

# Impact of Employee Fraud on Business Entities in Nigeria

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**Abstract:-** The aim of every business is profitability of going concern. However, no matter the profit and injection of fresh capital to a business, the going concern will be threatened, if fraud is allowed to creep into it. The study intends to determine how employee fraud affects the operation and success of business enterprise in Nigeria. Combinations of qualitative research design and survey research techniques were used in this study. Questionnaires were administered to collect data relating to fraudulent practices by employees in private and public sector.

**Keywords:** Business entity, cash larceny, over invoicing, teeming and lading, skimming

## I. INTRODUCTION

Frauds, both internal and external oriented have caused significant and irreparable damage to lots of business entities over the years. While it has caused liquidation of some, it has deterred the growth of many. The aim of every business is profitability of going concern. The more a business makes profit, the more the proprietors wish to stay in the business and keep expanding with either retained earnings or/and injection of fresh capital. However, no matter the profit and injection of fresh capital to a business, the going concern will be threatened if fraud is allowed to creep into it.

Fraud is like a cancer that if not well treated will exterminate a business life. Employee fraud is difficult to detect. In a guide to reduce employee fraud, CPA Austria emphasises that 'misplaced trust, inadequate hiring and supervision policies and a failure to implement strong internal control create an environment that is ripe for an employee to commit fraud (CPA, 2009). Gee, (2015) asserted that 'companies may have policies and procedures in place, yet an employee that commits fraud tries to circumvent those policies and procedures. A trusted employee who has legitimate access to various systems and in the course of his duties, would learn how the systems work'.

The study, therefore, tend to assess the risk associated with employee fraud on business entities, because there is need to balance the risk of potential fraud and the continued operations of an on-going business concern.

### Research objectives

The study intends to determine how employee fraud affects the operation and success of business enterprise in Nigeria. Specifically, the objectives of this research study are as follow:

- i. to evaluate impact of employee fraud on business entities.
- ii. to examine factors militating against prosecution of fraudulent employees in Nigeria business entities.

## II. LITERATURE REVIEW

### Employee frauds

Employee fraud:, to Peter Hurst MCIPD, Chief Executive, CIFAS, says that otherwise as Staff fraud "occurs when an individual dishonestly makes a false representation, wrongfully fails to disclose information or abuses a position of trust, with the intent to make a gain or to cause a loss, while undertaking duties for an organization with which he has a contractual arrangement to provide personal services.'

CIPD (Chartered Institute of Personnel and Development) states that; there are numerous types of fraud that can be perpetrated by staff against their employer. Depending on the nature of business and the products and services offered, members of staff may have many opportunities to commit fraud. Each business and organization will have its own particular risks and threats and there are further threats that arise in relation to job role, responsibility and seniority. Fraudulent activity can range from compromising customer or payroll data to straightforward theft or the submission of inflated expenses. Staff fraud can have an 'opportunistic' element in that it is generally undertaken on an unplanned basis by an individual for the purpose of personal financial gain, or can be linked to a serious and organized criminal network or terrorist financing.

These are frauds committed by members of the staff of business entities (employee and management). They include but not limited to:-

Un-ethical practice to seduce customers to improve market share; this is usually done where staff are usually asked to meet up with some unrealistic targets. Such happened during the regime of Professor Charles Soludu as Central Bank Governor, all in the name of meeting savings targets by banks female staff. His timely intervention reduces the conversion some female bank staff f to prostitutes.

- i. Illegal conversion of ownership business assets, this may happen with the aid of improper recording and allocation of assets.

- ii. Deliberate written off of performing debts, this is usually committed by management staff on collusion with other staff and customers.
- iii. Illegal occupation of staff lodge and quarters, this usually occurred when a staff occupying a staff quarters in a location is transferred to another location and possibly being allocated another official quarters. This type of fraud usually does not occur for a long time.
- iv. Un-authorized occupation of quarters meant for higher grade officers. This is usually done to favour some favorites' within a business entity
- v. Over staying overseas trips at ether personal or company expense. Trust Nigerians some people on one or two overseas training do usually not fall sick until about few days of their coming back to Nigeria.
- vi. Conversion of private expenses to official. Common examples include converting hotels and entertainment of family and friends to official expenses.
- vii. Overriding controls to cover up some fraud or favour some parties.
- viii. Wages and Salaries which range from ghost staff, un-authorise allowances, overstatement of overtimes, non-deduction of loans and advances, non-deduction of approved dues, salary overpayment, etc.
- ix. Teeming and lading: using the proceeds of future to cover up for current. (usually refers to as robbing Peter to pay Paul)
- x. Skimming : intercepting cash payment before recording /suppression of receipts by not issuing
- xi. Cash larceny: stealing cash after recording
- xii. Over invoicing: deliberate acceptance of over prices quotations of Local Purchase Order
- xiii. Duplication of invoices for payments this is done mostly where payment authorizations are discentralised;
- xiv. Collusion with customers and suppliers: accepting inferior qualities or lesser standard of items as genuine.
- xv. Deliberate omission of recording debtors: this is usually done for personal to obtain fewer amounts from customers for self-benefits.
- xvi. Deliberate omission of recording cash receipts; this is done so as to convert such to personal fund or used in settling previous fraud committed.
- xvii. Un-authorized written off of debts for personal settlements
- xviii. Falsification of documents (receipts, invoices) for financial gains (Abdullah and Olanrewaju, 2013).

