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CRITICAL REVIEW OF THE FRAUD TRIANGLE AS IT AFFECTS THE PUBLIC SECTOR TERTIARY INSTITUTIONS IN NIGERIA

Ewa, Uket Eko; Essien, Etim Ndu
Department of Accountancy,
University of Cross River State, Nigeria
Email: uketewa@unicross.edu.ng, uketewa@yahoo.com

Abstract

The aim of this study is to critically evaluate the tripod factors underpinning the Fraud Triangle Theory (Perceived pressure, Perceive opportunity, and Perceived rationalization) and its semblance in altitudinal and operational tendencies in the performance of Tertiary Institutions staff members in Nigeria. The study revealed the presence of perceived pressure, perceived opportunity and perceived rationalization that points to the probability of corruption and unethical behaviors noted among tertiary institutions in Nigeria. The study enumerates instances of pressure factors, opportunity factors and rationalization factors. Recommendations such as proper funding, implementation of anti-corruptions laws, prosecution of offenders, prompt adjudication to address opportunistic instances in corruption and 'tone at the top' to promote good governance and transparency in Nigerian tertiary institutions.

Key words: Fraud triangle, pressure, opportunity, rationalization, risk assets, performance.

1.0 Introduction

Human capital development plays an essential role in the economic growth of nations. The significance of education which is a channel for human capital development account for the reason countries allocate significant part of its budget on the education sector. The United Nations Educational, Scientific and Cultural Organization (UNESCO) declared member states to devote 4% to 6% of their Gross Domestic Product (GDP) or 26% of their annual budgets to the education sector.

In Nigeria although the annual budget allocation falls below international standard, budget implementation and providing infrastructural development that will meet the demand of a modern educational environment where learning and skill development would thrive is abysmal. This is attributed to amongst others corruption, high-handedness and lack of political will by government leadership to promote education. The educational system has thus witnessed a downward trend in quality over the past decades due to myriad of factors in infrastructural development, governance, political leadership, social service, job security and curriculum development. Yearly enrolment in tertiary institutions has risen astronomically with average class sizes rising from standard size of 15 students to over 250 students without any commensurate improvement in teaching facilities and teaching personnel. It is postulated that the country with about 41.3% of its population as children and one-in-five out of school children globally is yet to solve its education crisis as total out of school children is estimated at 183 million. JAMB recently announced that 27% of the students who wrote 2024 UTME scored 200points out of 400 points, (JAMB, 2024).

The poor JAMB results can be traced to the challenge of funding the Nigerian educational system. For instance, yearly average budget allocation for education against GDP has dropped over the period as in 2024 Nigeria provided only about 7.9% of the year's budget which is far below international standard as recommended by United Nations Educational, Scientific and Cultural Organization (UNESCO).

In the tertiary institutions, salaries and allowances of teachers have remained stagnant since 2009 after ASUU/FGN negotiation. This is in spite of the fact that inflation has risen tremendously over the period. Increased students' enrolment, poor teaching facilities and widespread corruption among the political class managing the commonwealth of Nigeria are among various factors responsible for the degeneracy. The anti-graft agencies are not left out of the cancer as their functionality, investigation and prosecution abilities is tied to how much a culprit can offer to them. The judiciary is also seen as applying judicial technicalities to rule on cases that erode confidence, social or civic morality in service delivery in Nigeria.

In spite of the poor salary of the lecturers which has remained stagnant for the past 20 years which makes it difficult for them to have access to basic amenities like decent accommodation, logistics and feeding, they are exposed to circumstances which can easily be explained criminally by them for their selfish benefits.

Nigeria presently ranks 145 out of 180 nations in Transparency International's (TI) Corruption Perception Index. Many of the corruption cases listed for prosecution are from the public service funds management and according to Ewa, et al (2017) they are laced with weak audit evidences to effectively prosecute the cases. Ewa (2023) posit that most high risk MDAs financial records are audited late and though the public suspect infractions and corruption in the agencies, the audit reports hardly highlight fraudulent acts in the agencies audit reports.

