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FORENSIC AUDITING AND FINANCIAL REPORTING QUALITY OF QUOTED FIRMS IN THE NIGERIAN SERVICE SECTOR

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ABSTRACT

The study examined the effect of forensic auditing in improving the quality of financial reporting of service firms quoted on the Nigeria Exchange Group. The study was limited to seventeen (17) quoted service firms selected using purposive sampling technique. The data was sourced from the annual reports and accounts of the selected companies. Ordinary least square (OLS) regression was employed as the analysis tool to ascertain the effect of forensic auditing on the financial reporting quality of quoted service firm in Nigeria. The results showed that forensic auditing has no significant effect on accounting conservatism of quoted service firms in Nigeria (p-value =0.517). Forensic auditing has significant effect on earning management of quoted service firms in Nigeria (p-value = 0.001). Forensic auditing has significant effect on the accrual quality of quoted service firms in Nigeria (p-value = 0.009). In conclusion, the results of the study resonate with prior research emphasizing the positive contributions of forensic accounting to financial reporting quality. Given the non-significant impact on accounting conservatism, the study recommends continuous and targeted training programmes for forensic accountants in Nigeria to refine their skills and understanding of its application in diverse financial reporting contexts.

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***Key words:** Accounting Conservatism, Accrual Quality, Earnings Management, Financial Reporting Quality, Forensic Auditing, Nigeria, Service Firms.*

1. INTRODUCTION

The escalation of financial fraud in economic activities has actually given rise to forensic auditing which is comprised of, investigation with a skeptical mind with a view to gathering evidence that could be presented in a court of law. Forensic auditing' covers a broad spectrum of activities that involves application of detailed audit procedures to identify if there has been any illegal, unauthorized or procedural use of finances and assets and to establish the identity of those responsible (Aloa & Odum, 2019). Forensic auditing may be one of the most effective and efficient way to decrease and check accounting fraud. the effectiveness of forensic

auditing in detecting, investigating, and preventing financial frauds cannot be overemphasized, owning to an act of fraud that occur within a firm can have a significant impact on its financial stability and reputation, this can lead to a loss of confidence from investors and other stakeholders thereby ultimately affect the firms bottom-line. Providing ideal methods for assessing the quality of financial reporting is another global demand. The higher the quality of financial reporting, the more significant are the benefits to be gained by investors and users of the financial reports. The need for forensic audit services has grown in recent years due to the increasing number of fraudulent activities in businesses and government agencies around the world. Companies and government agencies are realizing the importance of these services in ensuring the accuracy of their financial records and the detection of fraudulent activities. Hence, it is therefore pertinent to emphasize the impact of forensic auditing in the reporting or presentation of financial statement. This can be attributed to the fact that proactive forensic auditing practice seeks out errors, operational vagaries, alteration of standards and deviant transactions before they crystallize into fraud thereby ensuring the presentation of true and fair financial report, this is because extent to which investors rely on the information reported in financial statements depends on the credibility of those financial statement.

One of the primary purposes of financial reporting is to facilitate capital allocation. Financial reporting quality relates to the accuracy, completeness and reliability of information presented in the financial reports including the note disclosures. A high-quality report will contain information that is accurate. Relevant, neutral and complete thereby enabling assessment. The information reflected by the financial report is however subjective and fabricated when it is of low quality. Hence It is essential to measure the extent to which the financial report reflect the true and fair view of the underlying economic performance of the company as it affects the users investment decision. As Desi et al (2023) stated Internal and external stakeholders need to depend on the integrity of financial statements in order to make crucial management and investment choices with confidence. When the financial reporting quality is low, valuation and assessment of the entire the company's activities during the reporting period are compromised. Consequently, the information reported will not be useful to determine the performance of the company which deters investment related decisions the company makes. The failure of Nigeria to reach its full potential may be attributed, in part, to the prevalence of financial and economic fraud within the country (Agbata et al., 2022). This has had a

significant impact on the country's economy, resulting in reduced investors' confidence and decreased economic growth.