#### *Category of employee that perpetuate fraud*

Different employee perpetuates fraud for different reasons. However, the employees that perpetuate fraud usually have the following traits:

Disgruntled employees – these are staff who do not see any future in the business entity. They are only there to earn income that will make them survive for a while. They do not have any vested interest in the entity. This category of staff keeps complaining of maltreatment within the organization. There complaints sometimes range from not being properly compensated for service rendered, lack of incentives, poor condition of service, very little or no salary increments for a time, favourism ,etc.

Stressed-out employees – these are set of employees who are frustrated about themselves orenvironment. They are never bothered about their environment and always absent minded

Employees who live above their means – these are set of employee that want to be in a social class above their status or income. They want to have the latest in most things, from phone, wears, shoes, wrist watches etc.

Employees who never took vacation: Some employee will never want to observe annual vacation so that the extra benefit (legal or illegal) derived from the sit will not elude them or be exposed to other staff or some anomalies could not be easily detected. The most common among employees in this category are the cashiers.

Employees experiencing financial difficulties: occasionally some employees may need some extra fund to meet up with some unforeseen circumstances or life threatened sickness. Surely, if their business organization cannot grant them salary advance or loan, the next option may be to commit fraud to save life and better face a lesser consequence at a later date.

Employees with drug problems: the issue of drug is prevalent within the youth of nowadays. Most of these substances are expensive. Addition to drug is very expensive and can never be sustained with monthly salaries and allowances.

Employees with gambling problems: This is a big problem, however, it is not peculiar to Nigeria alone. Gambling is an economic virus legalized in Nigeria of today. There are lots of different bets, from popular Baba Ijebu to any other bets one can think of. Most states government allows these because they derive income from the bets companies.A gambling is an addiction and anybody that engages in itis a perpetual thief. He/she will always look for fund to satisfy his urge and when all effort are lost, then company fund may be the next to play with (for privilege people like Cashier) <https://gamingcontrolboard.pa.gov>

### III. CONCEPTUAL FRAMEWORK – CONCEPT OF FRAUD TRIANGLE

The fraud triangle and diamond concept provide a behavioural lens with which auditors understand the characteristics, attributes and structure of fraud from social and human angle (Johnson-Rokosu, 2015a).DiNapoli (2008), asserted that fraud triangle concept is used to describe and explain the nature of fraud. Fraud triangle concept originated from the famouscriminologist, Donald R. Cressey, while

doing research for his doctoral thesis in the 1950s. Cressey's hypothesis states that three key elements are present in every internal fraud: (1) pressure (sometimes referred to as motivation, and usually a "non-shareable need"; (2) rationalization (of personal ethics); and (3) knowledge and opportunity to commit the crime. These three elements have become known as the "fraud triangle." (Johnson-Rokosu, 2015a).

For fraud to occur, some conditions must exist to promote or facilitate it. These conditions are referred to as risk factors. Apostolou and Crumbley(2009) assert that most frauds involve a lack of adequate internal controls (opportunity), the need to maintain an expensive lifestyle or pressure to meet goals (incentive), and the perpetrators' lack of awareness that their actions are wrong (self-rationalization) or simple lack of integrity (Duffield and Peter, 2001)

The study is framed on the concept that incorporates these categories of risk, that is, the fraud triangle concept. The risk factors that facilitate fraud occurrences include:

1. Pressures / Incentives
2. Opportunities
3. Rationalization / Attitude



Figure 1: Fraud Triangle, Rokosu, 2015a

#### *Pressure/ Incentive*

The need or intention to meet up with some financial obligations creates pressure on both management and employee with access to cash and other valuable to misappropriate them (fraud). Kenyon and Tilton (2011) asserted that incentive and pressure can take a variety of forms within an organization. Pressure comes from the unrealistic expectations of family needs. Goldmann (2009) identified 'pressure in the context of fraud triangle as a typically as a direct result of excessive credit card debt, mountain of unpaid bills, out-of-control gambling, debts, extended unemployment, or similar financial difficulties'

APA (2011) described pressure to include both financial and non-financial pressure. Also, employee can be put under pressure by management attitude. Attitude like:-

1. Inadequate pay packages

2. Excessive deduction in salaries as punishment
3. Anticipated employee layoffs
4. Inconsistent management policies
5. Irregular promotion, compensation, transfer, etc. policies
6. Irregular hiring and firing policies
7. High labour turnover rate
8. Extravagancy
9. Given unrealistic target to meet ( banks during Soludo era as Governor of Central Bank of Nigeria

#### *Opportunity*

Certain circumstances make commitment of fraud easy for perpetrators. When these opportunities are left unchecked for long, the fraudulent activities will be increasing over time. Kenyon and Tilton (2011) identified impunity, absent or ineffective controls, lack of supervision, or inadequate segregation of duties may provide such opportunity to commit fraud.

