaknesses and challenges identified in various sector of the economy, criminal investigations and financial prosecutions arising from them, are issues for forensic accounting. The general expectation is that forensic accounting may offer some respite to the seeming vulnerability of conventional accounting and audit systems to financial fraud.

Inarguably, in Nigeria there is a drastic growth in the perpetration of bankruptcy fraudulent activities in companies which has led to a great need in the perceptibility of forensic accountants, as it is a rapidly growing field of accounting that describes the engagement that results from actual or anticipated dispute or litigations. Moreover, Forensic accounting includes the use of accounting auditing, and investigative skills to assist in legal matters. It consists of two major components. Litigations services that recognized the role of an accountant as an expert consultant, and investigative service that uses a forensic accountant's skills and may require possible court room testimony.

In certain situations, a forensic accountant's assignment will be at the request of an attorney, with the findings to be used in a court of law. The forensic accountant might also be required to testify in the court of law. It is important that forensic accountants have a general understanding of the rules of evidence and court proceedings where the case is being argued.

The early hiring of forensic accountants can also influence the outcome of the case; this allows them to assist the attorney in a variety of ways, such as making a preliminary determination on the merits of the litigation and developing strategies related to the discovery of relevant documents.

Statement of Problem

Detecting bankruptcy fraud can be a challenge for trustees and creditor committees. Sometimes the signs are obvious. But frequently, the “red flags” are hidden in thousands of pages of business records and complex webs of relationships. Financial information and relationships flow together – for example, a “relationship map” can indicate when vendors are insiders and have potentially worked with the debtor to manipulate records in order to be paid first. Sometimes, lack of information is a form of information – insufficient information can be a sign that something has been concealed. The detection of a bankruptcy fraud scheme can be a complex, demanding task in itself, one that demands a specialist’s focused, dedicated attention.

Like many criminals, fraudsters often leave their fingerprints at the scene of the crime. But in the hands of the right forensic accountant, there are no metaphorical gloves that they can wear to prevent detection: as examination of the financial evidence invariably tracks them down. Presumably, when a company faces liquidation, it is not unusual to find directors who anticipate events and attempt to circumvent the inevitable. In doing so, they can become fraudsters.

Routinely, this involves fraudulent conveyance or transfer: trying to pay some creditors in preference to others with the intention of committing fraud. This might involve repaying loans from connected parties or banks where there are personal guarantees, clearing balances with preferred suppliers, or sorting out directors’ loan accounts.

It has now become pertinent that forensic accountant need to be introduced and practices since the external auditors do not or may not have the required training to be able to tackle modern bankruptcy frauds like concealment of assets, embezzlement, contract disputes and possibly criminal financial transaction; including money laundering by organized creditors, also is the ability of the forensic accountants to provide litigation support and investigative financial and corporate fraud. These areas have become a complex area of concern for the normal accountants.

Effiong (2015) observed that Nigeria is still ranked very low by the transparency international corruption index. The 2015 survey places Nigerian at the 120th position out of 178 countries that was sample. Consequently, there is a general expectation that forensic accounting may be able to stem the tide of financial malfeasance witnessed in most sectors of the Nigerian economy. However, it would suffice to note that though the prospect of forensic accounting in has generated considerable research attention in Nigeria (Ewa and Udoayang, 2012; Adegbite and Fakile, 2012; Izedomin and Mgbame 2011) there’s not been adequate emphasis on how forensic accounting can help reduce bankruptcy fraudulent crimes in various financial sector of the economy. This is why a study of this nature is necessary and following questions will be used to explore this problem in further details.

Research Question

In order to achieve the objective of the study, the following research questions have been raised in the project study, providing answers to them will help achieve the aim of this work. These questions include the following;

1. To what extent does forensic accountant can be used as an effective tool in addressing bankruptcy frauds and crime?
2. What are the differences between the roles of forensic accountants and conventional accountants in curbing bankruptcy financial crimes?
3. To what extent does forensic auditing helps to curb fraudulent activities such as concealment of assets?
4. Are there any possible recommendation for reducing and preventing bankruptcy fraudulent financial practice in corporate organization?

Research Objectives

The broad objective of the study is to examine the role of forensic accountants in bankruptcy proceedings of corporate organizations.

Other Specific objectives of the study are to;

1. Identify how forensic accountant can be used as an effective tool in addressing bankruptcy frauds and crime?
2. Determine the differences between the roles of forensic accountants and conventional accountants in curbing bankruptcy financial crimes.
3. Ascertain how forensic auditing helps to curb fraudulent activities such as concealment of assets.
4. Suggest possible recommendation for reducing and preventing bankruptcy fraudulent financial practice in corporate organization.

Research Hypothesis

The needs for such guides rise to the following null hypothesis;

HO: Forensic accounting is not an effective tool for addressing bankruptcy financial crimes of corporate organization.

HO: There are no significant differences between the roles of forensic accounting and that of conventional accounting in curbing bankruptcy fraudulent crimes.

