

EFFECT OF FORENSIC ACCOUNTING SKILLS ON FINANCIAL REPORTING QUALITY OF NIGERIAN DEPOSIT MONEY BANKS

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ABSTRACT

The main objective of this study is to empirically examine the application of forensic accounting skills in improving financial reporting quality of Nigerian Deposit Money Banks. The study employed a survey research design and the population of the study consists of all the Nigerian deposit money Banks listed on the floor of the Nigerian Exchange Group as at 31st December, 2020. The study used primary sources of data collection through survey instrument in which ninety-eight (98) copies of questionnaire were administered to respondents drawn from Nigerian deposit money banks. The study variables consist of financial reporting quality as dependent variable and forensic accounting skills proxied by fraud prevention detection and deterrence skills, forensic audit, investigation and interviewing skills, litigation mediation and arbitration skills, and computer assisted review and audit review represent the independent variables. The data was analyzed using PATH analysis via Smart-PLS software. The result of the analysis revealed that all forensic accounting skills but one - fraud prevention, detection and deterrence skills, forensic audit investigation and interviewing skills, litigation mediation and arbitration skills have positive and significant influence on financial reporting quality. Lastly computer assisted review and audit review has no significant effect on financial reporting quality. Therefore, it is recommended that internal audit staff should regularly undergo training and development programs to acquaint them with relevant knowledge and skills for effective forensic auditing.

Keywords: Forensic Accounting, Financial Reporting Quality, Computer assisted review, Investigation, Litigation, Mediation and Arbitration Skill

INTRODUCTION

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

their decision. However, due to ongoing corporate scandals and collapse of corporate organizations, so much has been reported on the lack of credibility and objectivity of financial statements.

Financial reports are expected to portray the management efficiency in the discharge of its duties. Financial reports have an important influence on investors and creditors because they contain an independent and expert opinion on the fairness of the report which improves its reliability (Muhammad et al. 2023). Financial report of any entity is expressed in monetary terms based on the economic realities using the following components of financial statements in conjunction with International Financial Reporting Standards (IFRS) roadmap: Statement of monetary or financial position, statement of changes in equity, comprehensive income statement, report of cash flow and the accounts notes. Each of these components is prepared to provide insight into specific areas of the financial reports (Nwaiwu & Aaron, 2018).

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic entities to achieve useful economic decision Providing effective financial reports is important because it will positively influence capital providers and other stakeholders in making investments, credit and similar resource allocation decision enhancing overall market efficiency (Ezeagba, 2014). Analysts and investors depend on monetary data when analyzing performance of any firm and when predicting future direction of any firm's stock (Loveday et al.,2020).

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

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

Med, (2016) argues that analysts, investors and management have deployed dozens of forensic indices that aid the forensic accountant in assessing the probability of performance index manipulation by a suspect company. Financial statements are the responsibility of company's management, therefore, transactions can be structured to best achieve a desired accounting result by reporting key financial transactions to the company's advantage (Enofe et al., 2016). This is apparent from the public feature getting instances of financial summary misrepresentation which have pulled in the consideration of universal network and shocked the capital markets. These frauds have constituted a challenge and made a negative impact not only on investors' confidence but have also dealt a devastating effect on corporate reputation while jeopardizing its going-concern profile (Ezeagba, 2014). For instance, quantify the breakdown of Enron, WorldCom, Tyco, Adelphia, to corporate money, it was revealed that over \$460 billion was said to have been lost. In Nigeria, Cadbury Nig Plc whose books were creatively controlled by the board, Cadbury was reported to have lost N15 billion. On account of nine banks in Nigeria, around one trillion naira was said to have been lost through various sorts of budgetary control and ill-advised detailing (Ezeagba, 2014).

