

Effect of Forensic Accounting Services on Unethical Practices in Nigerian Banking Industry

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Abstract: The study examined the effect of forensic accounting services on unethical practices in Nigerian banking industry. The study made use of a cross sectional survey research design where data were collected through questionnaire across the banks and analyzed using the ordinary least square technique. The result revealed that forensic accounting services have a significant effect on cheque fraud, credit card fraud and mortgage fraud. Conclusively, Based on the findings of the study, it was deduced that banks in Nigeria have adopted some forensic accounting services which include litigation support, fraud investigation, and expert consultancy. A bank wishing to grow with minimized level of unethical practice must therefore put into place sufficient resources to be able to properly practice forensic accounting services in its different departments. Just as the banks use other means of reducing the occurrence of unethical practices, forensic accounting services can provide confidence in financial statements as it has a significant effect on unethical practices. The study recommended that in order to sustain effective operations in the bank, unethical practices must be monitored, detected and prevented in the banking sector with forensic accounting services being a tool that can be used to aid this.

Keywords: Cheque Fraud; Credit Card Fraud; Forensic Accounting Services; Mortgage Fraud; Tax Fraud

JEL Classification: Q56

1. Introduction

1.1. Background to the Study

The integration of accounting, auditing and investigative skills yields the specialty known as Forensic Accounting. "Forensic", according to the Webster's Dictionary means, "'Belonging to, used in or suitable to courts of judicature or to public discussion and debate". "Forensic accounting", provides an accounting analysis that is suitable to the court, which will form the basis for discussion, debate and ultimately dispute resolution. Forensic Accounting encompasses both Litigation Support and Investigative Accounting. Forensic Accountants, utilizes accounting, auditing and investigative skills when conducting an investigation. Equally critical is their ability to respond immediately and to communicate financial information clearly and concisely in a courtroom setting. Forensic accounting is a rapidly growing field of accounting that describes the engagement that results from actual or anticipated dispute or litigations. Forensic means suitable for use in a court of law, and it is to this standard forensic accountants generally work. Forensic accounting involves an investigative style of accounting used in determining whether an individual or an organization has engaged in any illegal financial activities. Forensic Accountants are trained to look beyond the numbers and deal with the business reality of the situation.

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Unethical practice (Fraud) has evidently become one of the most problematic issues faced by banks throughout the world. However, the pervasiveness and seriousness of fraud could not be surmounted with the extant methods used to combat fraud (Muthusamy, Quaddus & Evans, 2010). In addition, the present turbulent economic era has to deal with the ever-changing landscape of fraud that has spawned vast new innovative pathways of opportunities for the fraudsters (PricewaterhouseCoopers, 2009). Regrettably, fraud has become the 21st century's most lucrative crime, with minimal risk of apprehension and even lesser risk of swift and severe punishment (Wells, 2004).

1.2. Statement of the Problem

In today's Nigeria banking sector, hundreds of Billions of Naira get squandered yearly due to bank fraud. The incidence of fraud continues to increase across the banking sector and across nations, and controlling fraud in the banking sector is a major task for all the stake holders in the sector. Fraud is a universal problem as no nation is immuned, though developing countries like Nigeria and their various States suffer the most pain. Although the incidence of fraud is neither limited to the banking industry nor to the Nigerian economy, high rates of unethical practice within the banking industry calls for urgent attention with a view to finding lasting solutions. The involvement of the banking industry in Nigeria has brought about loss of confidence among the banking public and impeded the going concern status of several banks in the country.

Unethical practices such as "Cheque fraud, Credit card frauds, Mortgage fraud and Tax fraud" are some of the most challenging issues faced by banks worldwide. However, the pervasiveness and seriousness of this practice, is not captured in the dated methods used to combat fraud. Nevertheless, forensic accounting is still underutilized by banks in Nigeria. The underutilization of forensic accounting services provided the imperative for this study. The main objective of the study is to examine the effect of forensic accounting services on unethical practices in Nigerian banking industry.

