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IMPACT OF INTERNAL AUDIT IN PREVENTING AND CONTROLLING FRAUD IN NIGERIAN PUBLIC SECTOR

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ABSTRACT

This study was carried out to assess the impact of auditing in preventing and controlling fraud and the effectiveness of internal control put in place to curb fraud and irregularities.

This study was explorative research using primary data which was collected through questionnaire. The questionnaires were administered personally to the auditors and account officers of Oyo state Secretariat, Ibadan, Nigeria, and the sample size of 52 was conveniently and deliberately chosen. The data was analysed using percentage distribution, frequency tables and the Spearman rank correlation.

Findings from this research revealed that Auditing has a great impact on fraud and financial irregularities and that it has reduced the occurrence of fraud. Also, the internal control system employed has been effective enough to reduce the occurrence of fraud and irregularities.

This study concluded that the prevention and control of fraud and the irregularities contained in the financial statement is a responsibility of auditors through a thorough examination of records and the review of internal control designed by the management of an organization. Therefore, audit activities carried out regularly will ensure a proper check on the financial records of an organization to prevent and control fraud of any cases and irregularities.

Keywords: Auditing, Internal Control, Fraud, Financial Irregularities

INTRODUCTION

The role of auditors is considered to be essential to the normal operation of the financial management of public and private companies and their role is particularly important in detecting and revealing irregularities in financial statements. Internal audit has been seen an important tool for advancing the productivity of most organizations, including the not-for-profit organizations.

Internal audit is an independent evaluation of an organization's functions and performance ratings, used to review the operations of financial accounting and its operations which can provide protective and constructive services to management. Specific responsibilities of the internal auditors depend on the entity's size.

Financial irregularities which are human error, intentional misstatement, outright omission of figures or disclosure in financial statements include: Missing vouchers or documents which is possible when an employee destroys evidence, in form of invoice copy and harvest the money into his personal account, are indications that internal control is not operating as it is intended. Also unexpected items of reconciliation or suspense accounts differences on purchases and sales ledger control accounts may be a pointer to minor, non-material errors but may also indicate real fraud, evidence of dispute, lack of partial payments by debtors, falsified document, altered dates to place documents in a different year in order to boost profit and overstating of physical assets.

Due to the increasing number of financial scandals and inability of the government administration to reverse the situation of public turmoil, the public sector's demand for enhanced accountability and transparency continue to increase (Green & Singleton, 2009; Mantuf 2010). Auditing in the public and private sectors has expanded considerably around the world and this is because the public and private sectors increasingly need

transparency and accountability at all levels. Auditing is very important among the Nigeria's economic sector because more than 65% of the country's asset base and other production resources are under the control of the public economic sector

The problem of fraud in commercial and public sectors are getting worse and dates back a long time. This fact poses a great challenge to the survival of many organizations around the world. The most cited corporate accounting scandals are Enron, WorldCom and Xerox, which has raised serious concerns about fraud and the resulting strong protests against the transparency and honesty of financial accounting reporting.

The main objective of this research is to assess the impact of audits on the control of fraud and other financial irregularities in the public sector of Oyo state, Nigeria.

Although there is an internal audit department in the corporate organization, there are still errors, irregularities, and traces of fraudulent activities in the organization. National newspaper often report fraud, considering the continuous neglect of control elements, the weakness associated with the internal control system in the public sector in terms of management resources and finance is a key area that currently lack attention. This has caused most public sectors to face serious large scale financial irregularities in management, distribution and accounting for national resources deployed in various public organizations. People also involve in many financial irregularities to gain wealth, many of which are through looting government coffers, abandoned capital projects etc. The importance of internal audit function and internal control is only acknowledged and emphasize the violation after it is discovered following the established audit standards and improve awareness of corporate governance.

The internal audit if properly implemented will lead to improvements and better internal control systems. If the performance of the internal audit department sticks to this, the better the internal audit practice, the better the internal control system and the better the performance of the audit department. This work gave more understanding to the internal controls put in place in the organizations, how effective they are in order to reduce the risk of fraud and financial irregularities and the influence of auditing in ensuring that fraud and other financial irregularities are reduced and controlled.

The general objective of this study is to assess the impact of auditing in preventing and controlling fraud and other financial irregularities in public enterprise. Other objectives are to:

1. Assess the effectiveness of internal audit put in place in public sectors to reduce fraud.
2. Determine if internal control system put in place by internal audit has helped in reducing fraud in the public sector.

The following hypotheses are stated to assist in achieving the stated objectives:

H<sub>01</sub> - Internal audit does not help to control fraud in the public sector.