Improvement in reporting quality serves to provide investors with more accurate information and thus can reduce information asymmetry and increase contracting efficiency. However, over the past few decades, the issue of accuracy of financial reporting has become problematic. As Chukwu and Asaolu (2019) stated the extent of frauds have constituted a challenge and made a negative impact not only on investors' confidence but have also dealt a devastating effect on corporate reputation while also jeopardizing its going-concern profile. Thus, improvements in reporting quality can increase a company's access to external finance and ultimately lead to increases in investment and investment efficiency. Onuora et al (2018) noted that the incorporation of forensic accounting skills into conventional may actualize timely detection and confirmation of manipulations of financial reports as forensic accounting is based on the premise of looking for indicators of abnormal occurrences in the accounting and financial reporting system. Therefore, it is necessary to adopt important security and fraud detection measures that are capable of detecting and preventing any type of fraud, no matter how complex. (Onuora et al 2018). By meticulously adhering to these rules, firms may ensure that their financial reports are always accurate and trustworthy for making educated decisions. Good number of high-profile companies has failed and this collapsed can evidently be linked to top management manipulations and distortion of quality of financial statements to satisfy their selfish interest to the detriment of shareholders who appointed them. There is a concerning rise in the number of fraud and fraudulent activities in the Nigeria service sector, necessitating the visibility and expertise of forensic auditors (Medugu et al., 2022). This study therefore seeks to establish the extent to which Forensic Auditing as an aspect of accounting can help in achieving high quality reporting that could aid stakeholders in making better investment decisions. Stakeholders of most companies are worried over the unqualified audit report being certified by external auditors and few weeks after such reports are being certified such companies are found to be in serious financial crisis leading to most times liquidation, thereby impoverishing the investors and affecting the economy.

1.1 Objectives

The main objective of this study is to examine the effect of forensic auditing on financial reporting quality of quoted firms in Nigeria. Specifically, the study addresses the following:

1. determine the effect of forensic auditing on the accounting conservatism of quoted service firm in Nigeria.
2. ascertain the effect of forensic auditing on the earnings management of quoted service firm in Nigeria.
3. examine the effect of forensic auditing on the accrual quality of quoted service firm in Nigeria.

1.2 Hypotheses

The following null hypotheses were formulated

H_{01}: Forensic auditing has no significant effect on accounting conservatism of quoted service firms in Nigeria.

H_{02}: Forensic auditing has no significant effect on earning management of quoted service firms in Nigeria.

H_{03}: Forensic auditing had no significant effect on the accrual quality of quoted service firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Forensic Auditing

The term forensic auditing is view as the detailed examination of a company's financial records, conducted in an investigative manner with the goal of uncovering evidence that can be used in legal proceedings. Modugu and Anyaduba (2013) assert that forensic techniques are used to detect and investigate a crime, to expose all its attending features and identify the culprits. According to Manuel and Kumara (2019) forensic auditing also called the fraud audit or the detective/investigative accounting, is a unification of both "forensic science and "accounting. The term forensic relates to the application of scientific knowledge to legal problems or usable in a court of law (Eyisi & Agbaeze, 2014). Forensic Auditing therefore involve the application of special skills in auditing, accounting, quantitative methods, finance, specific areas of the law, information and computer technologies research and investigative skills to collate, analyze, and evaluate evidential matter which in the forensic area is called the evidence (Eyisi & Agbaeze, 2014). The person performing such an audit must understand

the law and legal frameworks and possess knowledge of accounting and auditing. Hence, they are financial experts that applies scientific knowledge to detect fraud and crime in legal matters. Agbata, et al (2022) asserted Forensic auditing is an investigative method of accounting used in determining if people and organizations have indulged in unlawful financial actions. Eyisi and Agbaeze (2014) stated that forensic auditing and investigation are fact finding process that allow the examination of knowing whether an event has actually taken place, the place, amount involved, collection of evidence, computation of the asset involved and above all initiate a court proceeding.

