**The Role of** **Forensic Accounting in Investigating Environmental Fraud on Corporate Financial Reporting Quality in Nigeria**

**Abstract**

*This study examines the forensically strategic role of forensic accounting in combating environmental fraud and enhancing quality corporate financial reporting. By employing a systematic survey of 30 purposively chosen professional accountants in Afe Babalola University Ado Ekiti, Nigeria, this study revealed compelling findings. Through regression analysis, findings confirm that fraud detection has a significant, positive, and strong influence on quality financial reporting (β = 0.887, p < 0.001), validating its role in promoting transparency and credibility. However, fraud prevention policies have a weak and insignificant influence (β = 0.019, p = 0.891), indicating the need to modify the strategic direction. The study promotes the proactive use of forensic accounting methods during audits and a re-evaluation of current prevention measures, in order to effectively tackle environmental fraud and improve reporting standards. The research offers a critical perspective on how forensic accounting can be used to rebuild corporate integrity and restore the public's confidence.*

Keywords: Forensic accounting, environmental fraud, corporate financial reporting, improve reporting standards

**1.0 INTRODUCTION**

**1.1 Background to the Study**

Internationally, corporate financial reporting is still one of the most essential aspects of ensuring wise financial decision making, transparency, and accountability in the business world. Nevertheless, the reliability of financial reports has been on the rise, as a result of corporate scandal, falsification of financial statements as well as the incidence of environmental fraud (Apalowowa et al., 2025). Environmental misrepresentation by companies would lead to loss of trust from stakeholders as well as bring about a hindrance to the effort of sustainable development. Quality of financial reporting by companies has been a challenging aspect within the Nigerian environment, due to the ineffective oversight from the regulators, non-compliance with accounting standards and professional ethics (Owolabi, 2020). The increasing danger that environmental fraud poses in company operations makes it necessary to search for new means to detect and prevent such offenses these problems have caused the public to lack confidence and belief in the numbers in financial statements (Apalowowa et al., 2023; Ewa, 2020). Forensic accounting with unique investigation methods could be one for investigating environmental fraud. Its use may be important for corporate financial claims integrity and credibility (Oladejo & Jack, 2020).

Despite the growing attention to environmental responsibility, companies persist in environmental misconduct that includes underreporting pollution, mislabeling environmental liabilities, and excluding environmental fines from financial statements. Conventional audit techniques are shallow and do not have the necessary tools to detect these sophisticated and hidden fraudulent activities (Apalowowa, 2025; Ogaini et al., 2024; Okiridu & Ogbosei, 2024). Besides, environmental fraud is negative to investor’s confidence, distorts the financial decision-making and causes the legal risks and reputation risks, because environmental compliance audit and financial audit has not been integrated and it is impossible to identify and prevent the environmental fraud. So much so that forensic accounting becomes more and more relevant in this arena as environmental issues have become more material to shareholders and regulators. To meet this challenge, a forensic accounting model that focuses on corporate financial reporting and that examines environmental fraud should be established and applied.

Develop capacities and raise awareness among forensic accountants, in which forensic accountants can be trained to become alert and respond effectively to environmental frauds such as by having knowledge of environment laws, emissions reporting, and sustainable disclosures). The aim of the study is to find out the significance of forensic accounting on fraud in environmental fraud, and to explore the implications thereof on the audit opinion of corporate financial reporting quality in Nigeria. The specific objectives are to: assess how forensic accounting techniques to detect environmental fraud in private sector organizations in Nigeria; and evaluate the influence of forensic accounting on fraud prevention on corporate financial reporting quality.

**1.2 Research Questions**

1. How effective are forensic accounting methods in detecting environmental fraud in Nigerian private establishments?
2. What is the impact of forensic accounting on the transparency of corporate financial reports?

**1.3 Research Hypotheses**

**H01:** Forensic accounting techniques do not significantly detect environmental fraud in Nigerian private establishments.