2. Review of Related Literature

2.1. Conceptual Framework

2.1.1. Concept of Forensic Accounting

Forensic accounting also called investigative accounting or fraud audit is a merger of forensic science and accounting (Kasum, 2009). Forensic science, as Crumbley (2003) put it may be defined as application of laws of nature to the laws of man. A forensic scientist is one who examines and interprets evidence and facts in legal cases and also offers expert opinions regarding their findings in the court of law. In the present context, the science is accounting, hence the examination and interpretation will be of economic financial information. According to Bologna and Lindquist (1987), forensic and investigative accounting is the use of financial skills and investigative mentality to unresolved issues, applied within the context of the rules of evidence. Zysman (2004) defined forensic accounting as integration of accounting, auditing and investigative skills. Other definitions have been given by Joshi (2003), Mehta and Mathur (2007) and Crumbley (2001). Coenen (2005) avers that forensic accounting uses accounting concepts and techniques in solving legal problems. Evazzadeh and Ramazani (2012) consider forensic accounting as a specialized field in accounting frequently concerned with legal problems and complaints.

Forensic Accounting is the act of determining whether criminal matters such as employee theft, securities fraud (including falsification of financial statements), and insurance fraud have occurred. It is applied to the evidence of first order activities, not secondary systems of controls. It encompasses two main areas: Litigation support and Investigation.

Litigation support: assists the lawyers in investigating and assessing the integrity and amounts relating to areas such as damages resulting from personal injuries, wrongful death, breach of contract, casualty, fidelity losses, lost profits due to business interruption, product liability, shareholder disputes, bankruptcies, marital disputes, investigative services related to fraud and other illegal acts

Investigation: assesses and reports on financial transactions related to allegations against individuals and companies in a variety of situations including arson, embezzlement, money laundering, investment scams, stock market manipulations and identity theft and also includes searching for irregularities associated with civil matters, such as a search for hidden assets in divorce cases.

Nevertheless, there is no generally acceptable definition of forensic accounting. There may be so many definitions of forensic accounting as there are authors. But the Association of Certified Fraud Examiners (2010) defined forensic accounting as the use of skills in potential or real civil or criminal disputes, including generally accepted accounting and auditing principles in establishing losses of profit, income, property or damage, estimations of internal controls, frauds and others that involve inclusion of accounting expertise into the legal system . Hence, forensic accounting involves the application of accounting concepts, auditing techniques and investigative procedures in solving legal problems. Be that as it may, it should be noted here that the responsibility of preventing and detecting fraud in financial statements lies not only in the hands of management of an enterprise, but also other control institutions and mechanisms. System of internal control, internal auditing and audit committee are the key elements for prevention and detection of frauds that are created through property misuse as well as those that use financial statements as instruments of frauds. But external auditing and forensic accounting perform retrospective control of financial data with the aim of detecting omissions, frauds and securing the reliability and credibility of financial statements.

2.1.2. Unethical Practices (fraud) in Financial Services

Unethical practices are deliberate misrepresentation which causes another person to suffer damages, usually monetary losses. Most people consider the act of lying to be fraudulent, but in a legal sense lying is only one small element of actual fraud. These unethical practices cases involve complicated financial transactions conducted by 'white collar criminals', business professionals with specialized knowledge and criminal intent. Some of the unethical practices (Frauds) in financial services are:

1. Credit cards: These credit card frauds begins with either the theft of the physical card or the compromise of data associated with the account, including the card account number or other information that would routinely and necessarily be available to a merchant during a legitimate transaction. Credit card fraud prevention is heavily pursued by the major credit card companies such as MasterCard and Visa in order to safeguard current card holders' interests. Additionally, the credit card companies pursue credit card fraud prevention in order to limit their direct liability for securing transactions between approved sellers and card account holders.

2. Bank Cheques: A significant amount of cheque fraud is due to counterfeiting through desktop publishing and copying to create or duplicate an actual financial document, as well as chemical alteration, which consists of removing some or all of the information and manipulating it to the benefit of the criminal. Victims include financial institutions, businesses that accept and issue cheques, and the consumer. In most cases, these crimes begin with the theft of a financial document. It can be perpetrated as easily as someone stealing a blank cheque from your home or vehicle during an illegal entry to the house, searching for a canceled or old cheque in the garbage, or removing a cheque you have mailed to pay a bill from the mailbox.

3. Mortgage: Mortgage fraud is the criminal action where the intent is to materially misrepresent the information on a mortgage loan application to obtain a loan or to obtain a larger loan than would have been obtained had the lender or borrower known the truth. Mortgage fraud is prosecuted as wire fraud, bank fraud, mail fraud and money laundering etc.

