**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF INTELLIGENCE AND SECURITY STUDIES**

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**AN INVESTIGATION INTO THE ROLE OF FORENSIC AUDITING IN FRAUD DETECTION IN THE RETAIL SECTOR. (A SURVEY OF RETAIL SHOPS IN HARARE CBD).**

**BY**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCIAL INTELLIGENCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION.**

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# **DEDICATION FORM**

I've seen further than others because I've stood on the shoulders of giants. I'm grateful to my giants for their support since I still have dreams that need to be realized. I'd want to dedicate this dissertation to my parents (Mr and Mrs Mutombwera), brothers and sister (Clayton, Milton,and Christabel), and extended family for their unending support. I must also convey my appreciation to my cousin's brothers and their families. Mr. Gombarume, my supervisor, was a constant source of encouragement for me. Without a doubt, my academic aspirations would not have been as successful without their ongoing, consistent, and visionary support and assistance. Above all, I am grateful to Almighty God, the creator and perfecter of our knowledge, wisdom, and faith, for His love, grace, mercy, and kindness, as well as for guiding me through the academic landscape. I dedicated this study to Him.

#

# **ABSTRACT**

The retail sector is one of the most vulnerable industries to fraud due to its complex operations and high volume of transactions. Forensic auditing is a specialized examination that is used to investigate financial crimes, including fraud, and has become an essential tool in detecting and preventing these crimes in the retail sector. This research therefore, sought to document the nature of fraudulent activities in the retail sector and exploring the role of forensic auditors in the detection and prevention in the retail sector, with specific focus on Harare CBD retail sector. The study was guided by the following objectives: to identify prevalent types of fraud in the retail sector in Harare's CBD, to establish the role of forensic auditing in fraud detection in the retail sector in the Harare CBD, to evaluate the effectiveness of forensic auditing in fraud detection in the retail sector in Harare CBD, and to recommend appropriate strategies for curbing fraud. The researcher used a descriptive survey research design on a sample size of 50 participants with the questionnaire and the interview as the main data collection instruments. Stratified random sampling and judgemental sampling techniques were used to select respondents for the study. Microsoft Excel 2013 was used to analyse data which was then presented using tables, pie charts and bar graphs. The research findings indicated that asset misappropriation, embezzlement, and electronic card fraud dominated in the retail sector. It was also discovered through the research that the role of forensic auditing in curbing fraud in the retail sector is very effective. The research concluded that using investigation services and litigation support will significantly reduce incidents of fraud in the retail industry. The researcher strongly recommended authorization and authentication, internal control, train staff on fraud prevention, organizations should have clear lines of authority, back up critical data, sound policies and procedures, use security cameras, and verify at the point of sale (POS) as effective measures against fraud in the retail sector.

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# **CHAPTER I**

**INTRODUCTION**

# **1.0 Introduction**

The prevention, discovery, and reporting of fraud and other illegal activities fall under the purview of an auditor. The failure of both small and big firms around the world brings up the most contentious issues in auditing and the topics that auditors, politicians, the media, regulators, and the general public most regularly dispute. As a result, the study’s main focus is on the investigation into the role of forensic auditing in fraud detection in the retail sector and a survey of retail shops in the Harare CBD. This chapter covered the background of the study, the statement of the problem, research objectives, research questions, significance, assumptions, delimitations, and limitations of the study.

# **1.1 Background of the study**

Fraud has been a menace in the business world globally. It has impacted both small and large businesses. According to media reports, the corporate scandals that rocked Enron cost the company more than $74 billion. Other international scandals such as Worldcom, Tyco, HIH, Adeiphia, and Global Crossing wiped out billions of dollars from shareholders and led to a corrosion of investor confidence due to the financial markets' enlarged anxieties about fraud. The company's bottom line has suffered as a result of these frequent instances of fraud, which have led to the demise of numerous notable businesses. For example, the Association of Certified Fraud Examiners (ACFE) (2016) in the United States of America (USA) disclosed a cost linked with 2608 documented fraud incidents reaching US$15 billion over a decade. Therefore, these corporate fraud schemes brought forensic auditing, audit committees, external and internal auditors, and other accounting professions into the limelight, and several measures were implemented to lessen the impact of such accidents. (Alanezi, 2015). The modifications were designed to ensure that the company’s books are compliant with Generally Accepted Accounting Practices (GAAP), statements on auditing standards, and forensic accountants' ability to unravel a corporate fraud scheme in its entirety.

Fraudsters are concentrating on committing crimes at the local, regional, national, and international levels as the threat of fraud grows. According to the most recent statistics compiled by the National Fraud Authority (NFA, 2016), the number of public sector fraud cases increased from 450 to 680, or 49.67%. Over EUR38 billion was spent, most notably in financial institutions, in the United Kingdom as a result of fraudulent activities. Additionally, the report found that the total amount of all recorded fraud cases in Africa has surpassed $11 billion.

Because auditors were opposed to and refused to accept their responsibilities of detecting fraud in Nigeria in the 1960s, the public and media were dissatisfied with auditors. According to a survey conducted by Ernst and Young (2014), fraud is prevalent in Nigeria at a rate of 30%. However, despite these criticisms, businesses have faced significant difficulties as a result of the complexity and volume of fraud cases. Auditing standards have been revised to re-emphasize auditors' responsibilities for fraud detection since Enron's demise. According to Porter (1997), the courts have attempted to uphold the auditor's responsibilities, and auditors sometimes must spot fraud. Porter (1997), 60% of those polled strongly believed that it is the role of auditors to detect fraud.

In Zimbabwe, there are various types of sectors that are vulnerable to fraud. The retail industry is one of the most significant sectors of a country's economy. In line with its profit generation, it is victimized by fraud, whether through counterfeit payments (chargebacks) via credit cards, personnel checks, and cash; return receipt fraud; or in-store credit application fraud. The Zimbabwe National Statistics Agency Quarterly Report (2013) reveals that from 2012 to 2015, the Zimbabwe Republic Police (ZRP) encountered 10,650 fraud reports, a 210% increase. As a result, it has become a major target for white-collar crime, and its identification and prevention are critical. The Association of Certified Fraud Examiners (ACFE) (2018), companies lose roughly 5%–7% of their revenues to fraud each year. E-commerce lost nearly $7 billion to chargebacks caused by fraud (Chargeback’s E-commerce Payment Fraud Outlook, 2016–2020).

According to Njanike, Dube, and Mashayanye (2014), there is a rising demand for forensic audit services as a result of the rise in dishonest business and government practices in recent years. In order to uncover fraud, forensic auditing is thought to combine and adapt investigative auditing, criminology, litigation services, and financial expertise. A forensic accountant will be the organization's eyes and ears, capable of managing a powerful position and being trustworthy and accountable. Forensic auditing dates back to the ancient Egyptian scribes who accounted for all the Pharaoh’s assets; therefore, these scribes were referred to as the ears and eyes of the King Pharaoh (Rasey, n.d.).

Forensic auditors are revered as the godfathers of fraud detection, in addition to other services such as business appraisal, asset identification in divorce disputes, expert witness evidence, and forecasting future revenues. As a result, forensic auditing must be incorporated in the instruments required to successfully investigate and prosecute fraud cases as well as those participating in fraudulent operations. This is necessary due to the increasing complexity of fraud cases.

The significance of internal controls for businesses has been brought into sharp focus as a result of the rise in fraudulent activities that ultimately lead to the failure of a business with disastrous repercussions for employees, shareholders, and other stakeholders. However, given that the primary objective of auditing is to identify and eliminate fraud and errors, ACFE (2018) asserts that the insight of detection is the greatest deterrent to fraud prevention, while the existence of an internal control system is not a prerequisite for the elimination of fraud within an organization. As a result, an effective internal control system can help managers in dealing with quickly changing economic and competitive contexts, evolving consumer needs and priorities, and transforming for future growth, in addition to reducing fraud.

The study's background suggests that when the chips are down, forensic accounting firms are being asked to investigate "what, who, and when" and fraudulent actions, even when forensic accounting techniques are not used in the organization's day-to-day operations, for this researcher to survey the investigation of forensic auditors in detecting and curbing fraudulent activities in the retail industry to prevent the firms' demise.

# **1.2 Statement of the problem**

Following the continuously kaleidoscopic costs of fraud, most organizations have put some anti-fraud measures in their systems of internal controls, such as cash review, annual auditing, whistleblowing, the installation of passwords on computers, data mining, and digital analysis internal controls, to hedge themselves against fraudulent activities from both employees and third parties. Despite the implementation of such strategies, the cost of fraud to organizations is skyrocketing, with media reports estimating a loss of US$147,000 and US$40,000 through card fraud and theft, respectively, in March 2018 (Mugari and Olutola, 2021). It is anxious to learn that, according to Madzianika (2020), an employee of People's Own Savings Bank (POSB) conspired with a senior police officer and a vendor to tamper with the bank's system and gain unauthorized access to or use a computer or network, resulting in a $158 million fraud. The overwhelming evidence presented by the courts indicated that the money was distributed to the other four partners with whom they collaborated, and some of it was used to purchase groceries at the TM supermarket in Borrowdale, the OK supermarket in the heart of Harare, and Spar Sam Levy. As a result, authorities at the POSB were able to reverse $156,690,000.

A significant amount of time and money has been spent by various stakeholders in developing policies, legislation, and prevention strategies to combat fraud. Hence, the fraudsters take advantage of systematic loopholes and continue their activities. According to Mangwaya (2022), it is particularly concerning that a NETONE cashier with a mobile network operator was nabbed by the Zimbabwe Anti-Corruption Commission (ZACC) after defrauding the parastatal of $150 million in an airtime voucher scam. A total of 132,033 airtime cards were dispatched from January 2020 to May 2022, which amounts to $7,990,000 and $2,250,000. The money was splashed on luxury cars (a Toyota GD6, three Mercedes-Benz vehicles, and two BMW sedans). Following investigations, ZACC stated that all vehicles had been recovered. It is obvious that fraud is a thorn in the flesh and is conducted right under the noses of both internal and external auditors, necessitating the use of forensic auditors to sniff it out and assist in the incarceration of fraudsters. Therefore, the study intends to investigate the role of forensic auditing in uncovering fraud in the retail sector.

# **1.3 Research objectives**

The specific objectives of the study are:

1. To identify prevalent types of fraud in the retail sector in Harare's CBD.
2. To establish the role of forensic auditing in fraud detection in the retail sector in the Harare CBD.
3. To evaluate the effectiveness of forensic auditing in fraud detection in the retail sector in Harare CBD.
4. To recommend appropriate strategies for curbing fraud.