Literature Review

The Concept of Forensic Accounting

Forensic accounting has witnessed a gradual entrance into mainstream contemporary accounting literature and has been defined both conceptually and operationally by a considerable number of scholars. In the views of Howard and Sheetz (2006) forensic accounting is simply the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert witness. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Razae, Crumbley & Elmore, 2006). As a result, forensic accounting has been thrown into the forefront of the crusade against financial deception (Rumaswamy, 2005). Bolgna & Linqvist (1995) defined forensic accounting as the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of the rules of evidence. Manning (2002) also defined forensic accounting as the application of financial accounting and investigative skills, to a standard acceptable by the courts, to address issues in dispute in the context of civil and criminal litigation. According to Damilola & Olofinsola (2007), Forensic accounting is the

application of criminalities methods and integration of the accounting investigative activities and law procedures to detect and investigate financial crimes and related economic misdeeds. To them, Forensic accounting is a highly technical and specialized area of practice within the principles and ethics of accounting profession. They further assert that it is not every forensic accounting engagement that ends up in the court of law. The AICPA (2005) defined forensic accounting as “the application of accounting principles, theories and discipline to facts or hypotheses at issue in a legal dispute and encompasses every branch of accounting knowledge.” The AICPA (2005) further classifies forensic accounting into two broad categories: investigative services and litigation services. The AICPA has recognized forensic accounting services to generally involve: The application of specialized knowledge and investigative skills, Collecting, analyzing and evaluating evidential matter, Interpreting and communicating findings in the courtroom, boardroom or other legal/administrative venue. Crumbley (2006) defined Forensic accounting as the application of specialized knowledge and specific skill to stumble up on the evidence of economic transactions. Zysman (2001) posits that Forensic accounting as the integration of accounting, auditing, and investigative skills. Simply put, forensic accounting is accounting that is suitable for legal review offering the highest level of assurance and including the now generally accepted connotation of having been arrived at in a scientific fashion.

Tools of Forensic Accountant

- **Net Worth Method**

One of the effective tools used by forensic accountants in fraud detection and money laundering is the net worth method; the net-worth technique is good in demonstrating the income of the suspect by using financial analysis to determine the increase in his or her wealth. This is usually done by showing the year to year increase in the wealth of the individual. Through this tool, it can be shown that fraudsters, money launders, and corrupt bank officials spent money that can be traced to their legitimate income.

- **Transaction Monitoring**

This is an area where forensic accounts can assist both the institution and law enforcement agencies. There are two basic ways to conduct transaction monitoring to ensure that fraud and other financial crimes are not perpetrated one of them is the use of anti-money laundering (AML) soft wave used by various institutions using data mining tool. The others are reports generated by the accounting system which can be queried by the forensic accountant using query type analysis of spreadsheets. These can effectively assist to deal with tracking complex transaction that some of these fraudsters and sophisticated money launderers employ.

Skills a Forensic Accountant Require

Some of the skills a forensic auditor requires are:

- i. Be a good interviewer: this is required to obtain relevant information’ having the ability to review and identify relevant document, be able to construct financial transactions through information obtained from third parties.
- ii. Know how to maintain chain of custody over documents when gathering and preserving accounting evidence.
- iii. Having the ability to observe behaviours especially during interviews.
- iv. Ability to calculate net worth and living expenses.

- v. Ability to inspect documents for authenticity, alteration, forgery or counter feinting and fraud.
- vi. Ability to design scenarios; thinking like fraudsters in order to determine occasion when internal controls could be circumvented or loose or when controls are enforced and therefore taken advantage of.

Relationship between Traditional Auditing and Forensic Accounting

Traditional Audit and Accounting is Mandatory Forensic Accounting is done in response to an event Auditors should possess “professional skepticism”. Forensic accountants should possess “Investigative mentality” Measures compliance with reporting standards, Deals with Financial investigation, Obtain reasonable assurance that financial statements are free of material misstatement. Findings used as evidence in court or to resolve disputes. An auditor basically focuses on material transactions. A forensic accountant may focus more on seemingly immaterial transactions. Audit is mainly concentrated on financial statements and its related items. The coverage of forensic accounting is wider than audit dealing with both financial & non-financial issues

Bankruptcy Proceedings

Bankruptcy proceedings are specialized specie of litigation and entail a mastery of the applicable laws and rules for effective usage. Bankruptcy proceedings are, in essence, punitive in nature and are employed to ensure that persons who cannot meet their financial obligations are disqualified from holding public offices, occupying managerial positions and practicing regulated professions, except they are engaged as employees.

Despite the above, bankruptcy proceedings can be gainfully employed, by creditors, to recover debts owed to them by debtors upon the compliance with certain conditions precedent and the commission of any of the acts of bankruptcy provided under the Act. In its debt recovery complexion, bankruptcy proceedings are a specialized legal proceeding employed by either a creditor (to recover his exposure to a debtor) or a debtor (to obtain financial reliefs, by means of judicial process, from his debtors.)