**H02:** Forensic accounting does not significantly influence fraud prevention on corporate financial reporting quality.

**1.4 Significance of the Study**

This study is important for numerous stakeholders such as corporations to understand the usefulness of forensics accounting in internal control for financial transparency. Significant to users of financial reports to restore trust and confidence in financial reports by repelling the threat of fraud and misrepresentation; as well as to the government and regulators to give policy backing to forensic accounting to engender the decline in environmentally and physically despoilment in the corporate dichotomy. It is limited to private firms in Ekiti State, Nigeria with particular reference to Afe Babalola university Ado Ekiti and discusses the role of forensic accounting in revealing environmental fraud and corporate financial reporting.

**2.0 LITERATURE REVIEW AND THEORETICAL UNDERPINING**

* 1. **Theoretical Review**
		1. **Policeman Theory**

The idea on which the Policeman Theory is based was developed by the early accounting theorists who established the accounting profession in the mid-20th century although not explicitly proposed by any one of them that the main job of auditors is to catch fraudulent activities in a very similar way that a police officer work to catch criminals (Igbekoyi et al., 2024). The Policeman Theory posits that auditors are incorruptible watchdogs whose primary function is to detect and prevent dishonesty in accounting statements with the aim of promoting reliable and truthful information in corporate accounting statements (Apalowowa et al., 2025). The assumption is that auditors have the necessary autonomy and means to detect the (secret or collusive) fraud, and that the suppression and detection of fraud represents the primary mission of the audit process in addition to the attestation of financial statement fair presentation (Ramoni, 2025).

One critique of the theory is that, policeman theory stifles the overall purpose of an audit including testing the effectiveness of internal controls, provision of an assessment of financial statement accuracy and increasing stakeholder confidence, leading to an expectation gap between what the public think auditors do and are expected to do (Jonsson & Persson, 2025). As they apply to forensic accounting, the policeman theory may become relevant again Forensic accountants do work as in the capacity of detectives or policemen (Mvunabandi, 2022). Under an environmental fraud such as underreporting of emissions, hiding potential environmental liabilities, or overestimating the costs of cleanup), forensic accounting is indispensable (Bhattacharya, 2025). Therefore, this research theorizes that while the traditional auditor is not a perfect example of the policeman (due to the nature of the existing audit services), the third-party fraud experts that is forensic accountants conducting a fraud investigation on environmental fraud at least partially fit the roles asserted under the theory.

**2.2 Conceptual Clarifications**

**2.2.1 Corporate Financial Reporting**

Corporate financial reporting has been defined as the process of recording and reporting a company’s financial status, financial performance, and changes in financial position for a given period through financial statements (Talha et al., 2024). Corporate financial reporting ensures that stakeholders have reliable, consistent, and convenient access to financial information that fosters decision-making. Corporate financial reporting plays a crucial role in business governance and accountability and comprises the statement of financial position, income statement, statement of cash flows, and statement of shareholders’ equity (Rehman & Hashim, 2021). Corporate financial reporting is guided by the financial frameworks, such as IFRS and GAAP. It has been postulated that proper reporting befits investors’ confidence and enable companies to confidentially report financial statements, reducing the risk of fraud fluctuations in the recent years due to legal consequences and reputational harm.

**2.2.2 Forensic Accounting**

Ibrahim and Ademu (2024) posits that forensic accounting is the combination off accounting, auditing and investigative skill and thus the process to discover financial information for legal purpose. Forensic accounting helps to uncover financial irregularities and assists litigation, fraud investigation, and dispute resolution. Apalowowa et al. (2023) assert that forensic accountants use various practices such as examination of financial documents to expose financial crime like fraud, embezzlement and financial malpractices. Forensic accounting suggests that the members of this specialism serve as expert witnesses when the need arises in legal disputes, settlement of marriage contracts and Computational fluid dynamics. Forensic accounting encompasses maintaining knowledge of intricate financial systems and auditing and law capabilities to encourage ethical business by enabling businesses to prevent and detect financial fraud (Krishnaveni & Rajasekaran, 2019; Ramoni, 2025).

**2.2.3 Environmental Fraud**

Ramos et al. (2025) postulate that environmental fraud involves the deliberate misrepresentation or concealment of information related to environmental compliance, often to avoid regulatory costs or gain competitive advantage. Environmental fraud undermines regulatory frameworks and poses significant risks to public health, safety, and the natural ecosystem by falsifying emission reports, dumping toxic waste illegally, or misrepresenting sustainability practices (Oladejo & Jack, 2020). Environmental fraud acts not only violate environmental laws but also mislead investors and the public, detecting and preventing environmental fraud is critical for corporate accountability and environmental protection using regulatory bodies and whistleblower protections as an essential tool in combating this issue (Sandha & Kurniawati, 2023).