# **1.4 The research questions**

The research is going to provide answers for the following questions:

1. Which fraudulent activities are predominant in the retail sector in Harare?
2. What role do forensic auditors play in fraud prevention?
3. To what extent has an investigation by forensic auditors in detecting fraud been successful in reducing the level of fraud in the retail sector?
4. What measures can be used to prevent fraud in the retail sector?

# **1.5 Significance of the Study**

### **a) To the retail industry**

This study brings insight into fraud detection issues, which will help investors realize how much fraud will hurt their future funding. In addition, prospective and current investors will benefit from this research. The study seeks to find and inform investors about the importance of good practices and the adoption of preventive tools to deter or reduce the risks in the areas where fraudulent activities are prevalent in the retail sector.

### **b) To the auditors**

The purpose of this study is to identify the impact that auditors will have on the organization and how having an audit department will help to decrease the level of fraud. The researcher aspires to become a forensic auditor. This field of study is therefore one of the most important to the researcher because fraud identification and investigation are the key roles of a forensic auditor in the auditory spectrum.

### **c) To the public**

Through various departments, formulate anti-fraud policies that will help with a cross-check on fraud-related issues. The findings of this study will enable the Financial Intelligence Unit of the Reserve Bank of Zimbabwe to come up with recommendations to ensure that financial institutions adhere to anti-fraud policies and help in formulating guidelines for increasing the effectiveness of forensic auditing services to reduce the extent of financial fraud happening in the retail sector. It intends to advocate for forensic experts to be involved in the events that lead to the creation and modification of various accounting practices and thus enable them to be more adaptable and relevant in the retail sector.

### **d) To the researcher**

This study forms the basis for future researchers or academicians and the researcher who is researching the roles, effectiveness, and efficient use of forensic auditors in preventing and detecting fraud and formulating tools that will enhance accountability in the retail sector. This study motivates them to carry out further studies to make contributions to anti-fraud phenomena.

# **1.6 Assumptions**

The below assumptions will assume the following:

* The information presented in this study was exact and consistent.
* The sample used was representative of the population in retail shops in the Harare CBD.
* The research mechanisms would be reliable and provide accurate outcomes.

# **1.7 Delimitation of the Study**

The need for this study seeks to find and inform the detection and prevention of fraud in the retail industry, which is more prevalent in Harare retail shops. The researcher intends to advocate for the complexity of fraudulent activities in Harare's retail sector. The research study determines an investigation into the role of forensic auditors in preventing fraud. The researcher will work for eight months, beginning in November 2022 and ending in June 2023. The Harare retail shops cover an area of 960.6 square kilometers (371 square miles) in the Harare Province of northern-eastern Zimbabwe's Mashonaland region. This research is beneficial to the criminal justice system because it throws light on an area that has previously been misunderstood and unknown to lawyers, magistrates, and prosecutors. It will provide the knowledge required to undertake fruitful investigations and prosecutions. The study will be useful for future research on relevant topics for students and academics. It will attempt to address the information vacuum created by previous techniques that focused mostly on the general element of fraud.

# **1.8 Limitations of the Study**

During the research process, the researcher encountered some issues that would have an impact on the research results in eliciting information from respondents because the information was subject to areas of feelings, emotions, attitudes, and perceptions that could not be accurately quantified or objectively verified. As a result, it has an impact on the quantity and quality of data collected from respondents.

* High transportation costs limited the number of trips that the researcher had to make to collect more data to enrich the study.To address the issue, the researcher employed a sample to reflect the population and save money on travel.
* The money devoted to the research depended on a mere non-income-earning university student; this compromised the quality of results to some extent. Also, the time at the researchers' disposal was limited due to academic commitments, which hindered the quality of the findings. Therefore, for the researcher to obtain relevant information, he had to assure the respondents of the confidentiality of the information.
* Incomplete information is obtained from various companies regarding their employees' fear of ruining their jobs if they divulged information, as well as their reluctance to provide information, fearing that the information sought would be used to intimidate them or print a negative image about them or the companies. Some respondents were unable to complete the questionnaire in a timely manner, causing the data collection period to be extended.To address the issue, respondents were assured that the survey was entirely voluntary and that the research was solely for academic interests.

# **1.9 Summary**

The chapter described the study's objective, background, problem statement, and significance. The assumptions, constraints, and limitations of the study were also highlighted in the chapter. Following this chapter is Chapter II, which is a survey of the literature.

# **CHAPTER II**

# **LITERATURE REVIEW**

# **2.0 Introduction.**

This chapter examined pertinent material on the role of forensic auditing in fraud detection from other investigators. A literature review can give this study a guide to fulfilling the research objectives by reviewing fraud detection from secondary sources such as journals, articles, books, and newspapers. As a result, this chapter highlights the conceptual framework, theoretical literature, and empirical evidence related to an investigation into the function of forensic auditing in fraud detection in the retail sector.

# **2.1 Conceptual framework.**

### **2.1.1 Definition of Fraud, Forensic auditing.**

The ACFE (2018) defines fraud as "any planned or deliberate act to rob another's property or money using cunning, deception, or other unfair techniques." Fraud is defined as a deliberate deception intended to directly or indirectly deprive another person of his or her property or rights, regardless of whether the offender gains from his or her actions. Tax evasion, bankruptcy fraud, theft of intellectual property and proprietary information, embezzlement, fraudulent substitution, unauthorized lending, defalcation, teeming and forgeries, fraudulent use of company documents, use of fictitious accounts, voucher manipulation, ledger account manipulation, or falsified account information, lending to ghost workers, misuse of suspense accounts, computer fraud, and advance fee fraud are all examples of fraud.

Forensic auditing is a technique for legally determining whether accounting transactions comply with numerous accounting, auditing, and legal requirements and ultimately determining whether fraud has occurred (Evans, 2017). Accounting, auditing, and investigation skills are all combined in forensic auditing. Forensic auditing is the investigation of fraud or suspected fraud to acquire evidence that can be submitted in a court of law (Aduwo, 2016). Forensic auditing can be used as both a reactive and proactive strategy to reduce fraud in a business, particularly in the retail industry (Njanike, Dube, and Mashayanye, 2014).

### **2.1.2 Fraud Schemes in the Retail Sector.**

The retail sector is a primary target for many fraudulent schemes that occur over the course of the business; thus, some of the fraudulent actions that occur in the retail sector are listed below.

### **2.1.2.1 Asset misappropriation.**

According to Siahaan, Umar, and Purba (2019), asset misappropriation is the misuse of corporate assets for personal advantage. This is widespread in the retail sector since employees are accountable for removing little amounts of a firm's assets because they feel the company would not notice such small amounts going missing. This form of fraud can also be committed by corporate directors or anybody else charged with holding and managing an organization's assets and interests (Norziaton, Adura, & Ridhuan, 2018).

The ACFE (2020) classified asset misappropriation schemes into two types: cash and inventory, or asset misappropriation. As a result, the stolen assets are cash or monetary equivalents, such as credit notes or vouchers. However, fraud can also include the theft of firm data or intellectual property, as well as fraudulent disbursement schemes for example payroll schemes, billing schemes, cash register pay-out scams, and expense reimbursement scams.

According to Gottshalk (2019), theft is the unauthorized taking of another person's, group's, or organization's property without the victim's consent. As a result, Gottshalk (2019) cites theft of inventory followed by falsification of receiving records, fraudulent write-off of assets or inventory as scrap, junk, obsolete, or destroyed, and subsequently the theft of the asset as examples of asset misappropriation. As a result, here are some cases of retail asset misappropriation.

### **2.1.2.2 Embezzlement.**

Embezzlement is the most common financial crime in firms and the leading cause of business failure in all industries (Wells, 2014). Generally, embezzlement is defined as the purposeful misappropriation or misuse of funds or property entrusted to an employee by an employer or organization. According to Wells (2014), embezzlement, also known as "Occupational Fraud and Abuse," refers to the use of one's vocation for private gain by wilfully misusing or misappropriating an employer's assets or resources. Embezzlements are often hidden, ego-driven, habit-driven crimes that are rhythmic, predictable, and cyclical. Embezzlers excuse their actions to fit their values and ethics (Bhasin, 2017).

A retail manager or anyone else entrusted with holding and managing the assets of a specific retail industry can take small amounts of assets over time to avoid administrators noticing, or they can take a large amount at once and use various methods to cover up the crime, such as asset misuse and misappropriation, fraudulent statements, false accounting claims such as overtime claims, payroll manipulation and abuse, sick leave facility abuses, and so on. Another kind of embezzlement is the removal of cash from a victim's business before its inclusion into the accounting system by retail clerks or receptionists. This is accomplished through skimming, which takes place at the point where monies are received into the business, so nearly anyone who processes cash receipts may be able to skim that money.

### **2.1.2.3 Electronic card fraud.**

According to Williams (2007), electronic card fraud is defined as the unauthorized use of a debit/credit card to collect money or property without the debit/credit card owner's knowledge. It also occurs when an individual uses another person's credit or debit card for personal motives, such as obtaining financial gain with the intent of avoiding payment, but the card owner and card issuer may be ignorant that the card is being used (Mugari, 2016).

One of the most quickly increasing sectors of technology infrastructure is the Internet. According to Gercke (2011), today's ICTs (information and communication technologies) are ubiquitous, and the trend toward digitalization is increasing. However, it is the same ICT systems used by retailers that will be used negatively by fraudsters. The growing usage of ICT for example mobile phones, computers, the internet, as well as other related technology will give rise to a lot of positive as well as detrimental activity (Gupta, 2019).

According to Siddique and Rehman (2011), 'electronic crimes' comprise credit card fraud, spamming, ATM (Automatic Teller Machine) fraud, identity theft phishing, and denial of service, money laundering and other host-contributing crime. . Because electronic card fraud is one of the most prevalent sorts of cybercrime, cybercriminals may develop web pages that look like real sites where victims would submit personal information for example passwords, usernames, and credit card information (Tehrani & Pontell, 2021).

### **2.1.2.4 Financial Statement Fraud.**

The intentional misrepresentation of an enterprise's financial position is performed through the intentional falsification or omission of quantities or disclosures in financial statements in order to deceive financial statement users (Kranacher and Riley, 2019). Financial statement fraud, according to Taylor (2011), is the deliberate manipulation of financial statements to depict a financial condition that is either better or worse than the 'true and fair' assessment needed by external auditors before signing them off. Management fraud is typically classified as financial statement fraud because management is responsible for the preparation and presentation of financial statements. As a result, when financial statement fraud happens, management is always aware of the situation. Consequently, financial statement fraud should not be committed by a single individual because it frequently necessitates the involvement of numerous persons in the organization to initiate false transactions, ensure that they are documented on the books, and eventually conceal the fraud (ACFE, 2020).

