

**Research Article**

## **Preventive Level for Controlling Misappropriation of Funds in Universities in South-East Nigeria**

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### **Abstract**

This study ascertained the preventive level for controlling misappropriation of funds in universities in South-East Nigeria. One research question guided the study and one null hypothesis was tested. Descriptive survey research design was adopted for the study. The population comprised 652 account officers in ten public universities of South-East, Nigeria. The sample size of 248 account officers was selected from ten universities in the area using Taro Yamane's formula. The instrument for data collection was 11-item structured questionnaire. The instrument was validated by three experts. Cronbach's alpha was used to determine the internal consistency of the items instrument reliability co-efficient value of 0.93. Mean and standard deviation were used to answer the research questions, while Analysis of Variance was used to test the null hypothesis at 0.05 level of significance. The findings of the study revealed that account officers in universities in South-East Nigeria rated preventive level for controlling misappropriation of funds at a moderately level. The account officers' years of work experience in universities in South-East Nigeria do not significantly influenced their mean ratings on the preventive level for controlling misappropriation of funds. The study concluded that preventive level for controlling of misappropriation of funds in universities by account officers in South-East Nigeria is not much sufficient. It was therefore recommended among others that, the National Universities Commission (NUC) should therefore ensure that account officers used high preventive level for controlling misappropriation of funds. And it is needed their accounting curricula for the training of business education (account educators/students) in university institutions.

**Keywords:** Preventive Level, Misappropriation of Fraud, Universities.

### **Introduction**

The increasing wave of fraud is causing a lot of havoc in Nigeria. This is because fraud has eaten deep into every aspect of the Nigerian society to the extent that many organizations have lost confidence of their customers (Kasum, 2019). This also affects corporate organizations. The occurrence of corporate failures have placed greater responsibility and function on accountants to equip themselves with the skills to identify and act upon indicators of poor corporate governance, mismanagement, frauds and other wrong doings. One of the modern approaches that can be used from the detection to prevention of fraud is called forensic accounting.

Forensic accounting is the use of financial and auditing skills to collect, analyze, and evaluate financial evidence as well as ability to interpret and communicate findings. Forensic accounting is quite new in Nigeria as companies have realized that the service of a forensic accountant is needed as fraud cases have substantially increased in number (Koh *et al.*, 2019). Forensic accounting thus provides an accounting analysis that is suitable to the court which will form the basis for discussion, debate and ultimately dispute resolution. Hence, forensic accounting involves the application of accounting concepts, auditing techniques and investigative procedures in solving legal problems. In developed countries, forensic accounting is the backbone of investigation.

The incorporation of modern forensic accounting techniques in audit in Nigeria is seen as timely in order to prepare the accounting profession to deal effectively with the problem of unearthing ingenious fraud schemes arising from audit failure to prevent frauds in Nigeria. The prevention of corporate crime or white-

collar crime is made possible with the application of investigative tools by the forensic accountant (Ile and Odimegwa, 2018). Forensic accountants use as many of these accounting techniques as possible in the prevention of fraud regardless of whether they are eventually used in a trial. Preventive level measures also include proper authorization of transactions, proper reviewing and approving of purchase request and adequate documentation and control of assets when purchases are made. The measurer's also emphasized that there should be approved purchase requests, invoices and receiving documents to show delivery of the items. In this regard, preventive measures operate a proactive capacity to deter or prevent undesirable activities (Nwankwo and Uduma-Chima, 2019).

In the context of this study, preventive level for controlling misappropriation of funds consist of appropriate monitoring of procedure at key periods of their development in order to allow early detection of financial fraud and results in adequate early warning and early reaction. The preventive levels for controlling misappropriations aim at reducing occurrence and intensity of negative outbreaks of misappropriation funds.

In the light of the above, financial frauds in the school system can be prevented through effective budget implementation. In university for instance, administrators are the main accounting officers. They are not only expected to prepare the school budget, they are to follow the government's financial regulations in the preparation and implementation of the budget. In the financial regulations of the Federal Republic of Nigeria (FRN, 2014), some of the major functions of accounting officers include:

- a) Ensuring that proper budgetary and accounting systems are established and maintained to enhance internal control, accountability and transparency;
- b) Ensuring that the essential management control tools are put in place to minimize waste and fraud;
- c) Ensuring accurate collection and accounting for all public money received and expended;
- d) Ensuring prudence in the expenditure of public funds;
- e) Ensuring proper assessments, fees, rates and charges are made where necessary;
- f) Ensuring internal guides, rules, regulations, procedures are adequately provided for the security and effective check on the assessment, collection and accounting for revenue;
- g) Ensuring that any losses of revenue are promptly reported and investigated;
- h) Ensuring that any revenue collected are not spent, but remitted to the appropriate authorities promptly.