**2.2.4 Fraud Detection**

Apalowowa et al. (2023) assert that fraud detection and prevention mean systematic processes, strategies, and technologies employed to identify, mitigate, and deter fraudulent activities within an organization using of data analysis, internal controls, monitoring tools, and policies to uncover anomalies or suspicious behavior that may indicate fraud. Fraud detection and prevention is a critical component of organizational governance and risk management, aimed at safeguarding assets, maintaining stakeholder trust, and ensuring regulatory compliance by proactively identifying and addressing fraudulent behavior before it results in significant financial or reputational damage (Shehu, 2025; Bhattacharya, 2025). Fraud poses a serious threat to organizations, both in the private and public sectors, with consequences that range from financial loss to reputational damage and legal repercussions as fraud schemes become more sophisticated, the need for advanced fraud detection and prevention mechanisms grows increasingly urgent (Apalowowa et al., 2025).

**2.2.5 Fraud Prevention**

Detection involves the identification of red flags and irregularities through methods such as forensic accounting, data mining, machine learning algorithms, and whistleblower systems (Apalowowa et al., 2025). Chizoba and Onuora (2025) opined that effective fraud detection and prevention require a proactive and integrated approach that combines human oversight, technological tools with a strong ethical foundation. Fraud prevention refers to the strategies, tools, and processes used to detect, deter, and respond to fraudulent activities that span multiple sectors finance, e-commerce, cybersecurity, insurance, healthcare, and more (Okiridu & Ogbosei., 2024; Mukherjee et al., 2021).

**2.2.4 Accuracy and Transparency**

According to Ramos et al. (2025), the concept of accuracy as it pertains to financial, and organizational representation, involves being correct, being without error, and conforming to fact. Truthfulness and accuracy are not only critical to accounting and credibility but also to quality decision making and to the integrity of the organization; accuracy means that the numbers and disclosures are true and present the financial condition of the company (Stephen et al, 2025). Accuracy is ensured through internal controls, audits, and trusted accounting systems. Transparency is defined as the degree of openness, clarity, and accessibility of an organization’s practices, policies, and financial and operational information (Jonsson & Persson, 2025). Transparency is fundamental for accountability, ethical governance, as well as accountability and includes making public financial information, risks and activities available to their stakeholders (Salami et al., 2025). Transparency entails, as well, the sharing of positive as well as negative news in a timely honest manner. Regulators typically have very little to hide from the public and/or investors to ensure safeguards against infringement of public and investor interest (Sandha & Kurniawati, 2023).

**2.3 Empirical Review**

Apalowowa (2025) examined the connection between white-collar fraud and whistleblower investigation. The research employs a survey technique with data obtained directly from the respondents; the population under investigation comprise 83 forensic auditors from the southwest of Nigeria. Census Sampling Technique was employed in the selection of the entire population to be examined. His results indicate that although the efficiency of forensic audits is positively related to whistleblowing, internal controls, and corporate governance, none of the variables produced statistically significant outcomes at conventional levels (p > 0.05). The values of the z-statistics of 1.2521 for corporate governance, 1.1783 for internal controls, and 1.1647 for whistle-blowing tell us that the relationships are a result of random fluctuation rather than actual cause-and-effect relationships.

Apalowowa et al. (2025) had studied the preventive function of the forensic auditor with the introduction of forensic auditing. The research employed purposive sampling techniques using a survey approach based on a questionnaire. The study population was 210 staff of the three state government-owned colleges in Ondo State who were employed in the Audit Departments (Source: Attendance Register, 2025). The research covers 120 senior staff with ICAN and ANAN certification. Their findings indicate that responsive planning methods are statistically insignificant, but robust internal control and managerial supervision are statistically significant, with p-values of 0.0000 and 0.00105, respectively.