APA(2011) asserted that opportunity is the ability through use of one's position normally happens when internal control system is weak or non-existent, or where there is poor management oversight. Goldmann (2009) posit that 'opportunity exists when an employee discovers a weakness in the organization's anti-fraud controls. Such a weakness might exist, for example, if an employee authorized to issue purchase orders (POs) also reviews and approves delivery documentation' weakness in internal control system will definitely give opportunity for fraud to be committed and continued for a long period of time. Other weaknesses that can give opportunities for fraud occurrence include:

1. Inadequate control over cashiers
2. Maintaining high volume of cash in hand
3. Improper recoding of assets and their movements
4. Improper authorization of assets usages
5. Poor store maintenance and policies
6. Inadequate securities over store and other items
7. Inadequate store checking and taking
8. Non-standard expenditure classification
9. Inadequate segregation of duties or independent checks;
10. Inadequate management oversight of employees responsible for assets (e.g., inadequate supervision or monitoring of remote locations);
11. Inadequate job applicant screening of employees with access to assets;
12. Inadequate recordkeeping of assets;
13. Inadequate system of authorization and approval of transactions (e.g., in purchasing);
14. Inadequate physical safeguards over cash, investments, inventory, or fixed assets;
15. Lack of complete and timely reconciliations of assets;
16. Lack of timely and appropriate documentation of transactions (e.g., credits for merchandise returns);
17. Lack of mandatory vacations for employees performing key control functions;

18. Inadequate management understanding of information technology, which enables information technology employees to perpetrate a misappropriation; and
19. Inadequate access controls over automated records, including controls over and review of computer systems event logs.

*Rationalization*

APA (2011) rationalization occurs when an employee justifies why he commit fraud. This is finding excuses for misappropriation by employee based on management attitude toward occurrence of fraud.

- i. Refusal to prosecute some offenders;
- ii. Poor handling of reported or detected cases of fraud
- iii. Poor remuneration of employer of labour;
- iv. Intention to meet up with a pressing demand;
- v. Intention to refund within short time;
- vi. Nowhere to turn to for assistance on the refusal to grant loan or advances at a critical time of need.

IV. METHODS AND MATERIALS

This study covers employees (lower cadre staff) in private and public sector but excluding management staff who are policy makers. The research approach to this study entails literature review that is carried out to identify the knowledge gap in previous studies, to obtain background information to the research topic, to identify tested methods, techniques and research designs for uncovering the answer to the research questions, as well as to obtain an understanding of the conceptual principles that have a bearing on the study. Combinations of qualitative research design and survey research techniques were used in this study. Questionnaires were administered to collect data relating to fraudulent practices by employees in both private and public sector and thereturned questionnaire was subjected to a validity test.

This literature review is complemented with the use of non-parametric and descriptive statistics techniques and is applied on primary data obtained on a population of academic staff and professionals (anti-corruption and law enforcement agents in Nigeria). The sample size of the study is 290. The method of analyzing the data for this research study was non-parametric using chi-square test and descriptive statistics. The use of chi-square is based on the fact that its magnitude helps to determine the acceptance or rejection of the hypothesis under test. The researcher expects maximum cooperation from the population; however, there may be instance of not willing to supply relevant information or co-operation from few population members.

*Hypothesis*

H<sub>0</sub>: Employee fraud has no significant impact on the growth, profitability and going concern of business entities.

V. FINDINGS AND DISCUSSION

This section discusses the findings in the study relating to the impact of employee fraud on business entities in both private and public sector in Nigeria. It also discusses the findings in term of factors militating against prosecution of fraudulent practices; areas where fraud occur most in business entities in Nigeria and fraud alerts signals.

