

Forensic Accounting Skills in Counterterrorism Operation

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Abstract

The threat of terrorism has become a principal security concern in Nigeria and has devastated every facet of the nation's economy. Terrorist activities require huge source of funding not only for weapons, but also for training, travelling and daily upkeep to thrive and be effective. Countering terrorist activities require a full grasp of the money flows that terrorists rely on. Forensic accounting experts have multiple skills that can serve as catalysts for trailing terrorism financing regardless of the source, disposition or even the nature of the money flow. The objective of the paper is to explore conceptually, the role of forensic accounting in the fight against terrorism in Nigeria through the application of forensic expert skills. The study found that, despite the significance of forensic accounting skills in counterterrorism, Nigeria has not embraced its full provision in its fight against terrorism. It is recommended that to address the threat of terror in Nigeria, there is crucial need for forensic accounting services. There is also an urgent need for the modification of existing laws to incorporate forensic accounting professionals in counterterrorism operation.

Keywords: Forensic Accounting, Counterterrorism, Terrorism triangle theory.

Introduction

The threat of terrorism has become a major security concern in Nigeria and has devastating effect on every facet of the nation's economy. Terrorist activities require huge source of funding not only for weapons, but also for training, travelling and daily upkeep to thrive and be effective. Money is most often at the heart of all crimes as it helps to energize the operations of terrorists. They need finances to buy supplies, communicate, fund planning and carry out acts of destruction. In the words of Dennis (2002), however shadowy or secretive the world of terrorists is, their spending leaves a trail that can be followed to help identify and expose extremists and their network of supporters at times before they can strike.

It is evident that the law enforcement and intelligence societies need to discover early opportunities to identify terrorist networks and the best way to do this is by analyzing their finances and its sources, this is because, when terrorists raise, stock, move and expend money, they leave behind trails which could be intricate, but traceable and identifiable through global financial systems and with the application of forensic accounting (FA) skills.

Forensic accounting is well thought-out to be an instrument for global war against terrorism financing, besides other fraudulent and societal vices that have hindered national development strides (Oguma, 2011). The peculiar skills, knowledge, and roles of forensic accountants in combating terror financing, frauds and fraudulent deeds cannot be left out in the fight against insurgency. Forensic accounting is an emerging field for strengthening a nation's economic sector. Experts in this field have multiple skills that serve as catalysts for minimizing the likelihoods of terrorism financing fraud, harms and scams all over the world. There is a crucial need for Forensic accounting investigators to be drafted into the Nigerian counterterrorism operation, owing to the continuous increase in the onslaught of terrorist activities persistently overwhelming the different law enforcement agencies who do not have adequate expertise required to prevent these acts from taking place whereas, FA experts can expose the

characteristics elements of illegal financial transactions specially, terrorist financing. Forensic accounting experts are highly skilled professionals like law enforcement and special operations military teams in terms of effectiveness. They are so well trained that they know when and how to depart from the plan. Hence, this study aims at exploring the role of forensic experts in curbing terrorism financing in Nigeria through the application of forensic accounting skills.

Terrorism is a major threat to human race and its society, the costs associated with terrorism financing as well as the losses as a result of its activities throughout the world, amounts to hundreds of billions of dollars, stretching from the loss of income-generating family members, economic losses due to joblessness, massive costs in security supplies, government reassignment of funds to security outfits, losses to private business enterprises, the loss of lives resulting directly and indirectly from terrorism, etc. The costs are quantified not only in financial terms, but also in their impact on the government and private segments of countries all over the world. “Countering the sources used by terrorist groups to fund their activities is a major difficulty confronting state and non-state actors in the fight against terrorism” (Financial Action Task Force Report (FATF, 2018). For the reason that, terrorist organizations rely on varied means of resources in carrying out their deeds and regularly recruit members (Lee, 2018).

It is imperative to note that, ever since the advent of terrorist activities, several counterterrorism actions have been applied at the national; sub-regional; and regional stages to contain and stop this group from carrying out additional attacks and expanding their activities which have not yielded the much needed result (Asanvo et al., 2016). To be able to curb this menace, and bring about the much desired sustainable economic development, the peculiar skills, knowledge and roles of forensic accountants in combating terror financing cannot be left out. Hence, this study aims at exploring the role of forensic experts in curbing terrorism financing in Nigeria through the application of forensic accounting skills.

This paper would be of great importance to government, regulatory bodies, corporate organizations and researches in revealing, the strong need for the development of expertise and skills proficiency of a forensic accountant entrenched with resourcefulness needed in tackling in the country's security challenges and also expose the huge dangers inherent in the lack of full scale application of Forensic accounting in Nigeria counterterrorism measures. It would likewise serve as an addition to literature works on Forensic accounting. The remaining part of the research is organized into the following sections: the next part consist of literature review, the third unit comprises of methodology, the fourth section takes up findings and discussions however, the last division deals with conclusion and recommendations.