Vutumu et al. (2025) discuss the complementary functions of forensic accounting and internal controls in avoiding fraud in the Nigerian public sector. The research purports to assess the interaction between the Fraud Pentagon Model and the COSO framework in fraud risk prevention. A quantitative methodology was adopted, and primary data were gathered from 385 finance, accounting, auditing, and forensics professionals in federal ministries and organizations. A Likert-scale questionnaire was applied to measure the effectiveness of the internal controls, forensic accounting practices, and the occurrence of fraud risk factors. Descriptive statistical analysis was conducted with the help of SPSS software to establish trends and correlations in the data. The study supported the occurrence of all five factors of the Pentagon fraud model: pressure (mean 3.50), opportunity (3.31), motivation (3.47), capability (3.34), and personal ethics (3.47), which suggested a high likelihood of fraud. The control components were moderately strong, whereby control measures (mean = 3.50) and monitoring (3.49) were the strongest, followed by risk assessment (3.27) and communication practices (3.36) as relatively lower. The forensic accounting techniques contributed significantly to fraud prevention through delegation of reliance on control systems (3.42), number of reviews of digital fraud (3.39), and submission to ethical philosophy (3.39).

Okonta and Nnamdi (2025) examine the application of Artificial Intelligence (AI) in fraud investigations for fraud detection in Nigerian enterprises. With traditional methods falling short in the era of mounting complexity in fraudulent activities posing a threat to business survival, the study examines the manner in which AI technology can facilitate improvement in investigative techniques. This study employs a documentary method in examining the use of data analytics, machine learning algorithms, and predictive modeling in enhancing the speed, accuracy, and efficiency of fraud detection. In spite of the limitations in implementation in the Nigerian scenario, evidence suggests that AI-based forensic techniques enhance the efficacy of fraud detection and prevention via active surveillance.

Stephen et al. (2025) examined how much Nigeria's public sector applies forensic auditing practice. The study employed a descriptive survey approach that defined the nature and conditions as intended to be noted. The study population was 2,306 individuals. The participants were experts in general auditing, financial accounting, and forensic auditing. The deliberate and straightforward random sampling techniques were employed in an effort to come up with a sample of 341. The information utilized for the study was primary. The data collection instrument utilized was a self-reporting questionnaire that comprised open-ended as well as closed-ended questions. Face and content validity of the instruments were established by experts. Their findings indicated a huge deficit in utilizing forensics auditing in fraud prevention and detection in the public sector, as forensic auditing has been deficient in most government agencies of Nigeria.

Shehu (2025) analyzed the impact of internal control systems on fraud minimization in selected SMEs in Nigeria. The objective was to explore the impact of control and monitoring measures on fraud prevention among chosen Nigerian SMEs. The descriptive survey approach was used. A sample of 196 respondents was determined via Cochran Formula for sample size calculation. A structured questionnaire was used to gather primary data for the study. Data collected were initially expressed in frequency distribution, while the hypotheses were tested by multiple regression analysis. Control measures exert a strong and positive influence on fraud prevention among the chosen SMEs in Nigeria (β = 0.418, p = 0.000); monitoring functions also exert a strong and positive influence on fraud prevention among the chosen SMEs in Nigeria (β = 0.574, p = 0.000).

Odufisan et al. (2025) exploited the capability of Artificial Intelligence (AI) and Machine Learning (ML) to improve fraud detection and prevention in Nigeria. We discuss different AI techniques, such as supervised, unsupervised, and deep learning. We talk about its areas of application in anomaly detection, behaviour analysis, risk assessment, and network analysis. Organizations can counter new fraud methods by taking advantage of AI's capability to learn continually. The article emphasizes the advantages of fraud detection using AI, such as enhanced efficiency, higher accuracy, and proactive risk management.

Ewa et al. (2020) examined the effectiveness of using forensic accounting techniques to prevent and detect fraudulent activities in Nigerian commercial banks. Utilized descriptive statistics using the Ordinary Least Squares (OLS) model; the findings showed that the use of forensic accounting methods substantially enhanced fraud detection and prevention in the banking sector. Oladejo (2020) did have some research on challenges confronting the work of forensic accountants in fraud detection and prevention in a blockchain technology platform. The analytical tool utilized is a qualitative study under library research approach. The study showed that technology would impact the fundamental activities of accountants; yet, the overall impact on the profession of forensic auditors and accountants is uncertain.