2.1.2 Financial Reporting Quality

Financial statement is said to possess high quality characteristics when it provides accurate and reliable information concerning the financial statements of the entity. The qualitative characteristics of financial reporting quality include: relevance, faithful representation, understandability, comparability, verifiability, and timeliness (Vedrana et al, 2021). According to Desi et al (2023), the financial statement reported must be relevant both in confirmatory and prediction. It should accurately reflect the phenomena it claims to describe, be presented in a clear and understandable manner, be current since it must compete with other information and gives assurance that the information accurately depicts what it is supposed to, and the users of financial statements must be able to compare elements of one entity over time and between entities over time. High-quality financial reporting provides an accurate representation of the business's operations and financial condition at the end of the reporting period. Ejimofor and Ifeanyi (2020) stated that there is high demand globally for providing clearer and better definition for quality financial report, as well as ideal procedure for assessing or evaluating its quality as high-quality financial report triggers significant benefits to investors and business users. In this study, financial reporting quality will be proxied by accounting conservatism, earnings management and accruals quality.

2.1.2.1 Accounting Conservative

Accounting conservatism refers to financial reporting guideline or concept that require accountants to exercise a high degree of verification and utilize solutions that show the least aggressive numbers when faced with uncertainty. It is a longstanding principle in financial reporting intended to protect users of financial information from inflated revenues and to make sure that all potential liabilities are recorded as soon as they are realized. According to Hamidreza, et al (2013) conservatism in accounting is a means to the end of minimizing

unwanted consequences in the time of uncertainty for choosing a method that could lead to an overestimation of assets. The guideline requires that losses be recorded as soon as they are quantified (certain or uncertain), while gains are only recorded when they are assured of being realized. The general concept is to minimize the overstatement of revenue and assets and to understate the liabilities and expenses.

2.1.2.2 Earnings Management

Earnings management is a practice in which a company's management makes financial decisions with the intent of influencing its reported earnings. This may be done to meet certain targets or expectations, such as analysts' forecasts or budget goals.it can be used to smooth out earnings variations, resulting in a consistent earnings trend that does not necessarily reflect the company's underlying performance. This practice can be used to hide poor performance or present a more positive financial picture than is actually the case. Earnings management can involve the use of creative accounting methods to artificially inflate earnings and present a more positive financial picture than the company's actual performance. This strategy can be used to mislead investors and make the company appear more successful than it actually is. When a company makes an earnings announcement, its share price can increase or decrease depending on whether the company's earnings meet or fail to meet market expectations. Analysts and investors closely follow earnings announcements, and react to the results by either buying or selling the company's shares. Management may attempt to influence accounting practices in order to manipulate earnings and meet market expectations for earnings; this is done in order to prevent a decline in the company's share price that could result from failing to meet earnings estimates. However, it can create doubts among investors, who prefer to invest in companies that demonstrate consistent and sustainable growth, rather than artificially inflated earnings. As such, earnings management can negatively impact the company's share price in the long term.

2.1.2.3 Accrual Quality

Accrual quality refers to the extent to which accruals align with net cash flows from operations or the closeness of cash flows and reported income over a specified period, typically an accounting period (Ejimofor & Ifeanyi 2020). It is the extent to which working capital accruals are realized in future operating cash flows. As stated by Herath and Albarqi (2017) in accrual basis of accounting, revenues are recognized separately from cash collection, and expenses are recognized separately from cash payment.

2.2 Theoretical Review

This study is based on the Policeman theory. This theory was propounded by Limperg in the late 1920s. It reflects the expectations of stakeholders, that auditors should protect them from fraud, warn them of potential future financial problems, and provide general assurance about the financial health of the company. This theory assumes that forensic auditors are like police officers, with the primary objective of detecting and preventing fraud to reduce the overall incidence of corporate fraud as supported by Enofe et al., (2021). It further assumes the existence of fraud and the need to employ the services of a forensic auditor to help identify red flags and build efficient and effective internal control mechanism for the organization to prevent fraud. With this, forensic auditors are viewed as law enforcement officers and emphasizes their responsibility to serve and protect the public interest. The theory limits the responsibility of auditors to the prevention and detection of fraud, rather than considering the broader role of auditors in improving the quality of financial reporting and decision-making. This theory relates to forensic auditing because it highlights the importance of detecting and investigating potential earnings management. This study is anchored on the policeman theory because detecting and investigating earnings management which can improve financial reporting quality is the primary role of forensic auditors by ensuring that the information provided is accurate and not misleading.