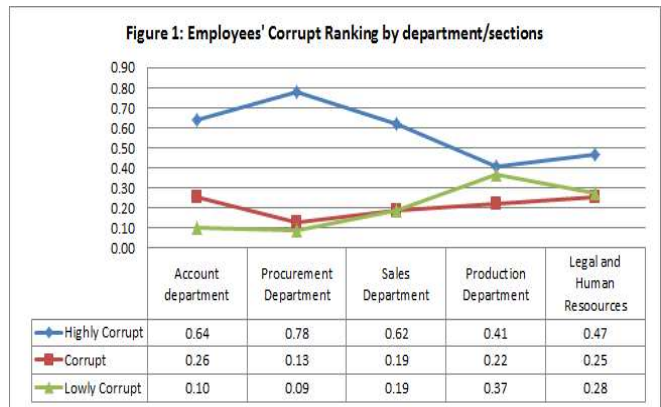
*Areas Most Accessible To Fraud*

The respondents were asked to either agree or disagree with the notion that fraud is perpetrated in a specific section in a business entity. Findings in Table 1 and figure 1 indicate that 77% strongly agreed with the notion and 14% strongly disagree. However, 3% are undecided with the notion. It can be inferred from the responses of the respondents that the menace of fraudulent practices among employees emerges from account, purchase and sales department, if adequate prevention, deterrence and detection controls are built in the processes in these departments, the menace will drastically reduce.

Table 1: Most corrupt departments/sections in a business entity

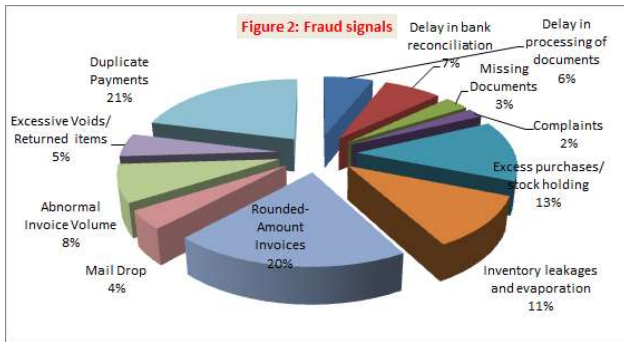
	highly corrupt	corrupt	lowly corrupt
Account department			
- Cash office / cash handling	0.68	0.22	0.10
- Account section	0.35	0.44	0.21
- Wages and Salaries	0.72	0.18	0.10
- Store Unit	0.75	0.19	0.06
- Fixed Assets	0.70	0.25	0.05
Procurement Department			
- Purchases and supplies	0.78	0.13	0.09
Sales Department			
- Sales department	0.62	0.19	0.19
Production Department			
- Productions section	0.41	0.22	0.37
Legal and Human Resources			
- Legal section	0.47	0.29	0.24
- Human Resources and Manpower section	0.66	0.24	0.10
- Training Division	0.28	0.23	0.49

Source: Fieldwork 2016



*Fraud alert signs*

The respondents in the study were asked to state their opinion of likely signals that show the possibility of employee fraud in an organization. Finding from figure 2 below indicated that duplicate payment; rounded amount invoices and excess purchases/stock holdings are major signals that indicate existence of fraud in a business entity.



Finding indicates that 6% of the total respondents signify that **delay in processing of documents** may be a deliberate action to prevent early reconciliations or extraction of trial balance.

**Delay in preparation of monthly bank reconciliation statement;** this may be a way to cover up for some fraud which may be detected during the preparation of bank reclamation statement and a ploy to delay the preparation till when such cashier is buoyant enough to make good some shortfalls ( errors or Fraud).

**Missing Documents:** it is not impossible for documents to be lost or be misplaced. However, finding shows that frequent occurrence of missing documents is an indicator of fraud in a business entity.

**Complaints:** when a batch of production falls below standard, it is usually discarded and possibly disposed of at a less price. Also, complaints from some customers may results in allowing discount or invalidate payments; however finding indicated that 2% of the total respondents are of the opinion that where complaintis becoming of a particular customer or sales group, it should be attention for fraud investigation.

**Excess purchases/ stock holding:** these sometimes happen where the physical store holding is far less than actual and sometimes below minimum stock holding. Employees usually rush to make purchase to prevent possible stock out, which may raise highbrow and possible call for investigation. Also, care should be taking to ensure that there is no duplication of invoices or order.

**Inventory leakages and evaporation:** some items are subject to some natural leakage or evaporation no matter the condition of storage. Where such occurrences are beyond tolerant level, then investigation should be carried out.

**Excessive Voids/ Returned items:** No matter the level of checks and quality production system, sometimes items do have factory faults. Such item are meant to be returned by customers within a period of time, of such happened, then such sales if void and be deducted from total sales figures.

**Duplicate Payments:** these usually occur were approval and payment of some services are decentralised. For few federal parastatals expenses incurred by some units can be settled at the headquarters or at remote branch where the expenses are incurred. On most occasions, the two payments will be allo-

cated different budget code to possible prevent expenses matching.

**Rounded-Amount Invoices:** often, so fraud stars mostly target a particular amount and as such prepare invoices to meet up with such round figures to meet such target. So occasionally round figure voucher be put on enquiry.

**Abnormal Invoice Volume (AIV):**the study revealed that a scheme of AIV to a particular customer or group of customer could be a signal to investigate fraudulent activities in the system. AIV is a system that in order to subvert approval authorities, invoices are usually spitted into small amounts thereby blocking from being subjected to higher authority or further approval level. These usually result into preparation and processing higher volume of invoices.