H<sub>02</sub> - Internal control system put in place by internal audit does not reduce fraud in the public sector.

## II Literature Review

### Auditing

The word "audit" is derived from the Latin verb "Audire" which means "to listen" (Kola, 2007). In the early stages of audit, the main qualification for the auditor position is reputation (the ability to provide report on the authenticity and fairness of the financial statements and to express a fair opinion. (Millichamp, 2002), believes that auditing is an activity, the purpose of which is to allow auditors to express opinions on whether the financial statements, truly and fairly (or equivalently) reflect the affairs of the entity at the end of the period, its gains and losses (or income and expenditure) and appropriate preparations are made in accordance with the applicable reporting framework. In its opinion, (Taxmann's, 2004) believes that auditing is an activity to verify

financial statements, which allows auditors to express opinions on whether the financial statements are prepared in accordance with the identified financial reporting framework in all material respects and jobs. Whittington & Pany (2004) treat auditing as a process that includes the search and verification of accounting records as well as the verification of other evidence that supports the financial statements. (Adeniyi, 2004) defines an audit as an auditor's independent review of the financial status of the company and an opinion based on his appointment and compliance with any relevant legal obligations. An audit is an independent review of the opinions expressed by the designated auditor on the financial statements of the organisation in accordance with the terms of employment, the opinions of laws, regulations, and professional requirements. (Awe, 2008) defines an audit as an independent inspection of an organization's book and accounts by an officially appointed person to allow the person to express an opinion on whether the accounts provide a true and fair picture and comply with the relevant legal standards.

In Nigeria, the Companies Act of 1968 can be regarded as the first comprehensive regulation requiring all registered companies to audit their annual financial statements. According to the provisions of the Company Law of 1968, a company's auditors must check and report on the company's financial status submitted to shareholders (Nwanku, 2006). The Companies Act of 1968 was superseded by the Companies Act and the Joint Affairs Act of 1990 (CAMA), which also requires company auditors to inspect and report financial statements presented to shareholders (CAMA, 1990). The adoption of an effective and efficient internal control system and the establishment of an internal control system with the establishment of an internal audit department and external auditors to change their audit work has become increasingly common and considered good practice. Internal auditors are the key factors that determine the quality of an organization's internal control, and their development has provided a significant improvement to modern auditing practice (Adeniyi, 2004). An auditor has the following functions in organization: helping the organization to determine whether the quality management system is working efficiently and effectively; reporting findings to management and also provide corrective actions where necessary; determining how adequate and effective the internal controls of the organization is, and investigating compliance with company policies, principles and procedures.

#### Concept of Internal Control System

All organizations are exposed to threats that adversely affect the organization and may lead to loss of assets. From accidental but grievous mistakes to fraudulent and deliberate manipulations, risk is present in every business. To forestall this, controls should be in place to avoid or minimize loss to the organization. Internal control aims to prevent errors, irregularities, and anomalies, identify specific problems, and ensure that actions are taken to correct them. In many cases, the process owner in departments, exercise control and interacts with the control structure daily, sometimes even without realizing it because control is built into the operation.

Internal controls are integral part of any organization's financial and business policies and procedures. The existence of internal control is just a 'watchdog' established by regulators and policy makers to increase public trust, promote objectivity, due process, and accountability. Jill & Houmes (2014). This includes, all the precautions taken by the organization to protect its resources against wastage and fraud, to ensure accurate and reliable accounting information and operating data, ensuring adequate compliance with the policies of organizations, and assessing the level of performance in all units of the organization. Recognition of internal control as it was first introduced in 1949 by the American Institute of Certified Public Accountants (AICPA), treats internal control as a plan and other means of coordination of the company to ensure the security of its assets, verify the confidentiality and reliability of data, increase its efficiency, and ensure the management of political stability. However, the presentation of the operating concept has been continuously improved and

today there is a wide range of concepts that refer to the internal control system as one of the means of leadership to ensure the security of asset and its regular development. The effectiveness of internal control directly dependent on communication flow, integrity of application and the ethical values of the employees responsible for creating, managing, and monitoring the control. Top management must formulate a clear statement of ethical values and must develop behavior, ethics and anti-fraud plans to encourage employees to engage in proper behavior and must take appropriate corrective actions when such behavior is discovered.

Employees must also have the skills and knowledge needed to complete the job because if employees do not possess adequate knowledge and skills, they may not be able to effectively perform their assigned tasks. Hiring employees with the relevant training and experience should be paramount for the Management. They should also provide them with adequate monitoring and on- job training. In general, the responsibility of the internal control system must rest solely on top management of the organization. Companies must develop and improve the internal control system to protect the owners fully and safely. This will invariably reduce the risk of criminal conduct and obtaining reliable information and objective financial reports. Internal control personnel are most times held accountable for mitigating criminality.