Aim of the Proceedings

A bankruptcy proceeding is principally aimed at adjudging the debtor a bankrupt whilst a winding-up proceedings aims at liquidating a company for its inability to pay its debt(s). Therefore, a bankruptcy petition is an assault against a person whilst a winding-up petition is an assault against a company.

Variants of Bankruptcy Proceedings

There are basically two variants of bankruptcy proceedings:

Creditor Bankruptcy Proceedings and the **Debtor Bankruptcy** Proceedings.

In both cases, the end is to obtain a Receiving Order against the assets of the debtor to be used to liquidate the debts owed to his creditors. The major difference between these two forms of bankruptcy proceedings is the objective each seeks to achieve and the benefit to the party. In the case of debtor bankruptcy proceedings, it seeks to provide a protective measure for the debtor against his creditors.

Conversely, in the case of the creditor bankruptcy proceedings, it seeks to provide an avenue for the recovery of debts within the contemplation of the Act.

Proceedings in Bankruptcy

1. Presentation of petition: This is the first stage in bankruptcy proceedings. This entails the filing of petition which should include a sworn affidavit stating that the debtor has committed an act of bankruptcy in the Federal High Court by a creditor or a group of creditors alleging the inability of a debtor to pay their debts and requesting a receiving order to be made against the debtor.
2. Receiving Order: This is an order of the court placing the debtor's estate in custody and control of the court. The court appoints a person who shall exercise the court's power of custody and control known as the Official Receiver. The receiving order does not make the debtor bankrupt but deprives him of the possession of the property. For a receiving order to be given the court, the following conditions must be satisfied;
 - a. The debt due from the debtor must not be less than N2000
 - b. The debt must be a liquidated sum (that is an amount already ascertained or known before presentation of the petition)
 - c. The act of bankruptcy of which petition was presented must have been committed at least three months before the presentation of petition.
 - d. The debtor must ordinarily be a resident in Nigeria or must have been so resident within a period not less than 12 months (i.e. a Nigerian resident in Nigeria, a foreigner with a dwelling place or a place of business in Nigeria.)
3. Preparation and Presentation of Statement of Affairs: The statement of Affairs is a statement which gives an account of the assets and liabilities of debtors. Where the bankruptcy petition was filed by the debtor the statement of affairs must be submitted to the official receiver within seven (7) days or fourteen (14) days in the case of petition filed by creditors. Where the debtor is unable to prepare and submit the statement of affairs, the official receiver may employ another person to prepare the statement of affairs at the expense of the debtor.
4. Meeting of Creditors: The official receiver after obtaining the statement of affairs will arrange a meeting of creditors. The meeting is aimed at;
 - a. To consider whether to accept a composition or a scheme of arrangement, where they accept any of these the bankruptcy proceeding shall terminate.
 - b. To adjudge the debtor bankrupt and appoint a trustee in bankruptcy and a committee of inspectors to assist the trustee.
5. Public Examination: The public examination of the debtor is an avenue to ascertain the affairs, conducts, properties, dealings and cause of the failing debtor. The debtor shall be questioned by either the official receiver or the creditors; the debtor is not allowed to be represented. However, the examination may be conducted in his absence where;
 - a. He is of an unsound mind
 - b. He is too ill to attend
 - c. He is out of the country.

Apart from public examination the court may conduct private examination; where the debtor or related parties will be privately questioned. This is usually done to obtain information on how to discover the debtor's assets and recovering assets for distribution to creditors.

6. Adjudication Order: This is the order of the court declaring the debtor bankrupt. By this order the debtor loses both title and possession of his property. The property becomes divisible by the creditors and the title becomes vested on the trustee in bankruptcy. Where a debtor is adjudged bankrupt he is expected to write the word 'bankrupt' after his name. The Order shall be made where;
 - a. The creditors at their first meeting adjudged the debtor bankrupt.
 - b. The creditors do not meet
 - c. The composition or scheme of arrangement is not approved within fourteen (14) days after the conclusion of the public examination.
7. Discharge Order: This is an Order of the court granting the bankrupt relief of all his debts with the exception of debts incurred by means of fraud or fraudulent breach of trust and debts due to the government. By this order the bankrupt may start a fresh life and all limitations imposed by the consequences of being bankrupt are removed. However, the order of discharge may not be granted by the court where the bankrupt;
 - a. Has committed any bankruptcy offence
 - b. Has continued to trade knowing himself to be insolvent
 - c. He has been previously adjudged bankrupt
 - d. He has been found guilty of any fraud or fraudulent breach of trust.

A Discharged Bankrupt

A Bankrupt person granted an order of discharge by a court. This order, in general, releases the bankrupt from all current debts and frees him from the legal disabilities of a bankrupt. It gives the debtor a chance to make a fresh start by relieving him of all the limitations imposed on him as consequences of being bankrupt.

Discharge of a Bankrupt

An application by the bankrupt to the court for an order of discharge. The application shall however not be heard until the conclusion of public examination of the bankrupt.

