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EFFECTS OF FINANCIAL CRIME INVESTIGATION ON PUBLIC SECTOR PERFORMANCE

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ABSTRACT

This study is an examination of the effect of financial crime investigation on Nigerian public sector performance. The study was guided by two research questions and descriptive survey design was used. The population of the study consists of 100 staff from the ministry of Finance and Economic Development of Anambra State Nigeria, while 86 staff were sampled as statistically determined. The study utilized primary data collected through structured questionnaires. The data collected were analyzed using Z-test with the aid of statistical package for social science. The findings revealed that financial crime investigation has a great impact on Nigerian public sector and that financial crime investigation has a significant effect on public sector accountability. The Researcher concludes that financial crime investigation has a significant effect on fraud reduction in public sector. It is recommended among others that government should embrace public accountability so as to enhance and foster economic development.

KEYWORDS: ***financial crime, public sector accountability***

INTRODUCTION

Background to the Study

Financial crime is often used for numbers of crimes associated with industry, commerce and other organized criminal activities in both the private and the public sector. Public Sector includes all organizations established, financed and operated by the government on behalf of the public (Nwabueze, 2005). It includes the Civil Service, parastatals and the government owned companies. The services rendered by these organizations are influenced mainly by political consideration rather than by market related demands. Its primary aim is not for profit but to render services to the public. The composition of the public sector varies by country. George (2011) defined Public sector as that sector of the economy established and operated by government or agencies distinguishable from the private sector organized on behalf of the whole citizens. The public sector is devised despite the privatization and commercialization of some government agencies and parastatals; the sector is still large. Public sector is also defined as composite activity of collection, analyzing, recording, summarizing, reporting and interpreting the financial transaction of government units. The government either provides services on natural scale or else redistributes funds, which are managed (Daniel, 2009). The Nigerian Public Sector has its origins in organizations established by the British in colonial times. Since then, the Public Sector has been undergoing gradual and systematic reforms and restructuring after decades of military rule. However, the public sector is still considered stagnant and inefficient, and the attempts made in the past by panels have had little effect on the efficiency and transparency of the Nigerian public sector. In the recent years, the number and monetary value of public sector activities have increased substantially. This increase in activities has brought with it an added demand for accountability. Officials and employees who manage these activities need to render adequate accounts of their activities to the public. The public needs to receive accountability reports in order to assess the performance of those entrusted with the public sector resources (Brooks, 2014). The situation here is so unfortunate, in the sense that the law makers, who are supposed to demand for accountability from the public office employee or holder as the case may be, are even more corrupt. The menace of these crimes and the recognition of the magnitude and gravity of the situation led to the establishment of the Economic and Financial Crimes Commission (EFCC). Economic and Financial Crimes Commission (EFCC) is a Nigerian Law Enforcement Agency set up mainly to investigate and recover funds and properties of the government that have been illegally diverted into private pockets through public sectors of the economy by some dubious citizens. This commission was established in 2003 but began operation in 2004. The legal instrument backing the commission is the attached EFCC Establishment Act 2004. The Act mandates the EFCC to combat financial and economic crimes and empowers it to investigate, prosecute and penalize financial and economic crimes. It is designated Financial Intelligence Unit (FIU) in Nigeria with powers to coordinate various institutions involved in the fight against money laundering and enforcement of all laws dealing with economic and financial crimes. The Commission‘s power also covers combating terrorism and terrorist financing. This commission investigates the crime committed against property, involving the unlawful conversion of the ownership of property (belonging to one person) to one's own personal use and benefit. Therefore this study seeks to examine the effect of the financial crime investigation on the Nigerian public sector performance

STATEMENT OF THE PROBLEM

The history of corruption is as old as the world, because ancient civilizations have traces of widespread ‘illegality and corruption’. Thus, Williams (2014) noted that corruption has been ubiquitous in complex societies from ancient Egypt, Israel, Rome, and Greece down to the present. Corruption is also believed to be endemic in modern government and it is not peculiar to any continent, region, or ethnic group. Corruption crept into the Nigerian system immediately after independence in 1960 and even if the magnitude was nothing compared to the level it has now assumed, it was still prevalent, particularly among the government officials and politicians (Akpan & Edikan, 2008). When the move against corruption eventually started in Nigeria in 2004 by the Economic and Financial Crimes Commission (EFCC), several arrests, prosecution and recovery of public properties have been made by the EFCC and yet corruption is still increasing rapidly. The biggest problem facing the fight against corruption in Nigeria is its political system, systemic disorder and plea-bargaining which inherently rewards corruption. Too often, corruption is a prerequisite for success in Nigeria's warped political process. This has affected the public sector deeply to the extent that there is regular embezzlement of public funds and as such causing a big problem to the economic development. There has been many forgery in the financial record. This leads to a lots of collaborations in the utilization of public funds to the extent that funds allocated through the budget are not properly utilized. The annual for the public (government) income and expenditure are at times late. This and more has call for financial crime investigation on the Nigerian public sector so as to assess their performance.