Financial statement fraud, according to Kranacher and Riley (2019), is motivated by the desire to overstate or understate corporate performance for a variety of reasons and is done by or with the approval of top management. For example, an incorrect sales cut-off occurs when the accounting records are kept open past the balance sheet date in order to record sales from the subsequent accounting period in the present period. Profits are increased by selling undervalued assets. As a result, auditors must detect such frauds, and forensic auditors must acquire specialized training in such topics to ensure that their credibility and expertise are not jeopardized during the judicial process (Coenen, 2015).

### **2.1.2.5 Advance fee fraud.**

An advance fee is an upfront payment made by the victim to the fraudster for the victim to participate in a much larger financial transaction that he felt would either profit him or result in credit being provided to him (Gercke, 2011). Furthermore, he states that during advance fee fraud, criminals send out fraudulent emails demanding recipients' help in moving large quantities of money to third parties and guaranteeing them a piece once they agree to complete the transfer using their accounts.

According to Gercke (2011), the mechanics of advance fee fraud involve convincing prospective victims that they will obtain a big advantage in exchange for making a little upfront payment. Advance fee fraud includes mass marketing frauds and consumer scams, such as 419 frauds, pyramid schemes, and bogus lotteries (Chang, 2008). These sorts of e-fraud have posed a severe threat to the retail industry, particularly in the majority of developing nations, including Zimbabwe, and there is a need for forensic auditors to detect this illegal conduct and bring justice to those who cover up such scams in the retail industry (Njanike et al., 2014).

# **2.2 Theoretical Framework.**

This theoretical framework is utilized to aid in the comprehension of the existing state of knowledge on the research problem at hand. As a result, the following main theories: (The fraud triangle theory (Cressey, 1971; 1973), Rational choice theory (Cornish and Clarke, (1986), and Routine activity theory (Felson and Clarke, 1998), are of interest to this study:

The fraud triangle hypothesis is an eminent framework for analysing fraud behaviour. According to Cressey (1973), the following factors contribute to trusted individuals becoming trust violators: a non-shareable problem, an opportunity for trust breach, and a rationalization of the circumstances. In his study of criminology, three variables must exist, particularly the conduct of fraudsters, which outlines the motives that encourage individuals to perpetrate fraud in an organization (Cressey, 1971). These conditions include rationalizations, pressures, and opportunities. When the fraud triangle is used in Zimbabwe's retail sectors, it provides a beneficial framework for analyzing individual acts in the retail industry.

# **2.2.1 The Fraud Triangle Theory.**



**Fig 2.1: The Fraud Triangle Theory**

**Source: Cressey (1971; 197****3)**

### **2.2.1.1 Pressure.**

Pressure is the financial or emotional force that drives someone to commit fraud. The act of fraud is frequently motivated by pressure, which is a major financial necessity or difficulty (Cressey, 1973). This pressure manifests itself as financial necessities, work-related stresses, and pressures to acquire material possessions. It can also be caused by the inability to pay bills, medical expenses, drug addiction, or a desire for luxury items (ACFE Indonesia Chapter, 2019). Greed or personal financial pressure is what motivates retailers to commit fraud (Rae and Subramanian, 2008). Most retailers believe that they must not appear to fail because of their status or reputation, so they will engage in gambling or greed because, possibly, there is misconduct when the goals do not appear to be attainable by normal means but the pressure continues unabated (Fraud Examiner Manual, 2014).

### **2.2.1.2 Opportunity.**

An individual's opportunity is the possibility and ability to conduct fraud. The ability to commit fraud, conceal it, and evade punishment is a major factor that drives people to perpetrate fraud against most financial institutions (ACFE Indonesia Chapter, 2019). Weaker internal controls provide individuals with the possibility to succeed and conduct fraud. According to Okoye, Maimako, Jugu, and Jat (2017), an opportunity initiates fraud, while pressure and rationalization may trigger it. The ability to perpetrate fraud is facilitated by opportunity, whereas rationalization denotes to justifying the fraud with the employee's or fraudster's code of ethics (Okoye et al., 2017). Opportunity is another aspect that contributes to fraud, and it is frequently associated with a lack of internal control, such as the potential to commit fraud when there is no separation of roles in the process of receiving, documenting, and disbursing money by the same individual (ACFE, 2019). As a result, internal controls must be effective and efficient in order to prevent future fraud incidents (Cressey, 1971). When opportunities are removed, the likelihood of fraud is considerably reduced.

### **2.2.1.3 Rationalization.**

Rationalization is the explanation of fraudulent behavior due to a lack of personal integrity or other moral reasoning on the part of an employee (Rae and Subramanian, 2008). According to Cressey (1973), rationalization is concerned with how an employee judges his actions by repeating them when he perceives his supervisor or coworker misusing authority by exploiting corporate assets for personal advantage. Morally corrupted people have no difficulty rationalizing because they can easily persuade themselves with reasons such as I am entitled to the money. After all, my employer is cheating me, I had to steal to provide for my family, or I am underpaid because the firm is making more profits (Cressey, 1973). According to Raval (2013**),** a deep and extensive study of the rationalization state of the fraud triangle by Cressey (1973) suggests that retail fraud is a human act.

To commit fraud, an individual must have a bridge between pressure and opportunity via which he or she can rationalize his or her fraudulent activity (Howe and Malgwi, 2006). Pressure motivates fraud, opportunity facilitates fraud, and rationalization justifies the fraud as being within the employee's or fraudster's code of ethics (Okoye et al., 2017). As a result, the fraud triangle theory was helpful for our inquiry since it explains the psychological components that contribute to fraudulent behaviour. It is therefore critical to highlight that to discover and prevent individuals involved in fraud and other sorts of atrocities, the services of a skilled and experienced investigator, such as a forensic auditor, are essential to preventing fraud in the retail sector, such as in Harare CBD. In addition, more effective systems of control and oversight should be developed and managed to drastically reduce the risks and expenses connected with fraudulent workplace conduct (Cressey, 1973)

# **2.2.2 Rational Choice Theory.**

Clarke and Cornish (1983, 1985, 1987, and 1989) Classical criminology gave rise to rational choice theory, which holds that crimes are the result of an individual's free will. However, experts in the field of neoclassical criminology acknowledged the significance of retail offenders' characteristics and how they select crimes (Cornish and Clarke, 1983). As a result, Cornish and Clarke (1987) propose that rational choice theory is composed of three components known as choice-structuring features: opportunities, costs, and rewards. To put it another way, the criminals conduct a cost-benefit analysis to decide whether a particular alternative is good for them since they believe they will benefit financially from committing retail fraud. Time, place, target, and manner greatly influenced criminal involvement and the occurrence of criminal incidents (Clarke and Cornish 1985).

As a result, the rational choice theory is regarded as one of the important concepts that exemplify neoclassical thought, which depicts an individual committing a crime appropriate to the criminal's situation and the individual's considerations at the time (Schmalleger, 1999, 2021). Consequently, criminals were reasonable in considering the possible consequences before acting in a way that maximizes profits and reduces costs (Akers, 1990). According to Becker (1976), many people operate under high moral and ethical constraints, but criminals rationally see that the benefits of their crime outweigh the costs, such as the likelihood of arrest, conviction, and punishment, as well as their current set of opportunities. Typically, staff will steal highly valued goods from the firm and sell them outside at lower rates, or the cashier may have some opportunity to change the price of items by taking advantage of VIP discounts or clearance sales to profit unlawfully through price-fixing (Akers, 1990). Even though most studies research and plan preventative measures using rational choice theory (Meyer 2012). Based on the area, goal, and style of operation in the retail-like Harare CBD, this theory developed an important fraud transaction detection model.

# **2.2.3 Routine Activity Theory.**

Felson and Clarke (1998) presented the routine activity theory, which suggests that for fraud to occur in the retail sector, there must be unison in the time and space of a likely offender, a suitable target, and the absence of a competent sentry with a functioning internal control mechanism against fraud occurrence. Otu and Okon (2019), opportunities are a key factor in facilitating crimes because of changes in society, the neighbourhood, and criminals' attitudes. According to Chan and Gibbs (2019), the preparation and prospective actions of the offenders were a part of the fraudulent decision-making process, and psychological and emotional factors affected the choice of white-collar criminals. The routine activity theory makes it clear that before coming up with fraudulent transaction methods, criminals utilized them to evaluate the size and seasonality of the business (Felson and Clarke, 1998).

Felson and Clarke (1998), to avoid fraud crimes, the opportunity should be eliminated. According to Armstrong (2000), the primary reason for installing security cameras, arithmetic, and accounting controls, and segregation of duties is the prevention of fraud crime. Surveillance cameras can act as God's eye, observing retail employees while they go about their work and are tempted to manipulate prices, use fictitious accounts, falsify account information, misuse suspense accounts, and make large electronic transfers of money, assisting in assessing the behaviour of all employees (Piza, Caplan, and Kennedy, 2017). As a result, surveillance cameras are employed to apprehend fraudsters and provide proof in court if they are found guilty. To combat computer fraud, retailers should employ antivirus software, firewalls, and encryption keys (Mugari, 2016). The routine activity theory is appropriate for describing the motivators of retail fraudsters in the Harare CBD. Because retail fraudsters exist, there is a need to hire a forensic auditor to assist in identifying red flags and developing efficient and effective internal control systems for the organization to avoid fraud (Felson and Clarke, 1998). The routine activity theory was thus valuable for this investigation because it captured the philosophical assumptions that underpin this study.

# **2.3 Empirical Evidence.**

Aigienohuwa, Okoye, and Uniamikogbo (2017) conducted a study **named "The Effectiveness of Forensic Accounting and Fraud Mitigation in the Nigerian Banking Industry."** The 5- Likert scale questionnaires was used as the study instrument for data generation from respondents, which was the major source of data. The findings revealed that, in addition to greatly lowering fraud in the banking industry, forensic accounting has significantly improved banks' internal control systems. It was suggested that regulatory bodies and shareholders tightly enforce bank forensic accounting and ensure that both internal control and internal audit professionals embrace this developing trend. The study concluded that Nigerian banks should establish a forensic audit department to launch internal initiatives to combat financial crimes, forensic auditing courses should be introduced in higher education institutions throughout Nigeria to provide the necessary skills and knowledge, and bank forensic audit reports should be made available to the public.

Njanike et al. (2014) conducted a study **titled "Forensic Auditing Is Useful in the Detection, Investigation, and Prevention of Bank Fraud in Zimbabwe."** The study used thirty forensic auditors from thirteen commercial banks, four audit companies, and building societies to investigate the mission of the forensic auditor in fraud detection. According to the findings of the study, forensic auditing is critical to the preservation of bank assets. As a result, forensic audit services are critical for detecting bank fraud and facilitating the investigation and litigation of fraud cases.