**Mail Drop:** on most occasions, fraudsters and individual usually display vicious or non-existing physical addresses. Hence, apart from online addresses of business enterprises physical addresses too needs confirmation for physical trace. (Chavez, 2015; Ribadu , 2004)

*Problems of dealing with frauds*

Analysis of item Q7 and Table 2 below revealed that majority of the respondents ranked six (6) items out of 11 as major factors militating against prosecution of fraudulent employees in many business entities. The respondents basically strongly agreed with the notion that lack of Cooperation from person/institutions who should furnish relevant information (95%); lack of transparency of investigation of the case itself (91%); cost of justice (92%); Slow procedure in judicial system (74%); Social relationship (77%); and Lacunas in the law (90%) contribute to the rise of fraudulent practices among the employees in business entity. While the respondents’ ascribed low ranking in strongly agreeing with the notion that quality of evidence gathered at the investigation stage (53%); prosecutorial competences of the prosecuting counsel (52%); transparency and fairness of the presiding judge in the trail (54%) contribute to increase in fraudulent practice among employees in business entities. These findings collaborates Ribadu (2004) assertion that ‘prosecution is simply the process of trying to prove in a court of competent jurisdiction that somebody is guilty of a crime for which he/she has been duly charged’.

factors	SA	A	UD	D	SD
Lack of Cooperation from person/institutions who should furnish relevant information;	73%	12%	8%	2%	5%
The quality of evidence gathered at the investigation stage;	39%	14%	11%	8%	28%
The transparency of investigation of the case itself;	69%	22%	6%	1%	2%
The prosecutorial competences of the prosecuting counsel;	42%	10%	7%	15%	26%
The transparency and fairness of the presiding judge in the trail	51%	3%	6%	7%	33%
Lacunas or gaps in the law guiding law guiding prosecution.	72%	18%	4%	3%	3%
Slow procedure in judicial system;	65%	7%	3%	2%	23%
Society responds to questionable wealth	68%	9%	3%	4%	16%
Corporate Image Problem	89%	7%	1%	1%	2%
Preferential treatment of accused	55%	21%	5%	8%	11%
Leadership attitude to fraud	45%	11%	9%	8%	27%
Cost of justice	74%	18%	3%	4%	1%

Source: Fieldwork 2016

*Cooperation from those who should furnish relevant information:* due to lack of enabling law such as Whistleblowing Protection Act in Nigeria, most whistleblowers refuse to blow the whistle on fraudulent practices in business entities for the fear of unknown. The assertion of Ribadu (2004) on public employees collaborated this finding, that ‘government officials who are too often give evidence sometimes water down the evidences or sometimes the whole files containing incriminating materials disappear or relevant parts of them’. Only 5% of the respondents in this study strongly disagree with this notion.

*Transparency of investigation:* most of the respondents (69%) in this study strongly agreed that due to economy recession and culture of ‘settlement’ in Nigeria, the transparency of investigators’ cannot be totally guaranteed, more so, if they are enticed by criminals with mouthwatering offers. It is a common norm among fraudulent employees in private and public sector to steal enough money to ‘settle’ lawyers, judges, law enforcement agents (Police and Prison official) so as to escape judgment.

*Preferential treatment of accused:* the respondents (55%) strongly agreed that preferential treatment by prison officials to prisoners who could afford to pay for some comfort encourages other fraudulent employees to commit financial crime against a business entity. In our Nigeria, the new prison yard for those that can afford it is the private chalet of is Reddington hospital where some rich Nigerians personality spent their jail term under the pretext of being sick. It is worthy of note that some years ago, a night in the chalet cost Eighty thousand Naira (N80,000)<http://www.jakophite.com/90163&cecilia-ibru-6-months-in-prison-at-reddinton-hospital-no-asse.html>

With choice breakfast, lunch and dinner served at the right time, the disgraced ex-bank chief has no business with prison food in the N80,000 per night *Royal Suite*.<http://encomium.ng/inside-cecilia-ibru-reddington-suite/>

*Corporate image problems:* Some business organization always protects the news of fraud affecting their organization from public knowledge. In this study, 89% of the respondents strongly agreed with the notion that protection of corporate image from negative publicity is a major militating factor against high profile fraudulent cases in business entity. Nigeria banks are good examples as the numbers of reported and printed cases were far below real cases.

*Competence of counsel:* An otherwise good case can be destroyed by the incompetence of a prosecuting counsel, who either is professionally incompetent or again, has compromised himself in order to defeat the trial. Criminal trials entail diligence quick wittedness and industry on the part of prosecuting counsel. The defense has a thousand tricks to frustrate trials or weaken evidence presented to make it look manifestly unsupportable (Ribadu, 2004). A prosecuting counsel must know the law and the criminal procedure to be able to effectively counter those antics of defense counsel. He must call

only relevant witnesses and lead evidence only on facts that are relevant to the prosecution. (Ribadu, 2004).