4. Tax: committing a tax fraud intentionally violate the legal duty to voluntarily file income tax returns and pay the accurate amount of income, employment and excise taxes. By neglecting legal duty posed a threat to the tax administration and economy and will be charged with tax fraud by the Criminal Investigation. The violation of the tax law by misrepresenting the income or fudging numbers to avoid paying taxes is likely being committed by tax fraud.

2.2. Theoretical Framework

2.2.1. Theory of Reasoned Action

Theory of Reasoned Action (TRA) has been consistently utilized in behavioral intention research. It originated from expectancy value theories in the field of social psychology. Ajzen and Fishbein (1980) emphasized that TRA is “designed to explain virtually any human behavior.” The basis of TRA is built on the assumption that human beings make systematic use of the information available to them before they make decisions (p.4). TRA asserts that intention is the best predictor of behavior assuming that humans make rational decisions (Fishbein & Ajzen, 1975). However, intention to perform a particular behavior depends on attitude towards that behavior and subjective norm (Ajzen & Fishbein, 1980).

Sheppard, Hartwick, and Warshaw (1988) in their meta-analysis on Theory of Reasoned Action (TRA) studies verified that attitude and subjective norms had the predictive power to explain both intention and behaviour in various contexts. Theory of Reasoned Action (TRA) may be relevant for the current study because attitude and subjective norm may have a significant impact on the behaviour to use Forensic Accounting Services. However, the focus of Theory of Reasoned Action (TRA) is on individual intentions and the intention to use Forensic Accounting Services (FAS) is executed at the organizational level. Therefore, the application of Theory of Reasoned Action (TRA) is limited because it cannot account for external and threat perception factors that may be relevant to this study.

2.3. Empirical Review

Udeh and Ugwu (2018) study examined fraud in the Nigerian banking sector. Ex-post facto research design was adopted for the study. Data for the period 2006-2015 were collected from Nigeria Deposit Insurance Corporation (NDIC) annual reports. Data relating to fraud, bank profit, bank assets and bank deposits were collected. Descriptive analysis and Ordinary Least Square (OLS) method of regression analysis were used for the data analysis. It was discovered that fraud has negative but insignificant relationship with bank profit amongst others. This implies that even though as bank fraud increases, bank profit increases, but the amount of fund involved in fraud does not significantly affect bank profit.

Abuh and Acho (2018) indicate that forensic accounting has been globally acclaimed to be a veritable tool in fighting economic and financial crime towards achieving economic stability. This paper titled: “Forensic Accounting and Economic Stability in Nigerian Public Sector: The Role of Economic and Financial Crime Commission” is written to examine whether the use of forensic accounting has helped in combating financial crimes in Nigeria public sector through the effort of EFCC. The study elicits data from primary and secondary sources while the sample size of 116 was obtained out of the total population of 164 using Taro Yamane sample size statistical technique. The method of data analysis is the 5 points likert scale for descriptive statistics and analysis of variance (ANOVA) in testing the research hypotheses.

Nwaiwu and Aaron (2018). This empirical study examines the relationship between forensic accounting and quality assurance on financial reporting of public sector in Nigeria. The speculations on whether the changes introduced in forensic accounting and quality assurance on financial reporting will bridge the gap as a major concern of the research. Time series data on information communication and relevance were collected from selected public sector organization of 18 states in Nigeria, Federal Inland Revenue service, State Board of Internal Revenue Service and Federal Bureau of statistics. Pearson product moment coefficient correlation was used in analyzing the data with the aid of social package for social sciences 20. The statistical results indicate that there is no significant relationship between the variables of forensic accounting and quality assurance on variable of financial reporting.