Ogutu and Solomon (2016) conducted a study **titled, "The Application of Forensic Auditing Skills in the Mitigation of Fraud with Particular Reference to the Accounting Firms in Nakuru County, Kenya."** The descriptive survey research design was used for the investigation. According to the study, 97% of respondents concurred that the ability to conduct forensic audits is essential for detecting and preventing fraud. The study's sample size is made up of 25 accounting businesses, to which questionnaires were distributed to collect data. The 25 respondents from the 25 accounting firms who responded were used as the primary source of data collection. According to the study's findings, forensic accountants should possess auditing, fraud investigative, and legal abilities to detect fraud. The study indicated that training and adoption of scientific forensic auditing expertise have an impact on accounting firms' fraud mitigation abilities, and as a result, these skills are necessary to ensure efficient fraud mitigation.

Islam, Rahman, and Hossan (2011) conducted a study **named "Forensic Auditing as a Tool for Detection of Fraud and Corruption in Bangladesh."** The study's findings revealed the importance of forensic accounting and audit services in the uncovering of fraud and corruption. The study included 15 global firms, 35 chartered accountants, 50 local organizations, and management accountants with primary data obtained through interviews and questionnaires. According to the statistics, 65.71% of chartered, and management accountants and 47% of multinational firms believe that forensic accounting and auditing are adequate for detecting fraudulent activity. As a result, forensic auditing is necessary for a company's long-term sustainability and plays an important role in discovering and preventing fraud in Bangladesh (Islam, Rahman, & Hossan, 2011).

In the study **titled "The Impact of Forensic Accounting on Combating Fraud in the Nigerian Banking Industry,"** Raymond, Nkiru, and Jane (2016) investigated the function of forensic auditing in combating fraudulent activities to promote sound corporate governance procedures in the Nigerian banking sector. The survey approach was used, and data were obtained using a questionnaire. The study used a total of fifty-five (55) respondents from commercial banks in Awka, Anambra State. According to the study's findings, forensic auditing is an effective technique for combating financial crimes in the banking sector. Raymond, Nkiru, and Jane (2016) have stated that forensic auditing is required in business organizations to ensure corporate governance. As a result, they urged that banks use forensic auditing services to supplement the efforts of other experts in eliminating fraudulent activities and guaranteeing corporate governance in the financial industry.

Mugari (2016) conducted a study **titled "Perspectives on Cyber Threats to the Retail Sector in Zimbabwe,"** concerning electronic fraud (cyber-fraud), considering its growing threat, and establishing the level of ICT infrastructure employed by Zimbabwe's retail industry. This study used Eastgate Shopping Mall in Harare, Zimbabwe, as a case study to investigate the extent of adoption of ICT infrastructure by the retail industry as well as to describe the nature of cyber risks to this sector. The study used a mix of quantitative and qualitative research methods, with questionnaires and a detailed interview guide serving as the primary tools. The study's findings revealed that the retail industry in Zimbabwe has considerably embraced ICT in its operations, as shown by hardware, internet use, and the implementation of ICT-based payment systems (Mugari, 2016). According to Mugari (2016), the most serious hazards to the retail sector are computer virus infection and unauthorized access to computers and computer networks. Because of the use of Internet and mobile phone-based technology, Zimbabwean retail enterprises have been vulnerable to debit card fraud and fraudulent RTGS transactions (Mugari, 2016). Mugari (2016) claims that Zimbabwe's retail business is not yet prepared to deal with cyber-threats; therefore, awareness campaigns, the enactment of new cybercrime laws, the development of a national ICT policy, and collaboration between retailers and banks are recommended measures to deal with retail cyber-threats.

In addition to the research done by Mugari (2016), Mugari & Olutola (2021) conducted a study **named "Electronic Card Payment Risks: Combating Card Fraud in Zimbabwe During the Liquidity Crisis."** It investigated the nature of fraudulent activity in retail sector card payment systems and recommended mandatory strategies to combat electronic card fraud.. The survey had 136 participants and was conducted in Harare's Central Business District (CBD). A questionnaire and interviews were used to collect data. According to the study's findings, the Zimbabwean retail sector has seen an increase in the electronic payment system despite a prolonged cash shortage. As a result, cases of card fraud are becoming more common in the retail sector. Mugari & Olutola (2021) report that lost card fraud and counterfeit card fraud are the most common card-related fraudulent activities in the retail sector, which contrasts sharply with industrialized countries where card, not-present transactions, and application fraud are frequent. Punitive measures for errand employees who collude with fraudsters, cardholder security awareness, segregation of duties, job rotation, and close cooperation between retailers and financial institutions were mentioned and recommended as potential ways to reduce cybercrime (Mugari & Olutola, 2021).

In the study **named “Fraudulent Financial Reporting (FFR) in Malaysia”** Lau and Ooi (2016), managers and personnel are compelled to fulfill their obligations with the utmost sincerity of intent, free of fraudulent methods, in order to increase public gain, trust, and goodwill. The study's findings revealed that financial reporting was falsified, and it was established that efforts made by Malaysian company management in the aftermath of fraud cases are insufficient to prevent another fraud from being performed. As a result, Malaysian company management is not putting adequate measures in place to prevent and control fraud, which is the cause of Malaysia's ongoing fraudulent activities (Lau and Ooi, 2016). As a result, inadequate training, communication gaps, and leadership skills, poor management of policies and procedures, insufficient working conditions, employees staying longer on a particular job, and employees feeling frustrated as a result of poor remuneration were mentioned as possible major causes of (FFR). Consequently, the public believes that the use of forensic auditing, which includes litigation support as a tool for scrutinizing financial statements, is critical for the long-term survival of any Malaysian organization (Lau and Ooi, 2016).

Shewangu (2014) conducted a study **titled "Electronic Fraud (Cyber Fraud) Risk in the Banking Industry, Zimbabwe."** Which relates to electronic fraud (cyber-fraud), given its growing threat, and aims to develop legislation to combat cybercrime in Zimbabwe's financial system. The research was descriptive in nature. The core data was gathered through self-completion surveys and interviews given to various respondents from various banks. According to the study's findings, technological developments, like fraudsters, move quickly; nevertheless, companies are frequently fall behind, and the simple availability of new technologies with elevated operational speeds, capacities, and connectivity makes illegal actions easier to conceal. Shewangu (2014) also noticed that the increased usage of ICTs like computers, mobile phones, and other related technologies created gaps and possibilities for fraudsters to exploit, resulting in money laundering, ATM fraud, spamming, and credit card fraud. According to the report, Zimbabwean internet users lack modern technological security tools like anti-virus software and that many of the operating systems they use are frequently not patched. To ensure that online users are aware of all potential dangers and hazards, banking stakeholders must encourage cyber-fraud awareness and education (Shewangu, 2014). The findings also highlighted that it is critical not only to educate those involved in the fight against cybercrime but also to develop suitable and effective legislation. The study's findings revealed that some of the banks' countermeasures are of international quality, despite the fact that countermeasures are difficult to implement due to socio-cultural factors. As a result, most firms are reluctant to report cyber-criminal activities to protect the corporate brand and investor and public confidence. Additionally, there is a shortage of resources to investigate cybercrime and bolster up essential instruments to combat electronic fraud (Shewangu, 2014).

In the study **named "Frauds Menace in the Banking Sector of India,"** Bhasin (2015) explored that the banking sector is under threat at its peak, bank fraud is on the rise, and scammers have become more knowledgeable and sophisticated. An exploratory research approach was used in the study. An interview guide was used to collect data. The study's findings revealed that as the incidence of white-collar crimes continues to rise, demand for forensic auditing services is expected to rise exponentially, with the public's need for honesty, fairness, and transparency in reporting increasing exponentially, allowing shielding the risk of fraud related to contingent losses. The findings also demonstrated the effect of forensic auditing on corporate governance, revealing that forensic auditing, as a bloodhound of bookkeeping, may make substantial contributions in the areas of corporate governance, money laundering reduction, fraud prevention, and investigation.

In the study **titled** **"Prosecuting Bank Fraud in Kenya: Challenges Faced by the Banking Sector,"** Akelola (2015) explored the characteristics of fraud and the fraud management technique in the Kenyan banking sector. The study used 40 Kenyan banks as a sample, and questionnaires and interviews were used to collect primary data. The research was descriptive. According to the study's findings, the Kenyan banking industry is well aware of fraud and views it as a big concern. Because fraud detection systems are inadequate, the bulk of these schemes involves the theft of money and valuables (Akelola, 2015). According to Akelola (2015), fraud detection procedures like staff training, internal control audits, fraud prevention laws, and codes of ethics does not ensure the discovery of any fraud. As a result, the study advised that Kenyan banks should engage in forensic audit services, which are highly effective in detecting fraud.

In the study **named "The Perceptions of the Effectiveness of Formal and Informal Surveillance in Reducing Fraudulent Activity among Staff and Customers in the Retail Entrepreneurs,"** Employee theft, according to Kajalo and Lindblom (2011), is the most serious threat to retail storeowners in America, accounting for nearly half of the inventory shrinkage—more than shoplifters, more than administrative error, and more than vendor fraud. According to the study's findings, theft by both customers and employees costs American merchants more than US$33 billion every year. According to Kajalo and Lindblom (2011), the most common danger to information security in retail firms is computer abuse and fraud, with 60% of staff fraud committed due to lax controls. As a result, standard controls (internal control procedures) should be developed to detect inventory losses and aid in the reduction of cash register disbursement and merchandise fraud. Furthermore, the results also highlight the role that a clean, well-lit store environment has in reducing crime in retail enterprises. The results also showed that the reasons for computer abuse and fraud, which range from inadequate rewards and management controls to lax enforcement of disciplinary rules while fraudsters violate hardware, software, and computer services, make it important to use analytical reviews, surprise audits, adequate reporting systems, proactive fraud policies, periodic cash counts, and employee education.. As a result, effective deterrence against computer abuse and fraud entail offering security tool training, implementing security tools with a high level of usability, and using a "fingerprint biometric clock" system because it eliminates the likelihood of payroll fraud while preventing employees from trying to alter their working hours to gain higher salaries, reduces the amount of work on employees, and increases awareness among users and management (Kajalo and Lindblom, 2011).

# **2.4 Summary of previous studies and justification for present study.**

Given that the bulk of studies investigated the function and effectiveness of forensic auditing, the empirical literature on the topic, particularly in Zimbabwe's retail sector, points to fraud prevention through the use of forensic auditing. According to prior research, the most important elements influencing the effectiveness of forensic auditing as a tool are the establishment of constituted organizations to serve their interests, as well as the provision of material and technological resources to improve their effectiveness and accountability.