*Competency of investigators:* Fraud cases are usually very complex and complicated, some involve document or subjects that are very technical requiring a well-schooled investigator to unravel. The question is how skilled are these investigator in collecting evidence in most areas of fraud. Also the quality of evidence obtained too can determine the way a case may go. Some of the investigator can weaken a case through bad presentation of evidence due to technical incompetent or even destroy the evidence technically (Vanguard, March, 11<sup>th</sup> 2016)

*Social relationship:* Nigeria has not grown to the stage where members of same family will stand against each other in court of law on a matter the other party (the person given evidence) will not derive a personal gain. Finding revealed that 68% of the respondents in the study strongly agreed that social relationship is a major impediment in prosecution of fraud cases. One of the major exceptions to this is the cases of inheritance ‘The F.R.A. Williams ‘Will’ battle rages’ <http://www.vanguardngr.com/2012/02/the-f-r-a-williams-will-battle-rages/>

*Materiality of loss incurred:* Some companies on most occasion allow cases of fraud to die natural death where the amount involve are material to the business entity.

*Cost of justice:* It is expensive to obtain justice in Nigeria, so, some people on most accession just let go the prosecution of offenders. Business entity after cost-benefit-analysis often tends to forgo a court case due to the expensive nature of obtaining justice in Nigeria. Finding shows that 63% of the respondents strongly agree that cost of justice is an obstacle in prosecuting fraud cases. Ribadu, (2004)

*Slow procedure in judicial system:* Is no gain telling the world that some cases in Nigerian last more than twenty years in court. Some of the Nigeria lawyers do not help matter too, with their frivolous adjournments and laying tactics. Ribadu (2004) & Vanguard (16/3/2018)

*Leadership attitude to fraud:* The responsive is the government and the leadership of the country reacts to fraud. It is in this Nigeria where a president of the country (Goodluck Ebele Jonathan) says stealing is not a corruption. In same time security contract were awarded to Ex-militant- (food for the boys). Reverse was the case in same Nigeria in 1984 under the headship of the then Military Head of State (General Buhari).

*The Trial Judge:* The judge who holds the balance between the prosecution, defence and the accused holds the ace to the success or otherwise of the prosecution. It is to him that the evidence is adduced. It is him who decides which of the arguments are more persuasive and whether the prosecution has discharged the burden of proof as prescribed by law. The greatest tragedy to any prosecution is when a judge has even before taking and analyzing evidence has made up his mind that the accused is not guilty as charged. This sometimes occurs when the judge has compromised the case. Ribadu (2004).

In some cases, the judge may be ignorant of the law or he may deliberately misdirect himself on the facts and the law. Corruption and financial crimes most often involve huge sums of money. Those who are beneficiaries of the crimes are willing to share a little percentage of the proceeds with the judges. Once the judge takes the bait, Ribadu (2004), the outcome of such case is better imagined. Such is the case of the PDP chairmanship issue where same courts of competent and equal jurisdiction give conflicting and opposing judgment of same case at different courts and sittings. "PDP convention: 2 courts give conflicting judgments. <https://www.vanguardngr.com/2016/08/pdp-convention-2-courts-give-conflicting-judgments-party-vows-go-ahead/>

Also worthy of mentioning is the case of seven judges of High/Supreme courts and the Directorate of State Security Department. [DSS]PDP convention: 2 courts give conflicting judgments, as party vows to go ahead ON AUGUST 16, 2016 12:40. : <https://www.vanguardngr.com/2016/08/pdp-convention-2-courts-give-conflicting-judgments-party-vows-go-ahead/>

It is no news that corruption runs ring in the judiciary sector as pointed out in the Justice Kayode Eso (1994) Panel of enquiry and the panel indicted 47 judges for alleged corruption, incompetence, dereliction of duty, lack of productivity or corrupt use of ex parte orders. Also, in a paper presentation "How corruption is perpetuated by our judiciary" <http://thenationonlineng.net/corruption-perpetuated-judiciary-osinbajo/> in October, 2016, the Vice President (a professor of Law) on also itemized the manners in which our judges perpetuate corruption on the bench.

Most recent is that of Chief Justice of the Federation who forgot to declare more than one foreign account running into billions of Naira and his reported meeting on Dubai with leaders of major opposing part in the country few weeks to election

*Lacunae in the law:* There are some provisions of the Constitution which seem to have over protected the accused against the state. Section 35(2) gives a right to any person arrested or detained to remain silent or avoid answering any question until after consultation with his/her lawyers. Section 36(11) also provides that any person tried for a criminal offence shall not be compelled to give evidence at the trial. When these rights are claimed, they, many a times, lead to over protection of the accused person while restricting the means of protecting the rest of the society in the sense of making it difficult to prove a case against them. Again, it is almost impracticable to conclude investigations and charge arrested persons to court for economic and financial crimes committed often times in an organized manner straddling through several countries and financial institutions. No investigation can be thorough or any incriminating evidence to sustain a charge can be obtained within such a short time. Ribadu (2004).

