

Effect of Internal Control System on Fraud Prevention in Ministries, Department and Agencies in Asaba, Delta State

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Abstract- This study examined the effect of internal control on fraud prevention in Ministries, Departments and Agencies (MDAs) in Asaba, Delta state. The study adopted the COSO internal control framework namely control activities, risk assessment, control environment, monitoring and information & communication on fraud prevention in MDAs in Asaba, Delta state. The study adopt a survey research design, and primary data source was used with the aid of a questionnaire measured on 5 point Likert scale. The study used a sample of three hundred (300) respondents, which was drawn from a population of eight hundred and fifty-six (856) respondents from the MDAs. The targeted audience includes accountants and auditors in the MDAs. The collected data were validated using Cronbach alpha while multiple regression analysis was used to test the hypotheses. The findings showed that risk assessment and control environment do not significantly affect fraud prevention in MDAs in Delta state. In contrast, control activities, monitoring and Information and communication has significant positive effect on fraud prevention in MDAs in Delta state. Based on this findings, the study concluded that control activities act as deterrents against fraudulent behavior by creating a system of checks and balances within an organization. Therefore, it is recommended that MDAs in Asaba, Delta state should institute effective control measures, such as segregation of duties, authorization and approval processes, and physical security controls, increase the perceived risk and decrease the opportunity for individuals to engage in fraudulent activities.

assess their internal controls on a yearly basis (Crawford & Stein 2019). Recent unanticipated developments have forced the business sector to develop stronger strategies for ensuring improved corporate performance, stability in the form of going concerns, and steady business growth. According to Boynton and Johnson (2020), audit failure has caused commercial entities to fail and led to the loss of investments. According to ACFE (2020), public and market credibility in audit is low as a result of recent corporate scandals and the accompanying audit failures over the past 20 years.

The series of corporate shocks that have affected both developed and emerging countries on a worldwide scale over the past 20 years has prompted numerous nations to introduce reforms in the accounting and auditing professions. While they may have been hired to continuously assess the internal controls of the firm and recommend quick corrective action, the internal audit appears to have been pushed to the background. Concern has been raised over recent corporate failures when internal and external auditors of the firm failed to identify and correct specific flaws in the managerial structure (Holm & Laursen, 2021). Internal auditors are expected to oversee the efficiency of internal control systems as part of the audit committee's analysis of internal control systems, which has been broadened to encompass the risk assessment of businesses (Fraser & Henry, 2020). Al-Twajry, Brierley, and Gwilliam (2021) state that creating an internal audit department within an organization has two benefits: first, it enhances organizational operations by ensuring that established policies are followed; second, it manages risk; and third, it aids in the prevention and detection of errors or fraud as well as the protection of assets.

I. INTRODUCTION

1.1 Background of the Study

In the past, many firms have neglected internal auditing by relying solely on external auditors to

In any organization, risk is unavoidable, and risk management functions help to build effective policies, procedures, and processes that result in successful operations and efficiency value delivery (Achua and Alabar, 2022). Every firm carries some sort of inherent risk, which needs to be recognized, quantified, and mitigated. Internal audit teams perform both internal control evaluation and business risk assessment tasks in almost all company organizations. Although Dibia, (2022) argues that changes in global business practices have affected the role of internal audit, the internal audit department could still offer management consulting services and help the board of directors manage risk. Internal auditors are expected to estimate risk, then develop ways to deal with it by enhancing structured, systematic control systems. Given that the audit profession has the potential to spur change and foster the development of more astute auditors for a complex business environment, internal auditors' expertise is essential to delivering internal audit and auditors that could help meet the evolving stakeholders' interests generally.

Reevaluating internal auditors' procedures is thought to be urgently necessary in order to address emerging risks and advise management on how to meet the changing needs and expectations of the organization and stakeholders, especially since risk management is becoming more complex as a result of emerging risks (Ismajli, 2022). There have been studies in the field of internal auditing, but few have focused on the efficiency of internal auditing in risk assessment of an organization that concentrate on risk-based audit approach of the internal auditors of the listed companies in Nigeria that could guarantee consistent growth in business and stability in operation without jeopardizing the going concern of the organization. Internal auditors are expected to continuously assess the organization's internal control system and serve as business risk assessors, particularly for emerging risks. As a result, the results of earlier studies in the field of internal audit lacked unanimity, indicating a research gap that demands additional studies on this subject and served as the inspiration for this study.

Taking into account the contemporary pandemic economy, which is marked by physical distance and a decline in social interaction in public spaces, as well as an increase in virtual activities and business

operation automation, which automatically increased operating costs for organizations. It is against this background that this study examined the effect of internal control system on fraud prevention in MDAs in Delta state.

1.2 Statement of the Problem

In particular, the public outrage on fraud shows how the traditional accounting and auditing services have failed to address and improve difficulties with accountability and transparency in Nigeria's public governance. This is demonstrated by the alarming rate at which corrupt and fraudulent activities are growing while the state of the public services, infrastructure, and facilities is rapidly deteriorating (Olumide, 2019). It has been said that Nigeria's public sector administration lacks a strong internal control structure that would allow the organization to manage its resources with clarity. As shown by the work of various organizations, the lack of sophisticated and interconnected systems designed to check one operation against another has led to their inefficiency (Mahadeen, et al., 2020).

The significance of this is that public trust in the honesty of government institutions has diminished, as seen by instances of fraud and corruption. The MDAs have been unable to execute to their full potential due to lax internal control measures such as inappropriate duty segregation (when authorization and approval are carried out by the same person). Also, there is a lack of a coordinated and effective communication strategy, which affects the MDAs' information flow and, in turn, the accomplishment of specified goals and objectives. Also, the lack of proper security for computer systems against environmental deterioration and unlawful access has resulted in the loss of important data and documents in the MDAs.

According to Ademola, Adedoyin, and Alade (2020), certain public sector employees, including those in the ICT department, distort financial data and even spend money on themselves in ways that are contrary to the organization's objectives. Furthermore, due to a lack of staff resources and the majority of them lacking experience in defining organizational performance, low level officials have not been appropriately monitored. According to Agbejule and Jokipii (2021), a high level of monitoring results in an extremely

effective internal control system, which in turn affects the performance of the organization. The senior officers' periodic evaluations of the job given to these low-level officials are insufficient. While low level monitoring will have a detrimental impact on this public entity's ability to supply services, this may have far-reaching implications for the accomplishment of the organization's aims. Directors need to be aware of how well the entity's operational goals are being met, according to COSO in 2023.