Similarly, Islam et al. (2011) discovered that forensic auditing is an important instrument in the battle against corruption, fraud detection, and prevention in Bangladesh. While Aigienohuwa et al. (2017), Ogutu and Solomon (2016), Raymond et al. (2016), Bhasin (2015), and Akelola (2015) discovered a positive relationship between forensic auditing and fraud reduction, forensic auditing is still a valuable tool in fraud identification and reduction. Concurring, Njanike, et al. (2014) described forensic auditing as an administrative role in Zimbabwe, with forensic auditor duties including fraud detection and prevention as well as detection of potential red flags.

However, there are numerous views on the impact of forensic auditing. According to Akelola (2015), fraud detection strategies like audits of internal controls, staff training, fraud prevention policies, and ethical codes of conduct do not ensure that any fraud will be discovered, and their applicability does not prevent fraudsters from committing the crime, creating a research gap that this study sought to fill.

Aigienohuwa et al. (2017), Ogutu and Solomon (2016), Raymond et al. (2016), Bhasin (2015), Akelola (2015), Islam et al. (2011), and Njanike et al. (2014) investigated the role and effectiveness of forensic auditing as a deterrent to fraud in the banking sector. Although these studies provide a thorough understanding of the role of forensic auditing, they do not particularly address the role of forensic auditing in the retail business, leaving a research gap that this study sought to solve.

In another study, Lau and Ooi (2016) identified inadequate training, communication gaps, and leadership skills; poor management of policies and procedures; inadequate working conditions; employees staying longer on a particular job; and employees feeling frustrated due to poor remuneration as possible major causes of FFR. As a result, Malaysian businesses are failing to implement adequate fraud prevention and control measures, contributing to the prevalence of fraudulent practices. The report provides a thorough understanding of why forensic auditing, which includes litigation support as a tool for scrutinizing financial statements, is critical for the long-term survival of any Malaysian organization. The contextual disparities between the most common types of fraud in Malaysia and Zimbabwe generated a research gap that this study attempted to fill.

Mugari (2016) and Mugari & Olutola (2021) investigated the typical types and repercussions of cybercrime in Zimbabwe's retail industry. Mugari (2016) and Mugari & Olutola (2021) recognized control approaches such as training, software upgrades, developing a national ICT strategy, segregation of duties, work rotation, and firewalls as practical measures to combat cybercrime. The study, however, ignored the factors that contribute to the surge in cybercrime. Given the adaptability of cybercrime, Zimbabwe's retail business is still unprepared to deal with cyber-threats.

Shewangu (2014) discovered that electronic fraud (cyber-fraud) is the most common challenge in the banking sector. The use of ICTs which includes computers, smartphones, and other connected technologies created gaps and possibilities that were used by fraudsters, resulting in ATM fraud, spamming, and credit card fraud. In the fight against cybercrime in Zimbabwe's banking industry, cyber-users lack up-to-date technological security measures such as anti-virus programs, and many of the operating systems utilized are not frequently patched. There is also a scarcity of resources to investigate cybercrime and strengthen the necessary tools to prevent electronic fraud (Shewangu, 2014).

Employee theft, according to Kajalo and Lindblom (2011), is the greatest threat to retail storeowners in America, accounting for nearly half of the inventory shrinkage, more than shoplifters, administrative error, and vendor fraud. With the proliferation of lax controls, the most common threat to information security in retail firms is computer abuse and fraud. To prevent computer abuse and fraud, formal and informal surveillance, the deployment of a "fingerprint biometric clock'' system, surprise audits, proper reporting systems, proactive fraud rules, periodic cash counts, and employee education are thought necessary. The contextual disparities between the most common fraud in America and Zimbabwe produced a research gap that this study intended to fill.

With these findings, the research on the impact of forensic auditing on fraud has advanced. There is a significant research vacuum regarding the significance of forensic auditing in fraud prevention. Since then, much research has been conducted on the banking industry, notably in Africa. In different countries and contexts, fraud can take various forms. Forensic auditing has been empirically proven to be an efficient and effective weapon in the fight against fraud. The use of forensic audit services regularly will greatly aid in the discovery and prevention of company fraud. Thus, forensic audit services would have significantly reduced the prevalence of fraudulent practices in and against organizations.

# **2.5 Summary.**

# To establish the research gap in which the researcher performed his examination, the chapter studied other researchers' perspectives and literature on the role of forensic auditing. The chapter that follows discusses the research technique, including how the study was conducted as well as the equipment and procedures employed.

# **CHAPTER III**

# **RESEARCH METHODOLOGY**

# **3.0 Introduction.**

It is the plan for carrying out this study, which will investigate the methodology used by the researcher in reaching the research objectives and providing answers to research questions on the role of forensic auditing in detecting and preventing fraud in the retail industry. According to Newing (2011), research methodology governs the research design, population and sampling strategies, data collection techniques, presentation and data analysis methodologies, and data validity and dependability. Questionnaires and interviews also serve to obtain data.

# **3.1 Research design survey.**

The research design, according to Kothari and Garg (2014), is a conceptual structure inside the research being undertaken. A descriptive research design is appropriate when the study intends to explain and convey characteristics of an event, scenario, and population or a group of people, whereas a descriptive survey research design would be used by the researcher (Cooper and Schindler, 2011). A survey method is a procedure, tool, or approach for gathering information in research in which respondents react based on their knowledge and experiences. As a result, the purpose of this study is to provide everyone with a comprehensive understanding of how fraud in the retail sector can be recognized and prevented, as well as to solve a problem.

The descriptive research method will be used by the researcher because it requires both qualitative and quantitative data collection. It also enables the researcher to effectively and meaningfully summarize and organize data. It also serves as a tool for defining statistical observation groups while simplifying data to an intelligible form. Furthermore, it specifies an accurate portrayal of or description of a specific individual's or group's qualities such as conduct, attitudes, beliefs, and knowledge (Maxwell, 2012).

# **3.2 Population.**

# The term "population" refers to any group of designated human people or nonhuman beings, such as objects or subjects, on which the research is conducted (Polit and Hungler, 1999). The researcher's target population consists of Harare retail shops, which are located in Zimbabwe and encompass an area of 960.6 square kilometers (371 square miles), Harare Province, and Northern-Eastern Province. A census analysis of the target population counts for a population of 1 557 740 persons in 2022. Data was gathered from retail shop owners and employees in the Harare CBD. Among the retail enterprises present in the Harare Central Business District (CBD) are groceries, household electrical appliances, automotive spares stores, food courts, furniture, clothing and footwear, computers, and accessories.

# **3.3 Sample Population.**

# According to Maxwell (2013), the sample is a subset of the overall population that has similar characteristics to the entire population under investigation. The sample size includes 50 respondents from Harare retail outlets. The researcher's first sample feature was the selection of retail businesses in the Harare CBD as a survey study for exploring the issue under examination among diverse retail enterprises in Zimbabwe's major cities.. The survey results provided researchers with a greater understanding of the nature of retail fraud, and the findings were extended to other retail enterprises in Zimbabwe. As a result, an examination of the Harare retail business will provide a comprehensive picture of the findings. Table 3.1 summarizes the population constituency.

**Table 3.1: Sample constituency.**

 (Source: Primary data, 2023)

For this study, ICT specialists, shop owners, till operators, and shop managers were selected from grocery stores, motor spares shops, food courts, furniture, clothing and footwear, computers, and accessories. There were twelve respondents from grocery stores, ten from furniture stores, seven from electronics and accessories stores, eight from clothes and footwear stores, and six from motor spares stores, for a total of 50 respondents. Thirteen of the 50 respondents were business owners; twelve were ICT professionals; fifteen were shop managers; and ten were till operators.

# **3.4 Sampling Techniques.**

The researcher employs stratified random sampling as a probability sampling technique. Stratified random sampling entails separating the entire population into homogeneous groups called strata, from which the researcher randomly selects the final participants (Bryman & Bell, 2015). As a result, the demographic being targeted was divided into four strata: ICT experts, shop owners, till operators, and shop managers. In each stratum, the researcher selects respondents using simple random sampling. Thus, each unit in the population is packed in such a way that each unit has an equal probability of being chosen, and the selection of any one unit is in no way linked to the selection of any other. The main advantage of stratified random sampling is that it captures the features of the population in the sample. To avoid bias, the researcher constructed a tightly controlled scenario in which each unit in the strata had an equal probability of being included in the sample.

To pick interview respondents, the researcher additionally employs a non-probability selection method known as judgment sampling. The term "judgment sampling" refers to the selection of a group from a population based on available knowledge, though the group should be representative of the entire population (Schwab, 2014). The researcher uses judgement sampling to select the cases that will best enable him to answer his research questions and fulfil his objectives through intuition based on self-evident criteria.

# **3.5 Research instruments.**

The primary research instruments were questionnaires and interviews. Questionnaires and interviews are administered to selected respondents who are members of the sample population in order to collect primary and secondary data that will assist him in generalizing ideas to address his research problem.

# **3.5.1 Questionnaires.**

A questionnaire is a tool used to gather primary data (Cohen et al., 2013). According to Mugenda & Mugenda (2012), surveys are the best way to collect primary data or important population information. In writing the surveys, the researcher considers the targeted respondents' intellectual background and relevant experience. As a result, a good questionnaire should be valid, reliable, clear, entertaining, and short enough for respondents to comprehend the purpose of the questions. More specifically, the Likert scale and open and closed questions were employed. As a result, questionnaires were distributed and collected in person to ensure prompt responses. Furthermore, closed-ended questions give respondents alternatives and oblige them to answer in a specific way, whereas open-ended questions allow respondents to express their thoughts freely and are not limited by the possibilities.

However, the responses may be deceiving because the interviewee is attempting to satisfy the interviewer. Furthermore, if only one interviewer interprets the information, the interviewee may present biased or incorrect information, resulting in an erroneous conclusion being reached. According to O'Leary (2014), questionnaires are "notoriously difficult to get right" and frequently do not go as anticipated. As a result, the researcher employed both questionnaires and interviews. The researcher ran a pilot test before the main poll to prevent biased responses.

# **3.5.2 Interview guides.**

An interview is a type of survey study in which the researcher supports a dialogue with the research participants to acquire meaningful information about the research topic (Cohen et al., 2013). Interviews, according to McNamara (1999), are especially beneficial for finding the story underlying a participant's experience and pursuing detailed information about a topic. Interviews are also beneficial for following up with individual respondents after questionnaires, for example, to investigate their responses further. Because the research was done in Harare retail outlets, data were gathered through face-to-face interviews and questionnaire filling. The use of interviews allows the researcher to engage with the research subject on a personal level and build some form of relationship. This rapport enables the researcher to obtain a better understanding of the information offered by the research participants during the conversations.

Despite their many advantages, interviews are costly, time-consuming, and biased since respondents reply in ways that satisfy the interviewer. Because some respondents were unwilling to offer information about the study, the researcher vowed secrecy to protect the confidentiality of the information submitted.