[1] *Inadequacy of existing procedural and evidence laws:* Despite the replacement of the old evidence act with the

Nigeria Evidence Act 2011 other laws are yet to be amended to meet up with current situation. John Yakubu Yusuf case of N32.8b pension fund fraud and the fine of N250,000 fine per charge and Total N750,000 fine. It is disgraceful to note the accused dipped his hand into a pocket, brought out One million Naira (N1m) handed it over to the court register and told him (the registrar to keep the change of N250,000) <http://thenationonlineng.net/n32b-pension-fraud-convicted-director-fined-n720000/>,

<https://www.premiumtimesng.com/news/117599>

*Plead Bargain*

Another immoral law against fraud is the "Plead Bargain" a situation in which an accused person under trail will plead guilty and agree to surrender part of his/her loots. "It is incomprehensible to them how highly-placed thieves of many millions and billions of naira are allowed to get away with miserably small sentences in the name of plea bargain" Adebayo, (2012). This type of sentence is gradually creeping in Nigeria legal system as a state in Nigeria have passed this to law (Peters, 2017)

*Intimidation*

Some influential and wealthy accused usually hired intimidating league of lawyers possibly to intimidate judges. However, there has not being any reports cases on this. *Vanguard New Paper (March, 16<sup>th</sup> 2016) CCT Trial: Bukola Saraki Hires 66-SAN Defence Team.*

*Hypothesis Test:*

H<sub>0</sub>: Employee fraud has no significant impact on the growth, profitability and going concern of business entities.

Responses to Item Q4 of the questionnaire administered to the respondents were used to test the hypothesis. There are two different variables in hypothesis one under reference. These variables are:

- (a) "Extent of employee fraud in business entities" (as independent variable)
- (b) "Effect on growth, profitability and going concern" (as dependent variable)

That is, the 'impact growth, profitability and going concern among business entities' in Nigeria depends on the potency of the "Employee fraud". Table 3 show chi-square result and symmetric measures.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.667 <sup>a</sup>	9	.178
Likelihood Ratio	11.090	9	.270
N of Valid Cases	6		

a. 16 cells (100.0%) have expected count less than 5. The minimum expected count is .17.

Source: Field Survey, 2018

The chi-square test measures the discrepancy between the observed cell counts and what is expected if the rows and columns were unrelated. The two-sided asymptotic significance of the chi-square statistic is greater than 0.10 that is, Pearson chi-square is .178 or 17.8%, so it's safe to say that the differences are due to chance variation, which implies the extent of employee fraud in business entity has effect on its growth, profitability and going concern. Therefore, the null hypothesis is rejected and alternative which state that 'employee fraud has significant impact on the growth, profitability and going concern of business entities in Nigeria' is accepted.

## VI. CONCLUSION

In conclusion, it is obvious that fraud cannot be totally eliminated within business entities in general and in Nigeria in particular. Despite occurrences of fraud, it is never without some warning signals but on most occasion these signals are ignored or overlooked. Although dealing with fraud is always faced with some problems, that of Nigeria is worse and ability to curtail fraud mostly in public sector becomes difficult. Efforts to improve on problems of dealing with fraud will go a long way in reducing fraud practises in Nigeria.

### *Possible Ways of Detecting Fraud Occurrences*

- *Use a Hotline/ Whistleblower:* obtaining firsthand information before fraud is committed or be reported by even unidentified person will go a long way in preventing before occurrence and detect some after. As reported by ACEF report and sited by Nieweler, A. (2015), over 40% of fraud cases were detected by a whistleblower tips
- *Fraud Policy:* Every business entity must have a standard policy on fraud and this must be communicated to all employees at all levels. This will allow all employees know there boundary on every events. The policy should include how to manage conduct, code of ethics and staff expected behaviors.
- *Multiple Reporting Mechanisms:* This is a mechanism that allows reporting of fraud by both insiders and outsiders like vendors, contractors and even members of the public. The reporting channel can be through phones, physical mail, email, whatsapp, and any other medium. Nieweler, A. (2015)
- *Internal Control System:* Every business entity must institute effective internal control system which must be periodically reviewed to meet up with current standards. An efficient internal control system can work to some essences reduce fraud to a very low level. However, no matter the efficiency of an internal control system, it can be circumvent by collusion of staff operating the system. Nieweler, A. (2015),

The internal control system can either be operated within the system or outsourced to a competent professional body.