2.3 Empirical Review

Yusuf, et al (2023) examined Forensic Audit Technology and Audit Report Quality of selected audit firms in Nigeria. The study used the survey research design, and employed a structured five-point Likert scale questionnaire. 106 useful questionnaires were retrieved from the monkey survey on experienced and professional auditors from the 281 auditing firms registered with ICAN as at 1st January 2022. The census sampling technique was adopted and the obtained response was analyzed using ordinal logistic regression. The findings show that data analytics have a positive and significant effect on audit report quality while textual analysis has negative and significant effect on the audit report quality.

Asyik, Agustia and Muchlis (2023) evaluated the determinant of financial report quality and its consequences to the company values. Quantitative design approach was employed. The sample of this study was 85 companies listed in the Indonesia Stock Exchange, for a 5-year period from 2016 to 2020. Data were analyzed using path analysis. – The results found that

innate factors from financial reporting quality (FRQ) consists of dynamic factors (operation cycle and sales volatility) as well as static factors (firm's size) and, static factors (firm's age) and institution risk factors (leverage) are not able to produce FRQ. Thus, it cannot be considered as an economic decision maker for an investor.

Ejimofor, Chidi and Mark (2021) examined forensic accounting and quality of financial reporting of quoted banks in Nigeria. Cross sectional data sourced from audited monetary or financial reports of quoted banks and fact books of Nigeria Stock Exchange from 2009-2018 were used. Ordinary least square (OLS) method was utilized to ascertain the extent to which forensic accounting has effect on quality of financial reporting of quoted banks operating in Nigeria. The study adopted the fixed effect model as being the most appropriate. The results showed that investigative accounting negatively impacted on accrual quality and showed that investigative accounting had a negative effect on value relevance.

Vedrana, et al (2021) examine the role of forensic audit in the quality of financial statements. Descriptive method and survey questionnaires were employed in the study from the findings, the results of the research shows that the goals of the introduction of forensic accounting and forensic audit is insight into the financial indicators of the organization.

Chukwu and Asaolu (2019) evaluated the impact of basic forensic accounting skills viz: communication skills, technical & analytical skills, accounting & auditing skills and psycho-social skills on the financial reporting credibility of listed organizations in Nigeria. The research design employed was the survey approach by which primary data was collected and multivariate analysis was conducted to highlight the impact of the selected independent variables on financial reporting. It was found that, with the exception of communication skills which exhibited a negative but significant impact, all the other basic forensic accounting skills exert positive and significant impact on the methods by which an organization reports her financials.

Lucy, Okoh and Nnaemeka (2016) ascertained whether forensic accounting enhance quality of financial reporting in Nigeria. Primary obtained form 5-point Likert scale questionnaire and secondary data obtained from the annual reports of the chosen banks were used. The result reveals that the fundamental qualitative characteristics (relevance and faithful representation)

of financial reporting accounting and the enhancing qualitative characteristics (understand ability) can be significantly enhanced through Forensic Accounting.

Ezeagba (2014) examines the effectiveness of Forensic accounting in enhancing qualitative financial reporting in Nigeria using the commercial banking sector as a reference. The study adopts survey and descriptive approaches as its research design. Secondary data for this study were sourced from the annual reports of the chosen commercial banks. Primary data were also sourced to elicit information from accountants using a five scale Likert structured questionnaire which were administered to a sample size of Two Hundred and fifty respondents. The study reveals that the fundamental qualitative characteristics of financial reporting, accounting and the enhancing qualitative characteristics can be significantly enhanced through forensic accounting.

Modugu and Anyaduba (2013) examined if there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in financial fraud control, financial reporting and internal control quality. The survey design was used in the study with a sample size of 143 consisting of accountants, management staffs, practicing auditors and shareholders. The simple random technique was utilized in selecting the sample size, while the binomial test was employed in the data analysis. The findings of the study indicate that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality.

3. MATERIALS AND METHOD

Ex-post facto research design was adopted. The population comprised all the service firms quoted on the Nigerian exchange group (NGX). Sample size was seventeen (17) quoted service firms on the NGX selected using purposive sampling technique. The data used were collected from secondary source comprising annual reports and accounts of the sampled companies and NGX fact book. The annual accounts and reports selected covers the period of ten years that is from 2013- 2022. Analysis of data was done using ordinary least square (OLS) regression with the aid of STATA 14.2.