# **3.6 Methods of Data collection.**

An interview and questionnaires were used to collect precise information that best represents the topic and matters concerning the study. The surveys were physically distributed to the individual retail shops to ensure that the intended participants received them. The researcher used the pick-and-drop strategy to ensure that the interview instructions reached the intended recipients, resulting in a high response rate. As a result, respondents have adequate time to familiarize themselves with the surveys and provide unbiased information.

# **3.7 Validity and Reliability of Data.**

Psychometric features include reliability and validity, which are two fundamental qualities of behavioural measures (Bahkia et al., 2022). The validity of a research instrument is the extent to which it measures what it is intended to measure, whereas the reliability of the research instrument is the dependability and internal consistency of the items of the data-collection instrument (Muda et al., 2020). In this research study, the researcher uses a pilot test to determine the level of understanding and proper interpretation of the questions before conducting the actual survey to determine the validity and reliability of the research. Consequently, a pilot test ensured that the target population was correctly described and gave direction on how to alter data collection equipment to suit the research objectives. As a result, retail shops were chosen for pilot testing of the research questionnaires, and their customers were barred from participating in the study.

# **3.8 Data presentation and analysis.**

The researcher used a graphical presentation to display the data gathered from both quantitative and qualitative tests. To answer the research questions, data was analyzed from the completed questionnaire. The data was presented in the form of bar graphs, tables, and pie charts using the Microsoft Excel Software Package.

According to the study's aims, all the data acquired was analyzed statistically through averages and percentages and qualitatively through descriptive analysis. Non-numerical data is collected and analyzed as qualitative data. The data can be given in the form of texts, videos, or audio, for example, interview transcripts or survey results, to help the researcher understand concepts, opinions, or experiences so that the data can be used to construct graphical presentations (Neuman, 2014). The researcher employed qualitative data in his approach because it provides in-depth insights into the research, such as open-ended responses that allow the researcher to identify unique challenges or opportunities that they would not have considered otherwise.

The process of systematically gathering and analyzing numerical data to characterize, predict, or regulate factors of interest is referred to as quantitative data. Quantitative data is information gathered from existing and potential customers through sampling methods and the distribution of online surveys, polls, and questionnaires. For example, closed-ended questions are designed to help the researcher collect in-depth and actionable data from survey respondents (Neuman, 2014). The quantitative data was presented by the researcher in the form of tables, charts, and graphs. This makes it easier for the researcher to grasp the data that has been collected and to demonstrate the validity of the investigation. It also assists the researcher in testing causal links between variables, making predictions, and generalizing findings to a larger population.

# **3.9 Ethical considerations.**

During the research data collection process, the researcher gained the authority to perform the study and use ethical procedures to analyse the research topic. The researcher ensured that he created an unbiased, comfortable, safe, and confidential environment for the respondents to freely, honestly, and objectively express their knowledge and expert opinions, and he informed them that the research would be conducted purely for academic purposes and that any confidential information gathered through the questionnaire and interview procedure would not be disclosed to any unauthorized third party. The study imagines the interviewer, supervisors, and institution in a circumstance where individuals might make charges of inappropriate behaviour, culminating in public criticism. As a result, the researcher respected institutional perspectives and made an effort to maintain confidentiality.

# **3.10 Summary.**

This chapter provides an overview of research methodologies and its components, such as methodology, data collection, and sample strategies, as well as a discussion of the benefits and drawbacks of various research tools and data collection methods. Validity and reliability of research tools were discussed. The following chapter (Chapter IV) concentrated on data collection, analysis, and presentation.

# **CHAPTER IV**

# **DATA PRESENTATION, ANALYSIS AND DISCUSSION****.**

# **4.1 Introduction**.

This section of the study has been designed to aid in the presentation, discussion, and analysis of the survey's primary findings. As it stands, the study tries to investigate empirically the role of forensic auditing in fraud detection in the retail sector. As a result, the response rates to questionnaires and interviews were reported and analysed in this chapter.

# **4.2 Response Rate.**

The researcher gathered data for an investigation of the role of forensic auditing in fraud detection in Harare CBD's retail sector using both interviews and questionnaires.

### **4.2.1 Questionnaire response rate.**

**Table 4.1 Questionnaire response rate.**



[Source: Primary Source, 2023]

Table 4.1, 41 questionnaires were distributed to various types of retailers. There were 38 responses out of the 41 distributed, with a response rate of 92.7%. This means that the vast majority of questionnaires were completed. Cooper and Schindler (2008), a response rate of more than 50% is required for the researcher to acquire impartial results; hence, a response rate of 92.7% was much above 50%, which is appropriate, dependable, and fully supports the research objectives.

### **4.2.2 Interview response rate.**

**Table 4.2 Interview response rate.**



[Source: Primary Source, 2023]

The response rate for interviews was 8 out of 9. To put it another way, 8 interviews were completed successfully, yielding an 89% response rate, as stated in table 4.2 above.

# **4.3 Demographic characteristics of respondents.**

Demographic information for example gender, age, academic credentials, position held, duration of employment, and type of business were collected. Table 4.3 shows a snapshot of these variables.

**Table 4.3: Demographic distribution of respondents**

 **N=38**

|  |  |  |  |
| --- | --- | --- | --- |
| Variables | Description | Frequency | Percentage% |
| Gender | Male | 25 | 65.8 |
|   | Female | 13 | 34.2 |
|  |  Total | 38 | 100 |
| Age distribution | Below 25 years | 8 | 21.1 |
|   | 26-30 years | 14 | 36.8 |
|   | 31-35 years | 10 | 26.3 |
|   | 36 years and above | 6 | 15.8 |
|   | Total | 38 | 100 |
| Duration | < 2 years | 4 | 10.5 |
|   | 2-5 years | 12 | 31.6 |
|   | 6-9 years | 16 | 42.1 |
|   | 10 years > | 6 | 15.8 |
|   | Total | 38 | 100 |
| Educational qualifications |   |   |   |
|   | Ordinary/Advanced level | 8 | 21.1 |
|   | Diploma | 4 | 10.5 |
|   | Under/Post Graduate Degree | 20 | 52.6 |
|   | Other professionals qualifications | 6 | 15.8 |
|   | Total | 38 | 100 |
| Position Held |   |   |   |
|   | Owner | 6 | 15.8 |
|   | Shop Manager | 14 | 36.8 |
|   | ICT experts | 10 | 26.3 |
|   | Till operator | 8 | 21.1 |
|   | Total | 38 | 100 |
| Type of business |   |   |   |
|   | Groceries shops | 7 | 18.4 |
|   | Furniture | 6 | 15.8 |
|   | Motor Spares shops | 7 | 18.4 |
|   | Electronics and Accessories | 6 | 15.8 |
|   | Food Court | 5 | 13.2 |
|   | Clothing and Footwear | 7 | 18.4 |
|   | Total | 38 | 100 |

[Source: Primary Source, 2023]

 Table 4.3, portrays 65.8% of respondents are male, while the remaining 34.2% are female. It demonstrates that male respondents were more subjugated than females.

The table above reveals that the age range 26-30 years had the highest response rate (36.8%), while the age range 31-35 years had a response rate of 26.3%. Respondents under the age of 25 made up 21.1% of the entire research population, while those aged 36 and up made up only 15.8%. This age distribution demonstrates that the information is dependable because the respondents with the highest percentage are young, mature, and have worked for the organizations for a long time, thus their responses are constant.

Table 4.3 also shows the duration of employment of all respondents who took part in the research project. In accordance with the findings, 42.1% of respondents have worked in the industry for 6-9 years, while 31.6% have worked for 2-5 years. This was followed by 15.8% of respondents who had been in the sector for 10 years or more, and 10.4% who had been in the industry for 2 years or less. The intriguing aspect of this study is that respondents with a maximum age of 9 years are better aware and have more experience with fraudulent activities occurring in an organization.

As indicated by the data above, 52.6% of respondents had an undergraduate or postgraduate degree, while 21.1% have ordinary or advanced levels. This was followed by 15.8% of respondents who had other professional qualifications, and the remaining 10.5% who had diplomas. This implies that a substantial number of the respondents were mature and informed enough to grasp issues connected to retail fraud incidents.

Table 4.3 also indicates that 36.8% of the respondents described their positions in their organizations as managerial, 26.3% described their positions as ICT experts, and 21.1% described their positions as till operators, whilst the remaining 15.8% as shop owners. The table also illustrates that the survey looked at a wide spectrum of retail establishments, from grocery shops to clothes and footwear shops. Grocery shops, clothing and footwear shops, and motor spares shops each had the highest percentage of responses (18.4%). This is followed by electronics and accessories and furniture constituted 15.8% of the respondents each, while the remaining 13.2% came from food courts.

# **4.4 Nature of Fraudulent activities:**

The responses of asset misappropriation, embezzlement, electronic fraud, financial statement fraud, and advance fee fraud are illustrated in the bar graph below.

**Fig 4.1 a bar graph illustrating the nature of fraudulent activities.**

 **N=38**

[Source: Primary Source, 2023]

Fig 4.1 shows the response rate on the nature of fraudulent activities committed in the retail sector. From the ranking, asset misappropriation is the most prevalent fraudulent activity in the retail industry, accounting for 55% of all cases. This was followed by 20% of respondents who agreed that embezzlement was dominating in their retail industry. Electronic card fraud is highly widespread in the retail industry, according to 15% of respondents. This was followed by 7% of respondents who agreed that financial statement fraud is prevalent, while the remaining 3% of respondents agreed that advance fee fraud is frequent in the retail industry.

From the analysis above shows that, the majority of respondents alluded to other retail frauds such as teeming and forgeries, as well as voucher manipulation, in which phony invoices and forged signatories are created for unpurchased goods or the quantity does not tally with the purchased goods. As a result, the fraudsters referred to the commodities as obsolete stock in order to satisfy their personal interests while disregarding the firm's prosperity.

In addition, the majority of interview respondents shows that all fraud schemes were skyrocketing and it causes severe financial haemorrhage into the retail sector. The majority of respondents stated that most fraudulent activities are done by individuals who occupy positions in a company such as managers, ICT experts, and till operators who are highly entrusted with the day-to-day running of the firm. (Cressey, 1971; 1973) itemized pressure, opportunity, and rationalization as driving variables in fraudulent behaviour in his Fraud triangle theory. According to Okoye, Maimako, Jugu, & Jat (2017), opportunity unlocks the door to fraud, and pressure and rationalization can pull somebody to fraud; as a result, fraudsters utilize fraud to satisfy their personal benefits by personnel embezzling an organization's funds. Pertaining to one ICT specialist, "in this retail environment retailers are vulnerable to fraudulent activities because many enterprises dominate the retail market." These findings indicate that both retailers and consumers are vulnerable to fraudulent retail activities.