**2.4 Knowledge Gap**

While much has been written about forensic accounting and financial fraud, not many studies have addressed environmental fraud in corporate reports. There is also a need for localised research that investigates the application of forensic accounting in Nigerian private sector organisations, especially tertiary institutions in Ekiti State.

**3.0 METHODOLOGY**

The research employed the survey design in the collection of data from professional accountants. The data were collected from primary sources by using structured questionnaires to elicit information from respondents. The study population consisted of 60 professional accountants in Bursary and Internal Audit Department of Afe Babalola University Ado Ekiti, Ekiti State, Nigeria. The study sample 30 using a Purposive Sampling Technique to select staff that are professionally certified, with equal numbers from each department as case may be because they are the main primarily targets professionals with experience in forensic accounting or financial reporting. A scale of SA = Strongly Agree (4), A = Agree (3), D = Disagree (2), and SD = Strongly Disagree (1) was used in the questionnaire. The variables utilized were categorized into independent and dependent variables. Quantified as followa: Forensic accounting is an independent variable, manifested in fraud detection and prevention, in environmental fraud investigation; whereas the dependent variable is the quality of corporate financial reporting, as measured by accuracy and transparency.

**4.0 DATA ANALYSIS AND DISCUSSION OF FINDINGS**

Data collected were analyzed using descriptive statistics and inferential statistics to test hypotheses.

**4.1 Descriptive Statistics**

The summary statistics table presents the means and standard deviations for three variables, corporate financial reporting quality, fraud prevention and fraud detection, for a total of 26 usable cases. Means for the three variables are fairly similar, between 3.08 and 3.14, indicating that participants’ ratings for these items were slightly higher than the midpoint of the scale employed. The standard deviations are similarly comparable, in the range of.40 to.45 showing a moderate degree of spread in responses as well. The skewness measurements are close to zero, which means that each variable’s data are relatively normally distributed. Kurtosis values are close to zero, suggesting that distributions are mostly normal and unimodal, with no excess kurtosis or prominence of the peak. In terms of respondents’ ratings, there is a general agreement among the participants regarding quality of financial reporting, fraud prevention and fraud detection, with no major outlying responses or skewed ratings.

**Table 1:** **Descriptive Statistics**

|  |  |  |  |
| --- | --- | --- | --- |
|  | CORP\_FIN\_REP\_QTY | FRD\_PREV | FRD\_DETEC |
| Mean | 3.1319 | 3.0824 | 3.1429 |
| Std. Error of Mean | .07882 | .08393 | .08753 |
| Median | 3.1429 | 3.0000 | 3.0714 |
| Std. Deviation | .40188 | .42795 | .44630 |
| Skewness | .248 | .522 | .043 |
| Std. Error of Skewness | .456 | .456 | .456 |
| Kurtosis | .241 | -.133 | .380 |
| Std. Error of Kurtosis | .887 | .887 | .887 |
| Minimum | 2.43 | 2.43 | 2.14 |
| Maximum | 4.00 | 4.00 | 4.00 |

**Source: Researchers Computation (2025)**

**4.2 Inferential statistics**

**4.2.1 Model Summary**

The findings in Table 2 show that the regression model explains approximately 81.2% of the variance in the dependent variable (R Square = 0.812), indicating a strong model fit. The Adjusted R Square value of 0.796 confirms that the model remains robust even after accounting for the number of predictors. The Durbin-Watson statistic of 2.039 suggests that there is no significant autocorrelation in the residuals, which supports the reliability of the regression results.

|  |
| --- |
| **Table 2:** **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|  | .901a | .812 | .796 | .18154 | 2.039 |
| a. Predictors: (Constant), FRD\_DETEC, FRD\_PREV |
| b. Dependent Variable: CORP\_FIN\_REP\_QTY |

**Source: Researchers Computation (2025)**

**4.2.2 ANOVA**

The ANOVA table shows that the regression model is statistically significant, as indicated by a high F-value (49.756) and a p-value of .000, which is less than 0.05. This means that the independent variables in the model explain a significant portion of the variance in the dependent variable.