OBJECTIVES OF THE STUDY

The main objective of this study is to examine the effect of financial crime investigation on Nigerian public sector performance. Specifically the study seeks to;

1. Determine the effect of financial crime investigation on public sector accountability
2. Determine the effect of financial crime investigation on fraud reduction in public sector

RESEARCH QUESTIONS

The following research question guided the study

1. To what extent does financial crime investigation affect public sector accountability?
2. To what extent does financial crime investigation affect fraud reduction in public sector?

HYPOTHESES

The following null hypothesis guided the study

H_{01}: Financial crime investigation does not have a significant effect on public sector accountability

H_{02}: Financial crime investigation does not have a significant effect on fraud reduction in public sector

RESEARCH VALUE/RELEVANCE OF THE STUDY

This research study will be of interest and useful to the policy makers, general public, future researchers, the government as well as the governed. This study will be of immense help to the policy makers in the federal civil service of Nigeria who will be able to know and assert the adequate role of the public accountant in the service with a view to showing up the programmes of accountability, probity and transparency of the present administration. This study will also be of immense benefit to the general public as it will review the effect of financial crime investigation on public sector. Moreover, potential researcher in this aspect of accounting will find this research paper a very reliable reference base.

Scope/limitation of the Study

This research study covers government financial public sector reporting and public accountability in the Ministry of Finance and Economic Development of Anambra State. The study is therefore restricted to Anambra state.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Financial Crimes

The term financial crimes has been variously conceptualized for example, many people use the term "while-collar" crime, fraud crime and financial crime interchangeably. However, white-collar crimes are really a particular sub-category of fraud involving perpetrators of a particular status or method for opportunity involved in committing a crime. Fraud crimes are larger category within the field of financial crimes. Fraud permits inclusion of identity theft, elder financial abuse, counterfeiting, internet fraud, etc. Financial crime is a much broader definitional term that can include all aspects of white-collar crime and fraud crime (Izu, 2013). In this context, financial crimes include all those activities or practices committed not only with the intention of getting financial benefits but they are targeted directly on funds and financial instruments. It is any non-violent offence that is committed by or against an individual, corporation and government and that results in financial loss. Like any other crimes, it has perpetrators and victims, it is our view that significant issues regarding the appropriate definitions of financial crimes include matters such as they type of victims in question, including determination of whether victims are individual or organizations and the nature of crimes involved.

Tom (2015) provides five useful typologies of victims of financial crimes, namely; (i) the individual as victims (ii) corporate or business enterprise as victims (iii) government institutions as victims (iv) the international order as victim; (v) the society as victim.

Financial crimes include offenses commonly "called white-collar crime" such as telemarketing, advance fee fraud (419), currency trafficking and counterfeiting, identify theft, mail fraud, internet frauds, credit card fraud, embezzlement, kickbacks, insurance fraud, etc.

Public Sector Accountability

The public sector accounting in Nigeria is rooted in a number of legal instruments, which sets the general framework for the total financial management, government accounting and financial reporting. The legal instruments at the federal level include: The Constitution of the Federal Republic of Nigeria, 1999, the Finance (Control and Management) Act), 1958, the Audit Ordinance No. 28, 1956; and the Annual Appropriation and Supplementary Appropriation Acts.

Anyafo (2004) notes that these legal instruments constitute the statutory bed rock upon which the government accounting manuals, treasury circulars, and federal financial regulations and states financial instructions are founded. However, financial regulations and financial instructions provide for the control and management of public finances at the federal level and for the audit of the accounts of individual states, respectively. The financial memoranda regulate the local governments' accounting.

According to Oshisami (2012), the Constitution covers the following key areas in government accounting: The operation of funds, the external controls for operating the accounting system in terms of audit and investigations, and the appropriation procedure.

Finance (Control and Management) Act 1958 governs the management and operation of government funds. In addition the Act regulates the accounting system, the books of accounts to be maintained and the procedures to be followed in the preparation of accounts and government financial statements (Anyafo, 2004). Perhaps, the most important aspect of the Act is that it regulates the accounting format and basis of accounting for the preparation of government accounts.