The quality of a company's earnings is one facet of an investigation that is often overlooked in the financial forensic process. The banking sector which is considered very volatile and sensitive has gone through some moments of deep-rooted crisis which resulted to the abrupt removal and even trial of five Chief Executive Officers and spontaneous dissolution of their board. The issues that led to this action by the apex bank the CBN was blamed on poor corporate governance which saw some insider abuses that led the affected banks actually having negative balance in their shareholders' funds. Following this, the CBN conducted a forensic examination on their financial reports which confirmed that the Chief Executives have filed very misleading financial reports both to the CBN and other stakeholders. The report reveals that out of the loan portfolio of N2.8 trillion, the aggregate non-performing loans were 40.81%. The widely reported case of police pension scam also points to the need to revamp the current trend of quality assurance approach on financial statements by incorporating forensic accounting (Funshio & Ibrahim, 2019). The process has heralded a new era demanding total disclosure of facts that would enable financial statement play the key role of educating and informing existing and potential investors on the true financial position of any organization, hence the study of forensic accounting.

Forensic Accounting as the application of specialized skills to stumble upon evidence of economic transaction. It is an integration of accounting, auditing and investigation skills (Oyedokun et al, 2018).

Forensic accounting focus is on both evidence of economic transactions and reporting which is as contained within an accounting system, and the legal framework which allows such evidence to be suitable to the purpose(s) of establishing accountability and valuation (Oyedokun, Enyi, Dada, 2018). There have been instances where forensic accountants were called to determine the cause(s) of the collapse of the companies, who are involved and what (monetary value) was involved (Chukwu et al., 2019). The gap is that forensic accounting techniques are not deployed in the day-to-day running of the business of the organization with respect to the internal control functions, however, when they are insolvent, these techniques are being requested from firms of forensic accountants to investigate the “what, who and when” and the fraudulent activities (Oyedokun et al, 2018).

Forensic Accounting is an accounting analysis that can uncover possible financial reporting manipulations that is suitable for presentation in court (Ezeagba, 2014). The place of Forensic Accounting in entrenchment of quality assurance of financial statement cannot be overemphasized. The issue of quality is very critical to the usefulness that financial reports could serve and Forensic Accounting which looks beyond mere adherence of financial reports but goes further to verify the underlying facts that could be tendered as evidence even in the courts, has been veritable in the strengthening the quality of reports being published by corporate organizations. This study therefore seeks to establish the extent to which Forensic Accounting as an aspect of accounting can help in achieving qualitative financial statements that could aid stakeholders in making better investment decisions.

Several studies have been conducted in the area of forensic accounting, specifically on the relationship between forensic accounting and financial reporting quality, these studies include, (Chukwu et al., 2019; Enofe et al., 2016; Ezeagba, 2014; Funshio & Ibrahim, 2019; Loveday et al., 2020; Med, 2016; Nwaiwu & Aaron, 2018; Oyedokun, Enyi & Dada 2018). However, the studies reported mixed findings some reported positive and significant relationship between forensic accounting and financial reporting quality (Chukwu et al., 2019; Enofe et al., 2016). Even though these studies were conducted in Nigeria, but they failed to cover the gap between the periods of 2018 to 2020, in which so much had happened like covid.19 that is issue of corona virus.

Also most of the studies conducted in the area of forensic accounting were on forensic accounting and fraud prevention (Adebisi et al., 2016; Dada et al., 2013; Ehioghiren & Atu, 2016; Enofe et al., 2013; Enofe et al., 2016; Funshio & Ibrahim, 2019; Henry, 2017; Modugu & Anyaduba, 2013; Okoye & Gbegi, 2013; Oseni, 2017). Even though these studies were conducted in Nigeria, but they failed to cover the gap between the periods of 2018 to 2020, in which so much had happened like covid.19 that is issue of corona

virus. They also reported contradictory findings, some reported positive and significant relationship between forensic accounting and financial reporting quality such as (Adebisi et al., 2016; Amake , 2016; Dada et al., 2013; Dauda, 2016; Ehioghiren & Atu, 2016; Enofe et al., 2013; Enofe et al., 2016; Ezeagba, 2014; Gbegi & Adebisi, 2014; Henry, 2017; Modugu & Anyaduba, 2013; Okoye, E.I. & Gbegi, 2013), while some reported negative (Oseni, 2017) This study specifically seeks to examine empirically the impact of forensic accounting skills on financial reporting quality of Nigerian deposit money banks.