#### Internal Audit and Internal Control

The internal control system is one of the fundamental and essential elements for effective and efficient management. It covers the entire management system of an organization, whether it is financial or non-financial. The internal controls help the auditors to achieve goals and targets effectively. Therefore, internal control system includes a number of inspection and control activities to ensure economical and efficient operation. From the auditor's point of view, it is very important to study and evaluate the internal control system and to properly understand the system, the auditor must determine whether audit is feasible and then the scope of the audit will be determined as well. In determining the success of an audit, the auditor will evaluate whether a possible presumption of fraud or errors in accounting records has occurred. If the explanation received shows that the exception is an isolated output, then there is a need to confirm the validity of explanation by carrying out a further test. The confirmation of this will bring about a trust and reliability of the control that it has been tested and being improperly operated which will make an auditor increase the level of substantive test unless there are alternative controls.

#### Fraud

Fraud has become a worldwide concept, which is a concern. It exists in all countries and affects all types of organizations regardless of their size, age, profitability, strength, or industry. According to the International Auditing Standards of IAS 240, the term 'fraud' refers to the deliberate act of one or more persons between management, employees or a third party, involving the use of falsehood to obtain an undue or illegal advantage. According to the Adeniji (2004), fraud is an international act of one or more persons between management, employees or a third party leading to false statements in financial statements. In recent years, fraud has increased significantly, and professionals believe that this trend may continue. Fraud is a constant threat to the efficient use of resources and is always an important issue for the administrator (Brink & Witt, 1982). It also refers to the wilful act of one or more person with the responsibility for governance, employees or a third party, which involves the use of falsehood to derive undue or illegal benefits.

Aderibigbe & Dada (2007) define fraud as a masterminded and well executed deception that intentionally deprives others of properties, belongings, resources, or rights directly or indirectly whether the perpetrator gained something from their actions. It has affected the entire economy adversely, leading to substantial financial losses, social instability, impaired democratic structures, and ultimately loss of confidence in the economic and social system (Nicolescu, 2007). Since many well-known fraud cases were discovered in some of the high rated multinational companies in the early 21<sup>st</sup> century, this view of fraud prevention has undergone a fundamental change. At present, fraud is seen as one of the most important risks associated with organizations, which is closely related to judicial, market, reputation or credit risks (Munteanu V Zuca, 2010).

### Public Sector Fraud

The Association of Registered Fraud Examiners (2012) categorised into three: Corruption, Asset misappropriation, and financial statement fraud. In this case, fraud can be carried out in many forms, from simple breach of trust to complex Internet crimes. (Anyanwu, 1993), Ajie and Ezi (2000), (Karwai, 2002), (Okafor, 2004), (Adeniji, 2004) and (Onuarah et al., 2011) summarized types of fraud based on perpetration methods which are, but are not limited to; defamation, suppression, theft and misappropriation of public funds, manipulation of reserves, abuse and falsification of privileged information, fraudulent substitution, unauthorized loans, phantom borrower loans, kite flying and cross shooting, unofficial loans, spoofing of identity, property, false payment and embezzlement.

They also identified unwholesome use of the organization's documents, false accounts, false expenses, voucher processing, dry cargo transportation, envelope invoices, statistical data inflation, account manipulation, false contracts, repeated inspection books, computer fraud, abuse of temporary accounts, false cash shortages, etc.

Categories of fraud in the public sector include corruption, bribery and extortion, fraud and illegal use of public assets used for private advances, bills that are too high and too low, paying wages to invisible workers (non-existent) and pensioners with other benefits; payment for goods or services not in existence. (Singleton, Bologna & Lindquist, 2006). Also, under estimation and payment of import and export taxes and fees through the following methods: false invoices or other statements; increase the purchase price of goods; embezzle assets; a court statement of financial compensation that far exceeds the losses suffered; deleted documents or entire documents; favoritism and sponsorship.

### Theoretical Review

#### The Fraud Triangle Theory

The original theory of fraud triangle was formulated and developed by Donald R. Cressey, a popular Criminologist in 1953 and which has passed through modifications many times mostly in the early 1970s. This theory originated in sociological literature and was adopted as an empirical and effective explanation for fraud. It describes three necessary conditions for crime to occur: pressure (unsharable problems), opportunity (lack of internal control) and rationalization (capacity for oneself).