By the Court: Where the bankrupt does not of his own accord, within such time as the court may deem reasonable, apply for his discharge, the court may, of its own motion or on the application of the Official Receiver or the trustee or any creditor who has proved, make an order calling upon the bankrupt to come up for his discharge. The court may discharge the bankrupt where it is satisfied with the evidences provided by the bankrupt.

Automatic Discharge: A bankrupt shall be discharged after five years from the date a receiving order was made against him.

Undischarged Bankrupt is a Bankrupt person who has not been granted an 'order of discharge' by a court. An undischarged bankrupt still has the limitations imposed by consequences of being bankrupt.

Role of Forensic Accountants in Litigation and Insolvency

The accounting profession is a dynamic and constantly changing field that opens the door to vast opportunities. The specialized field of forensic accounting in particular provides those who possess the proper skill set the opportunity to be an integral part of a team of professionals in both criminal and civil law engagements.

Forensic accountants are often called upon to assist in fraud and embezzlement investigations. As such, a forensic accountant's client base is very often comprised primarily of attorneys. The forensic accountant's role within the context of a fraud investigation may include assistance with the formulation of deposition questions, interviews with various individuals, investigation of various financial documents, communication of findings in both oral and written form, and potential testimony at depositions, arbitration and/or trial. While many of these skills are enhanced by an accountant's audit and/or tax experience, additional training and certifications are typically desirable and provide the forensic accountant with specialized knowledge.

Communication among members of the professional team is critical to the success of any investigation. While the attorneys are well versed in the legal aspects of their client's case, the forensic accountant must be cognizant of both the legal and accounting aspects of the case, as the former may have an impact on the methods and assumptions used in the investigative process.

Publicity surrounding corporate malfeasance and high profile cases such as Enron, Worldcom, Tyco and Bernie Madoff certainly helped the field of forensic accounting to be viewed as a more interesting and dynamic profession, however, these cases are more the exception than the norm. In reality, a forensic accountant will more than likely be involved in engagements such as economic damages, bankruptcy, shareholder disputes and very often divorce. Depending on the demand for these types of services, many forensic accountants will actually specialize further and focus their practice on one of these types of engagements. Divorce work, for example, is a popular specialization, as the demand tends to be steady.

Within the context of a divorce engagement, there are numerous ways that a forensic accountant can assist the parties to reach a mutually agreeable settlement. Many forensic accountants are skilled business valuation professionals, with credentials such as an ABV (Accredited in Business Valuation) or CVA (Certified Valuation Analyst). In cases involving ownership in a closely held business, it is typically advisable for a forensic accountant to review the financial records to ascertain whether the business represents a marital asset subject to distribution. A review of the business records will also be necessary for purposes of determining the business owner's cash flow available for support purposes. The form of business can often cause confusion with regard to an owner's true cash flow. In the case of a pass-through entity, such as a partnership or corporation, an owner is taxed on his or her proportionate share of the entities' income. That income may bear no relation, however, to his or her true cash flow, which is more accurately determined by the distributions paid. The forensic accountant will also look at the entity's cash flows to determine whether distributions may have been unnecessarily withheld.

Another common request of forensic accountants involved in divorce work is the preparation of a spending, or lifestyle, analysis. This service helps to establish the marital standard of living and is also used to determine support. In cases where one or both spouses hold an ownership interest in a business, a lifestyle analysis can prove to be critical in establishing the existence and amount of unreported income and/or perquisites paid by the business.

This is the tip of the iceberg in terms of what the forensic accountant can offer in a divorce engagement. There are tax implications of settlements, identification of hidden assets

and liabilities, quantification of dissipation, and the list goes on. Experienced experts add value not only with their analysis, but in their ability to assist attorneys to help their clients understand and negotiate their issues. Whether in a divorce setting, fraud investigation, bankruptcy or damage assessment, forensic accountants possess the knowledge and skills that enhance the team of professionals' ability to resolve their cases and, ultimately, achieve closure for their clients.

Challenges of Forensic Accounting Application

With an upsurge in financial accounting fraud in the current economic scenario experienced, financial accounting fraud detection (FAFD) has become an emerging topic of great importance for academic, research and industries. The failure of internal auditing system of the organization in identifying the accounting frauds has led to use of specialized procedures to detect financial accounting fraud, collectively known as forensic accounting (Sharma and Panigrahi 2012). Though financial fraud in Nigeria has witnessed highly publicized cases especially in the banking system, Enyi (2009) undertook a study to offer suggestions using real case problem on how to apply forensic accounting in investigating variances and suspected fraudulent activities in manufacturing processes and thus suggest that the application of forensic accounting applies to all scenes where fraud is a possibility. Okoye and Akenbor (2009) commenting on the application of forensic accounting in developing economies like Nigeria, noted that forensic accounting is faced with so many bottlenecks. Crumbly (2001), Grippo and Ibex (2003) revealed the following challenges confronting the application of forensic accounting.

