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Money Laundering and Forensic Accounting Skills in Nigerian Banks

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ABSTRACT
The study examines money laundering and forensic accounting skills in Nigeria banks with the purpose of finding if the extent placement, layering and integration money laundering methods are affected by forensic accounting skills. The instrument used to gather data was money laundering crime and forensic accounting skills questionnaire (MLCA-FASO) of 120 respondents. Frequency counts and descriptive statistics were used to answer the research questions and correlation was used for all the hypotheses with the aid of special package for social sciences package (SPSS). The findings reveal that those who are involved in forensic accounting practice posses good accounting qualification, sufficient skills in forensic accounting, and all the dimension of money laundering methods correlated significantly with accounting skills. Based on the findings it is therefore recommended among other things that banks should set up policies that ensure that they recruit forensic accountants to manage accounting sections.

Key words: Money laundering; placement method, layering method, integration method, forensic accounting skills.

INTRODUCTION

The wide spread corporate crimes in modern organization have made traditional auditing and investigation to look inefficient and ineffective in the act of detection and prevention of the various types of corporate crimes confronting business all over the world. In criminology, corporate crime is seen as crimes committed either by a corporation or by individuals that are linked with a corporation or business organizations. Some current corporate crimes in the world and Nigeria in particular, are money laundering, terrorist financing, tax evasion, capital market manipulation and E-fraud. Specifically, this study looks at corporate money laundering and forensic accounting skills in Nigerian banks. Money laundering which is sometimes described as white collar crime years back is seen by Manney (2002) as the exchange of or factoring of the proceeds of criminal acts to disguise their origin. Money laundering is seen as the movement of profits from drug trafficking, prostitution, corporation and other criminal activities through a series of bank or brokerage accounts that make them appear to be proceeds of legitimate business activity. Also, Ihsan and Razi (2012) see money laundering as money illegally obtained from the national economy and kept abroad for vested interests.

Research Problems

In the words of Ihsan and Razi (2012) “the menace of money laundering is faced by many countries in the world such as Iraq, Libya, UK, Afghanistan, Pakistan” and Nigeria is also included in the money laundering process. The Federal Republic of Nigeria is the most populous country in Africa and largest democracy. The country has large economy, that is known to be the hub of trafficking of persons and narcotics. The country is known to be major drug-transit country and a center of criminal financial activity for the entire continent. Individuals and criminal organizations have taken advantage of the country’s location, weak laws, systemic corruption, lack of enforcement, poor economic conditions to strengthen their ability to bring in all sorts of financial crimes at home and abroad. Nigerian criminal organizations have proven stubborn at devising new methods of subverting international and domestic law enforcement efforts and evading detection. Their success in avoiding detection and prosecution has resulted to increase in many kinds of financial crimes, including bank fraud, money laundering, real estate fraud, identity theft, and advance fee fraud. Despite years of government effort to counter rampant crime and corruption, the country Nigeria, continues to be affected by crime. The introduction of the Economic ad Financial Crime Commission as well as the Independent Corrupt Practices Commission (ICPC) encouraging developing and straining of qualified prosecutors in Nigerian courts have yielded little success compared to the magnitude of financial crimes available (http://www.state.govt/j/inl).

In Nigeria, in addressing issues of financial crimes, the Economic and Financial Crimes Commission (EFCC) was established in the year 2004 by EFCC establishment Act 2004, with the authority to fight against, reduce and punish offenders and contribute their quota to the global war against financial crimes. Notwithstanding, the EFCC has been saddled with a lot difficulties to carry out the duty of prosecuting those with economic and financial crimes because many of the EFCC staff in Nigeria are incompetent investigators who handle crime cases assigned to them. Nuhu (2004) affirmed this observation and states that corruption and economic crime cases are usually very complex and complicated which sometimes involve document or subjects that are very technical that need a well-schooled investigator to unravel. He further emphasized that, there is poor quality of prosecuting counsel, and that a good case can be spoiled by the incompetence of a prosecuting counsel, who is either professionally incompetent or may have compromised himself in an effort to defeat the counsel. This has led to the destruction of the nation's image internally and externally (http://allafrican.com/stories/200904201261.html).