Cressey's hypothesis states that 'when trusted people think they have a financial problem that they cannot share, they become trust violators and they know that their problems can be resolved in secret by truncating

financial trust. In this case, they can express language into their behavior, so that they can adjust their concept of being a trustworthy person according to their concept of being a user of funds or entrusted assets. The premise is that to fight fraud, you must not only be aware of its occurrence, but also to determine how and why it happened. Cressey's theory focuses on individuals and strength of an organization's internal control measures as a deterrent to prevent fraud. Fraud triangle is a framework commonly used in audit to explain why a person makes a fraudulent decision, to also detect and deter occupational fraud and auditors often refer to it when they are analysing the potential risk of fraud in an organization. Three factors that lead to increase in the risk of fraud were itemized as: Pressure, Rationalization and Opportunity.

### Stewardship Theory

Stewardship Theory of Donaldson & Davis (1991) explains the research framework in the internal audit, and this is solely because the theory involves identifying circumstances of the interests of the principal and the clients. Ebimobowei and Binaebi (2013) also note that the existence of auditing is due to Stewardship concepts and Stewardship accounting. Adopting Stewardship theory in the public sector will bring improvement and positive changes, because Stewardship theory serves as an accountability mechanism to ensure proper follow-up, better audits and reports to help achieve goals (Cribb, 2006).

Similarly, Ebimobowei and Binaebi (2013) recommend that auditing improves proper stewardship reports. Invariably, utilising this theory in government sectors will ensure the realization of its respective goals because stewardship theory has concern that brings about the success of the organization. It also believes that managers are trustworthy therefore, there will be no more behavioral interactions that can lead to misuse of company resources. A good manager leads to effective internal audits and improving government sector management and the purpose is to secure these antecedents so that they can recognize the effectiveness of internal audit. Also, with respect to the results of Davis et al., (2010), reveals the employee's level of commitment and confidence in management activities is positively significantly related to the stewardship of such organization.

Similarly, stewardship theory also deals with circumstances in which the staff of an organization can help managers to achieve organizational goals instead of taking advantage of his selfishness and greediness (Donaldson & Davis et al., 2010). Therefore, employees who are housekeepers for instance, internal auditors are more concerned about achieving the overall goals of the organization because they are committed to actualizing these goals.

This study will be anchored on the stewardship theory.

### Empirical Review

In the process of investigating various related papers, different contributions, and suggestions, (Adams, 2005) wrote on authorization of government expenditures control, government revenue funds, performing accounting and expense control in the book titled "Public Sector Accounting and Finance". These documents detailed the income control elements, which can be used in the public sector. They are regular monitoring, monitoring income management system so that services are not provided for free, issued in time request notification and follow-up actions to deal with debts, release controlled forms in a timely manner, documents and receipt record, immediately deposit all income received in the bank; establish authority restrictions and cash restrictions and establish a functional Internal Control System.

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In addition, Adams (2005) revealed that if the government does not exercise sufficient control power, practice from time to time, to estimate expenditure, the government budget will always be in deficit. It is also necessary to state the control weapons: departmental control, administrative control, legislative control, control of the ministry of finance, and treasury control to ensure that available funds are used wisely for anticipated services; The Nigerian Institute of Chartered Accountants (2009) agrees with the statement by Adams (2005), but the main control weapon has been added, namely the Office of the Auditor General for the Federation, and the Public Accounts Committee which means that the government has been especially established in Nigeria. There are also important financial rules, codes, and regulations to avert various categories of fraud like misapplication and misappropriation of assets and other resources, corruption, and fraud of financial statements. So, the question is are the control weapons and other available weapons effective? If so, is the answer, then management (the tone at the top), load with responsibilities and obligations, will make it necessary to review and work on the environmental culture. Therefore, all stakeholders must focus on preventing fraud and solving corporate problems, realistic governance structure, high-level tone, financial goals, procedures, and policies (Singleton & Singleton, 2010).

Research by Zimbelman and Albrecht (2012) examined their fraud prevention with the book titled 'Forensic Accounting'. The book claims that preventing fraud entails creating these factors of; honesty, frankness, and help. The factors are, hiring honest employees or individuals and provide fraud sensitization, develop positive working environment, and provide employee assistance program (help employees personal pressure). They also opined that fraud sensitization and hiring honest people involves valid choice of course verification Certification, the government should train personnel involved in the contracting process to perform Skilled and thorough interview. This interview provides an opportunity for the government to obtain detailed personal data on job applicant's personal experience, skills, jobs, history, and employment.