**Table 4.4: Roles of forensic auditors in the prevention and detection of fraud in the retail sector.**

 **N=38**

|  |  |  |
| --- | --- | --- |
| Variables  | Frequency | Percentages (%) |
| To investigate on; what type of fraud is being committed, when the fraud occurred, how the crime was concealed, who was involved, and the impact of the fraud on the company. | 14 | 36.8 |
| To gather and present complete evidence demonstrating the sort of fraud committed, the impact of the fraud on the company, and the individuals involved in the crime. | 12 | 31.6 |
| To prepare reports regarding the fraud occurrence and advice on how the fraud can be avoided in the future. | 8 | 21.1 |
| To testify in courts of law on how he or she gathered evidence and how he or she identified the suspect(s). | 4 | 10.5 |
| Total  | 38 | 100 |

[Source: Primary Source, 2023]

The results from Table 4.4 above shows that, the majority of respondents (in this case 36.8%) strongly agreed that the main goal for forensic auditors is to investigate what type of fraud is being committed, when the fraud occurred, how the crime was concealed, who was involved, and the impact of the fraud on the company. The results of this survey were aired to bolster the opinions of the majority of respondents who firmly agreed on the need for forensic auditors in the investigation of financial haemorrhage from the retail sector, as the retail industry is plagued by various forms of fraud. Similarly, four interviewees indicated an increase in investigation services.

This was followed by 31.6% of respondents who agreed that the role of a forensic auditor is to gather and present complete evidence demonstrating the type of fraud committed, the impact of the crime on the firm, and the individuals involved in the fraud. Intriguingly, one shop owner stated in an interview that forensic auditors supply sufficient evidence throughout the lawsuit process and deemed that forensic auditing is the best ever-expanding field that assists in raising the chances of success in the day-to-day existence of a corporation by surmounting all the vexing and vital fraudulent activities of the retail sector as a panacea.

Regarding the role of forensic auditor, 21.1% of respondents agreed that preparing reports on the fraud incidence and advice on how fraud might be avoided in the future. In an interview, two shop managers strongly agreed that the entire process culminates in the production of a report that is offered to assist in legal adjudication and determined the requirement for the involvement of forensic auditing to solve the perplexing and critical fraudulent activities of the retail sector, with a suggestion that the forensic auditor use the inference, relevance, and logic solution method (IRLS) in dealing with fraudulent retail activity.

The other 10.5% of respondents believed that the major objective for forensic auditors is to testify in courts of law on how he or she gathered evidence and how he or she identified the suspect(s). Out of the nine successful interviews, eight interviewees agreed that forensic auditing provides information that is used as evidence in courts of law and concluded that forensic auditing is an audit done in regard to proceedings in a court of law in order to bridge the gap between the accounting and law professions in terms of fraud detection and prevention.

# **4.5 The effectiveness of forensic auditors in preventing and detecting fraud in retail industry.**

**Fig 4.2 a pie chart illustrating how effective forensic auditors are in dealing with retail fraud.**

 **N=38**

[Source: Primary Source, 2023]

Figure 4.2 depicts the response rate for forensic auditors' effectiveness in dealing with retail fraud. Regarding the effectiveness of forensic auditors,65% of respondents strongly believed that forensic auditors have become extremely competent in detecting and preventing fraud. Following that, 25% of respondents agreed that forensic auditors are effective in detecting and preventing fraud, whereas 10% strongly disagreed that forensic auditors are ineffective in reducing retail fraud. There is agreement among respondents about how successful forensic auditing is, and it can be inferred that it is a tool better suited for fraud detection in the retail industry.

Out of 9 interviews, 7 interviewees granted that forensic auditing is an effective and fruitful technique for combating retail fraud and concluded that the utilization of investigation services and litigation support will significantly reduce incidents of fraud in the retail industry.

# **4.6 Recommend measures to minimise fraudulent activities in the retail sector:**

Collaboration between banks and the retail sector, according to the majority of respondents, may go a long way toward eliminating cybercrime. This point of view arose as a result of greater use of debit cards and POS technologies provided by banks. Out of 9 interviews, 5 interviewees also agreed that collaboration between financial institutions and retail sector participants is necessary to successfully combat cybercrime. Mugari & Olutola (2021), retailer-bank collaboration could lessen cybercrime risks. To combat cybercrime, retailers may benefit from financial institution cooperation and know your customer (KYC) policies.

In the retail industry, physical controls such as security camera installation (CCTV) can be utilized as a controlling instrument. The bulk of retail industries have suffered severely from point-of-sale (POS) fraud strategies such as larceny and skimming. Surveillance cameras can help to reduce crime significantly since they allow you to monitor your employees' conduct while they are at work. Surveillance cameras can act as God's eye, observing retail employees while they go about their work and tempting them to manipulate prices, use fictitious accounts, falsify account information, misuse suspense accounts, and make large electronic transfers of money, which aids in assessing the behaviour of all employees (Piza, Caplan and Kennedy, 2017). Shoplifting and inventory shrinkage are major concerns or major difficulties for retailers (owners). Respondents suggested that using CCTV systems will help to reduce inventory shrinkage and the negative financial impact it will have on firms. In an interview, one shop owner stated that retail security camera systems with remote access enable managers and shop owners to examine video feeds from anywhere, capturing visual evidence of any staff members or customers who may be stealing from their retail stores. Meanwhile, retail security system footage is being reviewed by security personnel, and the presence of video surveillance cameras exposes internal theft while also providing retail management and law enforcement with critical visual and logistical facts in cases of exterior theft. As a result, a store or mall with 24-hour CCTV surveillance can avoid similar situations.

Some respondents were convinced to imply that organizations should be stringent while hiring that is employee screening especially the ICT experts, till operators and shop managers. Thus, it is the job for the Human Resource Department to do thoroughly background checks of potential employees that is, the candidates' past job history and the veracity of the listed references before they offer those posts in the area of specialisation. Because internal fraud is a major concern for retailers, it is essential to hire the right employees. Doing things such as performing background checks and conducting in-depth interviews can help employers choose honest workers who respect the business (Li et al, 2018). These measures concur with the routine activities theory (Felson and Clarke, 1998) which suggests that organisations should put measures to reduce the opportunity for motivated offenders from committing retail fraud. One shop manager mentioned that staff comes from a variety of backgrounds. As a result, some may have inherent criminal characteristics and should be excluded throughout the screening process before causing harm to the organization. Mugari and Olutola (2021) supported these ideas by recommending that organizations deal forcefully with dishonest personnel who collude with cyber-criminals. As a result, retailers should think about hiring practices to avoid the possibility of hiring criminals.

The majority of respondents also urged that retailers establish passwords on their computers to prevent costly internal fraud. Passwords can assist employers in preventing and detecting employee fraud by ensuring that employees are capable of getting access to the user's computer security. It can be carried out by requiring a password before having access to functions that diverge from the ideal procedure. Furthermore, passwords should be changed frequently. However, adequate pay and working conditions might put a stop to fraudulent acts in retail stores. Employees are frequently overpaid to discourage them from diverting employer funds to their own use to meet their social and personal demands. As a result, this temptation is considerably stronger for retail workers, who interact with cash and near cash tools on a daily basis.

# **4.7 Summary.**

This chapter discussed the investigation's findings. Questionnaires and interviews were utilized to collect data, which was then presented using bar graphs, pie charts, and tables. The preceding chapter provided conclusions, recommendations, and a summary.

# **CHAPTER V**

# **SUMMARY, CONCLUSION AND RECOMMENDATION**

# **5.0 Introduction.**

Forensic auditing is often a bloodhound exercise for sensing out fraud, which may result in fraudsters being convicted. If retailers are concerned about the financial haemorrhage that is destroying the retail sector, then more than simply a 'behind the desk accountant' who counts data is required. Retailers require financial forensics professionals to plug all financial leakages caused by fraudulent activity and other financial disasters. This chapter summarized the research findings from the investigation into the role of forensic auditing in the detection of fraud in the retail sector. It also concentrated on the recommendations, study outcome, and suggestions that can be applied in future investigations.

# **5.1 Summary of the Study.**

The study focuses on the role of forensic auditing in retail fraud detection, with a particular emphasis on Harare CBD shops. The researcher noticed in the first chapter that the growing uptake of retail companies in the retail sector resulted in an increase in a series of fraudulent actions known as retail fraudulent activities. This is fuelled by advances in information technology, which lubricates fraudsters' actions toward fraudulent practices, astonishingly beneath the noses of both internal and external auditors. Chapter I also contains the study's background, problem statement, research objectives, research questions, significance, assumptions, delimitation, and limitations. The study was directed by the following objectives to attain this goal:

* 1. To identify prevalent types of fraud in the retail sector in Harare's CBD.
	2. To establish the role of forensic auditing in fraud detection in the retail sector in the Harare CBD.
	3. To evaluate the effectiveness of forensic auditing in fraud detection in the retail sector in Harare CBD.
	4. To recommend appropriate strategies for curbing fraud.

The research's second chapter (chapter 2) presented a thorough examination and review of other researchers' opinions and relevant literature to further investigate the research, which is an investigation into the role of forensic auditing in fraud detection in the retail industry. Various sources of information, such as journals, articles, and books, were used to highlight the consequences of fraud in the retail industry and the necessity to prevent it. This chapter also articulated and critically examined the conceptual framework, theoretical literature, and empirical evidence.

The third chapter concentrated on the research methodology that fostered the investigation. This chapter described the research design, study population, sample size, sampling methodologies, research instruments, and data gathering protocols, and data presentation and analysis procedures. The researcher employed a descriptive survey method. The data acquired through questionnaires and interviews were evaluated, discussed, and presented in Chapter IV.

# **5.2 Summary of research findings.**

In terms of the nature of fraudulent activities in the Harare CBD retail sector, the researcher determined that asset misappropriation and embezzlement were the most typical sorts of fraudulent activities. Respondents also felt that electronic card fraud was quickly infiltrating the retail industry. The study, on the other hand, revealed that financial statement fraud is common in the retail sector. Although several respondents believed that advance fee fraud is common in the retail industry. Other than asset misappropriation, embezzlement, electronic card fraud, financial statement fraud, and advance fee fraud, the majority of respondents indicated that there are retail frauds such as teeming and forgeries, as well as voucher manipulation, in which phony invoices and forged signatories are created for unpurchased goods or the quantity does not tally with the purchased goods. As a result, the con artists referred to the commodities as outmoded stock in order to satisfy their own interests while ignoring the firm's success.