Based on the theoretical literature and earlier empirical studies, the present study adapted the model of Gholami, Sands, and Rahman (2022). The econometric form of the model is expressed below:

$AC_{it} = \beta_0 + \beta_1 BenieshMscore_{it} + \beta_2 FSize_{it} + \beta_3 LEV_{it} + \mu_{it}$.....Eqn 1.

$EM_{it} = \beta_0 + \beta_1 BenieshMscore_{it} + \beta_2 FSize_{it} + \beta_3 LEV_{it} + \mu_{it}$.....Eqn 2.

$AQ_{it} = \beta_0 + \beta_1 BenieshMscore_{it} + \beta_2 FSize_{it} + \beta_3 LEV_{it} + \mu_{it}$.....Eqn 3.

The apriori expectation based on the literature reviewed and related theories is stated as follows; $\beta_1 X_{1it} < 0$, $\beta_2 X_{2it} < 0$, $\beta_3 X_{3it} > 0$. The basis for this expectation flows from the outcome of the literature review and empirical findings. The operationalization of the above proxies is captured below.

Where:

Beniesh Mscore	=	Measure of Forensic Auditing
AC	=	Basu's Accounting conservatism score
EM	=	Earnings management – Measured by modified jones model
AQ	=	Accrual quality
FSize	=	Firm size as control variable
LEV	=	Leverage as control variable
β_0	=	Constant
β_1- β_4	=	Slope Coefficient
μ	=	Stochastic disturbance
i	=	i^{th} company
t	=	period

If the p value of the *t-statistic* < *.05*, the null hypothesis is rejected; and, the variable is postulated to have a significant effect. On the other hand, if the p value of the *t-statistic* > *0.05* the null hypothesis is accepted; and, the variable is postulated to have no significant effect.

4. RESULT AND DISCUSSIONS

This study uses data of the companies in the services sector listed in Nigeria Exchange Group between 2013 and 2022. The data are used in the analysis below:

4.1 Data Analyses

To achieve the objectives of the study, the pooled ordinary least square (OLS) regression was conducted before proceeding to check for inconsistencies in the basic assumptions of the OLS regression. These diagnostics tests include tests for multicollinearity and this was preceded

by tests for association or correlation between the dependent variables and the independent variables of the study. Hence, the Spearman Rank correlation analysis was conducted to test this association and relationship as shown below.

4.1.1 Descriptive Statistics

Table 1 displays the descriptive statistics for the study where it described the nature of the variables used. It also displays the number of observations of each variable and the description of their mean, standard deviation, maximum, and minimum values.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
earningsmgt	160	-.048375	.6478255	-3.07	1.36
accrualqua~y	160	-.5050625	.395309	-1.48	.38
accounting~m	160	14.99589	54.81436	-374.36	119.05
beneishmsc~e	160	.0143156	.6936845	-3.29	.94
fsize	160	6.733951	.5088663	5.500252	7.89922
leverage	160	-.7038188	27.61617	-343.17	12.22

Source: SATA 14.2/Author (2024)

Table 1 above provides a general understanding of the central tendency and variability of each variable in the dataset with 160 as the number of observations. Earnings Management (earnings mgt) returned a mean value of -0.048375 and standard deviation of 0.6478255 on a -3.07 to 1.36. The average level of earnings management is slightly negative, with a moderate variability around the mean. Accrual Quality (accrual quality) also revealed a mean value of -0.5050625 and a standard deviation of 0.395309. The mean value suggests a negative accrual quality, and the variability around the mean is moderate. Accounting Conservatism (accounting conservatism) on the other hand revealed a mean value of 14.996 and a standard deviation of 54.814 indicating a positive level of accounting conservatism, with a wide range of values and high variability. Concerning the independent variable, Forensic Auditing which was proxied by Beneish M-Score; the mean is close to zero, suggesting a relatively low average M-Score, and there is variability around this mean. Regarding the control variables, Firm Size (fsize) revealed a mean of 6.734 and a standard deviation of 0.509 indicating that the average firm size is around 6.73, with relatively low variability around the mean. Finally, Leverage returned a mean value of -0.704 and a standard deviation 27.616 indicating that the

mean leverage is negative, indicating that, on average, the firms have lower leverage. However, the variability around the mean is high.