Furthermore, Zimbelman and Albrecht (2012) suggested the creation of a favourable and positive work environment as the key to preventing fraud and the factors are: writing on being honest by establishing good corporate codes of conduct and changing the expectations of the entire organization; there is an open door or easy access policy; and there is a proactive policy operating and personnel procedures. This kind of expectations must be real, sustainable, and accepted. To the person in charge (director, management), they say moral developer tips 'If you want someone to act honestly, you should check and give an example of honest behavior'.

Finally, they concluded that fraud prevention involves eliminating the possibility of fraud; this includes these factors: Control; prevent collusion between employees and customers or suppliers and clearly inform suppliers and other external contacts or other interested parties of the company's anti-fraud policy; monitors workers and provides hot lines (whistle blowing) for anonymous indications; create expectations of punishment; and perform proactive audit work.

Ogunayo (2014) in his research; "The internal control system is a fully accountable management tool" stated that" the control system includes internal audit, administrative control and other accounting controls established by the management to ensure the achievement of its planned goals. These goals mean maintaining adequate records to ensure compliance with management policies and ensure that actions are in line with the plan. One of his suggestions is "there must be sufficient motivation, such as bonuses and incentives for employees and officials in order to avoid financial fraud".

James & Ibanichuka (2014) studied financial control together with the challenges of fraud prevention in the banking industry. They found a positive correlation implementing financial control and advise wisely on fraud prevention. Bank regulations, guidelines, codes, and other internal control policies should be followed to prevent fraud and misappropriation of assets. They found that the control measures are most times influenced by human error, management policies, commitments, and employees.

Gbegi & Adebisi (2015), in his research "Analysis of Fraud Detection and Prevention Strategies in the Nigerian Public Sector" tested these assumptions that "the Nigerian public sector does not have a strong internal control system" and "management integrity does not have the impact on fraud prevention in the Nigerian public sector. Then, upon investigation, if the company's internal control system is robust, the Nigerian public sector and the integrity of the management have an impact on the prevention of fraud in the Nigerian public sector.

(Ademola et al., 2015) concluded in their study on the "Impact of Nigeria Public Sector on Internal Control System" After two tests, the study concluded that the establishment of internal control is essential to prevent fraud and irregularities and analyze the hypothesis of the effectiveness of internal control in preventing and detecting fraud in the public sector.

They went further and said the government and relevant departments should focus on a more strategic approach and establish internal controls to prevent fraud in the public sector. Effective internal control is more effective against fraud prevention.

In a study of internal control and fraud detection in Nigeria's public sector, Edeh (2015) concluded that Control is a tool used to prevent and detect unwholesome and irregular activities and frauds to protect fraudulent assets and corrupt activities. The internal control system is a necessary method to promote the effectiveness and efficiency of an organization, to reduce the risk of asset loss arising from fraud and ensure that financial statements are reliable and comply with laws and regulations.

Enofe et al. (2016) studied "Internal control and fraud prevention mechanisms in the Nigerian public sector using a new theory of fraudulent diamonds". He adopted a survey design and used raw data, while Spearman Rank correlation was utilized to test the hypotheses. The results of the survey showed that corporate governance and labor, "The impact of quarantine on fraud prevention" is not significant, while the competence and integrity of employee management, significantly affect fraud and prevention in the Nigerian public sector.