Ile and Odimegwa (2018). This study investigated the extent of use of forensic accounting techniques in the detection of fraud in tertiary institutions in Anambra State, Nigeria. One research question guided the study and one null hypothesis was tested. Related literature pertinent to the study was reviewed which exposed the need for the study. Descriptive survey research design was adopted and a population of 280 accounting officers in universities, polytechnics and colleges of education in Anambra State were studied without sampling. Questionnaire developed by the researcher was used for data collection. Data were analyzed using mean, standard deviation and one way Analysis of Variance (ANOVA). Mean was used to answer the research question and standard deviation was used to explain how the responses of the accounting officers varied. ANOVA was used to test the hypothesis at 0.05 level of significance. Statistical Package for Social Sciences (SPSS) was used to analyze data collected. The results showed that accounting officers in tertiary institutions in Anambra State use forensic accounting techniques to a high extent in the detection of fraud. The results also showed that the accounting officers in universities, polytechnics and colleges of education differed significantly in their mean ratings on the use of forensic accounting techniques in the detection of management fraud in tertiary institutions in Anambra State. Scheffe post hoc test of multiple comparisons was conducted to determine the direction of the difference. Based on the findings, the researcher recommended, among others, that accounting officers should be aware of the benefits of forensic accounting techniques in detecting fraud in their establishments and the severity of financial fraud as well as susceptibility of their organizations to fraud.

Oyedokun, Enyi and Dada (2018) indicates that 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. This study examined the relevance of forensic accounting techniques in ensuring the integrity of the financial statements. Stakeholders who members of recognised 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. The sample size was calculated with the formula by Krejcie and Morgan (1970). 350 copies of questionnaires were administered, and 321 questionnaires were returned, representing 92% of the entire questionnaire. Nominal scale method was used in the demographic section while Likert scale was used in other sections of the questionnaire. Hypotheses were formulated, tested, and analysed using multiple regression analysis. It was found that forensic accounting techniques “FAT” (FPDDS, FAIIS, LMAS, and CARDR) have positive influence on the integrity of financial statements (IFS) of business organisations, as evidenced from the individual level of significance of 0.006, 0.045, 0.000, and 0.047 which are less than the 5% acceptable level of significance and the coefficient of determination of the main model of 0.23 meaning that about 23% variation of the IFS is attributable to FAT while the remaining 77% change in the IFS can be attributed to other factors not covered in the model. It was also found that the inclusion of forensic accounting techniques will strengthen the activities of internal control functions. This is also evidenced by the sign and size of the coefficients, that is $\beta_4 - 7$ are +0.203, +0.256, +0.270, and +0.134 respectively.

A study by Ogbeide and Akenbor (2017) indicate that there is a significant relationship between forensic accounting and reduction of fraudulent practices in the Nigeria public sector. The study recommends that government and regulatory authorities need to ensure the provision of standards and guidelines to regulate forensic activities and above all, Nigerians should embrace integrity, objectivity, fairness and accountability in their day-to-day activities particularly in the public sector. The point of view of their findings and expression is that stakeholders' concern/ pressure should propel the agents entrusted with the management of establishment to embrace the use of forensic accounting services at unraveling the depth and level of frauds/ corruption perpetrated.

Aji and Urumsah (2016) studied factors affecting the use of forensic accounting services an empirical study on Indonesian banks. This research used the survey method and used primary data, which obtained from the population of heads of division and internal auditor staff. This research used SmartPLS 2.0 to process the data with 110 data has been processed. Results of the study find that the perceived benefits of using forensic accounting services affects the attitudes towards forensic accounting services. Additionally attitudes toward forensic accounting services, government pressure and internal control systems affect the intention to use forensic accounting services. Researchers also found that there is no effect of perceived risks of forensic accounting services on the attitudes towards forensic accounting services, as well as stakeholder pressure and time budget pressure does not affect the intention to use forensic accounting services.

Ezeagba (2014) asserts that though the study of forensic accounting is fairly new and has not gained statutory recognition in Nigeria, forensic accounting has the potential or what it takes to positively impact on the quality of financial statement produced in Nigeria. In a study conducted by Kasum (2009) on the relevance of forensic accounting to financial crimes in developing countries, the result indicates that the services of forensic accountants are more required in developing economy and more especially in the public sector than developed economy.

The study of Akhidime and Ekatah (2014) on the growing relevance of forensic accounting as a tool for combating fraud and corruption reveals that forensic accounting is still at its infancy stage in Nigeria and that most Nigerians seem to assume there is no clear difference between forensic accounting and auditing services.

Dada, Owolabi and Okwu (2013) survey research shows that forensic accounting services are positively related to the investigation and detection of fraudulent practices and it has not been applied in the investigation and detection of frauds especially by major anti-corruption agencies in Nigeria; and this could be as a result of the fact that in the past people are not fully aware of the perceived benefits and risks associated with the use of forensic accounting services to detect and prevent fraud.