An internal audit department that monitors and controls the organization's financial activities is necessary for an organization to function effectively. Public officials continue to commit fraud despite the internal audit department's formation because so many internal auditors choose not to do their jobs because they fear for their independence. This suggests that internal auditors won't have a full evaluation of the transactions that an organization makes that can affect performance. Also, conducting internal audits and writing audit reports take a lot of time for internal auditors.

According to Ahmad, Othman, and Jusoff (2023), there are a number of reasons why the internal audit function in the government sector is less effective, including a lack of audit staff, a lack of support and collaboration from senior management, and a lack of auditor independence and expertise. The damage done to the government departments necessitates immediate attention, and despite the government's efforts to solve these issues, the bulk of these MDAs still struggle to survive and provide high-quality services.

Based on the above mentioned, prior studies focused on the private sector and mostly on financial institutions, this study fills the existing gaps by focusing on the public, specifically on MDAs in Delta state.

1.3 Objectives of the Study

The broad objective of this study is to examine the effect of internal control on fraud prevention in MDAs in Asaba, Delta State, Nigeria. The specific objectives are to:

- i. assess the effect of control activities on fraud prevention in MDAs Asaba, in Delta State;

- ii. examine the effect of risk assessment on fraud prevention in MDAs in Asaba, Delta State;
- iii. ascertain the effect of control environment on fraud prevention in MDAs in Asaba, Delta State;
- iv. examine the effect of monitoring on fraud prevention in MDAs in Asaba, Delta State; and
- v. access the effect of information and communication on fraud prevention in MDAs in Asaba, Delta State.

1.4 Research Questions

- i. What is the effect of control activities on fraud prevention in MDAs in Asaba, Delta State?
- ii. What is the effect of control environment on fraud prevention in MDAs in Asaba, Delta State?
- iii. How does risk assessment affect fraud prevention in MDAs in Asaba, Delta State?
- iv. What is the effect of monitoring on fraud prevention in MDAs in Asaba, Delta State?
- v. What is the effect of information and communication on fraud prevention in MDAs in Asaba, Delta State?

1.5 Statement of Hypotheses

The null hypotheses are stated as follows:

- H₀₁: Control activities has no significant effect on fraud prevention in MDAs in Asaba, Delta State.
 H₀₂: Risk assessment has no significant effect on fraud prevention in MDAs in Asaba, Delta State.
 H₀₃: Control environment has no significant effect on fraud prevention in MDAs in Asaba, Delta State.
 H₀₄: Monitoring has no significant effect on fraud prevention in MDAs in Asaba, Delta State.
 H₀₅: Information and communication has no significant effect on fraud prevention in MDAs in Asaba, Delta State.

1.6 Significance of the Study

This study holds significant importance to several stakeholders involved in the governance and management of MDAs in Asaba, Delta State:

Government authorities: The findings of this study will provide valuable information to government authorities responsible for formulating policies and guidelines related to auditing and fraud prevention. It will enable them to make informed decisions and implement necessary reforms to strengthen internal controls and minimize the risk of fraud.

Auditors and audit firms: The research findings will serve as a reference point for auditors and audit firms operating in Asaba, Delta State. It will help them understand the specific audit procedures that are effective in identifying and preventing fraud within MDAs. This knowledge can be utilized to enhance their audit methodologies and contribute to improved fraud prevention outcomes.

MDAs in Asaba, Delta State: The study's outcomes will enable MDAs to identify areas of weakness in their existing audit procedures. It will provide insights into best practices and recommendations to strengthen internal controls, streamline operations, and prevent fraud effectively.

This study highlights the significance of audit procedures in fraud prevention within MDAs in Asaba, Delta State. By conducting a comprehensive study, we aim to contribute valuable insights into the various audit techniques employed and their effectiveness in detecting and preventing fraudulent activities. The findings of this research can be utilized to enhance existing audit practices, strengthen internal controls, and ultimately minimize the occurrence of fraud in MDAs.

This study will aid decision-makers in developing policies to strengthen an effective internal control system that will aid MDAs in Asaba, Delta State in achieving their goals and objectives. The results of this study will be used by the government to inform MDAs of the importance of adhering to internal control system policies and procedures in order to support the development and stability of MDAs in Asaba, Delta State.

Lastly, this study attempts to close the gap by examining how audit methods affect MDAs in Asaba, Delta State's evaluation of their fraud risk. The internal control system was measured using proxies that included monitoring, internal audit, control activities, and information and communication technologies.

1.7 Scope of the Study

The researchers focused at how auditing practices affected how MDAs in Asaba, Delta State assessed their risk of fraud. The ministries, departments, and agencies (MDAs) under the supervision of the Delta

State government are the subject of this study. The decision to use MDAs in Asaba, Delta State was justified by the fact that it is still the most effective mechanism for delivering social services in Delta State, one of the states in Nigeria's South-South geopolitical zone. Thirty-three MDAs were used as case study for this research work and was conducted in 2023. The internal control system is proxied using the COSO (2013) framework which includes risk assessment, control activities, control environment, information and communication, and monitoring.

1.8 Limitation of the study

This study examined the effect of internal control on fraud prevention in MDAs in Delta state. The study is limited in scope to MDAs in Delta state, hence the findings cannot be generalized to other states.

1.9 Definition of Terms

Auditing: Auditing is described as the on-site verification activity of a process or quality system, such as inspection or examination, to guarantee compliance with regulations.

Fraud: Fraud is a deliberate deception intended to give the offender an unauthorized benefit or to deprive the victim of a right.

Internal control: these are set of principles, procedures and practices put in place to safeguard company assets.

Prevention: measures put in place to stop future occurrence of fraud.

Control activities: The rules and practices that ensure management directions are followed are known as control activities.

Control environment: refers to the overall atmosphere within an organization that influences its control consciousness and determines the effectiveness of its internal controls.