Based on the research questions and objectives of the study, the following hypotheses were formulated in null form:

H₀₁: Fraud prevention, detection and deterrence skills do not have any significant effect on financial reporting quality of NDMBs

H₀₂: Forensic audit, investigation and interviewing skills do not have any significant impact on financial reporting quality of NDMBs

H₀₃: Litigation, mediation and arbitration skill do not have any significant influence on financial reporting quality of NDMBs

H₀₄: Computer assisted review and audit review do not have any significant influence on financial reporting quality of NDMBs

LITERATURE REVIEW

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

Conceptual Issues

The word "Forensic" relates to crime solving. It is the application of science to decide questions arising from crime or litigation and thus introduced in the accounting domain to serve as a more reliable and evidential means of enhancing financial investigations and prevention or reduction of financial impropriety in all forms. Also, forensic accounting relates to deterring, detecting and investigating frauds in financial reporting and it as auditing practices carried out to detect possible criminal activities concealed in financial accounts. It is the integration of accounting, auditing and investigative skills (Med, 2016). Silverstone & Sheetz, n.d define it as a process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert.

The Oxford Advanced Learners Lexicon characterizes the word 'forensic' as having a place with, utilized in, or appropriate to a court of judicature or for open exchange or discussion, (Pamukc, 2012). Pamukc, 2012) contended that forensic accounting is the procedure of deciphering, condensing and

introducing complex money related issues unmistakably, concisely and genuinely in a courtroom as a specialist witness should the need emerge. Meanwhile, according to Pamukc, (2012), from organization, through government offices, regulatory authorities, and the judicial system, evidence abound to the effect that a high level of expertise is necessary to undertake the analysis of complicated financial transactions and events. The consensus here, therefore, is that forensic accounting has been tossed into the bleeding edge of the campaign against money related trickery.

According to Oyedokun, et. al (2018), Forensic accounting is a science managing the utilization of accounting certainties and ideas assembled through inspecting strategies, methods and techniques to determine lawful issues which requires the mix of investigative, accounting, and examining aptitudes. Also express that forensic accounting is the art of social event and showing data in a frame that will be acknowledged by a court of statute against culprits of monetary wrongdoing. Pamukc, (2012) contended that scientific accounting is the utilization of investigative and diagnostic abilities to resolve monetary issues in a way that meets principles required by official courtrooms also noticed that legal examination is about the assurance and foundation of truth in help of legitimate case. That is, to utilize scientific systems to recognize and research a wrongdoing is to uncover all it's going to highlights and distinguish the offenders.

The Centre for Forensic Studies in Nigeria argues that if well equipped, forensic accounting could be used to reverse the leakages that cause corporate failures (Ezeagba, 2014). The proactive forensic accounting practice seeks out errors, operational vagaries and deviant transactions before they crystallize into fraud. Though, conventional accounting/audit in the financial reporting context appear to have a common end that is, the examination of financial statements to ensure conformity with underlying rules and expression of unbiased opinion on the truth and fairness of such statements. Ezeagba, (2014) submit that auditing is a process of reviewing others work to determine if they have followed the prescribed policies, procedure and practice. The job of a forensic accountant encompasses that of conventional accounting and auditing as the forensic accountant possesses skills that exceeds those of traditional auditor and provides services beyond the scope of a typical financial audit engagement though the place of current audit system in the corporate world cannot be underestimated, it can be enhanced by the introduction of forensic accountant into the audit team. The inclusion of forensic accountant in the current audit team model will equip the system in being proactive in identification of fraud. new field in accounting in Nigeria and borne out of the need of ensuring quality assurance of financial statements (Funshio & Ibrahim, 2019).

According to IASB, the essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in a company's financial reports. These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, which will also lead to a high level of quality. To achieve this level, financial reports must be faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on having transparent financial reports, and not having misleading financial reports to users; not to mention the importance of preciseness and predictability as indicators of a high financial reporting quality. As it is defined in the Conceptual Framework for Financial Reporting of the FASB and the IASB, there are agreed upon elements of high-quality financial reporting. The qualitative characteristics of financial reporting quality include: relevance, faithful representation, understandability, comparability, verifiability, and timeliness. They are divided into fundamental qualitative characteristics and enhancing qualitative characteristics. A theoretical explanation for each of these terms emphasizes their importance as qualitative characteristics, and also indicates what qualities are considered fundamental among different frameworks as all cited in (Drive et al., 2017).