## Conceptual Framework

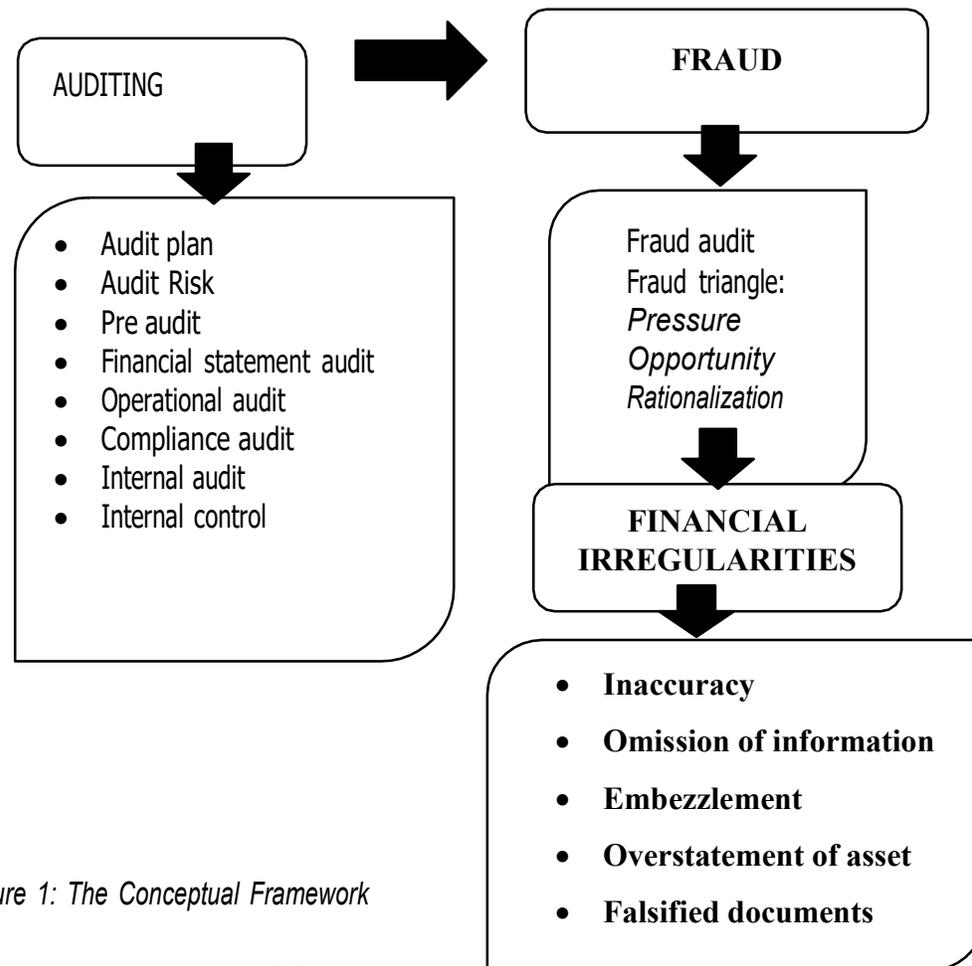


Figure 1: The Conceptual Framework

Source: Researcher's view (2021)

The above diagram (Figure 1) shows the conceptual framework showing the inter-relationship between auditing, prevention and control of fraud and financial irregularities in public sectors. The dependent variable is the prevention and detection of fraud and financial irregularities while the independent variable is Auditing. Therefore, this shows that Auditing can have a direct effect on the prevention and detection of fraud and other financial irregularities.

## Gaps in Literature

The Literature above have been able to analyze the impact of Auditing and affirm that fraud is an indispensable part of any organization and its consequences especially in the public sector are always serious. In theory, fraudulent activities always go through the four stages of capabilities, pressure, opportunity, and rationalization. The explanation is that before fraud occurs, the fraud offender must have the required skills, feel pressure, perceive opportunities, and formulate a morally acceptable ideology for him or her before engaging in unwholesome and unethical behavior (rationalization). There is no doubt that there is a lot of research on how auditing can prevent and control fraud in the public sector in Nigeria but there is a need for an in-depth study

and analysis on how auditing helps in controlling and preventing fraud; how organizations are influenced and persuaded to use their internal controls in ensuring good result in the performance of organizations.

## METHODOLOGY

This research adopted a survey methodology. Area of study was Oyo State. The population of this study included the internal auditor and finance officers for the distribution of questionnaire of the following sectors and departments in Oyo State, Nigeria: Ministry of Youth and Sports, The Auditor General's office, The Accountant General's office, and the Finance department. This research adopted the probability sampling technique where all individuals had the chances of being selected because every individual matters. Also, the Simple random sampling out of the types of probability sampling techniques was used as it ensures that the selection process is completely randomized. The structured questionnaire was administered to 52 respondents for the purpose of this study.

Questionnaires structured for the purpose of getting the data relevant for this study was self-administered to the respondents. The questionnaire has two sections A and B. Section A included biodata; personal questions about the respondent for example, gender, years in service, position at work, educational qualification, and professional qualification, in which respondents are to indicate. Section B included questions pertaining to the impact of auditing in preventing and controlling fraud and other financial irregularities. The questions were formulated in a close ended format that made use of the 5 Likert Scale method to indicate 'Strongly Agree', 'Agree', 'Undecided', 'Disagree' or 'Strongly Disagree' with the questions. During this research, the nominal variable was used with a closed ended technique where respondents were given the freedom to respond the way they like. Also, the ordinal variable was used with numeric value and the use of Likert Scale. The variables in this study include Auditing, internal control, Fraud, financial irregularities and public sector. Cronbach's alpha analysis was performed on the data from the research tool to determine the reliability of the research tool. The coefficients of Cronbach's alpha reliability test range from 0.00 to 1.00, and any value greater than 0.7 indicates that the research tool is reliable, which is so for this data.