There are extreme external pressures both in business and private lives on individuals and businesses alike. All over the world there are disappointments on various relationships be it marriage, friendship or business. In the business world, The Fraud Triangle which was propounded by Donald Cressey identified pressure, rationalization and opportunity as potential factors that if present in any given circumstances can propel fraudulent practices in the society.

Man is insatiable and invents various schemes to defraud the organization they are working in or transacting business with. Individual service failures have also an economic, social and moral implication which is disastrous to the economy and stability of any nation. It is an established fact that big investment frauds and trading scams have resulted in reputational image loss to Nigeria and the loss of billions of dollars from gullible people.

This funds obtained from corruption is adjudged illegal in most countries of the world and since they are deemed illegal, the money had to be laundered in order for such to be 'cleaned'. Money laundering is the concealment of the source, nature, existence, location and disposition of money and or property obtained illegally and or from criminal activities such as drug trafficking, corruption, insider trading, bribery, embezzlement, computer fraud and other related crimes (Cole, 2008).

The purpose of this study is to review the spirit behind the fraud triangle as it affects the behaviour of staff in tertiary Institutions in Nigeria.

2.0 Theoretical framework.

This study relies on the theories of some of the authors that have researched generally on the development of crime and fraud in the world and the development of the educational sector in Nigeria.

1. Sociological theory of Crime/Fraud:
2. Culture Transmission Theory.
3. Psychological/physiological theory of crime:
4. The Fraud Triangle.

2.1 Sociological theory of crime/fraud.

Fraud is a crime and so it is essential to remember that the concept of what constitutes a crime is constantly being adapted to meet the particular needs of any society. There may be some constant concepts in all societies such as respect for property, life, and sexual rights and in the tertiary education sector, respect for the quality of students graduating, their welfare and contribution to society.

O' Donnell (1974) opined most people are capable of committing a crime in sudden anger, drunkenness or as a result of stress and there may be little to prevent isolated acts by individuals. Nonetheless, if it is established certain groups or certain individuals are more likely than others to commit crimes, then it will be possible to reduce the extent of crimes by eliminating the factors which predispose these individuals or groups towards criminal acts and motivation. These indicators according to O'Donnell (1974) are predisposing factors of crimes and there are the precipitating factors which trigger off tendencies for frauds and criminal motives in groups or individuals concerned. Crime and criminal motives is considered a part of a 'normal' social order in that it can be an expression of the same motivations that give rise to accepted behavior. Oluwadare, 1993, opined that the embezzler, the fraudster and the law abiding storekeeper are concerned with making money. Some makes money into their private pockets (egoism) and some others make the money for their organizations (altruism). Thus Durkheim, one of the founders of sociology argued that crime is an integral part of all healthy societies.

2.2 Psychological/Physiological theory.

Oluwadare, (1993) opined psychological and physiological theory are explanations by some scholars that crime is a personal rather than a social problem. That this approach varies from those who are of the view that some people are innately wicked to those who claim or are of the belief that there is a genetic cause for criminality connected with the endocrine glands.

Lombrose, (1876) assumed that criminality was inborn because after he examined the skull of a notorious bandit and found characteristics which he believed to be result of a “throw back” to an earlier evolutionary type. He concluded that there was a criminal type which resulted in “insensibility to pain, extremely acute sight, love of orgies, irresistible caring for evil for its own sake etc”

Rosenthal (2005) in his affirmation of the theory suggested a possible link with crime while quoting studies of twins made in three continents over a period of forty years in which he claimed identical twins shared crime traits at a rate more than double of that of non identical twins.