The study indicated that the primary purpose of forensic auditors is to investigate what type of fraud is being committed, when the fraud occurred, how the crime was concealed, who was involved, and the impact of the fraud on the company. Some respondents believed that a forensic auditor's responsibility is to collect and present complete evidence proving the sort of fraud perpetrated, the impact of the crime on the firm, and the individuals involved in the fraud. Some believed that it was the job of forensic auditors to create reports on fraud incidences and advice on how fraud should be avoided in the future. While few respondents thought that the primary goal of forensic auditors is to testify in court about how they collected evidence and identified the suspect (s). The majority of respondents agreed that an increase in investigation services improves the business's likelihood of success in day-to-day life by overcoming all the perplexing and vital fraudulent activities of the retail sector through the production of a report that is offered to assist in legal adjudication and is used as evidence in courts of law.

In terms of the efficacy of forensic auditing in detecting fraudulent actions, it was determined that forensic auditors have become exceptionally skilled at detecting and preventing fraud. Some people believe that forensic auditors are only useful for fraud detection and prevention. While just a minority of respondents felt that forensic auditors are ineffective in decreasing retail fraud. The majority of respondents felt that using investigation services and litigation support would considerably reduce retail fraud incidences.

The study's ultimate goal was to recommend effective fraud-prevention techniques. Based on the majority of respondents, collaboration between banks and the retail sector might go a long way toward eliminating cybercrime. Financial institution collaboration and know your customer (KYC) policies may benefit retailers. Physical controls, such as security camera installation (CCTV), can also be used as a controlling instrument. On the same note, it was suggested that firms be tough while recruiting, which includes personnel screening, background checks, and conducting in-depth interviews, which can assist employers in selecting honest individuals who appreciate the business. The majority of respondents also urged that shops install passwords on their computers, such as 8 character passwords, and change passwords on a frequent basis.

# **5.3 Conclusion.**

In line with the research findings, forensic auditing is an effective instrument for uncovering and deterring fraudulent actions in the retail industry. As a result, it is critical that all retailers in Harare CBD use forensic auditing as a fraud-prevention approach. Without overemphasizing, using forensic auditing as a suggested method in the retail sector can help restore investor confidence. The retail sector's image has been tainted to a larger extent by various sorts of fraudulent operations and other fraud scams that deter foreign direct investment. Both internal and external auditors indeed have limitations in detecting fraud, and this gap can only be filled by forensic auditors, who have the special professional competence to detect fraud and give evidence in courts during litigation. Furthermore, a collaboration between banks and the retail sector, physical controls such as security camera installation (CCTV), personnel screening, and password installation on computers are the primary tips for combating retail fraud.

# **5.4 Recommendations.**

In light of the perplexing and critical fraudulent actions identified in this study, retailers must use strong prescriptive measures to combat retail fraud. The study gave the following recommendations to reduce fraud in the retail sector.

### **5.4.1 Authorization and Authentication**.

Authentication is the process of proving your own identity, such as usernames and passwords, whereas authorization is the act of granting employees access rights or privileges to information security resources. Authorization assists in determining who authorized a specific order that was placed, as well as in reducing data tampering. For example, on the till, prices are greyed out, indicating that the till operator cannot alter the pricing. Additionally, shops should employ strong authentication and authorization methods, such as two-factor authentication, to ensure that sensitive consumer data is only accessible to authorized individuals. As a result, each employee must have his or her password, which should not be shared, to prevent fraud.

### **5.4.2 Internal control.**

Retailers must upgrade their internal control systems in order to detect and prevent fraud. One example of such an internal control mechanism is the separation of duties, which ensures that no single individual has complete authority over the business. As a result, these methods are utilized to protect firm assets in which one person is responsible for placing an order, another for collecting, and some manage monetary transactions. As a result, to reduce data tampering, all sales for the day, as well as all receipts and costs, should be logged on the day they are made.

### **5.4.3 Train staff on fraud prevention**.

Retailers should educate their employees on fraud prevention and detection so that they can recognize and respond to suspicious behavior such as large purchases or odd payment methods, and take appropriate action. Employee training should be encouraged to keep up with the ever-increasing complexity of technologies.

### **5.4.4 Organizations should have clear lines of authority.**

Retailers must have an organized hierarchy from top to bottom so that every worker knows who to report suspected fraud to, and each management must have a small number of staff members reporting to him or her. Make it clear to staff how you handle complaints regarding questionable activity. As a result, all policies and procedures, as well as clear hiring practices, must be drafted in order to prevent the possibility of fraud in the firm.

### **5.4.5 Back up critical data.**

Every day, retailers should back up all data, including confidential and vital company data. In the event of a breach, the data should be stored in more than one location. An external hard drive or a different network that is not connected to the internet is highly recommended.

### **5.4.6 Sound policies and procedures.**

Retailers should have solid policies and procedures in place regarding how items are handled, particularly as they move from one office to another; policies such as an order must be completed when all necessary signatures for order approval are available; and cash should be banked at the end of the day.

### **5.4.7 Use security cameras.**

Security cameras should be installed in areas where fraudsters are likely to perpetrate fraud, such as the entrance, exit, tills, and reception. The footage should be monitored on a frequent basis in order to pinpoint when client volume is high or low, i.e. the cameras can help to pick up the ebbs and flows in customer activity and can also be utilized to identify the tracks of the thief so that he or she may be punished in time. Furthermore, retailers should use real-time remote monitoring, which eliminates the requirement for store owners, managers, or ICT professionals to be physically present in order to monitor business activities in real time. They can remotely monitor all of the store's activity from anywhere in the world.

### **5.4.8 Verify at the point of sale (POS).**

Whether it's a cash register in a store or an online payment process, the POS is a retailer's first line of defence. Having an address verification service (AVS) within the payment service ensures the address the credit card user enters matches the billing address; any discrepancy and the payment process is suspended until the issue is resolved.

# **5.5 Recommendations for further study.**

Fraud is a rapidly rising global concern that has negative effects for all industries, including retail. As a result, more research should be conducted on the impact of forensic auditing on fraud detection and prevention in Zimbabwe. Understanding the motivations behind each unique type of sector can assist firms to design countermeasures to win the battle against fraud.

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# **APPENDICES**

# **APPENDIX 1: RESEARCH ASSISTANCE LETTER**

Bindura University of Science Education

P. Bag 1020

Bindura

Zimbabwe

To whom it may concern

**RE: REQUEST FOR RESEARCH ASSISTANCE.**

My name is Brighton Mutombwera (B192552B) and I am a final year student at Bindura University of Science Education. I am carrying out a survey research on **“AN INVESTIGATION INTO THE ROLE OF FORENSIC AUDITING IN FRAUD DETECTION IN THE RETAIL SECTOR. (A SURVEY OF RETAIL SHOPS IN HARARE CBD)”** in partial fulfilment of my Bachelor of Commerce Honours Degree in Financial Intelligence. Please help me by completing the attached questionnaire. Your response will be greatly appreciated and kept strictly confidential as this research is exclusively for academic purposes. Please feel free to share your genuine and professional opinion on the issues raised.

Kindly contact me or my supervisor if you have questions or need clarification on how to complete the questionnaire.

Student Details Supervisor`s Details
Name: Brighton Mutombwera Name: Mr Gombarume
Contact: 0779 987 859 / 0715 631 753 Contact: 0772 929 778 / 0712 472 160
Email: brightonmutombs@gmail.com

Yours faithfully

Brighton Mutombwera

# **APPENDIX 2**

# **QUESTIONNAIRE FOR RETAILERS IN HARARE (CBD) SHOPS**

**SECTION A: Demographic Data**

*Please indicate by putting a tick below*

1. Gender: male [ ] female [ ]
2. Age range:

|  |  |  |  |
| --- | --- | --- | --- |
| Below 25 years | 26-30 years | 31-35 years | Above 36 years |
|  |  |  |  |

1. How much time have you spent working in your organisation?

|  |  |  |  |
| --- | --- | --- | --- |
| Less than 2 years | 2-5 years  | 6-9 years  | Above 10 years |
|  |  |  |  |

1. Highest educational level attained:

|  |  |  |  |
| --- | --- | --- | --- |
| Ordinary/Advanced level | Diploma | Under/Post graduate  | Other professionals qualifications |
|  |  |  |  |

1. . Please indicate your category below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Shop Owner | Shop Manager | ICT experts | Till operator | Other |
|  |  |  |  |  |

1. Type of business.

*Please indicate below*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Groceries shops | Furniture  | Motor spares shops  | Electronic and accessories  | Food court | Clothing and footwear |
|  |  |  |  |  |  |

**SECTION B:** **Nature of fraudulent activities**

1. Below are some of the common forms offraudulent activities in the retail sector. Please indicate their prevalence rates in your organisation:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type of fraudulent activities  | Doesn’t occur | Less prevalent  | Prevalent  | Very prevalent  |
| Asset misappropriation |  |  |  |  |
| Embezzlement  |  |  |  |  |
| Electronic card fraud |  |  |  |  |
| Financial statement fraud |  |  |  |  |
| Advance fee fraud |  |  |  |  |

1. Other than above, what other fraudulent activities are prevalent in your organization. Please indicate below if there are any?

…………………………………………………………………………………………

…………………………………………………………………………………………

**SECTION C: Role of forensic auditors**

1. What is the main aim of forensic auditors in the prevention and detection of fraud in the retail sector?

|  |  |
| --- | --- |
| To investigate on; what type of fraud is being committed, when the fraud occurred, how the crime was concealed, who was involved, and the impact of the fraud on the company. |  |
| To gather and present complete evidence demonstrating the sort of fraud committed, the impact of the fraud on the company, and the individuals involved in the crime. |  |
| To prepare reports regarding the fraud occurrence and advice on how the fraud can be avoided in the future. |  |
| To testify in courts of law on how he or she gathered evidence and how he or she identified the suspect(s). |  |

1. Other than the above, what other main aims do forensic auditors have in the prevention and detection of fraud in the retail sector?

…………………………………………………………………………………………

………………………………………………………………………………………….

**SECTION D: The effectiveness of forensic auditors**

1. How effective are the forensic auditors in preventing and detecting fraud in retail industry?

Very effective [ ] Effective [ ] Not effective [ ]

**SECTION E: Measures to minimize fraudulent activities**

1. What measures can be done to minimise fraudulent activities in the retail sector?

..........................................................................................................................................

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**End of Questionnaire**

**Thank you for your cooperation.**

# **APPENDIX 3**

# **INTERVIEW GUIDE FOR RETAILERS IN HARARE (CBD) SHOPS.**

1. What is the nature of fraudulent activities dominating at your organization?
2. What is the main aim of forensic auditors in the prevention and detection of fraud in the retail sector?
3. How effective are the forensic auditors in preventing and detecting fraud in retail industry?
4. What measures has your organization implemented to curb fraudulent activities?
5. What other measures can be implemented in order to curb fraudulent activities in the retail sector?
6. In your view, who is responsible for the prevention and detection of fraud in your organization?