Literature Review

Concept of Forensic Accounting

Forensic accounting is commonly described as the integration of accounting and auditing skills with investigative procedures and professional skepticism. It can also be perceived as part of accounting that is appropriate for legal review offering the highest level of assurance (Apostolou et al., 2000). Additionally, Forensic accounting is perceived to have evolved in response to certain emerging fraud related cases. A retired Inland Revenue Service (IRS) chief of the Criminal Investigation Division, Robert G. Roche gave a depiction of a forensic accountant as conveyed by Randall (1988) as:

“Someone who can look behind the facade--not accept the records at their face value--someone who has a suspicious mind that the documents he or she is looking at may not be what they purport to be and someone who has the expertise to go out and conduct very detailed interviews of individuals to develop the truth, especially if some are presumed to be lying”.

In accounting world, Forensic Accounting is taking the center stage and has continued to fill the gap inherent in traditional auditing. Forensic

Accounting is used of accounting, auditing and investigative skills to assist in legal matters (Houck et al., 2006). Diverse names have been used for Forensic accounting including “forensic accountancy or financial forensics, forensic accountants, investigative accountants or expert witness” may be applied interchangeably. It is a distinct practice region of accounting that involves actual or anticipated disputes or litigation. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial (Crumbley et al., 2005). A forensic accountant takes some steps in investigation and analytics which consist of: data collection, data preparation, data analysis and reporting (Nigrini & Mark, 2011). Forensic accounting experts are proficient in cases involving investigative accounting however, there are a number of occasions where investigative accounting is only one of numerous skill sets required to address the complex issues innate in a particular case. Forensic accountants utilize an understanding of business information, economic theories, financial reporting systems, accounting and auditing standards and techniques, data management and electronic discovery, data analysis technique for fraud detection, evidence gathering, investigative techniques, litigation processes and procedures to execute their work.

Correspondingly, Forensic accounting is an area of specialty in accounting in which investigative and analytical skills are applied, for the purpose of resolving financial issues and/or criminality in a manner that meets standards required by courts of law (Hopwood, 2012). Alternatively, financial criminality is a state of abuse of financial guidelines and standards and other form of abnormalities or its equivalents in business and financial transactions, in that effect, terrorists financing is a form of financial criminality, whose requirements collapse into two general areas: firstly, funding precise terrorist operations, like direct costs related with specific operations and secondly, wide-ranging organizational costs to advance or maintain an infrastructure of organizational support and to support the beliefs of a terrorist organizations. In similar line, forensic accounting skills is suitable in the investigation of hidden financial

operations and serves as internal control structure to financial bodies to enable intelligence gathering on the sources of funds available for terrorists.

Terrorism

Definition of terrorism vary, but most authorities agree that it consist of the usage of force or the fear of force to realize a political end. Terrorism has been an ongoing problem in a lot of countries, including the United States of America over the past 50 years. Early in that period, terrorist activities were mostly domestic, involving a single country or at most two countries. Beginning in the 1980s and throughout the 1990s, terrorism increasingly became more international, and while assassination and bombing continued to be the primary tactics of terrorist groups, violence and loss of life in individual attacks escalated, with civilians becoming primary targets (Darrell et al., 2005; Richard, 2004, Maza et al, 2020). The intensity of terror unleashed on the citizenry continue to strive because of the uninterrupted inflow of financial resources unhindered to the terrorist group.

However, with an effective deployment of forensic accounting skills in the financial profiling of terrorists, and possible blockage of their sources of funding, their activities would be reduced to the barest minimum. This would require an acute grasp of the money flows that terrorists rely upon. Forensic accounting tools can be applied regardless of the source, disposition, or even the nature of the money flow. The skills are equally effective among all types of flows, including electronic transfers, checking accounts, credit cards, debit cards, traveler's checks, purchase and sale invoices, payroll records, letters of credit, cash etc.

Terrorism Financing

Terrorism financing takes many arrangements and represents financial structure that has a lot of the same characteristics as transnational organized crime. Regardless of the passage of new laws concerning money-laundering in several countries, the ability to investigate such

transactions is limited. Terrorist and organized criminality activities represent a minute and therefore hard to detect portion of the trillions of dollars in the global banking systems.

Terrorist financing cloud a surface leaving no particular directions, it give the impression as if the terrorists are from a different world, with difficulty tracing their financing and mission. Investigating their financing requires personnel linkage, anti-terrorism linkages and intelligence information gathering system to be able to trap and follow suspected persons who are fundamentalist or organizations who are involved in supporting terrorism (FATF Report, 2012). According to “Nigeria Financial Intelligent Units” (2013), terrorists raise resources from diverse means, move these funds via various medium and use them in different ways. Correspondingly, Krieger and Meierrieks (2011) highlighted that, terrorist groups obtain financial resources predominantly from: state funding, legitimate means such as charities and support from diaspora, illegal private financing which include; kidnapping, full criminal activity, counterfeiting, drug trafficking, illegal logging, human trafficking, illegal mining, illegal fishing, illegal wildlife trade, crude oil theft, small arms and light weapons trafficking, organ trafficking, etc.