4.1.2 Normality Test

The dataset was tested for normality in the distribution at a significance level of 0.05 (5%). Where the probabilities are greater than (>) 0.05, it indicates that the data was NORMALLY distributed. Conversely, where the probabilities are less than (<) 0.05, it indicates that the distribution of the data was NOT NORMAL. Table 2 below shows the result of the normality test of the dataset using the Shapiro-Wilk W test for normal data on the STATA, 14.2.

Table 2: Normality test

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
earningsmgt	160	0.96653	4.116	3.218	0.00064
accrualqua~y	160	0.95048	6.090	4.109	0.00002
accounting~m	160	0.74995	30.753	7.793	0.00000
beneishmsc~e	160	0.72317	34.046	8.024	0.00000
fsize	160	0.96372	4.462	3.402	0.00033
leverage	160	0.11121	109.308	10.678	0.00000

Source: SATA 14.2/Author (2024)

Table 2 reveals the result of our Shapiro-wilk normality test. The test shows that the variables had a z-statistics of 3.218, 4.109, 7.793, 8.024, 3.402, 10.678 for EM, AQ, AC, BMS, FSize and Leverage respectively. The Shapiro-wilk test also revealed a probability of z-statistics of 0.00064, 0.00002, 0.00000, 0.00000, 0.00033 and 0.00000 for EM, AQ, AC, BMS, FSize and Leverage respectively. The decision rule is where the p-value is greater than 0.05 (P > 0.05), then the data is assumed to meet normality assumptions otherwise, the data is assumed not normal. The result implies that all variables was not normally distributed since the probabilities of the z-statistic were less than 0.05. However, the study proceeded with non-parametric regression analyses with no intention by the researcher of changing the data but to carefully interpret the probability statistics against the t-statistics in line with the recommendation of Guajarati, (2004).

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4.1.3 Correlation Analysis

In examining the association among the variables, this study employed the Spearman Rank Correlation Coefficient (correlation matrix), and the results are presented in Table 4.3 below.

Table 3: Correlation Analysis

	earnin~t	accrua~y	accoun~m	beneis~e	fsize	leverage
earningsmgt	1.0000					
accrualqua~y	-0.1365	1.0000				
accounting~m	0.0470	-0.0362	1.0000			
beneishmsc~e	0.1921	-0.1982	-0.0633	1.0000		
fsize	-0.4897	0.0174	-0.1612	0.0445	1.0000	
leverage	-0.0432	0.0857	-0.0701	0.0656	-0.0436	1.0000

Source: SATA 14.2/Author (2024)

The result of the correlation analysis above between the independent and dependent variables as in Table 3 shows the linear relationships between the respective variables. Positive values indicate a positive correlation, while negative values indicate a negative correlation. However, the magnitudes of these correlations are relatively low. From Table 3, the correlation matrix indicates that, for the most part, the variables have weak correlations with each other. The exceptions are the negative correlations between Accrual Quality and Firm Size, as well as between Firm Size and Earnings Management, both of which have moderate strength. It is also worthy of note that correlation does not imply causation, and further analysis may be needed to understand the relationships between these variables.

4.1.4 Multicollinearity Test (VIF)

The degree of multicollinearity can be tested by the use of certain statistical instruments like the variance inflation factor (VIF). The VIF test helps us reveal whether or not there are multicollinearity issues in the specified model.

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Table 4: Variance inflation factor

```
. vif

    Variable |       VIF       1/VIF
-------------+----------------------
beneishmsc~e |      1.01    0.993448
    leverage |      1.01    0.993520
       fsize |      1.00    0.995847
-------------+----------------------
    Mean VIF |      1.01
```

Source: SATA 14.2/Author (2024)

A VIF test result of a value greater than 10 is an indication of the presence of multicollinearity and calls for concern. From the records in Table 4, the mean VIF value of 1.01 indicates the absence of multicollinearity in the models, and this suggests that no independent variable should be dropped from the models.

4.2 Test of Hypotheses

4.2.1 Hypothesis One

H_{o1}: Forensic auditing has no significant effect on accounting conservatism of quoted service firms in Nigeria.