Theoretical Framework

This study was anchored on the Organizational Role Theory. This theory was developed by Katz and Kahn in 1966. It states that the assignment of work-roles prescribes the behavior that employees are expected to comply with, so that they are able to perform their specific tasks and duties effectively. It provides insight into the processes that affect the physical and emotional state of an individual in the workplace that affects their workplace behavior (Kahn, Wolfe, Quinn & Rosenthal, 1964). Role theory as it relates to organizational leadership is how the leaders and followers in a business, usually management and employees, define their own roles, define the roles of others, how people act in their roles and how people expect people to act in their roles within the organization. Role theory is based on the observation that people behave in a predictable way, and that an individual's behavior is context specific, based on social position and other factors. It is designed to explain how individuals who occupy particular social positions are expected to behave and how they expect others to behave. Role theory was originally seen as a way to describe how organizations, as ''a planned social systems,'' manage to inculcate or produce reliable behavior on the part of their members (Katz & Kahn, 1978). Accountability theory is also rooted in explanations for predictable behavior. However, at its base, accountability implies the anticipation of an ''accounting,'' having to report or explain oneself to others in the future. In role theory, the focal worker also anticipates facing an accounting as well, in this case, having to respond in the future to the expectations of role senders (Klimoski & Ash, 1974).

Moreover, role theory and accountability both place a great deal of emphasis on interpersonal relationships. Besides these striking similarities regarding the structure and functioning of role theory and accountability theory in public sectors, the former perspective provides what we feel are important new insights regarding when and where accountability is produced and the organizational systems that are relevant. While accountability theory refers to the building of self-actions–standards perceptions, role theory also deals with such linkages, but in the form of role expectations (Schlenker et al., 1994). Both perspectives deal with social control in the public sector.

Empirical Reviews

George (2011) carried out a research on the effect of financial reporting on the economic development of country. The study was guided by three research questions and survey research study was adopted. The population of the study consists of 200 civil servants and the sampled size use was 142. The data used was a primary data collected through questionnaire. The data collected was analyzed using Pearson correlation. The finding reviewed that financial reporting has a significant effect on the economic development.

Nwagboso (2005) examined the impact of public accounting in the government financial sector. The study was guided by two research questions and survey research design was used. the data used was a primary data collected through structural questionnaire. The data collected was analyzed using One way analysis of variance (ANOVA). The finding showed that public accounting has a great impact in the government financial sector. The researcher recommended that government should encourage public accounting in the government sector so as to reduce fraud and improve the economic sector.

Oshisami (2012) examined the effect of public accountability in the economic development The study was guided by two research questions and survey research design was used. the data used was a primary data and was collected through structural questionnaire. The data collected was analyzed using simple percentile and Z-test. The finding showed that public accountability has a great effect in the economic development. Public accountability should carried out regularly so as to reduce embezzlement.

In the study carried out by Boluwaji (2008), he examined "Transparency and accountability in the public sector and the role of the anti-graft agencies". A descriptive survey research design was adopted. He found out that; lots of accounting and financial control failures exist in the public sector and the public sector officials use these lapses as a shield for their actions. Also in his findings is that so many actions that are not in line with the code of conduct in the public sector are not investigated by the anti-graft agencies, some officials are not even queried at all when at fault and some when queried are not given adequate punishment because they have godfathers. He recommended that the government should install good account control to avoid embezzlement and/or mismanagement of funds in the public sector. He also recommended that the government should publish code of ethics to engender accountability and transparency in the conduct of any public sector officer. He urged the government to help tackle the problem of godfathers and sacred cows in the country and provide management with the techniques that will ensure proper accountability in the public sector in Nigeria.

Babatunde (2009) examined "Economic and Financial Crimes Commission (EFCC) and the fight against

Corruption in Nigeria public sector". He adopted a survey research design and used questionnaire to generate data. He found that economic and financial crimes are most times not disclosed to the economic and financial crimes commission (EFCC) either out of no confidence in the commission to administer justice or as a result of patron-client relationship (godfatherism). Also in his findings is the lack of commitment on the part of the government to appraise and review the financial performance of the public sector parastatals, making it impossible for public officers to give account of their actions. He recommended that the government should invest more in the procurement of equipments for the commission (EFCC) and create enabling environment for them to be able to stop economic and financial crimes before they are committed and be able to achieve maximum result. He also recommended that the government should as a point of duty appraise and review the financial performance of the public sector as a way to avoid sharp practices by the public officers.

Lanre and Tomola (2010), in their own study looked at the "Public sector accountability; the implication of the conspiratorial relationship between political appointees and civil servants in Nigeria". The study used survey research design by means of questionnaire. They found that the high level of corruption in Nigeria has been aided by the conspiratorial relationship between political office holders/appointees and civil servants (mostly the accounting officers). They are of the view that the conspiratorial relationship has led to flagrant and deliberate abuse of best practices and due process all in a bid to steal public funds. They recommend that; there should be a total administrative reform and good governance, encompassing public accountability to ensure that the people are held accountable for their behaviors as a deterrent to corrupt practices.