In evaluating the psychology of the Fraudster, (Sutherland, 1939) stated that an individual's propensity to commit crime is not related to personality rather what is important are the situations and social bonds within organizations. Criminality according to Sutherland (1939) is not confined to any specific class in society. Culture of competition promotes and justifies the pursuit of material self-interest, often at the expense of others and even in violation of law (Coleman, 1990)

2.3 Culture transmission theory.

Culture transmission theory accesses crime as the end product of a process of social leaving. Tarde (1886) opined that criminal behavior or criminal motives is cultured in the family and the community in areas where this behavior is the ‘norm’ (i.e. a standard behavior shared by a group and accepted within it).

2.4 The fraud triangle

Fraud or intentional deception is a strategy to achieve a personal or organizational goal or satisfy a human need. The desire for survival or satisfy a need may cause one to choose either dishonest or honest means. Of the traditional fraud research, Donald Cressey (1953) propounded the fraud triangle. The theory postulates that every element of fraud has three things in common: (1) Perceived pressure sometimes referred to as motivation and usually a “un shareable need”; (2) Perceived rationalization of personal ethics; and (3) Perceived knowledge and opportunity to commit the crime.

2.4.1 **Perceived pressure**

Singleton et al (2006) in their work on the fraud triangle theory stated that pressure or incentive or motivation refers to something that has happened in the fraudster’s personal life that creates a stressful need for funds and thus motivates him to steal. This pressure, push or motivation hinges on some financial strain that could be the symptoms of other types of pressures. In relation to lecturers in tertiary institutions, their living conditions premised by their academic and environmental demands, inflation, social responsibility vis-à-vis their disposal incomes could create great financial need in order to sustain their social status and thus create the pressure associated with this aspect of the fraud triangle. Other types of pressures or motivations include; social and political survival (egocentric and ideological motives) and psychotic. Kenyon and Tilton (2006) opined that Institutions’ management or other employees may find themselves offered incentives or placed under pressure to commit fraud. They cited as an example that when remuneration or advancement is significantly affected by individual, divisional or institutional performance, individuals may have an incentive to manipulate results or to put pressure on others to do so like the case with tertiary Institutions in Nigeria where efforts to gain programs accreditation, the lecturers compromises. Likewise, pressure may come from the unrealistic expectations from investors, banks or other sources of finance. It is thus postulated that incentives or pressures may take a variety of forms within the Institution. These include extortion from students for course registration, seminar submission, sorting for grades during examination and compulsory and exorbitant sales of courses handbooks to students in the program.

2.4.2 **Perceived rationalization and attitude**.

Kenyon and Tilton, (2006) in their study on potential red flags and fraud detection techniques stated that some individuals are more prone than others to commit fraud. That all things being equal, the propensity to commit fraud depend on people ethical values as well as on their personal circumstances. They stated that ethical behavior is motivated both by a person's character and by the external environment of factors. External environment or factors covers job insecurity such as during a downsizing or redundancy era or a work environment that inspires resentment such as being passed over for promotion. External environment also include the tone at the top – the attitude of management toward fraud risk and management's response to actual instances of fraud. They posited that when fraud has occurred in the past and management has not responded appropriately, others may conclude that the issue is not taken seriously and they can get away with it. In Nigeria tertiary Institutions, how have these characteristics that encourages fraud via rationalization? How is ethical values influencing propensity to commit fraud in Nigeria? Is it common in society to question the source of wealth of people living around one's environment? With the level of unemployment in Nigeria, how will the state of things influence an internal auditor? What is the assessment of Nigeria leaders in government positions in terms of prudence, accountability and sincerity? Are they showing good examples? Is there value for money on contracts awarded based on the 3Es (Economy, Efficiency, and Effectiveness)?

2.4.3 **Perceived opportunity**:

These are instances that may exist that create opportunities for management or other staff to commit fraud. When such opportunities arise, according to Kenyon and Tilton, (2006), those who might not otherwise be inclined to behave dishonestly may be tempted to do so. They stated that absent or ineffective controls, lack of supervision or inadequate segregation of duties may provide such opportunities. Also according to Cressey's research (i.e., the Fraud Triangle), fraudsters always had the knowledge and opportunity to commit the fraud. Tommie W Singleton et al (2006) stated that in the 'Report to the Nation (RTTN) research carried out by Association of Certified Fraud Examiners showed that most employees and managers who commit fraud tend to have a long tenure with a company. A simple explanation deduced by the scholars is that employees and managers who have been around for years know quite well where the weaknesses are in the internal controls and have gained sufficient knowledge of how to commit the crime successfully.