- (i) A significant challenge that faces a forensic accountant is the task of gathering information that is admissible in a court of law.
- (ii) The admissibility, of evidence in compliance with the laws of evidence is crucial to successful prosecutions of criminal and civil claims.
- (iii) Globalization of the economy and the fact that a fraudster can be based anywhere in the world has led to the problem of inter-jurisdiction. Degboro and Olofinsola (2007) noted that an important challenge to the application of forensic accounting in financial fraud control in Nigeria is that the law is not always up to date with the latest advancements in technology.

Also, forensic accounting is, seen as an expensive service that only big companies can afford it to detect any irregularities or fraud in their companies. Besides, it will be quite costly if the issues were brought to court and where it involves expert witnessing. Thus, most companies prefer to settle the issue outside the court to avoid the expensive cost and the risk of bad publicity on their corporate image. In addition, forensic accounting is a new trend particularly in developing economies. Hence, accountants with adequate technical know-how on forensic issues are hardly available.

Methods of Concealment in Bankruptcy

- Missing assets. Assets listed on financial statements prior to bankruptcy are not accounted for in the bankruptcy schedules.
- Poor record-keeping. The debtor has failed to keep business records, and/or books and records are incomplete.
- Missing or heavily revised information. Insufficient information is provided on debtor's bankruptcy schedules, and/or there have been frequent changes to such schedules.

- Too much cash activity. There have been an unusual number of unrecorded transactions, especially cash transactions. These will not show on the books, but may become apparent in banking records.
- A spike in insider transactions. There has been an increase in financial activity involving the debtor's officers, shareholders or relatives and other insiders – payments, loans, or real estate or asset transfers.
- Webs of complexity. There are intricate corporate structures and relationships involving the debtor and other entities controlled by insiders or close contacts.

Fraud Schemes in Bankruptcy Litigation

Although concealment of assets makes up the majority of bankruptcy frauds, there are a number of other common fraud schemes. Among them are bustouts, bleedouts and rent/equity skimming.

- A bustout, as defined by the United States Trustee Manual, occurs when a company obtains goods from creditors and sells those goods for cash with the intention of never repaying them. Examples include; Fraudulent financial statements (i.e., actual inventory levels do not match recorded inventory levels), Bankruptcy schedules that do not include receivables, Low inventory levels.
- Bleedout; Similar to bustouts, a bleedout (again as defined by the United States Trustee Manual) occurs when a company gets rid of its assets over a longer period of time by shifting them to insiders. "Red flags" that indicate a possible bleedout include; The fact that individuals with no involvement in the company have money transferred to their bank accounts prior to filing bankruptcy, Inventory and other assets (i.e. equipment or machinery) are sold prior to the bankruptcy filing, Excessive loan payments are made to corporate officers, Corporate officers receive excessive salaries and bonuses.
- Rent or equity skimming: Rent or equity skimming is a process in which the debtor acquires title to several properties without any intention of paying the mortgages. The debtor continues to collect the rental proceeds and then files bankruptcy in order to stall foreclosure. "Red Flags" of rent/equity skimming can include; the debtor fails to make mortgage payments, there has been a transfer of entire or partial interest prior to foreclosure, the debtor has used mail drop boxes as a business address.

In all of these schemes, a forensic accountant has the specialization needed in conducting a detailed review of financial statements, bank documents and other business records, as well as tracing transfers and cash flows across multiple entities and individuals

Litigation Support

Litigation support takes into cognizance the interpretation and representation of problems that are connected to helping current or imminent litigation. In this aspect of knowledge the forensic accountant might be told to attach a supposed value for the loss caused by those involved in the legal conflict and also asked to help in providing solution to conflicts even before they go to court. Due to the knowledge of forensic accountants they are usually intended to be proficient consultants and expert witness.

Theoretical Framework

The Role Theory

Role Conflict Theory provides a theoretical explanation for the existence of an expectation gap. The theory is developed by Rizzo, House and Lirtzman in 1970. Role Conflict

Theory is based on the following assumptions: the auditor is required to monitor the client's financial statements and the public expects the auditor to faithfully carry out that role (Koo and Sim, 1999). The auditor is in conflict because he or she must firstly serve the professional regulations and rules governing auditor independence. Then, this must be balanced against his or her role as the 'watch dog' who should be serving the interests of the users and the client as well as looking after his or her own self – interest (Alleyne and Devonish 2006). The role of the auditor is subject to the interactions of the normative expectations of the various interest groups in the society having some direct or indirect relationship to the role position (Davidson 1975). He noted that these different groups may hold varying expectations of the auditor and these expectations may change from time to time depending on their specification of their own role requirements and the interaction of other forces in the society. Hence, the auditors are placed in multi-role and multi expectation situations. Furthermore, Koo and Sim (1999) argue that role conflict may arise because of the expectation gap that exists between the auditors and users. Users expect auditors to serve the public and to uncover management fraud (Mills and Bettner, 1992). There is role conflict when the auditor is unable to satisfy all the responsibilities expected by users. The relevance of this theory is that the audit expectation gap may arise out of a role conflict where the forensic accountant is expected to perform a role for which he is not competent with.