Okunbor and Obaretin (2010) are of the opinion that the spates of corporate failures have put a lot of responsibility and duties on accountants to equip themselves with the necessary skills to identify and act upon factors of inadequate organizational governance, misappropriation of funds, money laundering and other wrong doings. It is, therefore, very important for accountants at all levels to possess the requisite skills and knowledge for identifying, noticing and keeping all evidence of forms of irregularities, fraud and money laundering.

Hence, money laundering needs more sophisticated approach from prevention to detection. One of such modern approaches that can be ethical from the prevention to detection is called forensic accounting skills and services.

Forensic accounting services which according to Hopwood, et al (2013) is seen as the utilization of investigative and analytical skills with the aim of handling financial issues in a way that meets standards required by the courts of law. Forensic services include and not limited to investigations that relate to the purchases of business, valuation of divorce assets, determination of the money value of damages to business property, dispute resolution and the calculation of lost profits. In the views of Curtis (2008), forensic accountants are very important to the legal system, because they provide expert services like fake invoicing valuations, suspicious bankruptcy valuations as well as the analysis of financial documents in fraud schemes. Hopwood et al (2013) support Curtis (2005) by saying that all well-trained forensic accountants have at least a minimum level of knowledge and skills in the following areas; auditing, criminology, accounting, legal affairs, Information Technology (IT), communication and investigation or investigative accounting.

THEORETICAL FRAMEWORK

This study was based on the following theories: deterrence and compliance.

Deterrence Theory

Deterrence theory is of the view that individuals act in accordance with their self-interest and obey the law because they fear the penalties of criminal behaviour. They rather choose not to commit crimes because they have witnessed harsh punishment imposed on others. According to Simpson (2002) in the role of criminal justice while enforcing and punishing offenders is that the fear of detection, conviction and punishment that results from prosecution form the core of deterrence theory. The above position was earlier espoused by Freidrichs (1996) who opines that for one to commit corporate crime, the individual will decide whether or not to commit crimes hinged on weighing the possibility of punishment from criminal prosecution considering their capacity to make profit from illegal dealing.

Compliance Theory

This theory is of the view that regulatory bodies should help in compliance with the law rather than rely on criminal prosecution to avoid crime. Hawkins (1984) said that the theory suggests that, by making prosecution a last resort, corporate executives would gain greater respect for the law and trust in the system, thereby making it less likely that they would commit crimes. While Freidrich (1996) is of the view that the regulatory agencies have a much lower profile than the federal prosecutors, that their power to enforce the law is equally effective since they are less likely to evoke adversarial confrontations which Sutherland (1940) supports that regulatory agencies should punish white collar criminals.

CONCEPTUAL FRAMEWORK

Corporate Crime

Corporate crime is one committed at the workplace while corporate crime as seen by Simpson (2002) is a type of "white collar crime". Sutherland (1933) coined the term "white collar crime" so as to assist explain crime that is commonly found among individuals connected with business or people of upper social class. Sutherland defined "white collar crime" as a "crime committed by a person of respectability and high social status in the course of his occupation". He states that corporate criminals have a high rate of recidivism, their illegal behaviour is widespread while Simon (2002) is of the view that those individuals who violate the law do not always loose status and their associates. Freidrichs (1996) sees corporate crime as illegal and harmful acts committed by officers and employees of corporations to promote corporate and personal interest. All those who study crimes see corporate crimes as offences committed to victimize the general public, consumers, a corporations employees and competitors. In the same vein, Simon (2002) opined that offenses often include acts such as corporate stealing, corruption and fraud which have broad, domestic and international implications.

Money Laundering

"Money laundering is called so because it adequately describes what takes place since illegal, or dirty money is put through a cycle of transactions, or washed so that it comes out the other end as legal, or clean money. In other words, the source of illegally obtained funds is obscured through a succession of transfers and deals so that those same funds can finally appear as legitimate income" (Billy and Steel, 2012). They discussed that money laundering has an effect on national income as well as affecting the foreign direct investment. They suggested that government can help in stopping the money laundering activities through tax saving, efficient banking record system and develop awareness in the nation by the media.

Money laundering appears in three phases which according to Hopwood et al (2013) are **placement phase**, where the money launderer introduces illegally obtained profits into the financial system with the objective of getting the money in a way that it can not be traced to its illegal sources. In the **layering phase,** the money launderer adopts complicated set of transactions to move the money around the financial system and further distance it from its original illegal source with the aim to carefully destroy any audit trait that could trace the money back to its original placement in the financial system. In the **integration phase,** the launderer pushes the money a final time into accounts under his legal control to make it appear to have come from a legitimate source.