- *Training Your Employees:* All the employees of business entities should be trained on how to identify fraudulent events/actions and how to report same with confidence and protections. This will assist in identifying fraudulent activities and report same under covered. Nieweler, A. (2015)
- *Protect Assets:* Business assets range from Cash, other current and non-current, management should device means of protecting all these assets to minimize unauthorized access and misuse. When assets are well protected, it takes a proper authorization for it to be accessed and can be properly accounted for. With this method, theft of assets will be reduced. Nieweler, A. (2015).
- *Reduce Opportunity:* In accordance with "Fraud Triangle" concept, opportunities can the referred to as loop holes within operation system exploited by people mostly employee. Opportunities played vital role in fraud occurrence and companies need to put in efforts to reduce fraudulent opportunities in the operation system. Once opportunities to commit fraud are reduced, them fraud occurrence too will reduce. Nieweler, A. (2015).
- *Spot / Surprise Audits:* This is an unannounced checking exercise on the activities of any unit within company operations. This check is usually conducted based on either tips or not. Since this exercise is unannounced, it usually gets people unprepared and mostly unable to cover up fraudulent activities that might have occurred. Nieweler, A. (2015),
- *Annual Audit:* This is a predetermined and routine audit exercise required by law for some business entities. However, this does not have meaningful impact on fraud detection, as reported by ACFE, this exercise accounted for only 2% fraud detections,
- *Unusual Behavior:* Fraud occurrence in most cases give warning signals which are often ignored but recognized after fraud is perpetuated. One of the warning signals of employee fraud is unusual behavior. Soddng change in standard of living of an employee, refusal to take vacation, unnecessary overtime, alcoholism, smoking, gambling, irritability, etc. are employee's unusual behavior. When an employee found with few of these behavioral changes, quick checks mostly detect fraud occurrence. According to the ACFE's Report, in 92% of the cases, at least one common behavioral red flag was detected.
- *Complaints:* Frequent unusual complaints from a particular area often found to be indication for fraud occurrence when properly investigated,
- *Stale Items in Reconciliations:* Reconciliation items are expected to be attended to within a short period of time. A long un-credited bank lodgment on most occasions is fraud. The usual happening is non-deposit of the fund or theft by either the staff that



deposit the fund or by bank officer. On investigation fraud will be detected.

- *Excessive Void sales slips:* On the notice of usual large number of void sales slips, concerned salesmen should be put on hold and investigate their activities. This will always reveal fraudulent practices
- *Analytical review:* Comparison of balances and computation of trend analysis will always point out unusual difference which may lead to investigation and possible detection of fraud

#### *Possible Ways of Reducing Fraud Occurrences*

It may be impossible to eliminate fraud within business circle. However, effort should be made to counter them before happening or deals with them as they occurred. Discusses below are some of the ways to combat employee fraud. They include:

- Payment of possible take home pay and good condition of serviced for member of staff of business entity as this may partially reduce pressure to commit fraud
- The only perfect being is God, so human beings are expected to occasional go wrong and get punished. However, such punishment should have human face and not include excessive deduction from salaries (for salary earners)
- Information is key to every decision one takes, management should try as much as possible to keep staff informed of events within the organization, as this will make them have confidence in management and also individual employee will be liable to his/her life
- Hiring, firing, recruitment, training and development within business entity be standardized and executed without fair or favour
- Setting target for employee should be reasonable and ideal, so as not force people to committing both financial and immoral crime
- Staff with extravagancy, gambling and drug attitude should be put on watch and investigated (preferably in secret)
- Staff should be assisted in time of need where circumstances are reasonable
- Business entities should have effective internal control system and this should be periodically reviewed
- There should be a limit to the amount of cash and valuable an individual can hold and in line with his status within the organization
- There should a laid down procedure for handing, recording and movement of valuable and this must be followed so as to determine the location of company assets
- Usages of company assets should be authorized and recorded
- There should be company normal audit and periodic checked within the system
- Periodic staff rotation should be enforced to guide against employee fully understand a routine proce-

dure and take advantage of loop holes observed after long period of studies or attempts

- Allocation of assignments should be based on experience, qualification and competent, so as not to allow staff sharp practices to inexperience or errors
- Schedule allocation should be reasonable, so as not to give room to poor supervision and thereby given some people rooms to perpetuate fraud
- There should be segregation of duties to make occurrence of fraud more difficult without collusion
- There should be standard classification of expenses so as not to allow some assets as expenses to keep them off record and possible conversion to private property in future
- Staff that feel reluctant to go on normal annual leave and those that pushed to remain on same appointment be put on enquiry and possibly investigated
- Frequent delay in processing documents, updating records and prepare reports should be put on enquiry and investigated if persist and section where fund culpable.
- Management should have adequate knowledge of ICT to prevent or reduce possible fraud through this area
- There should be some restriction of access to some financial documents and items except for some authorized few
- Business entity should endeavor to take serious all fraud cases and follow them to logical conclusion to serve as deterrent to other staff
- Business entities should reward whistleblowers with both cash and promotion

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