Monitoring: is the assessment of the effectiveness of internal controls implemented to achieve organizational performance over time.

Risk assessment: refers to as the identification, analysis, and management of risks that can threaten the achievement of an organization's objectives, such as

production, sales, marketing, finance, and other activities from which risk-managed.

Information and communication: Reports generated by information systems that comprise operational, financial, and compliance-related data enable management of the company

II. LITERATURE REVIEW

2.1 Introduction

This chapter includes a conceptual review, theory review, and empirical review. In order to have a thorough grasp of the study, the conceptualization tends to explain the variables employed in the investigation. The empirical evaluation includes a complete literature review on the subject and a discussion of what many scholars and authors from across the world have said about the study (from foreign countries to Nigeria). The studied theories aided the researcher in selecting the theoretical framework for the investigation.

2.2 Conceptual Framework

This section presents the conceptual framework that captures the effect of internal control on fraud prevention based on the COSO framework.

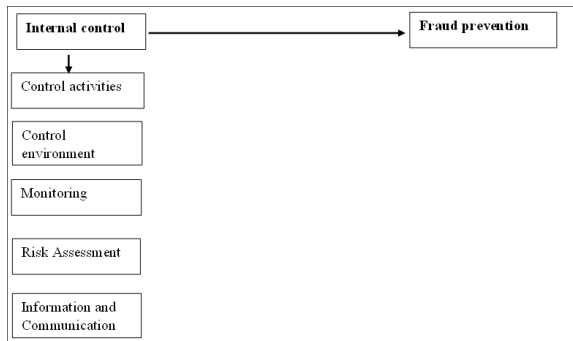


Fig 2.1: Conceptual framework of internal control and fraud prevention

Source: COSO internal control framework (2013)

2.3 Conceptual Review

This section contains the concept of internal control system and fraud prevention. The COSO internal control framework is used in this study. They include control activities, control environment, monitoring, risk assessment and information and communication.

2.3.1 Internal Control

Internal control has several definitions since it affects the various constituencies of an organization in different ways and at different levels of aggregation. Internal control was defined by the American Institute of Accountants (2018) as "the organization's plan and all coordinated techniques and measures adopted within a company or organization to safeguard its assets, check the accuracy and validity of its financial data, promote operational efficiency, and encourage adherence to established managerial policies." In 2018, the Committee of the Organizations that Sponsor the Treadway Commission (COSO) was formed with the goal of redefining internal control and the criteria for measuring the efficiency of an internal control system. Internal control is broadly defined in the COSO Internal Control Integrated Framework as a procedure used by an entity's directors, management, and other people to provide reasonable assurance over the attainment of operational, reporting, and compliance objectives (COSO, 2018). Seeing internal control as a method enables organizations to be proactive in their decision making, that is, to make strategic decisions accurately and promptly. This will prevent any setbacks or excessive charges and ensure that the system is functioning properly. In line with this observation, the International Organization of Supreme Audit Institutions (2019) defined internal control as an integral process influenced by an entity's management and personnel and designed to address risks and provide reasonable assurance that the entity's mission is being pursued. The overall goals are attained and carried out in an orderly, ethical, economical, efficient, and effective manner, thereby satisfying accountability requirements, complying with applicable laws and regulations, and aiding in the protection of resources against loss, misuse, and damage.

Internal control systems as defined by Cheng, Goh, and Kim (2019) as a process that ensures both financial and operational efficiency. To support this viewpoint, the International Standards on Auditing (ISA 400) defined internal control as "all the policies and procedures adopted by an entity's management to assist in achieving management's goal of ensuring orderly and efficient conduct of its business, including adherence to management policies, asset safeguarding, the avoidance and identification of fraud and errors,

the accuracy and completeness of accounting records, and the timely preparation of financial statements."

According to Mwakimasinde, Odhiambo, and John (2020), Internal control systems is a group of security measures that support a company's control over its operations with the goal of ensuring the security and safeguard of assets, the quality of information, the prevention and detection of fraud, and the protection of the organization's resources. Internal control is the first line of defense in protecting the organization's assets, which can be done in large part by preventing and detecting errors and fraud. The reliability of financial reporting, the degree of compliance with relevant laws and regulations, and finally the effectiveness and efficiency of its operations can all be used to gauge internal control's success. In order to effectively manage public resources, public sectors would benefit from having an internal control system that is effective. However, there is ample evidence in this direction that internal controls offer reasonable assurances that the goals of government enterprises are being met through: effective and efficient use of organizational resources; reliable financial reporting, including reporting requirements on budget execution, financial statements, and other reports for internal and external uses; and compliance with applicable laws and regulations (Adams, 2020).

The broad definition of controls means that internal controls apply to every part of an organization, and a control framework a method of bringing control concepts together to create an integrated whole is clearly necessary. Controls must be implemented in situations when there are risks to the attainment of objectives, which indicates that failure is likely. Failure is more likely if not (Putra, 2020). Internal audit, Information and Communication Technology, Monitoring, and Control Activities all contribute to the operationalization of the internal control system in this study.

2.3.1.1 Control activities

The rules and practices that ensure management directions are followed are known as control activities. They assist in making sure that the required steps are made to address risks that could prevent the company from achieving its goals (Muraleetharan, 2018). At all levels and throughout all functions, control activities

take place across the entire organization. They cover a variety of tasks such as authorizations, approvals, segregation of roles, checks, reconciliations, asset security, and performance reviews (COSO, 2023). Control activities are the practices and tactics used to ensure that management commands are conveyed effectively and in a positive manner (Ofori, 2018). According to Dinapoli (2018), the control activities are the guidelines, values, frameworks, and decisions developed over a variety of activities by management to anticipate or lessen risks that affect the association's ability to achieve its goals.

2.3.1.2 Information and Communication Technology

Information must be located, recorded, and delivered in a way and at a time that makes it possible for people to carry out their duties (Ofori, 2018). Reports generated by information systems that comprise operational, financial, and compliance-related data enable management of the company (COSO, 2023). They handle not only with data that is generated internally but also with outside events, actions, and circumstances that are relevant to corporate decision-making (Osabiya, 2023). The common digital technology is the foundation for controlling communication, information, and media technologies (Kimani, 2023). It is referred to as an electronic instrument, equipment, or device that is used to collect, process, store, retrieve, or transport information and the services that go along with it. Information and communication technology (ICT) is a crucial element for a successful internal control system as a result. In actuality, organizations employ ICT for transaction initiation, authorization, recording, and processing (Cheng, Goh & Kim, 2023).