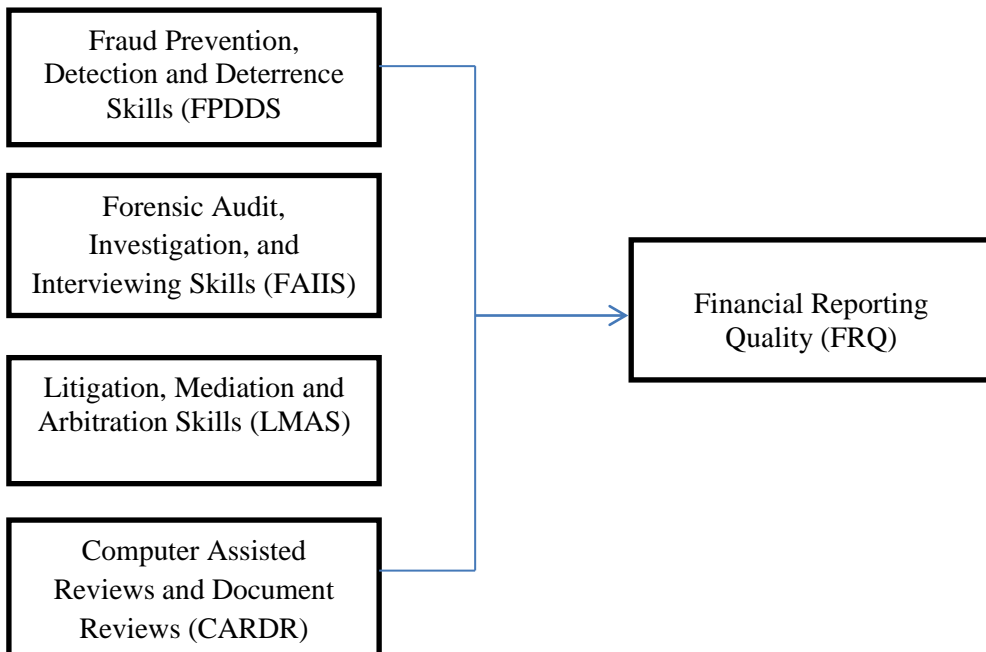


Figure 1: Conceptual Framework

Empirical Review

Chukwu et al., (2019) studied the effect of forensic accounting skills on the financial reporting credibility in Nigeria. Their result shows that technical analysis skills, communication skills, accounting and auditing skills and psycho-social skills have a positive and significant effect on financial reporting credibility in Nigeria. However, the study used only a sample of forty participants which is not enough to make generalization in relation to the total number of the banks in Nigeria. Hence, the present will employ a larger size so as to get a more robust result that can be used to make generalization. On the hand, Ezeagba, (2014) conducted a study on the impact of forensic accounting and quality assurance on financial reporting quality using commercial banking sector as a reference in Nigeria. The Primary data were sourced to elicit information from accountants using a five scale Likert structured questionnaire which were administered to a sample size of Two Hundred and fifty respondents. Pearson's correlation coefficient statistical tool was used to analyze the primary data. The study reveals among others that the fundamental qualitative characteristics (relevance and faithful representation) of financial reporting, accounting and the enhancing qualitative characteristics (understandability) can be significantly enhanced through forensic accounting.

Nwaiwu & Aaron, (2018) examined the effect of forensic accounting and quality assurance on financial reporting of public sector in Nigeria. The study used Pearson product moment coefficient correlation in analyzing the data. The statistical results indicate that there is no significant relationship between the variables of forensic accounting and quality assurance on variable of financial reporting.