As posited by Darrell and Gregory (2005) the following describes the nature of terrorist financial needs and outlines the likely sources and disposition of the money they acquire. Firstly, the common thread (money): Terrorists have basic needs that must be met in order to execute their hideous schemes such as; physiological, communications and mobility needs each of which requires money to fulfill. Hence, they cannot effectively attack our society unless they use society's methods. These methods usually leave financial trails that can be found by Forensic accounting back to the terrorists. Consequently, when we understand how and where terrorists acquire and spend their money, the more effective we will become in defeating their efforts. Secondly, physiological needs: Just

like every human needs air, water and food to survive likewise the terrorist must breathe, drink and eat so as to function effectively. Air does not require money to purchase, however, water and food is purchase with money which leaves various trails of evidence. Similarly, they need shelter, clothing and sanitary items, acquiring such items generates a trail of evidence that can be traced by FA analysis.

Thirdly, communication needs: this is very vital to terrorist because it helps them to coordinate the execution of their schemes, periodic communication for planning and continual reinforcement by and with others sympathetic to their cause to ensure that the commitment is maintained and strengthened. Fourthly, mobility needs: this is very important to terrorist because it enables them to make themselves moving targets more difficult to track and it also enable them to execute plans against targets. Their travel modes range from air to land transportation thereby owning and requiring driver's license for operating vehicles involving documentation, that could serve as evidence of activities that leaves more trail than the terrorist desires, such as fingerprints, DNA, routing information, timing indications and related data.

Terrorism Triangle Theory

Fraud and diamond theories was integrated into terrorism triangle theory by Krancher (2010) who opined that, fraud is a fundamental component of terror. The theory explained that, terrorist activities exist only under the conditions of opportunity, ideological motivation (versus pressure) and ideological rationalization. Essentially, the terrorists have the ideological motivation to perpetrate terror without showing remorse and justify their activities grounded on their ideological beliefs. However, the opportunity may well be the most important attribute for terrorist because devoid of the opportunity to generate, move and control cash flows, the financing of terrorism will not occur (Krancher, 2010) .

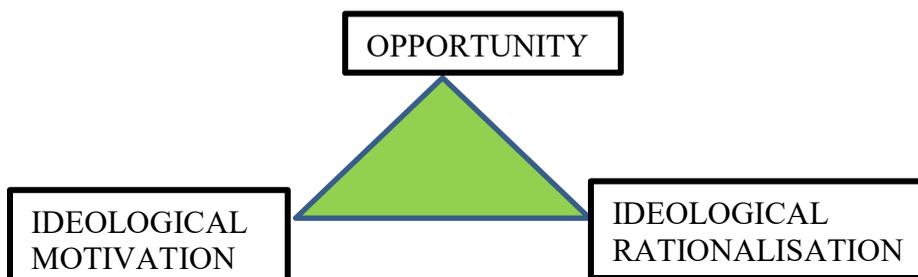


Figure 1 Terrorism triangle

This theory explain that, modern and conventional technique of fraud is a construct of defalcation, capital reduction, economic strength and increases criminality activities like terrorism. The combination of these theories hypothesized that forensic accounting investigation can expose the characteristic of fraud and elements of illegal financial transactions including terrorist financing, money laundry and cybercrime where the services of forensic examiners is actively engaged for evidence and intelligence gathering. However, Maza et al (2020) posited that, ineffective intelligence gathering and improper scientific monitoring as well as lack of proper tracking of funds flow, will render all efforts aimed at counterterrorism of less effect.

Methodology

This study assumed a descriptive research design which involves the use of a wide range of qualitative methods of research for collecting data that aids in accurately describing the research problem being studied. To accomplish the objective of this study, the qualitative method of research was employed and secondary sources of data collection was largely utilized such as journals articles, textbooks and other relevant materials related to the topic under investigation both abroad and in Nigeria. The study reviewed the findings of other researchers taking a stand based on the justification given by the previous studies.