2.3.1.3 Monitoring

The COSO (2023) defined monitoring as the assessment of the effectiveness of internal controls implemented to achieve organizational performance over time. Continuous monitoring and independent evaluations are used to achieve this. Operating procedures include monitoring. It takes into account routine management and supervision operations as well as other staff members' actions when they are carrying out their jobs (Hayes and Baker, 2023). The extent and regularity of separate evaluations will mostly depend on an appraisal of hazards and the effectiveness of monitoring protocols (Agbejule &

Jokipii, 2023). Internal control deficiencies ought to be reported upstream, with serious matters reported to the top management.

IAASB (2018a) describes monitoring as activities designed to detect and correct weaknesses in the effectiveness of controls over transactions for financial instruments. Furthermore, IAASB (2018a) continues that monitoring includes supervision and review procedures designed to detect and correct any flaws in the design or operating effectiveness of 25 controls. Therefore, effective monitoring ensures the internal control of an organization continues to protect it (AICPA, 2014). Hence COSO (2013) lays down that effective internal control entails organizations performing an ongoing and separate assessment of their internal control. From the assessment, they should communicate internal control efficiency to those parties responsible for taking corrective actions.

2.3.1.4 Control Environment

The control environment refers to the overall atmosphere within an organization that influences its control consciousness and determines the effectiveness of its internal controls. It sets the tone for the organization and establishes the foundation upon which all other control components are built. A strong control environment promotes ethical behavior, accountability, and a commitment to internal controls.

The control environment is the foundation of an effective system of internal control. According to the Institute of Internal Auditors (IIA, 2018), most of the well-publicized failures (including not only Enron and WorldCom, but also the governance failures that led to the 2008 global financial crisis) were, at least in part, the result of weak control environments. In the absence of a demonstrably effective control environment, no level of design and operating effectiveness of controls within business and information and technology processes can provide meaningful assurance to stakeholders of the integrity of an organization's internal control system. Also, the International Standards for the Professional Practice of Internal Auditing (Standards) Glossary (2018) defines the control environment as the attitude and actions of the board and management regarding the significance of control within the organization.

The control environment provides discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: Integrity and ethical values; management philosophy and operating style; organizational structure; assignment of authority and responsibility; human resource policies and practices; and competence of personnel (COSO, 2019). Cohen, Krishnamoorthy and Wright (2002) reiterate the importance of the control environment from a survey of auditors and its implication for the behaviour of employees as the most important ingredient for effective internal control system effectiveness. Similarly, Rittenberg and Schwieger (2019) argue that the control environment starts with the board of directors and management, who set the tone of an organization through policies, behaviours and effective governance. An effective internal control system is an integrated system with interrelated components, supporting principles and attributes. Harvey and Brown (2019) identified control environment, accounting system and control procedures as the major components of internal controls (Harvey and Brown 2019).

According to Gries, an internal control system available to a firm consist of: management oversight and the control culture; risk recognition and assessment; control of activities and segregation of duties; information and communication and monitoring activities and correcting deficiencies (Gries, 2020). The paper adopts COSO's 2021 integrated internal control framework. The Committee of Sponsoring Organizations' (COSO), was commissioned in the 1980's by National Commission on Fraudulent Financial Reporting (the Treadway Commission) to identify factors that caused fraudulent corporate financial reports and make recommendations, and has since developed to become a thought leader in enterprise risk management (ERM), internal control, and fraud deterrence (Amudo & Inanga 2021). For an organization to achieve its organizational objectives, then the five control components of control environment, risk assessment, control activities, information and communication and monitoring must be integrated into management processes over the entire organization (Subsidiaries, divisions, units) (Onumah, Kuipo & Obeng, 2022).

2.3.1.5 Risk Assessment

Risk assessment is referred to as the identification, analysis, and management of risks that can threaten the achievement of an organization's objectives, such as production, sales, marketing, finance, and other activities from which risk-managed (Nyakarimi et al., 2020). Risk assessment is the identification and analysis of relevant risks to the achievement of the objectives, forming a basis for determining how the risks should be managed (Eskindir, 2022).

Identifying and analysing risks that are important to accomplishing goals are part of risk assessment, which serves as the foundation for risk management (Onyefulu, 2020). In order to achieve the goals, a planned dynamic process called risk assessment is used to identify and evaluate risks that may arise from both internal and external sources. This process also serves as a foundation for managing and addressing risks (Nashwan, 2018). As such, organizations commonly adopt risk management plans that help them identify risks and either reduce or eliminate risks deemed to threaten the organization's well-being (TechTarget 2023).

According to (TechTarget, 2023), the project team considers the following factors in understanding the risk assessment process at the entity level: a. Whether entity level objectives, including how they are supported by strategic plans and complemented on a process or application level, have been established and communicated. b. Whether a mechanism exists to foresee, recognize, and respond to changes that could have a dramatic and pervasive impact on the entity. c. Whether or not a mechanism exists to anticipate, recognize, and respond to routine events or activities. d. Whether communication channels are in place to notify the accounting department of changes in the entities business chain that may affect the method or the process of recording transaction. e. Whether the accounting department has processes to identify significant changes in the operating environment, including regulatory changes.

2.3.2 Fraud Prevention

Fraud prevention is a forward thinking rather than a reactive process. It is the sum total of measures taken to anticipate and forestall the occurrence of frauds. When properly done, it is capable of preserving

organizational reputation, enhancing enforcement of laws and deterring crime and criminals and consequently maintenance of criminal justice (Oladipo and Olurotimi, 2018). According to Ogwiji and Lasisi (2019), fraud prevention as a practice would only yield positive results if the organization enthrones an ethical culture which is supported by a sound internal control system. Among other options, a number of scholars have suggested that one of the principal tools to achieve fraud prevention on a sustainable basis is the application and deployment of forensic accounting techniques (Kumari and Mangala, 2020; Dada, Owolabi and Okwu, 2020; Ehioghren & Atu, 2021; Sule and Sani, 2022; Okoye and Ndah, 2022; Obafemi, 2022). According to the PWC's Global Fraud Report of 2022, over half (52%) of all surveyed corporate entities having revenues in excess of \$10bn documented having experienced one form of fraud or the other within the last twenty-four (24) months. In particular, the report identified cybercrimes as the primary form of fraud now confronting corporate firms thus further underscoring the need for the usage of forensics and forensic accounting techniques to address same.