The above regulations guide the financial activities of every accounting officer in public service in Nigeria. As public servants, university account officers are expected to be guided by the financial regulations in the management of public funds entrusted to their care. A critical examination of the functions of accounting officers reveals that they expressed the preventive measures for the control of misappropriation of funds. University education characterized by fraud and corruption will breed bad leaders, unqualified teachers, quack doctors, technologists and technicians, managers and corrupt public officers.

University education can be viewed as an organized educational system that deals with production of manpower and act as a catalyst for socio-economic, political, cultural and industrial development of a nation. It can be established by public or private owners. University education procedure for managing accounting and auditing include examination of the internal control system, income and expenditures account, establishment of budgets and implementation of budgetary control, verification of assets and liabilities and checks against fraud, errors and mistakes (Jacob *et al.*, 2020). The objectives of the universities in Nigerian higher education, professional education include the following: development and inculcation of the proper value orientation for the survival of the individual and societies; the development of the intellectual capacities of individuals to understand and appreciate environment; the acquisition of both physical and intellectual skills which will enable individuals to develop into useful members of the community; the acquisition of an overview of the local and external environments (FRN, 2014). The practice of university education in Nigeria so far has not met the expectations of the above goals and objectives due to a number of factors such as fraud which resulted to limited of infrastructure, poor funding, poor staffing, poor record keeping and socio-political interferences (Ogiriki and Appah, 2018). The implication is that university educational system characterized by fraud and corruption would breed bad leaders, unqualified teachers, quack doctors, technologists and technicians, managers and corrupt public officers.

The occurrence of fraudulent activities and irregularities in public tertiary institutions put a question mark on the quality of forensic accountant and auditing services rendered in these institutions because accounting and auditing exists to curb acts of crime. Therefore, any significant fraud committed in an educational

institution, not only undermines or shakes up its financial stability but can severely affect the reputation of the institution. There are cases of staff and students' fraud in the universities but this study is delimited to fraud committed by staff and how it can be prevented. Gibson (2018) reported some internal and external fraud and its prevention in university education include the detection and prevention of misappropriation or misuse of university resources, employee and management fraud, theft embezzlement, and other financial crimes. This researcher focused on the misappropriation of funds because it appears to be exceptionally vital for any university education who wants to prevent future occurrence of the fraud in the institution.

Misappropriation of funds refers to the intentional misuse or illegal use of school funds for selfish purposes rather than the reason for which it is provided. Misappropriation of funds, according to Mark (2016), may involve fraud or any other crime against property. Mark further stated that misappropriation of funds involves the intentional misuse or illegal use of school funds for selfish purposes rather than the reason for which it is provided. It may be in respect of falsification of the ownership of property belonging to another as one's own personal use and benefits. Misappropriation of funds may be carried against individuals, corporations, or by organised crimes against individuals, corporate bodies or by governments. Misappropriation of funds involves bribery institutional investors, corruption, fraudulent behavior, as well as misconduct and misuse of information, terrorism financing, embezzlement, forgery and counterfeiting, and frauds of all kinds (Yusrianti *et al.*, 2020). Masengeli *et al.*, (2019) revealed that asset misappropriation has a positive and significant association on fraud risk among state corporations. Saputra *et al.*, (2020) noted that public participation, proactive supervision, transparency and accountability had a positive and significant effect on preventing fraud in the management of school operational assistance funds. Saputra *et al.*, (2020) reported that public participation, proactive supervision, transparency and accountability had a positive and significant effect on preventing fraud in the management of school operational assistance funds based on their years of work experience.

The influencing factors on the level of application of forensic accounting in the prevention of misappropriation of funds in universities could be years of work experience. The years of work experience in this study means the period of time account officer is professionally engaged in the university account department. Chimwene (2017) reported that there was a significant difference in the views of account officers in the universities regarding the application of forensic accounting in the prevention of fraud. The years of work experience, knowledge and expertise of account officers may determine the level of application of forensic accounting in the prevention of fraud enhances financial reporting in tertiary institutions. According to Okoye *et al.*, (2019), moderating variables such as years of work experience, and so on could influence their opinions on application of forensic accounting. According to Ile and Odimmega (2018), Nigerian tertiary institution does not attract grants from international agencies because of increasing fraud and fraudulent activities in Nigeria.

Considering the above views, it appears that level of application of forensic accounting in universities will help in preventing misappropriation of funds. One of the objective of forensic accounting is effort to improve quality financial reporting in education, organization and provide other alternative research in accounting. This can be attributed to the fact that proactive forensic accounting seeks out errors, operational vagaries and deviant transactions before they turn into fraud. The focus of this study therefore is to ascertain the preventive level for controlling misappropriation of funds in universities in South-East Nigeria.