Financial statements reflect the financial effects of business transactions and events on the entity, internal control system if adequate will help in reducing the activities of fraudulent stakeholders. Forensic accounting focus is on both evidence of economic transactions and reporting which is as contained within an accounting system. Cases of financial statement misrepresentation have been reported, affected companies and their auditors have gone down while shareholders were greatly affected. Oyedokun, Enyi and Dada (2018) examined the relevance of forensic accounting techniques in ensuring the integrity of the financial statements. Stakeholders who are members of recognized professional accountancy bodies in Nigeria were requested to answer research questions. This study adopts survey research method with the use of primary data and purposive random sampling techniques. Also 350 copies of questionnaires were administered as a sample size. Nominal scale method was used in the demographic section while Likert scale was used in other sections of the questionnaire. It was found that forensic accounting techniques FAS (FPDDS, FAIIS, LMAS, and CARDR) have

positive influence on the integrity of financial statements (IFS) of business organizations. The study requested only recognized professional accountancy bodies in Nigeria to answer the research question of which the bodies can not to be enough in finding out the answers. Hence, the present will request both the public and private sectors organization in determining if forensic accounting techniques FAS (FPDDS, FAIIS, LMAS, and CARDR) still have positive influence on the integrity of financial statements (IFS) of business organizations.

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

Med, (2016) conducted a study that examines the effectiveness of Forensic Accounting in engendering qualitative financial reporting in Nigeria using the banking sector as a reference. The research adopted empirical, survey and descriptive approach. Secondary data for this study were sourced from the annual reports of the chosen banks. Simple five scale binomial ranging from 0-4 were used to analyze the secondary data (financial reporting quality) of the selected banks. Primary data were also sourced to elicit information from accountants using structured questionnaire based on Likert 5-Scale with each containing fifteen questions. A five scale Likert structured questionnaire was administered to a sample size of two hundred and fifty respondents. Respondents were chosen by simple stratification. Pearson's Correlation Coefficient statistical tool was used to analyze the primary data. The study reveals that the fundamental qualitative characteristics (relevance

and faithful representation) of financial reporting accounting and the enhancing qualitative characteristics (understandability) can be significantly enhanced through forensic accounting. Use of only 15 questions in the questionnaire will not be enough in eliciting maximum answers in getting the sufficient answers preferably deploying a larger question will be enough to determine if the fundamental qualitative characteristics (relevance and faithful representation) of financial reporting accounting and the enhancing qualitative characteristics (understandability) can be significantly enhanced through Forensic Accounting.

Modugu & Anyaduba (2013) investigated the effect of forensic accounting on financial fraud in Nigeria. They used survey design and administered structured questionnaires to one hundred and forty-three respondents which were arrived at through simple random sampling technique. The data were analyzed using non-parametric, binomial tests. It was found that there is a strong agreement among stakeholders that forensic accounting can improve fraud control, financial reporting quality and internal control. Ezeagba (2014) conducted a study on the role of forensic accounting on quality assurance of financial reporting in selected commercial banks in Nigeria. Using a survey design and descriptive approach, the study administered five likert scale questionnaires to five hundred and fifty respondents to elicit information, which were subsequently analyzed using Pearson's correlation coefficient. The study reveals that forensic accounting has a positive and significant influence on the qualitative characteristics of financial reporting.

Oyedokun (2018) adopted agency theory and examined the impact of forensic accounting techniques on the internal control system of business organizations as a means of improving the integrity of their financial reporting. Using survey design, he administered questionnaires to three hundred and fifty respondents via purposive sampling technique. The study used multiple regression as a technique of analysis. It reveals that forensic accounting techniques have positive and significant influence on the integrity of financial statement of business organisation.

Lucy et al. (2016), adopting survey and descriptive approaches, examined whether forensic accounting enhances financial reporting quality in Nigerian banks. The study used both secondary and primary sources of data. The secondary data were sourced from annual reports and accounts of some selected banks while primary data were sourced from a sample size of two hundred and fifty respondents using structured questionnaires. They employed Pearson's coefficient of correlation for data analysis. Using agency theory, the result shows that forensic accounting has a positive and significant impact on relevance, faithful representation and understandability characteristic of financial reporting.

Onyulo (2017), employed multiple regression analysis, using STATA version 13 to determine the impact of internal control, existence of audit committee and adoption of IPSAS on the financial reporting quality in Kenya's public sector entities. He used descriptive design and selected seventy -one entities out of one hundred and forty-two through stratified sampling technique. It was observed that internal control, existence of audit committee and adoption of IPSAS play a significant role in improving the quality of financial reporting in public sector entities in Kenya.