**Table 3: ANOVA**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | Sum of Squares | df | Mean Square | F | p-Value |
|  | Regression | 3.280 | 2 | 1.640 | 49.756 | .000 |
| Residual | .758 | 23 | .033 |  |  |
| Total | 4.038 | 25 |  |  |  |
| a. Dependent Variable: CORP\_FIN\_REP\_QTY |
| b. Predictors: (Constant), FRD\_DETEC, FRD\_PREV**Source: Researchers Computation (2025)****4.2.3 Coefficients**The findings presented in Table 4 summarize the results of a multiple linear regression analysis examining the impact of fraud prevention (FRD\_PREV) and fraud detection (FRD\_DETEC) on corporate financial reporting quality (CORP\_FIN\_REP\_QTY). The results indicate that fraud detection (FRD\_DETEC) has a strong, positive, and statistically significant effect on financial reporting quality (β = 0.887, p < 0.001). This implies that better fraud detection measures significantly enhance the quality of financial reporting. In contrast, fraud prevention (FRD\_PREV) shows a very weak and non-significant effect on financial reporting quality (β = 0.019, p = 0.891), indicating that, in this model, preventive measures do not have a meaningful impact. Collinearity statistics (VIF = 2.206) indicate no multicollinearity concerns. The model emphasizes the importance of effective fraud detection over prevention in improving the reliability of corporate financial reports. |
| **Table 4:** **Coefficients** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | P-Value | Correlations | Collinearity Statistics |
| B | Std. Error | Beta | Zero-order | Partial | Part | Tolerance | VIF |
|  | (Constant) | .567 | .280 |  | 2.026 | .055 |  |  |  |  |  |
| FRD\_PREV | .017 | .126 | .019 | .138 | .891 | .675 | .029 | .012 | .453 | 2.206 |
| FRD\_DETEC | .799 | .121 | .887 | 6.613 | .000 | .901 | .810 | .597 | .453 | 2.206 |
| a. Dependent Variable: CORP\_FIN\_REP\_QTY |

**Source: Researchers Computation (2025)**

**4.2.4 Collinearity Diagnostics**

The collinearity diagnostics presented in Table 5 highlight that independent variables FRD\_PREV (fraud prevention), and FRD\_DETEC (fraud detection) may be multicollinear. High condition indices in dimension 2 and 3, 16.581 and 24.824 respectively, indicate that there is a multicollinearity problem, since they are above the threshold of 15. More importantly, in Dimension 3, both variables have a large proportion of variance: FRD\_PREV (89%) and FRD\_DETEC (85%) are loading heavily on the same small eigenvalue (0.005). This strong convergence is a strong indicator that the two variables explain a great deal of the same thing since it doesn’t allow for much separation between the two in their impact on the dependent variable, which is corporate financial reporting quality. The implications of this finding are important: fraud prevention and fraud detection are highly correlated and thus are unlikely to be statistically independent constructs within the model. This result, when these two are included together may cause unstable and biased estimates of regression parameters and lose their individual effects. This indicates that researchers must be careful when assigning meaning to the influence of each variable and could entail taking corrective measures such as transforming the variable, merging the concepts into a single index or employing a dimension reduction strategy such as Principal Component Analysis (PCA). The results indicate a conceptual and statistical overlap between fraud prevention and fraud detection that mirrors their functional interrelation within an organization’s internal controls. But this is a multicollinearity, which is a concern in the modeling of regression analysis because can lead to false inference and therefore needs to be taken care of.

**Table 5: Collinearity Diagnostics**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions |
| (Constant) | FRD\_PREV | FRD\_DETEC |
|  | 1 | 2.984 | 1.000 | .00 | .00 | .00 |
| 2 | .011 | 16.581 | .99 | .11 | .15 |
| 3 | .005 | 24.824 | .00 | .89 | .85 |
| 1. Dependent Variable: CORP\_FIN\_REP\_QTY

**Source: Researchers Computation (2025)** |

**4.2.5 Residuals Statistics**

The residuals statistics indicate that the regression model predicting corporate financial reporting quality fits the data reasonably well. The predicted values range from 2.32 to 3.83, with a mean of 3.13, suggesting moderate levels of the dependent variable across observations. The residuals, which represent the difference between observed and predicted values, have a mean of 0.000 and a relatively small standard deviation of 0.174, implying that the prediction errors are generally minor and centered around zero. The standardized residuals mostly fall within the acceptable range of ±2, with values from -1.78 to 2.16, indicating no severe outliers or violations of normality assumptions. The model appears to demonstrate a fair level of accuracy and reliability in estimating corporate financial reporting quality.