White collar crime theory

The term white-collar crime dates back to 1939. Sutherland (1949) as cited in Michael (2004) was the first to coin the term, and hypothesis white-collar criminals, attributed different characteristics and motives than typical street criminals. Sutherland originally presented his theory in an address to the American Sociological Society in attempt to study two field, crime and high society which had no previous empirical correlation. He defined his idea as “crime committed by a person respectability and high social status in the course of his occupation (Sutherland 1949, cited in Michael 2004). Sutherland noted that in his time, less than two (2) percent of the persons committed to prison in a year belong to the upper class.” His goal was to prove a relation between money, social status, and likelihood of going to jail for a white-collar crime, compared to more visible, typical crimes, although, the percentage is a bit higher today.

Research Method, Sources of Data & Method of Data Analysis

This section show the process through which the data used in the research work are collected, presented and analyzed.

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them.

The researcher adopts field survey research design and percentage method while carrying out the study. The survey of concerning literature happens to be the most simple and fruitful method of formulating precisely the research problem or developing hypothesis.

Data were collected from both primary and secondary sources with an aim to gather reliable information relevant to the study. The primary data were collected through the administration of questionnaires, observations, interviews and personal discussions with the personnel concerned, while the secondary data employed was obtained was majorly from

internet and from other information in newspapers, journals, magazines, articles. Copies of questionnaires were distributed to all departments and some selected supervisors. Out of 45 (forty-five) questionnaires distributed 5 (five) were not received. These questionnaires, interviews and observation were designed to obtain information that will reveal the existing accounting information and how it aids the management to enhance the performance/decision in the organization and its effect.

The research population was select from 50 respondents drawn from professional accountant, auditors, financial consultants and other staff members of top audit firms who area of business concentration relates to forensic accounting and litigation support. For proper evaluation and analysis, a total sample size of 100 staff was subjected to a systematic random sampling technique using an interval of 2. The result was 50 respondents being selected as sample (n) of the study. We adopt the Analysis of variance (ANOVA) mode for the hypothesis at 5% significant level, testing after classifying the data collected into their various groups while percentages was used in the analysis and presentation of the research questionnaire.

The principle behind ANOVA is to determine if the different treatments have different effects on their respective populations, a comparison is made between the variation within samples and the variation between samples, that is the within samples (TRMS) and the between sample (EMS) thus, TRMS divided by EMS will equals F- ratio or ANOVA.

Data Presentation and Analysis

Simple percentage method of data analysis would be used to analyze the respondent's data while the hypothesis would be tested using analysis of variance (ANOVA) statistical technique. In all, 50 questionnaires were administered to the respondent, out of which 46 were completed and returned. This gave a response rate of 92%.

Test of Hypothesis

The research hypothesis to be tested in this study is the hypothesis No 1 and NO 2 that were previously stated in chapter one of this work. This hypothesis will be tested using analysis of variance (ANOVA) techniques.

Hypothesis one

HO: Forensic accounting is not an effective tool for addressing bankruptcy financial crimes of corporate organization.

This scale was used to multiply the actual responses on each column and result gave rise to the table below.

OPTION	FORENSIC ACCOUNTANT	FORENSIC AUDITOR/LITIGATION OFFICER	LAWYERS/PROPERTY CONSULTANT	TOTAL
Strongly Agreed	30	5	20	64
Agreed	12	8	0	24
Undecided	6	9	12	36
Disagreed	16	2	4	22

Strongly Disagreed	4	3	0	5
€x	54	47	48	149
X	10.8	9.4	9.6	29..4
£x2	1100	537	790	2429

Computation of source of variation

TSS= $\sum \sum X^2 - (\sum X)^2 / n$ Where: $\sum \sum X^2 = 1100 + 537 + 790 = 2427$

$(\sum X)^2 = (149)^2 = 22,201$

$n = 5 \times 3 = 15$ (No of column x no of rows)

TSS= $2427 - (149)^2 / 15$

TSS= $2427 - 22,201 / 15$

TSS=947

15 TRSS = $2427 - 1,480$

2. TRSS= $n(\sum \sum X^2) - [\sum \sum X]^2$

Where $n = 5$ (No of columns)

$R = 3$ (No of rows)

$\sum \sum X = 10.8 + 9.4 + 9.6$

$(29.8)^2$

$(\sum \sum X) = 54 + 47 + 48 = 149$

TRSS = $5(29.8)^2 - 3(149)^2$

Trss= $5(888.04) - 3(9.93302)$

Trss= $5(888.04) - 3(98.66)$

Trss= $5(888.04) - 3(98.66)$

Trss= $5(888.04 - 295.98)$

Trss= $5(592.06)$

Trss= 2,960.3

3. $\sum \sum SS = TSS - Trss$

Where TSS=947

Trss=2960.3

$\sum \sum SS = 947 - 2960.3$

= -2013.3

NOTE: In order to maintain the ANOVA principle that the f value must be a positive value, we therefore make our $\sum \sum SS$ (-2,013.3) an absolute value 2013.3. Neglecting the negative value and making the value positive.