Fraud prevention involves those actions taken to discourage the commission of fraud and limit fraud exposure when it occurs. Instilling a strong ethical culture, and setting the correct tone at the top are essential elements in preventing fraud. A strong principal mechanism for preventing fraud is effective, and efficient internal controls, including controls related to screening customers, vendors, and external business relationship partners (IIA 2022). An organization with effective internal controls deters fraudsters from the temptation to commit fraud. Management is primarily responsible for establishing and maintaining internal controls in an organization.

2.4 Theoretical Review

The study reviewed the theories that underpins the relationship between internal control and fraud prevention. The theories includes Agency theory, System theory and Institutional theory.

2.4.1 Agency Theory

Jensen and Meckling (1976) first proposed the concept of agency. According to agency theory, corporations are required structures that enable the exercise of

internal control, which reduces agents' opportunistic conduct. The principal's use of a professional to oversee the agent strengthens the bond between the two parties. In other words, a reputable auditor is chosen to serve both management's and third parties' interests. As the principal and agent's goals or desires are at odds and the principal is unable to confirm what the agent is actually doing, agency theory focuses on two key organizational issues: the issues that develop when the principal and agent have different risk aversions (Muhuny & Jagongo, 2018). Because it places focus on the interaction between the government, the directors, and the auditor, this theory is consequently relevant to our study. The auditor's role is to safeguard the government's interests by keeping track of and confirming that the director of MDAs is carrying out government directives. Reducing agency costs, which have an impact on MDAs' overall performance and the benefits to the principal, the State Government, is one method an entity uses to manage agency problems (Adams, 2018).

This study adopts the Agency theory to explain the relationship between internal control and fraud prevention. The theory help explain the relationship between internal control and fraud prevention within organizations. The organization is seen as the principal, and employees or agents are entrusted with carrying out tasks and making decisions on behalf of the organization. Agency theory suggests that there may be a divergence of interests between the principal (organization) and the agent (employees). Employees may have incentives to engage in fraudulent activities for personal gain, which creates an agency problem. Internal control systems are put in place to align the interests of the principal and the agent by minimizing the agency costs associated with fraud.

Internal control mechanisms, such as segregation of duties, authorization and approval processes, and regular monitoring activities, act as mechanisms to monitor and control the behavior of agents. These controls help to deter and detect fraudulent activities by ensuring that transactions and activities are conducted according to established policies and procedures. Agency theory recognizes that information asymmetry exists between principals and agents. Agents may have more information about their

own actions and intentions, which can make it challenging for principals to detect and prevent fraudulent behavior. Internal control systems aim to mitigate information asymmetry by providing mechanisms for reporting, transparency, and accountability, reducing the potential for agents to exploit their privileged information for fraudulent purposes.

Agency theory suggests that the design of incentive structures can influence agents' behavior. Internal control systems play a role in shaping these incentives by establishing performance evaluation criteria, rewards, and consequences for misconduct. By aligning incentives with desired ethical behavior and fraud prevention objectives, internal controls can help discourage fraudulent activities. Agency theory recognizes the trade-off between trust and monitoring. Excessive control measures can create an atmosphere of distrust and demotivate employees. Conversely, inadequate controls can provide opportunities for fraud. Effective internal control systems strike a balance between trust and monitoring, ensuring that appropriate levels of control are in place to prevent and detect fraud while maintaining a level of trust between the organization and its employees.

In summary, agency theory highlights the need for internal control systems to mitigate agency problems, align interests, monitor and control agents' behavior, reduce information asymmetry, shape incentive structures, and strike a balance between trust and monitoring. By addressing these agency-related challenges, internal control systems contribute to fraud prevention within organizations.

2.4.2 System Theory

Ludwig Von Bertalanffy and Kenneth Boulding created the systems theory in 2019, which examines systems as a whole. The System Theory is a collection of concepts and ideas from several theories from various academic backgrounds. Its focus is on formulating and deriving those concepts and ideas that are applicable to "systems" in general. Even while systems, whether physical or organizational, are made up of different components, the system theory sees them as a "whole." Hence, a system is a collection of pieces or components that are connected to one another in such a way that they constitute a

recognizable whole and frequently work toward similar goals. Internal control, which is a component of a larger system, was better understood using the system theory (the organization). According to Luthans (2019), all systems—aside from the smallest—have subsystems, and all—aside from the largest—have suprasystems, which serve as their surroundings. Each conceived system or subsystem has a boundary. The element that isolates a system from its surroundings and filters the system's inputs and outputs is known as the boundary of the system. Internal control, which is a component of a larger system, was better understood using the systems theory (the organization).

The internal control system, a component of a larger system, was better understood using the systems theory (the organization). Internal control system is a synonym for an organizational activity that involves participation from every unit, department, and section. Each department or unit will have a distinct set of duties and responsibilities that can be seen as separate while working together to support the organization's overarching aims and objectives. The most crucial aspect of internal control, nevertheless, is that it should also take into account the tasks' objectives and aims in order to make an organization particularly effective (Eldridge et al., 2020).

System theory and institutional theory served as the foundation for the study's theoretical framework. To better comprehend audit procedures, a sub-system within a larger system, the system theory was applied (the organization). A system is a collection of pieces or components that are connected to one another in such a way that they form a recognizable whole and frequently work toward similar goals. According to Luthans (2019), all systems—aside from the smallest—have subsystems, and all—aside from the largest—have suprasystems, which serve as their surroundings. Each conceived system or subsystem has a boundary. The element that isolates a system from its surroundings and filters the system's inputs and outputs is known as the boundary of the system. In order to accomplish organizational goals and objectives, many subsystems like control activities, information and communication technologies, and monitoring must cooperate. These subsystems are collectively referred to as the "internal control

system." In order to increase organizational success, internal control systems are viewed as an organizational activity that involves participation from every unit, department, and division. Each department or unit will have a distinct set of duties and responsibilities that can be seen as separate while working together to support the organization's overarching aims and objectives. Nonetheless, it's crucial that internal control systems consider an organization's objectives and goals and foster effectiveness (Eldridge et al., 2020).