In the management and operation of the public sector financial services in Nigeria and in particular the education sector, does the 1956 Audit Act, the 1999 Constitution as amended, the financial regulation and extant circulars in operation sufficient to prevent internal control lapses that promotes occurrence of fraud? Which sanctions and how often have Institutions leadership and individuals being jailed or publicly reported for failing to adhere to financial regulations like prepayment audit before release of funds, contract padding by officials, and adherence to Code of Conduct Bureau regulation that officials from grade level 8 and above must declare their assets every 4 years? As regards tertiary institutions, are the tertiary institutions funded properly to prevent opportunistic behaviour?, have the government/institutions mandatory channels for contract awards, employment creation, funds management strictly followed to check excesses. Do Institutions mandatorily channel all students to routinely report on the staff credibility in their service delivery in terms of extortion in course delivery and examination?

3.0 University education in Nigeria

University education has evolved from 1959 when the Federal Ministry of Education set up the Ashby Commission to examine the needs of Nigeria in the area of post-secondary school certificate in higher education from 1960 to 1980. The Commission recommended among others the establishment of University of Lagos, Ahmadu Bello University (ABU), Zaria and the upgrade of the University College of Ibadan into an autonomous University of Ibadan and the National Universities Commission (NUC) which came into existence in 1962, (Awe, 2020). Following the shift of education from exclusive list in the Nigerian Constitution to concurrent list, the federal government and all federating states have established various Universities across the country alongside the private sector investors. Although the motive for the proliferation of Universities in Nigeria is to ensure access to University education, it has deleterious influence on quality of University education with the poor funding and upsurge in students' enrolment.

Babalola (2001) in a study reported that when the income level of University of Ibadan reduced by 9%, the students-to-teacher ratio increased by 14% and in University of Ilorin, income level dropped by 52% between 1980 – 1986. Okunamiri (2002) postulated that most federal Universities resorted to taking punitive measures as a way of containing the incidence of financial predicament they found themselves. The urge for survival has made public universities exceed their carrying capacity which invariably leads to over enrolment. The decay in academic and physical facilities in Universities with deplorable state of infrastructure with insufficient lecture theatres/halls, laboratories etc which could lead to the production of poor quality graduates that will impair socio-economic development of Nigeria and poor image brand internationally, (Okunamiri, 2002; NUC, 2005; Adedipe, 2005; NUC, 2006)

Annual Budgetary Allocations to Education in Nigeria (2015 – 2024)

Year	Percentage on education
2015	10.79
2016	7.92
2017	7.4
2018	7.04
2019	7.05
2020	6.7
2021	5.68
2022	7.2
2023	8.8
2024	7.9

The challenges facing higher education in Nigeria has negatively impacted on governance and product brand in the quality of graduate produced from Nigerian Universities. These challenges include among others:

3.1 Inadequate funding

According to Monday (2021) citing Udida et al (2009) educational development is dwindling level of public Institutions funding in the face of rising demands and rising cost of higher education. He opined that the shortage of funds affects job performance of personnel. This is echoed by the study by Akinola (1990) who stated that Institutions are in dire need of funds to cater for both their capital and recurrent needs.