Forensic Accounting and Application in Nigeria

According to Dhar and Sekar (2010), forensic accounting is the application of accounting concepts and techniques to legal problems which demands reporting where accountability of the fraud is established and the report is considered as evidence in the court of law or in administrative proceedings. Bhasin (2007) said that the objectives of forensic accounting include; evaluating the damages caused by an auditor's negligence, finding out if any embezzlement has occurred, in what magnitude, and should criminal proceedings be established; gathering of evidence in criminal proceedings and computation of asset values in a divorce proceedings.

Financial crimes in Nigeria have witnessed a number of publications, mostly affected, is the banking sector. Hence, the introduction of forensic accounting services that affect all spheres of life where financial crime could be possible. Okey and Akenbor (2009) while commenting on the application of forensic accounting in developing economies like Nigeria noticed that forensic accounting is faced with many challenges. Such difficulties are: gathering information that is acceptable in a court of law, the admissibility of evidence in compliance with the laws of evidence is essential to successful prosecution of criminal and civil claims, and globalization of the economy. For example, a fraudster can be based anywhere in the world and this has led to the problem of inter-jurisdiction. Degboro and Olofinsola (2007) in support of the challenges, claim that, another difficulty is that the Nigeria law is not always up to date with latest advancement in technology. Again, forensic accounting is seen as an expensive service that is affordable by only big companies, and most companies prefer to settle issues outside the court to avoid the expensive cost and risk of negative publication that may affect their corporate image. Note that forensic accounting is quite new in Nigeria and that makes it difficult to get accountants that posses the technical competence associated with forensic challenges.