In testing the research hypothesis, the researcher made use of Spearman rank correlation to test the extent of auditing on the prevention and control of fraud and other financial irregularities.

## DATA ANALYSIS

The testing of hypotheses and analysis was carried out using Spearman rank correlation which was conducted through Statistical Package for Social Sciences (SPSS) and then, results were interpreted.

### Preliminary Analysis

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.798	.811	21

Source: Field Survey 2021

Table 2 shows the Cronbach's alpha reliability test used to measure the scales of the research instrument. It is used to describe the internal consistency of scales, obtained from the Likert scale and once the score is higher than 0.7, it is reliable. The Cronbach alpha coefficient for this research was performed and it returned a value of 0.798 (Table 2) which according to (George and Mallery, 2003) is 'acceptable' and indicates a high level of internal consistency for our scale (i.e., that our set of questions are closely related) in this research.

TABLE 3 Demographic Characteristics of the Respondents

Parameters	Frequency	Percentage (%)
Gender		
Male	25	48
Female	25	48
No response	2	4
Total	52	100
Years in Service		
5-10yrs	12	22
10-15yrs	8	16
15-20yrs	7	14
Above 20yrs	25	48
Total	52	100
Professional Qualification		
ACA	15	28.95
CIBN	1	2.63
ACCA	6	10.53
NONE	19	36.84
ACIA	1	2.63
CAN	3	5.26
ANAN	3	5.26
AAT	4	7.90
Total	52	100
Position		
High level Management	17	23
Middle level Management	31	59
Low level Management	2	4
No response	2	4
Total	52	100

Source: Field Survey 2021

Table 3 reveals that 48% of the respondents are males while 48% are females and 4% did not disclose their gender. This implies that both female and male respondents have the same percentage frequency. Table 3 also shows the number of years-in-service of the respondents with 48% of the respondents having been in the ministry for more than 20 years, 22% have been in service for 5 – 10 years, 16% with 10- 15 years of experience and 14% with 15-20 years of experience. This implies that most of the respondents have been in

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service for more than 20 years. Also, the table presents the professional qualifications of the respondents where 37% does not possess any professional qualification, 28% have ACA, 2.7% have CBN, 11% have ACCA, 8% have AAT/ICAN, and 5% have either CNA or ANAN. This implies that most of the respondents do not possess any professional qualification and those that possess are majorly ACA holder of the Institute of Chartered Accountant of Nigeria (ICAN). Table 3 also shows the percentage distribution of the categories of positions the respondents belong to; 59% are middle management staff, 23% are high level management staff and 4% are low level management staff. This implies that the major respondents are the middle management staff.

#### Test of Hypothesis

##### Hypothesis One

$H_0$ : Auditing does not help to control fraud and other financial irregularities in the public sector

$H_1$ : Auditing helps to control fraud and other financial irregularities in the public sector

##### Method of Analysis

The correlation analysis was performed to study the relationship between the variable "The process of auditing is the best way to control any means of fraud and irregularities" and "Auditing has made it impossible for financial irregularities to occur (prevention)", "Auditing has reduced fraudulent intentions in the industry", "Auditing is sometimes ineffective as there is always a means of committing fraud irrespective of the controls put in place", "Auditing has made a great positive impact on the growth of the ministry", "Auditors are aware of internal control and has ensure their implementation", "The internal auditors are saddled with the responsibilities of preventing fraud in the ministry" as presented in Table 8.

With a p-value of less than 0.05 at 95% confidence interval for all the variables (except "auditing is sometimes ineffective as there is always a means of committing fraud irrespective of the controls put in place"), the null hypothesis is rejected and the alternative hypothesis that "Auditing helps to control fraud and other financial irregularities in the public sector" is accepted. The strength of the relationship is weak as the correlation R for each of these variables as presented in Table 4 are majorly 0.3 except for "Auditing has made it impossible for financial irregularities to occur (prevention)" with a value of 0.591 which is strong, that is auditing has actually made it impossible for financial irregularities to occur.

Table 4: Spearman Rank Correlation on auditing and control of fraud and other financial irregularities in the public sector

The process of auditing is the best way to control any means of fraud and irregularities	Correlation R	p (significance)
Auditing has made it impossible for financial irregularities to occur (prevention)	0.591	0.000
Auditing has reduced fraudulent intentions in the industry	0.347	0.013
Auditing is sometimes ineffective as there is always a means of committing fraud irrespective of the controls put in place	-0.109	0.445
Auditing has made a great positive impact on the growth of the ministry	0.405	0.003
Auditors are aware of internal control and has ensure their implementation	0.435	0.001

The internal auditors are saddled with the responsibilities of preventing fraud in the ministry	0.380	0.005
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## Hypothesis Two

$H_0$ : Effective internal control does not reduce the risk of fraud and financial irregularities in the public sector.