Table 5 OLS regression result

```
. reg accountingconservatisim beneishmscore fsize leverage

      Source |       SS           df       MS      Number of obs   =       160
-------------+----------------------------------   F(3, 156)       =      1.86
       Model |  16504.6365         3  5501.54548   Prob > F        =    0.1385
    Residual |  461229.027       156  2956.59633   R-squared       =    0.0345
-------------+----------------------------------   Adj R-squared   =    0.0160
       Total |  477733.664       159  3004.61424   Root MSE        =    54.375

------------------------------------------------------------------------------
accountingc~m |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
--------------+---------------------------------------------------------------
beneishmscore |  -4.050438   6.236815    -0.65   0.517    -16.36994    8.269066
        fsize |   -17.4636   8.491756    -2.06   0.041    -34.23727   -.6899443
     leverage |  -.1464654   .1566555    -0.93   0.351     -.455905    .1629741
        _cons |   132.5498   57.33524     2.31   0.022     19.29626    245.8034
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Source: SATA 14.2/Author (2024)

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The decision rule for F-statistics is to reject the null hypothesis at a significance level of p-value less than 5% (i.e., $p < 0.05$). Consequently, and judging from the records in Table 5 and with regards to accounting conservatism (AC), the F-stat figures from the pooled OLS regression have value of 1.86 and a p-value of 0.1385 which is greater than 0.05 suggesting that we fail to reject the null hypothesis and conclude that our OLS regression model generally was not statistically significant at a 5% significance level. Hence, the regression model is not valid and cannot be used for statistical inference. The results obtained from Table 5 also revealed that the coefficient for Beniesh_Mscore is -4.05, with a p-value of 0.517 at 5% significance level. Since the p-value is greater than the commonly used significance level of 0.05, we fail to reject the null hypothesis. Therefore, based on this analysis, forensic auditing has no significant effect on accounting conservatism of quoted service firms in Nigeria. This finding is contrary to Lucy, Okoh, and Nnaemeka (2016) who suggested that forensic accounting can enhance the qualitative characteristics of financial reporting, including relevance and faithful representation. However, the specific impact on accounting conservatism might vary.

4.2.2 Hypothesis Two

H_{O2}: Forensic auditing has no significant effect on earning management of quoted service firms in Nigeria.

Table 6 OLS regression result

```
. reg earningsmgt beneishmscore fsize leverage

      Source |       SS           df       MS      Number of obs   =       160
-------------+----------------------------------   F(3, 156)       =     21.44
       Model |  19.4813647         3  6.49378824   Prob > F        =    0.0000
    Residual |  47.2474128       156  .302868031   R-squared       =    0.2919
-------------+----------------------------------   Adj R-squared   =    0.2783
       Total |  66.7287775       159  .419677846   Root MSE        =    .55033

------------------------------------------------------------------------------
  earningsmgt |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
--------------+---------------------------------------------------------------
beneishmscore |   .2051343   .0631239     3.25   0.001     .0804465     .329822
        fsize |  -.6403194   .0859465    -7.45   0.000    -.8100884   -.4705503
     leverage |  -.0018667   .0015855    -1.18   0.241    -.0049986    .0012652
        _cons |   4.259254   .5802997     7.34   0.000     3.112995    5.405513
------------------------------------------------------------------------------
```

Source: SATA 14.2/Author (2024)

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A big F-statistic (F-stat) with a small probability value (p-value) means that the null hypothesis should be rejected, and we would assert that there is a general relationship between the dependent and independent variable while a small F-stat, with a big p-value, would indicate that there is no relationship. Judging from the records in Table 6 the F-stat figures from the pooled OLS regression have a value of 21.44 and a p-value of 0.0000 which is less than 0.05 suggesting that we reject the null hypothesis and accept the alternate. This says that our OLS regression model generally was statistically significant at a 5 and 1% significance level. Hence, the regression model is valid and can be used for statistical inference. The results obtained from Table 6 revealed that the coefficient for the variable of interest is 0.205 with a p-value of 0.001 which is less than the significance threshold (5% sig. level). The significant p-value suggests that there is evidence to reject the null hypothesis. This implies that Forensic auditing has significant effect on earning management of quoted service firms in Nigeria. Similarly, Yusuf, et al (2023) emphasize the positive impact of data analytics, a component of forensic audit technology, on audit report quality. This aligns with the finding of the current study regarding the significance of forensic auditing on earning management.

4.2.3 Hypothesis Three

H_{o3}: Forensic auditing had no significant effect on the accrual quality of quoted service firms in Nigeria.

Table 7 OLS regression result