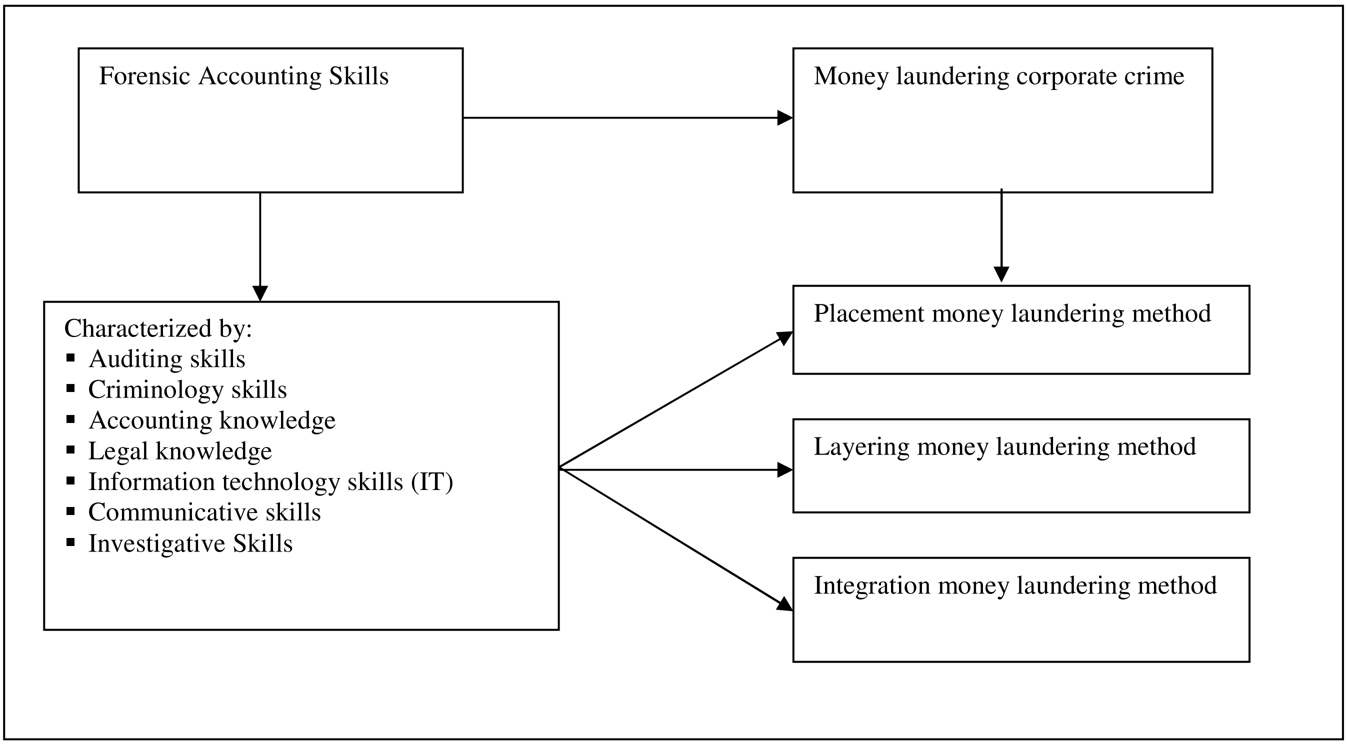

Fig. 1: Researchers' Conceptualization: Corporate Money Laundering Methods and Forensic Accounting Skills

Some studies carried out have asserted the relationship between forensic accounting and fraudulent activities (Onuorah and Appah, 2012; Enofe, Okpako and Atube, 2013; Dada, Owolabi and Okwu, Adegbie and Adeniran, 2012 and Modugu and Anyaduba, 2013). However, it has not come to the knowledge of the researchers of any specific study on the relationship between corporate money laundering and forensic accounting skills in Nigerian banks. It is in view of the above and to fill this gap in literature that prompted this study.

However, we have had no notice of a good survey evidence particularly in Nigeria on how forensic accounting help curb financial crimes beyond the several anecdotal views that abound. It is to address these problems that the researchers were prompted to carry out this study.

Research Purpose

The main purpose of the study is to examine how money laundering crime can be affected by forensic accounting skills in Nigerian banks. The specific objectives are to;

(1) Determine the extent to which placement method of corporate money laundering can be affected by forensic accounting skills.

(2) Assess the extent to which layering method of corporate money laundering can be affected by forensic accounting skills.

(3) Evaluate the extent to which integration method of corporate money laundering can be affected by forensic accounting skills.

The pertinent questions that this paper is set to answer are:

(a) To what extent can placement method of corporate money laundering be affected by forensic accounting skills?

(b) To what extent can layering method of corporate money laundering crime be affected by forensic accounting skills?

(c) To what extent can integration method of corporate money laundering be affected by forensic accounting skills?

Hypotheses

H_1: Placement method of corporate money laundering crime is not significantly affected by forensic accounting skills.

H_2: Layering method of money laundering is not significantly affected by forensic accounting skills.

H_3: Integration method of corporate money laundering is not significantly affected by forensic accounting skills in Nigeria banks.

METHODOLOGY

The research design used to conduct this study was survey method. This was because none of the variables used in the study was manipulated but were used as they existed (Kerlinger & Lee, 2000).

The population of the study comprised all professional accountants and management teams of forensic accounting and internal control units of the 24 banks in Nigeria. Statistics simple random sampling procedure was used to select the respondents, whereby five respondents were randomly selected from each bank to make one hundred and twenty respondents.

The instrument used to gather data was money laundering crime and forensic accounting skills questionnaire (MLCA-FASQ) and was constructed by the researchers. It was divided into sections, section A took care of personal data, section B looked at the forensic accounting skills arranged in likert form of Effectively Skillful (EVS) 4, Very Skillful (VS) 3, Moderately Skillful (MS) 2 and Less Skillful (LS) 1; while section C considered the corporate money laundering skills with placement, layering and integration.

The face and content validities were ascertained by scrutiny from experts in accounting. The suggestions made were incorporated to improve the quality of the instrument. The instrument was also pilot tested by 15 professional accountants that were not participating in the study. To establish the reliability for the extent to which forensic accounting can affect money laundering, the researchers employed the Kuder Richardson formula 21 (k-R21) to compute the coefficient of the reliability, the reliability gave a result of 0.87 that made the instrument reliable for usage in this study.

Data Analysis Procedures

Frequency counts and descriptive statistics were used to answer questions on table 1, 2 and 3 while mean scores was used for issues in table 4 and correlation was used for all the hypotheses, with the aid of SPSS package.