Emeh and Obi (2013) opined that the practice and development of forensic accounting are relatively very much lower in developing countries like Nigeria. Okoye and Gbedi (2013) examined forensic accounting as a tool for fraud detection and prevention in Kogi State, Nigeria. The findings revealed that the top management and senior staff are aware of forensic accounting while very few of the lower cadre has knowledge of forensic accounting.

Chi-Chi and Ebimobewe (2012). The increasing rate of frauds and financial malpractices in the Nigerian banking industry in recent times have made financial institutions to develop means of facing these challenges with the use of forensic accounting services. Forensic accounting is the use of accounting, auditing and investigative skills to determine whether fraud has occurred in any organization. The study examines the effect of forensic accounting services on fraud detection in Nigerian banks. To achieve this objective, data was collected from primary and secondary sources. The primary data were collected with the help of a well structured questionnaire of three sections administered to twenty four banks in Port Harcourt the capital of Rivers State and the data collected from the questionnaires were analysed with descriptive statistics, Augmented Dickey-fuller, ordinary least square and Granger Causality. The result reveals that the application of forensic accounting services affects the level of fraudulent activities of banks.

A study conducted by Effiong (2012) on the level of awareness of forensic accounting education in Nigeria revealed that there is low level of awareness on forensic accounting among persons especially undergraduate students.

3. Methodology

The study made use of a cross sectional survey research design. This study distinctively focuses on the decision making process of the Chief Financial Officers (CFO's) of the twenty one (21) Nigerian banks quoted in the Nigerian Stock Exchange (NSE). The rationale for this choice is because as pointed by Stevens, Steensma, Harrison and Cochran (2005), CFO's have become an integral member of the top management team involved in the organization's major decisions. Stevens et al. (2005) also contend that the CFO's economic mindset is analogous among every member of top management. In addition, the decision to use Forensic Accounting Service (FAS) for unethical practices is a huge challenging financial endeavor. The banks would certainly be reliant on the professional insights of the CFO's to make this decision.

The research commenced with the pilot study that was conducted on 5 CFO's from five banks. A questionnaire was formulated, refined, and subsequently used in the pilot study. The CFO's completed the survey and commented on the complexity and comprehensibility of the survey. The feedback received from the respondents was used to further refine the instrument. The survey was distributed to the remaining 16 CFO's of the banks. Each respondent was asked to fill out a questionnaire indicating their agreement or disagreement with each statement on a 5-point Likert scale ("1"= Strongly Disagree; "2"= Disagree; "3"= Neutral; "4"= Agree; "5" = Strongly Agree).

3.1. Validity and Reliability

The reliability and validity of the measurement model is necessary to secure its fit to the data. Alpha reliability coefficients were calculated to check consistency of the scale. Cronbach's alpha coefficients can range from 0.0 to 1.0, and may be interpreted as the percent of "true score" variance in a multiple item measure. The validity was established by asking for the assistance of some academic research experts to pass judgment on the suitability of the items chosen before conducting the survey.

In addition, the research applied Cronbach's Alpha coefficient to measure whether the internal consistency of the responses is similar across items and how they represent the variables. The higher the Cronbach's alpha value (i.e. 0.70) the higher the reliability of the variables data collection and using STATA, the calculating Cronbach's alpha of the whole items in this research is 0.9781. This number indicated that the items form a scale that has very good internal consistency or they were regarded as "high" reliability.

3.2. Model specification

The equations for the multivariate simple linear regression models are as follow:

$$CF = b_0 + b_1FAS + e_i \text{ ----- } 1$$

$$CCF = b_0 + b_1FAS + e_i \text{ ----- } 2$$

$$MF = b_0 + b_1FAS + e_i \text{ ----- } 3$$

Where: FAS = Forensic Accounting Services

CF stands for Cheque Fraud
Mortgage Fraud

CCF stands for Credit Card Fraud
 b_0 stands for intercept; b_1 stand for coefficients and e_i stands for error

MF stands for

terms.