METHODOLOGY

This research explains the various design, procedures and methodology applied in data collection for this research work, without which research would have nothing to have its findings. It describe the research design, the instrument of data collection, the population of study, the sampling techniques and size, method of validating the instrument and techniques of data analysis.

Research Design

The survey design method is adopted as the basic approach to the study.

Area of Study

This study covers the Ministry of Finance and Economic Development of Anambra State, Nigeria.

Population of Study

The population of the study consists of the 110 staff of the Ministry of Finance and Economic Development of Anambra State.

Sampling Size and Sampling Technique

In order to reduce the magnitude of sampling error, due to the non experimental nature of the studies, as well as to minimize the cost of the sampling exercise, attempts are made to determine the adequate sample size for this research work.

Thus, the sampling size adopted or obtained from the population of the study was determined by making use of the TARO YAMEN's expression, follow:

$$n = \frac{N}{1 + N(e)^2}$$

Where n= The sample size
N=Total population
e=Limit of tolerable error
1=Constant

Therefore, given that N= 110 (as stated above) and e is assumed to be 5%

Then the sample size is calculated thus,

$n = \frac{110}{1+110(0.05)^2}$, $n = \frac{110}{1+110(0.0025)}$, $n = \frac{110}{1+0.275}$, $n = \frac{110}{1.275}$, $n = 86$

Thus, the sample size (n) for the study is put at 86.

Sources of Data

The source of the data is primary data which was collected through structured questionnaire.

Method of Data Analysis

Data collected would be analyzed using simple statistical tools of frequency distribution, tables and percentages. The statistical tool to be use in hypotheses testing is Z-test method. Z-test is a parametric statistic used to test significance of difference or relationship between two populations mean.

The Z-test formula is $Z = \frac{x^{-} - \mu}{s/\sqrt{u}}$

Where $\bar{x}$ = Sample mean
μ = Population mean
n = Sample size
n - 1 = Degree of freedom

Decision Rule: for the Z - tests accept the null hypothesis when the alpha value is less than the probability values, otherwise we reject.

DATA PRESENTATION AND ANALYSES

The purpose of this chapter is to present and analyze the data collected from primary sources and interpreting the result, with the aim of providing answers to the research questions and determining whether or not the hypotheses will be accepted.

Analysis of the data using statistical package for scientific studies (SPSS version 21)

Level of significant =0.05

Research Hypothesis

Hypotheses I

H_0: Financial crime investigation does not have a significant effect on public sector accountability

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Finan cial crime investigation/ public sector	5	16.00	12.10372	4.00	32.00

One-Sample Kolmogorov-Smirnov (Z-Test)

		Financial crime investigation/ public sector
N		5
Normal Parameters[a,,b]	Mean	16.0000
	Std. Deviation	12.10372
Most Extreme Differences	Absolute	.218
	Positive	.218
	Negative	-.161
Kolmogorov-Smirnov Z		.488
Asymp. Sig. (2-tailed)		.0011

a. Test distribution is Normal.

b. Calculated from data.

From the analysis above, it shows that the probability value (0.011) is less than the alpha value (0.05), the researcher therefore accept alternative hypothesis of the first hypothesis and conclude that financial crime investigation has a significant effect on public sector accountability.

Hypotheses II

H_{02}: Financial crime investigation does not have a significant effect on fraud reduction in public sector

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Financial crime investigation/ fraud reduction	5	16.00	16.91153	2.00	44.00

One-Sample Kolmogorov-Smirnov (Z- Test)

		Financial crime investigation/ fraud reduction
N		5
Normal Parameters[a,,b]	Mean	16.0000
	Std. Deviation	16.91153
Most Extreme Differences	Absolute	.253
	Positive	.253
	Negative	-.204
Kolmogorov-Smirnov Z		.566
Asymp. Sig. (2-tailed)		.004

a. Test distribution is Normal.

b. Calculated from data.

Also the analysis shows that the alpha value (0.05) is greater than the probability value (0.04) of the second hypothesis, the researcher therefore reject the null hypothesis and conclude that financial crime investigation have a significant effect on fraud reduction in public sector

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

Having done the analysis, it shows that

1. Financial crime investigation has a significant effect on public sector accountability.
2. There is significant effect of financial crime investigation on fraud reduction in public sector which was in line with the study carried out by Oshisami (2012).

Conclusion

From the summary the researcher concludes that financial crime investigation has a great impact on Nigerian public sector and that financial crime investigation has a significant effect on public sector accountability. The researcher also conclude that financial crime investigation has a significant effect on fraud reduction in public sector

Recommendations

Having done the analysis, the following recommendations are made;

1. Government should embrace public accountability so as to enhance economic development
2. There should be constant supervision of workers so as to ensure accurate accountability
3. The accounting system must be developed in a manner that will permit effective administrative control fund and operation, programmes management and internal audit appraisal.

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