Since it provides a rationale for understanding the adoption and creation of internal control practices inside organizations, institutional theory is significant to this subject. Organizational structures, comprising the numerous internal control roles, functions, processes, and systems, transform into symbolic representations of societal responsibility and conformance. Organizations that have the right structures for their operations steer clear of in-depth audits. Building on Berger and Luckmann's (2020) work, Meyer and Rowan highlighted the significance of institutionalized laws. These divisions are a part of society and might be accepted, reinforced by the general public, or even enforced by the law. These regulations entail normative requirements that can be seen as truths of (organizational) life that managers, auditors, directors, or other professionals both inside and outside the organization must take into account. The institutionalization process is then how social processes of many kinds acquire a rule-like character in contemporary society. The institutional model emphasizes complex systems by pointing to the environment and the formal and informal rules that are imposed on organizational activities. Recurrent patterns of behavior establish institutions, or institutionalized rules. Dickson (2020) highlighted the significance of an organization's practices and procedures in this regard. These regulations entail normative requirements that can be seen as organizational truths that management, compliance officers, auditors, and directors must take into account (Njiru, 2020). The institutional theory emphasizes the environment and the formal and informal rules, policies, and procedures that are imposed on MDA operations in order to fulfill its goals and improve organizational effectiveness in order to explain MDA occurrences. According to this notion, having internal

control mechanisms like internal audit, monitoring, and information and communication technologies will make an organization more effective.

2.4.3 Institutional Theory

The acceptance and creation of control procedures inside organizations can be understood using institutional theory's explanation. This hypothesis, which has a more sociological bent, was inspired by work by Meyer and Rowan (2018). This idea contends that organizations create structures, processes, and systems because they are essentially necessary for implementing new practices and procedures. Njiru (2019) interprets this to suggest that organizations are pressured to adopt the practices and processes dictated by prevalent rationalized conceptions in order to improve their legitimacy and chances of survival. Organizational structures, comprising the numerous internal control roles, functions, processes, and systems, transform into symbolic representations of societal responsibility and conformance. Organizations that have the right structures for their operations steer clear of in-depth audits. These regulations entail normative requirements that can be seen as truths of (organizational) life that managers, auditors, directors, or other professionals both inside and outside the organization must take into account. The institutionalization process is then how social processes of many kinds acquire a rule-like character in contemporary society. The institutional theory explains organizational phenomena by pointing to the environment and the formal and informal rules that are imposed on organizational activities. Recurrent patterns of behavior establish institutions, or institutionalized rules. Dickson (2020) highlighted the significance of an organization's practices and procedures in this regard. These regulations entail normative requirements that can be seen as organizational truths that management, compliance officers, auditors, and directors must take into account (Njiru, 2016).

Institutional theory provides a valuable lens to understand the impact of internal control and fraud prevention within organizations. This theory posits that organizations are influenced by external social, cultural, and institutional pressures, which shape their structures, practices, and behaviors. When it comes to internal control and fraud prevention, institutional

theory helps elucidate how these mechanisms are influenced and how they, in turn, affect organizations. According to institutional theory, organizations face three forms of isomorphism that drive their adoption of internal control and fraud prevention practices: coercive, mimetic, and normative isomorphism (DiMaggio & Powell, 1983).

Coercive isomorphism refers to the adoption of practices driven by external pressures, such as laws, regulations, and industry standards. Organizations are compelled to implement internal control and fraud prevention measures to comply with legal requirements and avoid penalties (Suchman, 1995).

Mimetic isomorphism suggests that organizations imitate the practices of successful peers or competitors. When organizations observe others in their industry implementing robust internal control and fraud prevention measures, they are more likely to adopt similar practices to maintain legitimacy and avoid negative perceptions (DiMaggio & Powell, 1983).

Normative isomorphism, on the other hand, is driven by societal norms, professional associations, and industry expectations. Organizations adopt internal control and fraud prevention practices to align with these norms and standards, which enhances their legitimacy and reputation within the industry (Scott, 2008).

Additionally, internal control and fraud prevention contribute to organizational legitimacy, which refers to the perception that an organization's actions and structures are appropriate, desirable, and socially acceptable (Suchman, 1995). By implementing these measures, organizations signal their commitment to transparency, accountability, and the prevention of fraudulent activities, thereby enhancing their legitimacy and fostering trust among stakeholders.

The adoption of internal control and fraud prevention practices can also be seen as reflecting specific institutional logics. Different logics, such as market efficiency or social responsibility, guide organizations' decision-making and actions (Thornton, Ocasio, & Lounsbury, 2012). For example, organizations influenced by a logic of market efficiency may

implement controls to protect shareholders' interests and enhance the reliability of financial reporting. Conversely, organizations operating within a logic of social responsibility may adopt controls to protect the interests of multiple stakeholders, including employees, customers, and the broader community.

In summary, institutional theory provides insights into how external pressures, institutional isomorphism, and institutional logics shape the adoption of internal control and fraud prevention practices within organizations. These practices not only contribute to organizational legitimacy but also reflect the underlying institutional logics guiding organizational behavior.

2.5 Empirical Review

Several studies have been conducted on the subject matter and different conclusions were reached. It is therefore necessary to review the literature in the context of these two variables.

Kartini (2015) examined the effects of accountability on the influence of mediation internal controls against fraud prevention in West Sulawesi provincial government in Indonesia. The sample in this study is partly regional work units in West Sulawesi provincial governments, both departments, agencies and offices, which meet the criteria of direct service to the public, received the largest allocation of funds in the budget over the last 3 years. The analysis tool used was SEM Sobel Test. The result show that the internal control has no direct effect on fraud prevention, in other hand, the internal control brings indirect effect on fraud prevention through intermediary's accountability. It means that the effect of accountability is taken as internal control mediator against the fraud prevention. Given the direct effect is not significant, then the accountability act as a full way of mediation. That is, in the absence of accountability, there is no internal control that brings effect against fraud prevention.