4. Results and Interpretation

4.1. Data presentation

Table 1. Likert Scale Mean Score of Coded Responses

No. of Respondents	FAS	CF	CCF	MF
1	2.69	2.41	1.82	1.49
2	2.80	2.76	2.02	1.64
3	2.94	3.10	2.40	2.07
4	3.10	3.15	2.61	2.11
5	3.18	3.21	2.59	2.11
6	3.29	3.30	2.73	2.46
7	3.33	3.42	2.89	2.57
8	3.42	3.48	2.96	2.69
9	3.58	3.51	3.01	2.74
10	3.71	3.59	3.05	2.75
11	2.94	3.10	2.40	2.07
12	3.10	3.15	2.61	2.11
13	3.18	3.21	2.59	2.11

Source: Field survey 2019

Key: FAS stands for Forensic Accounting Services; CF stands for Cheque Fraud; CCF stands for Credit Card Fraud and MF stands for Mortgage Fraud.

Table 1 showed the likert scale mean score of coded responses. Out of a sample of sixteen respondents only thirteen of them actually returned the questionnaire. This number constituted the workable sample. Forensic accounting is measured with forensic accounting services while unethical practices also measured with cheque fraud, credit card fraud and mortgage fraud. The responses of respondents were coded and the mean score obtained constituted the multivariate regression data for the study.

The study applied a multivariate regression results for the three formulated hypotheses of forensic accounting services and unethical accounting practices in Nigerian banking industry. The models demonstrates a good fit given that about 86.3%, 90.95% and 90.90% of the variations in the dependent variables (i.e. cheque fraud, credit card fraud and mortgage fraud) are all explained by changes in the observed behaviour of the independent variable forensic accounting services (FAS). The high significant F-statistic value ($df_1=1$, and $df_2=11$) of 69.29, 110.60 and 109.82 confirms that the high adjusted R-square did not arise by chance. Therefore, the model is robust.

The results revealed that all the t-values are statistically significant at 5 percent level of significance. This therefore implied that the null hypotheses should be rejected and alternate accepted. This means forensic accounting services have a significant effect on unethical practices mirrored by cheque fraud, credit card fraud and mortgage fraud.

5. Conclusion and Recommendations

5.1. Conclusion

Based on the findings of the study, the researcher s deduced that banks in Nigeria have adopted some forensic accounting services which include litigation support, fraud investigation, and expert consultancy. The study further more ascertains that forensic accounting service has a significant effect on unethical practices. A bank wishing to grow with minimized level of unethical practice must

therefore put into place sufficient resources to be able to properly practice forensic accounting services in its different departments. Just as the banks use other means of reducing the occurrence of unethical practices, forensic accounting services can provide confidence in financial statements as it has a significant effect on unethical practices.

5.2. Recommendations

Based on the findings, the following recommendations were arrived at:

- 1) In order to sustain effective operations in the bank, unethical practices must be monitored, detected and prevented in the banking sector with forensic accounting services being a tool that can be used to aid this.
- 2) Banks should be reviewing and monitoring cheques using pre-numbered cheques enables to audit for missing cheques. Also, cheques clearing out of sequence can be spotted more easily. All cheques should be kept under lock and key, and keys should not be distributed. Other precautions include having a "voided cheque" procedure and never signing blank cheques. All disbursements should be reviewed on a regular basis.
- 3) The best way of avoiding unethical practices in the bank is by maintaining employees' manual and setting the clear standards to the employees from the beginning. This includes the appropriate ethical tone starting from top management to lower level management. An employee manual can be helpful in establishing the principles and values to guide the organization. The rules in employees manual will apply to everyone. If someone is dismissed and found in court, the manual can act as a reference that explains what actions can be taken.
- 4) Banks should every year review their financial statements as annual auditing gives a clear picture of the financial transactions in a year. An audit will not discover all fraud within the bank, but it will give an opportunity to keep an eye on the financial report of the organization. An audit also tends to motivate all bookkeeping-related staff to keep things honest because the accountants never are sure what questions an auditor is going to ask or what documents an auditor may request to review.
- 5) Banks when hiring new employees should check references and perform background checks that include employment, credit, licensing and criminal history. The cost is far outweighed by the benefit.
- 6) All account reconciliations and general ledger balances should have an independent review by a person removed from the day-to-day transactions, because theft often occurs when bookkeeping is sloppy and unsupervised. People outside the direct bookkeeping function within the organization should be familiar with the company's bookkeeping and record system. This permits spot checks and reviews, better ensuring nothing is amiss and providing a deterrent for fraudulent activities.

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