3.2 Corruption

Corruption according to Ogunode (2020) in his study of corruption in the Public Universities in Nigeria is another problem preventing effective administration of public universities in Nigeria and has hindered effective administration of the Institutions. He stated that funds earmarked for implementation of programmes, provision of infrastructural facilities, employment of staff and programme development ended up been looted or diverted into private accounts. The Punch (2020) report that much of the little funds that go into the Universities are stolen and in reaction to the write-up, the government claimed “the fraud in the Universities is amazing and you will be shocked.” That “ICPC did a system check recently and it was so shocking that the worst two organization they mentioned are the Teaching Hospitals and the Universities. According to Ogunode (2020), Socio-Economic Rights & Accountability Project (SERAP) claimed they were allegations of corruption in several federal universities relating to the unfair allocation of grades, contract inflation, and truncation of staff’s salaries on the payroll, employment of unqualified staff, certificate scandal, examination malpractices, sexual harassment and issuance of results for expelled students to graduate. Klitgaard (1999) model to explain that the extent of corruption is assessed by the amount of monopolistic and discretionary powers officials possesses (ability to take responsibility solely without external check) without recourse to accountability. Where;

C (Corruption) = M (Monopoly power) + D (Discretion) –A (Accountability)

Monopolistic and discretionary powers are prevalent where officials' ability to take responsibility solely without external check or control and without recourse to accountability is considered normal. Here regulations and policies are rarely followed. That is poorly defined ethical standards, weak administrative and financial systems and ineffective watchdog agencies.

4.0 Review of the fraud triangle vis-à-vis tertiary institutions

Deficiencies in public procurement have contributed in part to a poor level of governance and week state capacity. This is attributed to leakages, inefficiencies and corruption that characterize government procurement (Adeiran & Raifu (2024)

Arising from the above a review of the tertiary institutions in Nigeria vis-à-vis fraud triangle can be seen that looking at the state of affairs in tertiary institutions management, there is the potential for corruption to be very evident in the system under the following occurrences

4.1 Presence of pressure on the Institutions

Presence of pressure on the Institutions management teams, academic and non-academic staff members occasioned by poor funding of the Institutions by government thus prompting management to devise means to raise funds, contract padding to satisfy approving agency like Public Procurement Bureau, State and National Assembly Committee on projects monitoring and poor remuneration or delayed monthly salaries with attendant high cost of living which precipitate the occurrence of fraudulent act from parties.

a. Presence of rationalization on the Institutions management teams, academic and non-academic staff members occasioned by weak anti-corruption measures like the Code of Conduct Bureau, ICPC, NFIU and the tone at the top as evidence abound of contract padding at the National and States Assemblies, corruption among the political class without reprimand and weak prosecutorial measures in the judiciary. This situation has encouraged non-compliance to anti-corruption action in the tertiary institutions as it is caped "*Others are doing it and nothing happens*"
b. Presence of opportunity on the Institutions occasioned by poor internal control systems that would have prevented or detected the occurrence of the act in place, political affinity in employment, weak anti-corruption laws and measures like the Code of Conduct Bureau law which considers ceremonial gift to a worker or politician as legal in spite of the magnitude of the amount, ICPC, NFIU in proactive appraisal of staff and management teams in the institutions while in position of authority or service. Also absence of sanction for non-adherence to Code of Conduct Bureau regulation by officials, weak mandatory channels for contract awards, employment creation and absence of mandatory channels for all students to routinely report on the staff credibility in

their service delivery in terms of extortion in course delivery and examination highlight high probability for corruption in the system.

5 Conclusion/Recommendations

The most significant barrier to the issue of corruption is lack of political will transparency in fund management. This collaborate the position of Awe (2020). A significant number of corruption cases that have been brought to light through the judicial system involved exploitation of loopholes by high-ranking public officials in order to perpetuate fraud. The following is therefore recommended to government:

1. Strengthening of institutions in governance,
2. Review of Anti-Corruption laws to address loopholes,
3. Judicial pronouncements devoid of technicalities should be the motto of Nigeria Judiciary.
4. Open and publicized sanctions in national dailies for any infraction of corruption as a deterrent for the action for all Nigerians.
5. Improve funding of tertiary institutions to address shady deals by institutions' management to raise funds for the management of the Institutions and enhancement of staff development and welfare.

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