```
. reg accrualquality beneishmscore fsize leverage

      Source |       SS           df       MS      Number of obs   =       160
-------------+----------------------------------   F(3, 156)       =      2.74
       Model |  1.24318839         3  .414396131   Prob > F        =    0.0453
    Residual |   23.603611       156  .151305199   R-squared       =    0.0500
-------------+----------------------------------   Adj R-squared   =    0.0318
       Total |  24.8467994       159  .156269178   Root MSE        =    .38898

------------------------------------------------------------------------------
accrualqual~y |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
--------------+---------------------------------------------------------------
beneishmscore |  -.1175142   .0446163    -2.63   0.009    -.2056443   -.0293842
        fsize |   .0240764   .0607475     0.40   0.692    -.0959174    .1440701
     leverage |   .0014395   .0011207     1.28   0.201    -.0007742    .0036531
        _cons |  -.6644961   .4101593    -1.62   0.107    -1.474679    .1456865
------------------------------------------------------------------------------
```

Source: SATA 14.2/Author (2024)

The records in Table 7 shows the F-stat figures from the pooled OLS regression having a value of 2.74 and a p-value of 0.045 which is less than 0.05 suggesting that we reject the null hypothesis and accept the alternate. This says that our OLS regression model generally was statistically significant at a 5% significance level. Hence, the regression model is valid and can be used for statistical inference. The results obtained from Table 7 also revealed that the coefficient for the variable of interest is -0.118, with a p-value of 0.009 which is less than the significance threshold (5% sig. level). The significant p-value suggests that there is evidence to reject the null hypothesis. This implies that Forensic auditing has significant effect on the accrual quality of quoted service firms in Nigeria. This finding relates to Asyik, Agustia, and Muchlis (2023) who focused on the valuation of financial reporting quality and mention factors such as operation cycle, sales volatility, firm size, age, and leverage.

The findings of the study thus align with and complement the existing literature in some aspects. The literature also suggested that forensic accounting can enhance financial reporting quality and that the use of forensic technology, including data analytics, positively influences audit report quality. However, the specific relationship between forensic auditing and accounting conservatism may require further exploration, as it might be influenced by various factors.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the impact of forensic auditing on financial reporting quality of quoted service firms in Nigeria, aligning the findings with relevant empirical reviews. While forensic auditing demonstrated no significant effect on accounting conservatism, it emerged as a crucial factor influencing earning management and accrual quality. These results resonate with prior research emphasizing the positive contributions of forensic accounting to financial reporting quality. The literature underscores the effectiveness of forensic audit technology, including data analytics, in enhancing audit report quality. However, variations in the impact on accounting conservatism may exist due to multifaceted factors. The study contributes to the ongoing discourse on forensic auditing, shedding light on its nuanced effects on financial reporting dimensions within the Nigerian context. Future research could delve deeper into the intricate dynamics of forensic auditing and its relationship with accounting conservatism, offering a comprehensive understanding of its implications for financial reporting in diverse organizational settings.

Based on the above findings and conclusion, the study therefore makes the following recommendations:

1. Enhance Training Programmes: Given the non-significant impact on accounting conservatism, the study recommends continuous and targeted training programs for forensic accountants in Nigeria to refine their skills and understanding of its application in diverse financial reporting contexts.
2. Integrate Forensic Technology: Acknowledging the significant influence on earning management and accrual quality, the study therefore recommends the integration of advanced forensic audit technology, particularly data analytics, in the audit processes of quoted service firms to strengthen fraud detection capabilities and improve financial reporting quality.
3. Regulatory Embrace: The study finally recommends that regulatory bodies, such as the Financial Reporting Council of Nigeria, should further embed forensic auditing practices in the guidelines and standards for service firms. This includes emphasizing the importance of forensic audit technology and encouraging adherence to its best practices for robust financial reporting systems.

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