**Table 6:** **Residuals Statistics**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Minimum | Maximum | Mean | Std. Deviation | N |
| Predicted Value | 2.3214 | 3.8328 | 3.1319 | .36220 | 26 |
| Residual | -.32323 | .39293 | .00000 | .17413 | 26 |
| Std. Predicted Value | -2.238 | 1.935 | .000 | 1.000 | 26 |
| Std. Residual | -1.780 | 2.164 | .000 | .959 | 26 |
| a. Dependent Variable: CORP\_FIN\_REP\_QTY |

**Source: Researchers Computation (2025)**

**4.2.6 Casewise Diagnostics**

The findings from Table 7, "Casewise Diagnostics," indicate that Case 16 shows a standardized residual of 2.164, suggesting a potential outlier. The actual value of the dependent variable corporate financial reporting quality is 2.71, while the predicted value is 2.3214, resulting in a residual of 0.39293. This discrepancy implies that the model slightly underpredicted the financial reporting quality for this particular case. However, while notable, this residual does not exceed common thresholds for concern (typically ±3), indicating that the model's prediction is reasonably accurate, though this case may warrant closer examination.

|  |
| --- |
| **Table 7: Casewise Diagnosticsa** |
| Case Number | Std. Residual | CORP\_FIN\_REP\_QTY | Predicted Value | Residual |
| 16 | 2.164 | 2.71 | 2.3214 | .39293 |
| 1. Dependent Variable: CORP\_FIN\_REP\_QTY

**Source: Researchers Computation (2025)** |

**4.3 Discussion of Findings**

The regression analysis of the impact of forensic accounting on the investigation of environmental fraud and the quality of corporate financial reporting is significant with a F value of 49.756 and the significance of p.000 which is less than.05. In other words, the model’s independent variables account for a substantial part of the variation in the dependent variable, which in this case is the quality of corporate financial reporting. This table presents the summary of the findings of the multiple linear regression analysis on the effect of fraud prevention and fraud detection on the quality of corporate financial reporting. From the findings, it can be concluded that fraud detection positively correlates with and is significantly associated with the quality of financial reporting (β = 0.887, p < 0.001). This suggests that the quality of financial reporting is meaningfully affected by improved fraud detection adjustments. On the contrary, the non-significant and non-existent coefficient related to fraud prevention reveals a nearly absent effect of financial reporting quality in this model, with β= .019 and p= .891, suggesting that in this model prevention is not relevant. This was in agreement with Apalowowa et al., 2025; Odufisan et al., 2025. But were contradictory to Odufisan et al., 2025). This was due to the locations of the study being. The implications of the finding is that; regulators and standard-setting organizations need to place more emphasis on fraud detection mechanisms within corporate governance policies as they seem to significantly influence the quality of corporate reporting. Also, because of the need to reorient focus of preemptive systems into a more detective approach to make anti-fraud measures more efficient, and lastly, efficient fraud detection has the benefit of increasing corporate transparency and as a result investor confidence and stakeholder trust, and both are essential on a long run perspective and for market reputation purposes.

**Conclusion and Recommendations**

From the results of the current study, the researcher can conclude that fraud detection has a strong positive and significant impact on the quality of corporate financial reporting because the superior mechanisms to detect fraud enhance more the credibility and transparence of the financial reports while fraud deterrence tends to exhibit a weak and insignificant correlation with reporting quality which may indicate that the existent preventive efforts does not or work or are improperly executed to improve the corporate financial reporting. The study recommended that preventative efforts have proven to have little efficacy, corporations should revamp existing prevention efforts, using a more proactive and realistic approach that better corresponds with the world of business; and periodic forensic auditing should be employed to detect any discrepancies early on, instilling a concept of trust for individuals to depend upon when corporate disclosures are made.

**Disclaimer (Artificial intelligence)**

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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