### **Statement of the Problem**

The incidence of frauds and the attendant of unacceptable audited financial statement in Nigerian universities have contributed to the loss of confidence by the financial statement users in the ability of accounting officers to contribute viable solutions to financial problems (Anichebe *et al.*, 2019). The problem of this study is that universities accounting statements seems to lack transparency, proper accounting and forensic investigation which make room for fraud. Some of the Vice-Chancellors, Bursars and top management staff of Nigerian universities have been taken to court or have been summoned by the controlling agencies to explain issues bothering on poor accounting but nothing comes out of it. Therefore, some of the frauds committed in the Nigerian universities include increase in students' tuition, decrease in academic and non-staff emoluments or remuneration, lots of students and staff often complain of school fees not being paid into the appropriate University's account and name of staff omitted or considered as being paid their honorarium respectively.

The consequences of these are that academic research, teaching and community service which are the pillars that hold universities will be affected. The researcher is worried that there seems to be no end to the

massive loss of funds in the university educational projects, lack of accountability and transparency as well as incarceration of seasoned scholars, if the accounting officers/internal auditors in public university educational institutions in South-East Nigeria do not apply forensic accounting techniques in the prevention of fraud. It gets worse because the increasing publicized cases of frauds and misappropriation of funds by Vice-Chancellors, Bursars and top management staff of Nigerian universities negatively affect the reputation and image of many public university educational institutions in Nigeria. Therefore, the preventive level for controlling misappropriation of funds could be seen as an attempt to reduce problem associated with misappropriation of fraud in Nigerian universities and South-East in particular. Despite all the financial donations, most universities in the area are still faced with financial problems as evidenced in dilapidated infrastructure and absence of current teaching facilities (Omenyi *et al.*, 2015). Thus, there is need to find out the preventive level for controlling misappropriation of funds in universities in South-East Nigeria.

### **Research Questions**

One research question guided this study:

- 1) What is the preventive level for controlling misappropriation of funds in universities in South-East Nigeria?

### **Hypothesis**

The following null hypothesis was tested at 0.05 level of significance:

- 1) There is no significant difference in the mean ratings of account officers on the preventive level for controlling misappropriation of funds in universities in South-East Nigeria based on their years of work experience (1-5years, 6-10years or above 10years).

### **Method**

The descriptive survey research design was adopted in this study. The study was carried out in universities in South-East Nigeria. The population of the study comprised of 652 account officers in ten public universities of South-East, Nigeria. A sample of 248 account officers was selected from ten universities in the area using Taro Yamane's formula and used through proportionate stratified random sampling techniques. Data were collected using a 11 items structured questionnaire. The structured questionnaire was validated by three experts-two in business education and one in measurement and evaluation all from Nnamdi Azikiwe University, Awka. Their comments enhanced the content validity of the instrument.

To establish the internal consistency of the instrument, a pilot test was conducted. Data collected in the pilot test were analyzed using Cronbach's alpha to determine the internal consistency. Cronbach's alpha method was used to establish the items reliability of the instrument with overall reliability coefficients values of 0.93.

Out of the 248 copies of the questionnaire distributed to the respondents in their organizations through direct approach which facilitated a response rate, 245 copies (representing 99 percent) were retrieved with an attrition rate of 3 copies (representing 1 percent) and used for data analysis. Data collected in the study were analyzed using the mean to answer the research question and standard deviation to determine the closeness of respondents' responses respectively. Analysis of Variance (ANOVA) was used to test the null hypothesis at 0.05 level of significance. The cluster mean score was used for decision making for the research question. In testing the hypothesis, a null hypothesis is rejected where the calculated p-value is less than the 0.05 level of significance; it means that there is significant difference. Conversely, where the calculated p-value is greater than or equal to the level of significance (0.05), it means that there is no significant difference and the hypothesis is not rejected. However, where there is a disagreement among the three groups, the Scheffe post-hoc test is conducted to determine the group such disagreement occurred.

### **Results**

#### **Research Question 1**

- 1) What is the preventive level for controlling misappropriation of funds in universities in South-East Nigeria?

Data in Table 1 shows that seven items out of the 11 items listed has mean score ratings of 3.50 to 3.70 on preventive level for controlling misappropriation of funds were rated as high. The remaining four items were rated moderately level and have mean score ratings from 3.20 to 3.40. The standard deviation of 0.44 to 0.60 showed that respondents are not wide apart in their mean ratings which indicate homogeneity. The cluster mean score of 3.46 indicate that preventive level for controlling misappropriation of funds were rated moderate by account officers in universities in South-East Nigeria.

**Table 1.** Account officers mean ratings on the preventive level for controlling misappropriation of funds in universities in South-East Nigeria (N =245).