Ozigbo (2015) examine internal control and fraud prevention in Nigerian business organizations. A survey was undertaken in some selected firms in Warri metropolis. It was discovered that internal control has a significant relationship with fraud prevention. The study therefore concluded that internal control was a necessary safeguard which assures absentee owners of

business that their fund is being utilized efficiently. It was recommended among others that proper accounting record should be kept at all times and authorization and app

Nyakarimi and Karwirwa (2015) established the relationship between internal control systems (ICS) and fraud control in deposit taking financial institutions in Kenya. ICS was analyzed based on its component which include; Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. Data were collected using questionnaires from the operations managers and supervisors, from various deposit taking financial institutions in Imenti North Subcounty. A sample of 92 respondents from a population of 120 was used for this study. Using multiple regression analysis, the study found as regards risk assessment that the institutions have proper mechanisms of mitigating risks, financial documents are properly kept, and there are processes of identifying and estimating risks. Though there was agreement that there are no cases of missing documents to authenticate transaction. In analyzing control activities it was found that transactions are undertaken by authorized personnel, reconciliations are done regularly, proper accounting principles are applied and there is proper segregation of duties. Further the study showed that there is job rotation and verifications are done to reduce chances of forgery. The study revealed that the institutions have developed means of passing information, the employees are informed of their roles, besides engaging external parties to verify financial statements they also act upon the findings quickly. In monitoring organizations have evaluation mechanisms, they also have plans on activities and ensures that the laid down rules are followed. Research study found that there are continuous checks to ensure controls are working well. The study established a significant relationship between ICS and fraud control. The major limitation of the study is that the residuals of the analysis were not subjected to various diagnostic tests such as multicollinearity.

Sama and Niba (2016) investigated how internal controls affect the incidence and the levels of fraud in selected microfinance institutions in Cameroon. The primary method of data collection was implemented where questionnaires were issued to employees of

selected microfinance institutions. The Ordinary Least Square technique of data estimation was implemented from which a regression analysis was employed to test the hypotheses. The finding shows a statistically significant negative relationship between sound internal control and fraud management policies and the incidence of fraud in the microfinance institutions. The major shortcoming of this study is that the result were not subjected to diagnostic test such as normality, multicollinearity. Hence, the findings could be misleading.

Iyinomen and Ofor (2016) examined how internal control can prevent and detect fraud in the public sector in Nigeria. This study covers the accounts section of Anambra state government of the 247 staff in the accounts section, 152 staff in the director of accounts office, internal control unit, cash unit and pay office were sampled using well-structured questionnaire. Data were analyzed using Pearson's moment correlation coefficient. This study showed internal control of Anambra state public sector is not adequately staffed, equipped with qualified personnel to prevent and detect fraud. . The major shortcoming of this study is that the methodology used did not show the extent to which internal control can prevent fraud. Fasua and Osagie (2016) examined the relationship between financial control and fraud prevention in the public sector in Nigeria. Questionnaires were administered to collect data from Edo State and Ondo State. A total of thirty three (33) respondents were used. A regression analysis was used to determine the relationship between financial control and fraud prevention in the public sector and analyze other hypotheses. The findings reveal that the existing control measures by federal government are sufficient in content and scope to prevent fraud in the public sectors, in addition, the success of these effective controls depend on honest personnel and tone at the top. The major limitation of the study is that it failed to subject the result to various diagnostic tests such as normality test and multicollinearity test.

Ojua (2016) investigated the issue of controls and frauds by assessing whether churches have effective internal controls and if such can prevent fraud in Badagry, Lagos state. This was done by obtaining information through questionnaires from 100 randomly selected respondents who were church

workers. The correlation result revealed that internal controls are in place in the administration of churches but only few of them have experienced staff knowledgeable about controls. It is noted that internal controls in these churches are based on trust and not on the basic accounting principles hence they are not in a position to maximize the effectiveness of internal controls to their advantage. They are a number of shortcomings in this study. First, the choice of methodology only captures the relationship of the variables but fails to reveal the extent of the impact of internal control on fraud prevention. Secondly, the choice of the sample size was relatively small as no known sampling technique was used in arriving at the chosen number.

Victor and Ezeogu (2016) examined how the internal control systems have aided in combating or preventing fraud in Nigerian banks. Data were derived from 226 respondents of bank staffs and customers of Guaranteed Trust Bank (GTB) and Fidelity bank in Enugu and Anambra state respectively. Chi square was used in testing the hypotheses and the findings showed that the internal control techniques employed by banks in checking fraud have not been very effective; and the branch managers were the dominant perpetrators of fraud in the banks. Again the choice of the methodology used in this study failed to show the extent of the impact of internal control on fraud prevention and secondly, the study was restricted to only two banks. Hence, the findings of this study cannot be generalized.

Oduro and Cromwell (2018) investigated the effectiveness of internal control in the local government sector in Ghana. Primary data was collected from 35 local government institutions in Ghana through questionnaire. The study employed multiple regression analysis. The study revealed that risk assessment significantly deter fraud. Control environment, control activities, monitoring and information communication had no significant influence on fraud prevention even though they all had positive effect on fraud prevention. The study found further that poor background checks, monitoring and inaccurate records were some of the major challenges facing internal control in the local government sector. Staffs were the worst culprit of fraud in the local government sector.

Kisanyanya (2018) examined the relationship between internal control systems and financial performance of public institutions of Higher Learning in Vihiga County, Kenya. The study used a descriptive research design. Primary data was collected from four institutions using semi-structured questionnaires. Descriptive and multiple regression analysis were used to analyze data. The result shows that there is a positive significant effect on control activities, risk assessment, control environment, information and communication and monitoring on financial performance.

Muhuny and Jagongo (2018) conducted a survey on the effect of internal control systems on financial performance of public institutions of higher learning in Nairobi city county, Kenya. The study used a descriptive research design. This study took a sample study approach with its target population being the different categories of staff in different departments of Public Institutions of Higher Learning in Nairobi City County, Kenya. Primary data was collected from sample population using open and closed ended questionnaires. Descriptive statistics was used in the data analysis and information presented in statistical forms. A multiple linear regression was also used to analyze the relationship between the dependent and independent variable. The study realized that the control environment, risk assessment, control activities and information and communication as indicators of internal control systems have a significant influence on the financial performance of the institutions of higher learning in Nairobi City County, Kenya.