Analysis of Variance Table (ANOVA)

SOURCE OF VARIANCE	DF	SS	MS	FCAL
TREATMENT	2	2960.3	1480.15	1480.15
ERROR	12	2013.3	167.775	167.775=8.82

TOTAL	14	947		
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Computation of degree of freedom

$$\text{Treatment} = r-1 (3-1) = 2$$

$$\text{Error} = n-r (15-3) = 12$$

$$\text{Total} = n-1 (15-1) = 14$$

Computation of mean square

$$\text{Treatment} = 2960.3 = 1480.15$$

$$\text{Error} = 2013.3 = 167.775$$

$$F \text{ cal} = 8.82 \quad F \text{ table} = (2,12) 0.05 = 3.89$$

Decision Rule

From the table above the $f \text{ cal}$ (8.82) is greater than the $f \text{ table}$ (3.89) therefore, we reject the null hypothesis H_0 and accept the alternative (H_i) and conclude that Forensic accounting is an effective tool for addressing bankruptcy financial crimes of corporate organization .

Hypothesis two

H_0 : There are no significant differences between the roles of forensic accounting and that of conventional accounting in curbing bankruptcy fraudulent crimes.

The above table reveals the actual responses of variance respondents, in order to get accurate results; the options were scaled in descending order from 5 to 1. This was used to multiply the actual responses and the result gave the table below.

OPTION	FORENSIC ACCOUNTANT	FORENSIC AUDITOR/LITIGATION OFFICER	LAWYERS/PROPERTY CONSULTANT	TOTAL	PERCENTAGE
Strongly Agreed	35	5	20	60	11
Agreed	16	8	0	24	8
Undecided	15	9	12	36	10
Disagreed	16	2	4	22	6
Strongly Disagreed	2	3	0	5	11
Σx (Total)5	84	27	36	$\Sigma X = 147$	100%
$X/5$	16.8	5.4	7.2	29.4	
Σx^2	1966	183	560	2,739	

$$\text{Note: } \Sigma x = 35 + 16 + 15 + 16 + 2 = 84$$

$$X/5 = 84/5 = 16.8$$

$$\Sigma x^2 = 35^2 + 16^2 + 15^2 + 16^2 + 2^2 = 1966$$

Computation

$$TSS = \sum \sum X^2 - \frac{(\sum X)^2}{n}$$

Where:

$$\sum \sum X^2 = 1966 + 183 + 560 = 2739$$

$$(\sum X)^2 = (147)^2 = 21,609$$

$$n = 5 \times 3 = 15 \text{ (No of column x No of rows)}$$

$$TSS = 2739 - (147)^2 / 15$$

$$= 2739 - 21,609 / 15$$

$$= 2739 - 1440.6$$

$$TSS = 1,298.4$$

$$TRSS = n(\sum \sum X)^2 - r (\sum \sum X)^2 / n$$

Where $n = 5$ (No of columns)

$$\sum \sum X = 16.8 + 5.4 + 7.2$$

$$= (29.4)^2$$

$$N = 15 \text{ (No of columns x No of rows)}$$

$$R = 3$$

$$\sum \sum X = 84 + 27 + 36 = 147$$

$$TRSS = 5 (29.4)^2 - 3(147)^2 / 15$$

$$= 5 (864.36) - 3(9.8)^2$$

$$= 5 (864.36) - 3(96.04)$$

$$= 5 (864.36 - 288.12)$$

$$= 5 (576.24)$$

$$TRSS = 2881.2$$

$$ESS = TSS - TRSS$$

$$\text{Where } TSS = 1298.4$$

$$TRSS = 288.12$$

$$ESS = 1298.4 - 288.12$$

$$SS = 1,010.28$$

Analysis of variance table (ANOVA)

SOURCE OF VARIANCE	DF	SS	MS	FCAL
TREATMENT	2	288.12	144.6	144.06
ERROR	12	1010.28	84.19	84.19=17.1
TOTAL	14	722.16		

Computation of degree of freedom

$$\text{Treatment} = r-1 (3-1) = 2$$

$$\text{Error} = n-r (15-3) = 12$$

Total = $n-1$ (15-1) = 14

Computation of mean square

Treatment = $2960.3 = 1480.15$

Error = $2013.3 = 167.775$

F cal = 8.82 F table = (2,12) 0.05 = 3.89

Decision Rule

From the table above, the f cal (17.1) is greater than the f table (3.89). Therefore, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) and conclude that There is significant differences between the roles of forensic accounting and that of conventional accounting in curbing bankruptcy fraudulent crimes.