S/N	Preventive level for controlling misappropriation of funds	$\bar{x}$	SD	Remarks
1	I use well designed budgeting document for budget implementation	3.40	0.54	Moderately level
2	I request for limit employees' access to funds	3.20	0.60	Moderately level
3	I ensure adoption of internal controls	3.70	0.44	Highly level
4	I request for proper documentation of control of assets when purchases are made	3.63	0.45	Highly level
5	I ensures suitable procedure for authorization of transactions	3.54	0.51	Highly level
6	I request for control of assets when purchase are made	3.24	0.58	Moderately level
7	I ensures regular documentation of budgets	3.20	0.60	Moderately level
8	I request for physical control of assets	3.50	0.52	Highly level
9	I closely monitor access to sensitive information	3.56	0.47	Highly level
10	I request for well-designed documents to prevent errors	3.50	0.52	Highly level
11	I request for only qualified account personnel in the university be employ	3.56	0.47	Highly level
<b>Cluster mean</b>		<b>3.46</b>		<b>Moderately level</b>

**Hypothesis 1**

There is no significant difference in the mean ratings of account officers on the preventive level for controlling misappropriation of funds in South-East Nigeria based on their years of work experience (1-5years, 6-10years or above 10years).

**Table 2.** Summary of analysis of variance on the mean ratings of account officers on the preventive level for controlling misappropriation of funds in universities in South-East Nigeria based on their years of work experience (1-5years, 6-10years or above 10years).

	Sum of squares	df	Mean square	F	P-value	Remarks
Between groups	1.213	2	1.223	11.168	0.442	Not significant
Within groups	1.723	242	1.131			
<b>Total</b>	2.936	244	-			

As shown in Table 2, the F-ratio (df: 2/242) is 11.168 and the P-value (.442) was less than the stipulated 0.05 level of significance (P-value > alpha level). It was therefore decided that there is a significant difference in the mean ratings on the preventive level for controlling misappropriation of funds by account officers in the universities in South-East Nigeria based on their years of work experience. Therefore, the null hypothesis is not rejected.

**Discussion of Findings**

Findings of the study revealed that account officers rated preventive level for controlling of misappropriation of funds in universities in South-East, Nigeria to a moderate level. This implies that moderate level on the preventive level for controlling will positively influence the perceived benefits of using it to control misappropriation of funds in universities in South-East, Nigeria. It also revealed that moderate level on prevention of misappropriation of funds in universities shows that it was not applied to expectation to prevent occurrence of misconduct and misuse of information, terrorism financing, embezzlement, forgery and counterfeiting, and frauds of all kinds in universities in South-East, Nigeria. This finding agrees with Masengeli *et al.*, (2019) who revealed that asset misappropriation has a positive and significant association on fraud risk among state corporations. This finding agrees with Saputra *et al.*, (2020) who revealed that public participation, proactive supervision, transparency and accountability had a positive and significant effect on preventing fraud in the management of school operational assistance funds. The findings of the study further revealed no significant difference in the mean ratings on the preventive level for controlling misappropriation of funds by account officers in universities in South-East Nigeria based on their years of work experience. These finding disagrees with Saputra *et al.*, (2020) who noted that public participation, proactive supervision, transparency and accountability had a positive and significant effect on preventing fraud in the management of school operational assistance funds based on their years of work experience. The reason for the dissimilarities in test of hypothesis is because most of the account officer could not use it

which results to presence of cases of misappropriation of funds in their institutions, presence of ghost employees, presence of unauthorized cash transfer, and the presence of misappropriation of funds cases.

### **Conclusion**

Based on the findings of the study, it is concluded that preventive level for controlling of misappropriation of funds in universities by account officers in South-East Nigeria is not much sufficient. The moderate level shown that universities in South-East, Nigeria could not prevent misappropriation of frauds committed which results to accounting statements lack transparency, proper accounting and forensic investigation which make room for fraud. However, the high level of preventive control of misappropriation of frauds could be seen as an attempt to reduce problem associated with any kinds of fraud been committed in Nigerian universities and South-East in particular.

### **Recommendations**

Based on the findings and conclusion of the study, the following recommendations are made:

- 1) The National Universities Commission (NUC) should therefore ensure that account officers used high preventive level for controlling misappropriation of funds. And it is needed their accounting curricula for the training of business education (account educators/students) in university institutions.
- 2) Administrator/management of universities should apply the most effective techniques in their fraud detection and prevention drives. This is because the study has shown that preventive level for controlling misappropriation of funds commonly applied is perceived as the least effective in combating fraud menace. Thus the level for controlling misappropriation of funds which have been perceived as most effective should be encouraged.

### **Declarations**

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