Theoretical Review

Fraud pentagon theory is the refinement of the factors that cause fraud which was originally put forward by Cressey (1953) which is known as the fraud triangle theory. Over time, the fraud detection factor proposed by Cressey was later refined into 4 factors by Wolfe and Hermanson (2004) which is known as the fraud diamonds. According to Wolf and Hermanson (2004), fraud will not occur without the right people with the right abilities. In some literature it is stated that people with high capacities are able to detect and commit acts of fraud.

According to Cressy (1973), the fear of possible detection is the most influential factor in fraud prevention in that it eliminates the fraudster perceived opportunity. Cressey (1953) observed that the lower the risk of being caught, the more likely it is that someone will commit fraud. Skousen et al., (2009) asserted that an opportunity is power and the ability to override control. This is what makes internal audit not to be an effective and reliable fraud deterrence mechanism. Management has the power and ability to override controls within the organisation or even pressurize the internal audit department to override control to give room for accounting manipulations leading to financial statement fraud.

METHODOLOGY

This study employed a survey research design through the administration of well-structured questionnaire. The population of the study consists of all the staff of Nigerian deposit money Banks listed on the floor of the Nigerian Stock Exchange as at 31st December, 2020. This study adopted purposive sampling technique and administered survey instrument to 350 respondents drawn from different banks that made up the sample size. The justification of using this method is primarily based on their application by the previous studies such as Dada et al., (2013); Enofe et al., (2016); Ezeagba, (2014); Funshio & Ibrahim, (2019); Oseni, (2017); Oyedokun, Enyi,Dada (2018). This study employed a five point Likert scale structured questionnaire which was adopted from the work of Oyedokun et al., (2018) after some modification on the following items of both the independent and the dependent variables of the questionnaire:

Table 1: Variables of the study and their measurement

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

Source: Compiled by the researcher

The study employed the use of path analysis as techniques of data analysis. Path analysis can be seen as a methodological tool that helps researchers using quantitative (correlation) data to disentangle the various (casual) processes underlying a particular outcome. SPSS software was used for data screening which deals with missing value analysis, nonresponse bias analysis and detecting unvarying outliers’ analysis (see appendix). While the main analysis was conducted using PLS software (smart PLS software) which deals with discriminate validity, convergent validity and test of hypothesis. The model of the study indicated the relationship among the variables of the study is depicted below:

$$FRQ= f (FAS)..... (1)$$

$$FRQ= f (FPDDS, FAIIS, LMAS, CARDARS)..... (2)$$

$$FRQ= B_0 + B_1FPDDS + B_2FAIIS + B_3LMAS + B_4CARDARS + (3)$$

RESULTS AND DISCUSSION

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

convergent validity. Moreover, the Cronbach’s Alpha and Factor loadings are also within the acceptable range as indicated in the table below:

Table 2: Construct Convergent Validity and Reliability

| Variables | Items | Factors Loading | Cronbach’s Alpha | Composite Reliability | AVE |
|--|---------|-----------------|------------------|-----------------------|--------------|
| Computer assisted review, document review skill | CARDRS2 | 0.861 | 0.512 | 0.802 | 0.670 |
| | CARDRS3 | 0.774 | | | |
| Forensic audit investigation and litigation skills | FAIIS1 | 0.772 | 0.673 | 0.819 | 0.602 |
| | FAIIS2 | 0.754 | | | |
| Fraud prevention, detection and deterrence skills | FAIIS4 | 0.801 | 0.778 | 0.856 | 0.600 |
| | FPDDS1 | 0.707 | | | |
| Financial reporting quality | FPDDS2 | 0.811 | 0.806 | 0.854 | 0.504 |
| | FPDDS3 | 0.728 | | | |
| | FPDDS4 | 0.844 | | | |
| | FRQ2 | 0.451 | | | |
| Litigation, mediation and arbitration skills | FRQ3 | 0.593 | 0.696 | 0.818 | 0.606 |
| | FRQ4 | 0.694 | | | |
| | FRQ5 | 0.797 | | | |
| | FRQ6 | 0.859 | | | |
| | FRQ7 | 0.783 | | | |
| | LMAS1 | 0.904 | | | |
| | LMAS2 | 0.804 | | | |
| | LMAS3 | 0.594 | | | |

Discriminant Validity

In investigating discriminant validity of the measurement model, Table 3 indicates the correlation matrix in which the diagonal elements represent the square root of the AVE of the latent constructs. The result of the correlation matrix indicated in the table below ensures that the discriminant validity is confirmed because all the values of the diagonals are greater than 0.60 (Shehu & Muhammad, 2024).