Discussion of Findings

Forensic accounting does not necessary need an understanding of the legal issues of business activities before carrying out his duties but can thus be of assistance in combating corporate fraud in various ways that includes investigation, accounting and litigation support services. It is a very special type of management which requires highly skilled team members who have experience not only in accounting and auditing techniques, but also of the relevant legal frame work. There are numerous different types of fraud that a forensic accountants could be asked to investigate. The investigation is likely to ultimately lead to legal proceedings against one or several suspects and members of the investigative team must be comfortable with appearing in court to explain how the investigation was conducted and how the evidence has been gathered forensic accountants must therefore receive specialist training in such matters to ensure that their credibility and professionalism cannot be undermined during the legal process.

Some of the research findings include:

- i. That a services of Professional Forensic Accountants differs to a Traditional External Auditor
- ii. That the services of Professional Forensic Accountant are preferable to the services of Traditional External Auditor
- iii. That the uses of Forensic Accounting do significantly reduces the occurrence of bankruptcy fraud cases in both the public and private sector.
- iv. That there is a significant relationship between frequent occurrences of concealment of assets and other bankruptcy fraudulent schemes and loss of confidence in annual audit report.
- v. That forensic audit is a useful method of fraud detection and prevention in the litigation support.
- vi. That bankruptcy fraudulent activity is a general phenomenon, which exist in almost every organization.
- vii. Forensic audit seeks to bridge the gap between accounting and law professions in relation to fraud detection and prevention.
- viii. Forensic accounting when used in place of conventional accounting will yield a positive result.
- ix. With the use of forensic accounting techniques, fraud detection and prevention has become easier.

- x. The emergence of e-business and its growing sophistications have not done much in the reduction of unwholesome practices in Nigeria as envisaged in the dawn of the millennium by most corruption fighters.

Conclusion, Recommendation and Suggestion for Further Research

It has been said that forensic accountants operate in a world of mystery, intrigue, and excitement, while still utilizing core accounting skills. Their work-which can be thought of as a technical puzzle that is filled with numbers and that sometimes requires a reconstruction of the pieces-fluctuates between calm periods of routine tasks and unpredictable shifts into "emergency mode" in order to meet an attorney's quickly approaching deadline.

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. The increasing occurrence of fraud in modern day business environment requires the services of forensic accountants to unearth fraudulent activities within and outside an organization.

The importance of forensic accounting cannot be underestimated as a result of global persistent perpetration of fraud in organizations. This indeed has made researchers and management of companies to look into other means of tackling and reducing the menace of fraud.

After carrying out this research study, the following conclusions were arrived at, that:

- Fraud gave birth to forensic accountant and the incessant occurrence of bankruptcy fraud in cases of insolvency and bankruptcy proceedings in financial or banking sector has become the major reasons behind bank failures in the country and that the effects of the fraud cuts across every sector is the economy, because the financial sector is the custodian and engine house of every nation's economy.
- Forensic accountant has been playing a vital role in fraud detection and prevention and also been regarded as a useful technique in unearthing and prevention of fraud in the business world.

The traditional auditing has limitation in detecting fraudulent practices which the forensic accountants will effectively fill. They have the professional ability back up by law to break into the organization system and examine the books, make discoveries and present the documentary evidences in the law courts.

- Detection and prevention of corruption have given rise to the profession of forensic accounting. Due to this fact, the most important thing companies have to do with regard to fraud is to prevent the crime from being committed.

Recommendation

After a thorough consideration, consultations and meditation on the facts and Findings of the study, the following recommendations are proffered.

The service of forensic accountants should be employed in cases of insolvency and bankruptcy proceedings of companies who may be declared bankrupt. This could be done by amending the existing statutes, thereby making forensic accountants one of the audit team.

Practicing Accountants or the traditional accountants should also specialize in forensic auditing.

The internal control system of every institution must be strengthened so as to be able to check major bankruptcy fraud occurrence. An example of such internal control system is the segregation of duties and independent verification of asset and liabilities so that one person does not have total control over an area of the organization.

The fight against bankruptcy fraudulent activities must be sincere and purposeful. In this regard, there should be no sacred cows in the punishment of culprits and the government and management of firms must stop paying lip-services to the campaign against this heinous and criminal act.

In line with the above findings, we recommend that the Institute of Chartered Accountants of Nigeria, Association of National Accountants of Nigeria and the National Universities Commission should encourage formalization and specialization in the field forensic accounting. In addition, the government should develop interest in forensic accounting for monitoring and investigation of suspected corruption cases.

Also, our laws should be up to date with latest advancement in technology to ensure admissibility of evidence in a law court for successful prosecution of criminal and civil cases.

Government and regulatory authorities should ensure the provision of standards and guidelines to regulate forensic activities and above all Nigerians should embrace integrity, objectivity, fairness and accountability in their day-to-day activities.

Adherence to the above recommendations will definitely bring about unhindered fraud detection and prevention in the financial institution, most especially this jet-age when the level of development in government activities is increasing every day in the face of Information Communication Technology (ICT).

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