RESULTS AND DISCUSSIONS

Table 1: Personal Qualification and Academic Qualification

Academic qualification	Frequency	Percentage
(a) WASC	3	2.5
(b) OND	10	8.5
(c) HND/B.Sc	31	25.8
(d) MBA/MSc/PhD	76	63.5
Total	**120**	**100**

Table 1 above shows that academically, those who are involved in forensic accounting practice posses good academic qualification and that they are not novice at all in the field of accounting practice.

Table 2: Professional Qualification

Professional certificates	Frequency	Percentage
(a) ICAN	86	65.8
(b) ANAN	20	16.7
(c) CPA	6	5.0
(d) ACCA	8	6.7
Total	**120**	**100**

Table 2 above indicates all the respondents are members and belong to one professional accounting body or the other and the one with the highest membership are with ICAN certificates which indicates that they are professionally competent.

Table 3: Length of service of Respondents

No of years	Frequency	Percentage
(a) 1-6	75	62%
(b) 7-13	45	38
Total	120	100

From table 3 above, those who are actually practicing/rendering forensic accounting service are mostly found between 1-6 years occupying 75 and possessing 62% while those from 7-13 years have 45 frequency and 38% which indicates that, very few have practiced forensic accounting services.

Table 4: Respondents Skills

		EVS	VS	MS	LS	Mean	Remark
(a)	Audit skills	103(85.8)	13(10.8)	4(3.3)	0(0)	3.83	HS
(b)	Criminology skills	39(32.5)	21(59.2)	9(7.5)	1(0.8)	3.23	HS
(c)	Accounting knowledge	66(55.0)	37(30.8)	16(13.3)	1(0.8)	3.40	HS
(d)	Legal knowledge	33(27.5)	58(48.3)	15(12.5)	14(11.7)	2.92	HS
(e)	Information technology skills (IT)	65(54.2)	36(30.0)	12(10.0)	7(5.8)	3.33	HS
(f)	Communicative skills	64(53.3)	39(32.5)	11(9.2)	6(5.0)	3.34	HS
(g)	Investigative skills	64(53.3)	43(35.8)	11(9.2)	2(1.7)	3.41	HS

Entries in table 4 above show that about 96.6% of the respondents have high skill in audit with the mean score of 3.83 which conforms to the level of skill. Criminology has 91.7% and means score 3.23, accounting knowledge 85.5%, and mean of 3.40, legal knowledge 75.8% and mean of 2.92, information technology skills (IT) 84.2% and mean of 3.33, communicative skills 85.5% and mean of 3.34 and investigative skills 89.1 with mean score of 3.41.

From the table above, considering items (A-G) the respondents have high percentage and reasonable mean scores to justify their possession of sufficient skills in forensic accounting. This assertion correlates with the views of Hoopwood and others in (2013) that for one to be a forensic accountant, he must have all the adequate skills needed.

Correlational analysis of the hypotheses relationship between forensic accounting skills and dimension of corporate money laundering crime

The general analysis of the relationship between forensic accounting skills and the dimensions of corporate money laundering crime. Placement method correlates positively and significantly with forensic accounting skills (FAS) at 0.05 level of ($r = 0.497$; $P < 0.05$). The implication of this is that placement which is characterized by Automated Transfer Machine (ATM), cash smuggling, buy a bank method etc. influence movement of cash in organization thereby assist in corporate money laundering crime operations.

Layering corporate money laundering crime method correlate positively and significantly with forensic accounting skills (FAS) at 0.05 level ($r = 0.463$; $P < 0.05$) which implies that layering method assist money laundering activities. Integration money laundering method also correlated significantly with forensic skill (FAS) at 0.05 ($r = 0.416$; $P < 0.05$). The implication of this is that integration money laundering method such as sham import, stock purchase, gambling etc. aids money laundering. All these confirm and support the views of Manney (2007) and Hoopwood, Young and Leiner (2013).

Conclusion

According to our study, we conclude that placement, layering and integration which are aspects of corporate money laundering crimes correlate with forensic accounting skills. This implies that, forensic accounting skills curb money laundering activities.

Recommendations

Banks should set up deliberate policies that ensure the recruitment of forensic accountants to man internal audit functions in accounting units, as this will enhance the capacity of such banks in curbing money laundering activities.

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