$H_1$ : Effective internal control reduces the risk of fraud and financial irregularities in the public sector.

## Method of Analysis

The correlation analysis was performed to study the relationship between the variable, "Internal control system employed in the ministry has reduced fraud and financial irregularities to the barest minimum", and "The internal control system employed in the ministry are adequate for its operation", "The processes and system of internal control are effective in the ministry", "There is a reasonable level of confidence in the internal control system of the ministry", and "There is always a review or evaluation of controls in the ministry in order to reveal which of the controls are still effective". There is a statistically significant relationship between the internal control system employed being adequate, effective, with a reasonable level of confidence and continual review or evaluation of the controls used in the ministry and reduction of fraud and financial irregularities as  $p$  is less than 0.05 for each of these variables. The strength of this association is strong as each of the variables have correlation values of 0.5.

Table 5: Spearman Rank Correlation for Efficiency of internal control system on the risk of fraud and financial irregularities in the public sector.

Internal control system employed in the ministry has reduced fraud and financial irregularities to the barest minimum	Correlation R	p (significance)
The internal control system employed in the ministry are adequate for its operation	0.494	0.000
The processes and system of internal control are effective in the ministry	0.580	0.015
There is a reasonable level of confidence in the internal control system of the ministry	0.506	0.000
There is always a review or evaluation of controls in the ministry in order to reveal which of the controls are still effective	0.391	0.005

Table 6: Acceptance or Fail to reject of Null Hypothesis

Null Hypothesis	Fail to reject	Reject
$H_0$ : Internal Audit does not help to control fraud and other financial irregularities in the public sector	No	Yes
$H_0$ : Internal control put in place by internal audit does not reduce fraud in the public sector	No	Yes

All the null hypotheses were rejected proving that Internal audit has a significant impact in controlling fraud in the public sector, and that internal control put in place by the internal audit reduces fraud in the public sector.

## CONCLUSION AND RECOMMENDATIONS

The study discovered that the major reason behind the prevalence of fraud is that it is majorly carried out internally by management and staffs. Also, Auditors are stewards of an organization as they are liable to accountability in the areas of account and finances. They are expected to give account to the government, management and stakeholders in general of the true and fair view of a record examined. Furthermore, the internal control employed in an organization will determine its effective and efficient operation as they are used in guiding the affairs and a means of preventing and controlling fraud with irregularities in the public sector.

The importance of auditing in organizations and public sectors in general has been made clear in past studies and findings. Auditing is important because it is a major key in ensuring that the interest of an organization is protected through the examination of account in preventing errors, fraud and other irregularities in the books of account. Fraud on the other hand has become a worldwide threat that cannot be overlooked as many organizations are constantly faced with this and it has steadily become a hindrance to the growth, development and stability of the Nigerian economy.

Likewise, organization's failure sometimes is created majorly by fraud due to its negative effect on the image and the economy as a whole of such organization. The prevention and control of fraud and the irregularities contained in the financial statement is a responsibility of auditors through a thorough examination of records and the review of internal control designed by the management of an organization.

Therefore, audit process should be carried out periodically or as stipulated in the policies of an organization in order to avert and control the occurrence of fraudulent activities in the public sector as it will ensure a proper check on the financial records of an organization to prevent and control fraud of any cases and irregularities. Also, the internal control of an organization should be put in place and ensure adherence by the management and staff.

For a better performance and improvement of public sectors, the government, management, staffs and the public should consider the following recommendations:

1. There should be adequate and subsequent review of internal control by the management and the government in particular to ensure that employees are not subjected to old policies, rules and regulations.
2. The government should give auditors full access to the accounts of each departments, ministries and agencies which will give the auditors full view of the organization's operation and improve their accuracy in preventing and controlling fraud and financial irregularities.
3. The professionalism of auditors should be certain and tested so to ensure a reliable opinion given by them. A way of going about this is to make it mandatory for auditors to have professional certificates by undergoing professional courses.
4. Proper punishment should be stipulated and must be strictly given to offenders that are found to have committed fraud which will serve as a means to curbing the chances of another person having it in mind to carrying out fraudulent activities. Also, other irregularities found in the records should be treated and adjusted immediately so that it won't serve as means of carrying out fraudulent activities.
5. The employees of public sectors should be respected and treated in fair manners by creating conducive environment, rewarding them adequately for work done and giving out incentives and packages to make their work easier, including the auditors.

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