Results and Discussions

Forensic Accounting Skills for uncovering Terrorism Financing

A number of authors differ in their opinion regarding the topical skills coverage a FA should possess in order to be effective in fraud assessment. Digabriele (2008), Harris and Brown (2000) and Sumartono and Hamdani (2020) have identified specialized skills and technical abilities of Forensic accounting to include, familiarity with criminal/civil law and understanding of courtroom procedures and expectations. They also stressed other skills such as investigative skills, comprising theories, methods, also patterns of fraud-abuse. Creative thinking skills in order to study and understand the strategies that a fraud committer may use to commit and hide fraudulent acts. In addition, they need to have effective communication skills in order to plainly and concisely relate findings to different parties, including those with fewer knowledge of accounting and auditing. Likewise, Grippo and Ibex (2003) explained that, the greatest important skills of FA come from “experience in accounting and auditing, taxation, business operations, management, internal controls, interpersonal relationships, and communication”.

Similarly, Messmer (2004) itemized that, a successful Forensic Accountant must take analytical abilities, robust written and verbal communication expertise, a creative mindset, business acumen, ability to interview and stimulate information from possibly uncooperative people and have a strong expanse of skepticism. Correspondingly, Ramaswamy (2005) held that, forensic accountants are peculiarly positioned to unearth financial frauds, their prominent skills should include; in-depth understanding of financial statements, the capacity to critically evaluate them and a detailed understanding of fraud patterns as well as have the capability to understand the internal control systems of organizations and be able to measure their risks. Likewise, the knowledge of psychology to be intelligent to understand the instincts behind criminal behavior that inspire and encourage monetary deception, relational and communication skills that help in disseminating facts about the company’s ethics, an

understanding of illicit and civil law and of the legal structure and court processes.

However, Davis et al. (2010) and Ozili (2015) classified the skills a Forensic Accountant /investigator should possess into two distinct classifications. They are; core skills and enhanced skills.

Core Skills

Core skills are the fundamental skills needed to become a sound forensic investigator. Different authors have identified varying core skills needed by a Forensic Accountant among who are; Messmer (2004) identified “strong analytical abilities, written and verbal communication skills, creative mind-set and business acumen”. Durkin and Ueltzen (2009) stated that, the Forensic Accountant should possess the knowledge of; “professional responsibilities and practice management, laws, courts and dispute resolution, planning and preparation, information gathering and preservation such as documents, interviews or phone calls, questionings, electronic data, etc., and discovery (reporting, experts and testimony)”. Davis et al (2010) identified the following as the topmost five core abilities of a FA, they are; critical and/or strategic thinking; effective written communication; efficient oral communication; investigative ability and investigative intuitiveness.

These core skills are essential necessities for combating terrorism especially in the Nigerian situation. Any Forensic Accountant who will be engaged in this assignment must meet up with these requirements in order to be effective and relevant.

Enhanced skills

Enhanced skills are acquired through years of involvement in the profession in academia or industry. Grippo and Ibex (2003) argued that, the best important skills of forensic accountants come from involvement in “accounting, auditing, taxation, business operations, management, internal controls, interpersonal relationships, and communication”.

Ramaswamy (2005) recommended skills such as: in-depth awareness of financial statements, the talent to critically analyze them and a thorough understanding of fraud schemes. Other works such as Curtis (2008) and Digabriele (2008) observed that, scholars and practitioners agree on the significance of a working knowledge of the legal procedure and criminology as an enhanced skill. In Davis et al. (2010) the upper enhanced skills for the forensic practitioner include: fraud detection, interviewing skills, analysis and explanation of financial statements, electronic discovery, general knowledge of rules of evidence and civil procedure and information, testifying skills and knowledge of relevant professional standards.

Summary and Conclusion

The services of forensic accountants are very valuable in identifying, monitoring and minimizing terrorism financing and other anomalies in Nigeria in order to have a sustainable economic development. It is evident from the study that, terrorists indeed use fund to perform effectively and carry out their attacks. The implications of this study emphasized that, government should strengthen enforcement on financial trail and provide security infrastructure (advanced technology) in tackling the precedence of terrorist financing in Nigeria.

It recommended that, Forensic Accountant should be incorporated into anti-corruption agencies and counter-terrorism operation in Nigeria. Forensic accounting has been incorporated into the Federal Bureau of Investigation (FBI) in the United State of America (USA) after the September 11th 2001 terrorists' attack. The FBI created the "Terrorist Financing Operating Section" (TFOS) to direct more attention to the financial aspect of counterterrorism (Bilbeisi & Brown, 2015). TFOS consists of special agents, analysts, forensic accountants and other professionals that jointly gather intelligence and follow money trails of suspected terrorists (Terror Financing, 2013).

Furthermore, in order to address the threat of terror in Nigeria, there is urgent need for the enactment and modification of existing laws and rules, Border Security and Visa Entry Reform Act, and federal fraud statutes. Reasons behind this approach to counter-terrorism include the belief that terrorist activities require funding, not only for weaponry, but also for training, travel, and living expenses.

Similarly, to curb the funding of terrorist activities, there is need for changes in banking guidelines, international legislation and cooperation among nation states. The study hence concludes that, forensic accounting skills are very valuable in identifying, monitoring and minimizing terror funding.

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