Table 3: Discriminant Validity

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

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

Structural Model

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

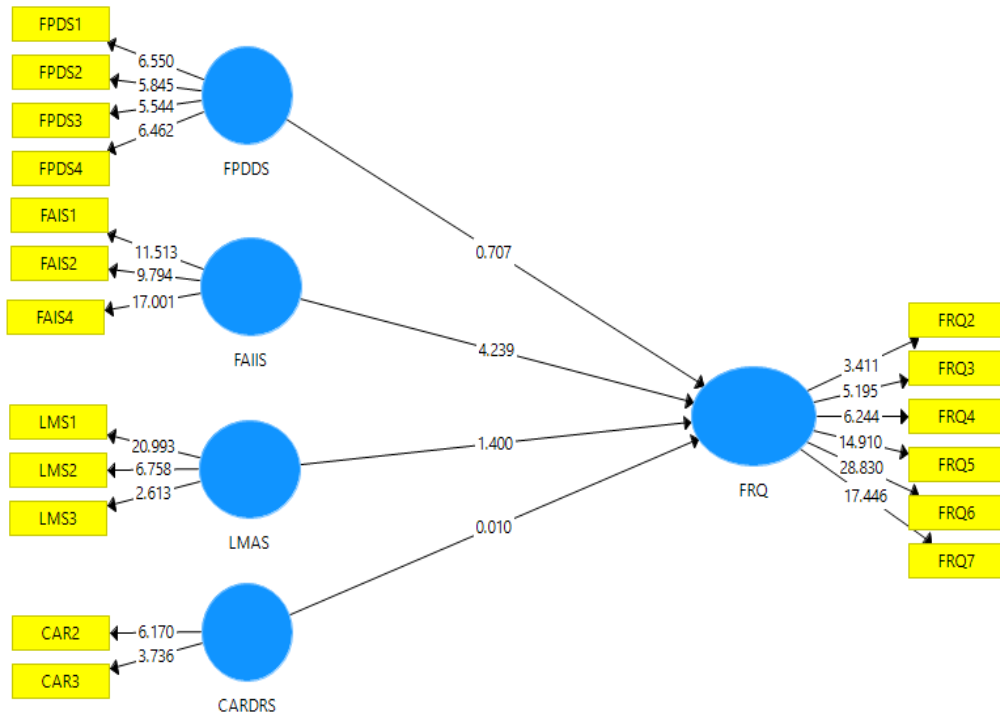


Fig. 2: Structural model

Table 4: Result of Hypotheses Testing

| | Path coefficient | Standard error | T-value | P-value | Decision |
|--------------|------------------|----------------|---------|---------|---------------|
| FPDDS → FRQ | 0.093 | 0.136 | 0.689 | 0.031 | supported |
| FAIS → FRQ | 0.506 | 0.132 | 3.820 | 0.000 | Supported |
| LMAS → FRQ | 0.123 | 0.098 | 1.263 | 0.007 | supported |
| CARDRS → FRQ | -0.001 | 0.122 | 0.010 | 0.992 | Not supported |

Table 4 indicated that three of the study hypotheses were rejected (supported) while one hypothesis was not rejected (not supported). The R² value indicated that, all the study variables of forensic accounting techniques

(CARDRS, FAIS, FPDDS and LMAS) are capable of influencing 0.399 (40%) of the changes in the dependent variable which is the financial reporting quality of Nigerian deposit money banks.

Table 5: Effects of FPDDS, FAIS, CARDRS, LMAS on FRQ

| | R Square | Adjusted R Square |
|-----|----------|-------------------|
| FRQ | 0.399 | 0.372 |

Test of hypotheses

Ho1: Fraud prevention, detection and deterrence skills do not have any significant effect on financial reporting quality of NDMBs

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

Ho2: Forensic audit, investigation and interviewing skills do not have any significant impact on financial reporting quality of NDMBs

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

Ho3: Litigation, mediation and arbitration skills does not have any significant influence on financial reporting quality of NDMBs

It was hypothesized that litigation, mediation and arbitration skills does not have any significant influence on financial reporting quality. However, the result of the analysis indicated a significant influence of litigation, mediation and arbitration skills on financial reporting quality as indicated by T-value and P-value of 1.263 and 0.007 respectively. Therefore, this study rejected the null hypothesis and hence, the study concluded that litigation, mediation and arbitration skills have a positive and significant influence on financial reporting quality.

Ho4: Computer assisted review and document review do not have any significant influence on financial reporting quality of NDMBs

It was hypothesized that Computer assisted review and document review do not have any significant influence on financial reporting quality of Nigerian

deposit money banks while the result shows that Computer assisted review and document review have an insignificant influence on financial reporting quality of Nigerian deposit money banks. This was determined by T-value and P-value of 0.010 and 0.992 respectively. Therefore, this study fails to reject the null hypothesis and hence, conclude that even though Computer assisted review and document review have a negative path coefficient -0.001 but it has no significant effect on financial reporting quality.

Base on the result of the analysis conducted, it was revealed that three of the independent variables (FPDDS, FAIIS and LAMAS) are significant which implies that they play a critical role in enhancing financial reporting quality of Nigerian deposit money banks. However, the result also revealed that one independent variable (CARDRS) is insignificant which indicate that Computer assisted review and document review skills do not have significant influence on financial reporting quality of Nigerian deposit money banks. Collectively, the result indicated that forensic accounting skills have significant impact on financial reporting quality.

CONCLUSION AND RECOMMENDATIONS

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

Individually, after thorough screening of the data and analysis, the study comes up with the following findings:

Fraud prevention detection and deterrence skills was found to have a significant impact on financial reporting quality of Nigerian deposit money banks, this is in line with Oyedokun et al.,(2018). This indicates that in the banking sector, the fraud prevention detection and deterrence skills play a significant role in enhancing financial reporting quality of Nigerian deposit money banks.

Forensic audit investigation and interviewing skills was found to have significant impact on financial reporting quality of Nigerian deposit money banks. This is in line with Adebisi et al.,(2016); Funshio & Ibrahim,(2019); Oseni,(2017); Muhammad et al. (2023c). This also point that in the banking sector the forensic audit, investigation and deterrence skills have a significant impact on financial reporting quality of Nigerian deposit money banks.

A litigation mediation and arbitration skill were found to have significant impact on financial reporting quality of Nigerian deposit money banks. This is in line with Oyedokun et al.,(2018). This also point that in the banking

sector the forensic audit, investigation and deterrence skills have significant impact on financial reporting quality of Nigerian deposit money banks.

Computer assisted review and documents review skills was found not to have any significant impact on financial reporting quality of Nigerian deposit money banks, this is contrary to Oyedokun et al.,(2018). This indicates that in the banking sector, the computer assisted review and documents review skills as forensic accounting techniques doesn't have any impact on financial reporting quality of Nigerian deposit money banks.

Base on the findings of the study, the study put forward the following recommendations:

Considering the important of forensic accounting skills financial reporting quality of all the Nigerian deposit money banks, the study recommended that the Nigerian deposit money banks should employ more experts with forensic accounting skills to man their day-to-day activities especially internal control units because it has a great impact on the financial reporting quality.

It is also recommended that core banking operations like cash management, treasury operation loan processing, forex transaction should be diligently guided and subjected to forensic accounting audit and examination. This is to ensure that maximization of customers' interest is the major focus but without contravention of regulations set out by Central Bank of Nigeria (Henry, 2017, Muhammad et al. 2023c).

Professional standard code of conducts and guidelines for the practice of forensic accounting and investigation should be established to check the incessant cases of corruption in the banking sector.

Internal audit staff of the Nigerian deposit money banks should regularly undergo training and development programs to acquaint them with relevant knowledge and skills for effective forensic auditing.

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