Wonder, Jiang and Cobbla (2018) investigated the impact of government internal control system on financial reporting quality in Ghana using Ghana Revenue Authority as the case study. Descriptive, correlation and multiple regression was used to analyse the questionnaires. The study finds out that control environment and monitoring have a negative significant relationship on financial reporting whereas control activities, risk assessment, information and communication and collection have a positive and significant relationship on performance on financial reporting quality.

Samuel and Wagoki (2018) assessed the role of internal control system components in Kenyan public universities: a case study of Jomo Kenyatta University of Agriculture and Technology. The study was conducted using both quantitative and qualitative approaches using survey and case study as research designs. Data was collected using closed-ended questionnaires as well as review of available documents and records. Descriptive statistics was used for the analysis of questionnaires. The study found out that internal control system is a crucial aspect of an organization's governance system and ability to manage risk, and is fundamental to supporting the achievement of an organization's objectives and creating, enhancing, and protecting stakeholder value, the university must ensure that the control environment is one that promotes and nurtures internal control systems.

Ibrahim, Diibuzie & Abubakari (2019) investigated the impact of internal control systems on financial performance: the case of health institutions in upper west region of Ghana. A survey was used on 5 health institutions in the region. The findings revealed that there is a positive relationship between internal controls and financial performance.

Pandya and Srivastava (2019) examined the factors influencing organizational effectiveness in the educational sector. The study adopted the descriptive method and correlation technique. The sample was selected randomly through stratified random sampling techniques and was analysed using multiple regression techniques. It was found that perceived gains from post-graduate education is contributed by organizational health, psychological well-being of students, and satisfaction with quality of campus life and student engagement respectively.

Phiri and Mbetwa (2019) investigated the link between internal controls and financial performance in technical colleges in Zambia: a case of Kabwe Institute of Technology. The research was conducted using both quantitative and qualitative approaches using descriptive design, questionnaires and interviews as research designs. Data was analyzed using descriptive statistics, totals, percentages, tables and charts. The study established a significant

relationship between internal control and financial performance.

Omar and Zaid (2020) assessed the relationship between internal control units for the effectiveness of financial control in administrative government units in Jordan. Questionnaire was distributed to managers and employees in the internal control of the administrative government units. The results showed that the assessment of internal control units for the effectiveness of financial control in administrative government units typically became high. The researcher attributed this result to the data analysis, verification, and validation of the financial transactions.

Bregitta and Bunga (2020) did a study to ascertain whether internal audit and internal control have an impact on fraud prevention at PT Pos Indonesia (Persero) Bandung. The verification method was used in the study, and a saturation sampling methodology combined with non-probability was used as the sampling technique. PT Pos Indonesia (Persero) Bandung City employees made up the study's sample, which included 91 participants. Data analysis was performed using the statistical package for social sciences (SPSS) 25.00 program. The findings demonstrated that internal audit and internal control have an impact on PT Pos Indonesia (Persero) Bandung's efforts to avoid fraud.

Agang and Njoka (2020) examined the effects of internal controls on credit risk among the banks listed on the NSE. Finding out how internal controls affected banking businesses listed on the Nairobi Security Exchange (NSE), evaluating risk, and engaging in control and monitoring operations were among the distinctive goals. The capital asset pricing model, agency theory, and contemporary portfolio theory served as the study's guiding principles. A casual descriptive research design was used for the investigation. The eleven listed banks on the Nairobi Securities Exchange, where the census was taken, made up the target population. Data were gathered from primary and secondary sources. To collect data, questionnaires were used. Normality and multicollinearity are among the diagnostic tests. Using SPSS, descriptive and inferential statistics were used to analyse the data. The results demonstrated a strong

and positive relationship between monitoring and credit risk. According to the study, credit risk is significantly influenced by risk assessment, and weak internal controls, such as unethical behavior, have encouraged involvement in fraud that results in income loss and improper use of acquired funds. The study came to the conclusion that credit risk among commercial banks listed on the NSE is significantly influenced by risk assessment, control activities, monitoring and control environment. The study suggests that banks should perform effective control activities to direct their operations as well as thorough risk assessment to guide their operations.

Puryati and Febriani (2020) investigated the impact of whistleblowing systems and internal controls on fraud prevention in Indonesian state-owned enterprises. (SOEs). The whistleblower system and internal control were employed as independent factors in this study, with fraud prevention as the dependent variable. In this study, the population consists of internal auditors, whistleblowers, and other departments associated to fraud in SOEs in Indonesia. The sample size was determined by using Solvin's approach by the researchers. A total of 62 people were sampled from a population of 122. Additionally, the data was examined using multiple regressions. They discovered that the application of the whistleblower system, internal control, and fraud prevention at Indonesian SOEs is in the middle of the pack. Furthermore, they found that the whistleblowing mechanism and internal control have a substantial impact on fraud prevention. It shows that committing fraud can be avoided by developing a trustworthy internal control system and expanding the whistleblowing system to include all parties in the organization.

Agyemang (2020) evaluated the effectiveness of internal controls in the prevention of fraud. The questionnaire was used to collect data for the investigation. To choose the sample elements, a combination of purposive and random sampling techniques was used. The survey included a sample of 10 (35) management staff members, including the internal auditor. According to the report, management's internal control procedures assisted the bank in preventing fraud. It also found that the majority of respondents felt that management should guarantee that all required procedures to prevent and

detect fraud are in place. The majority of respondents (91.4%) stated that there is effective monitoring and implementation of an internal control system capable of revealing a fraudster's manner of operation in the bank.

Akumbo et al. (2020) studied the impact of internal control systems on the financial performance of Ghana's listed banks. 300 representatives from the twelve mentioned institutions participated in this quantitative investigation. On the field Data, descriptive and regression analysis was done. According to the study's findings, communication and information have a negligible yet considerable impact on financial performance. Financial performance and Monitoring had no discernible relationship. In order to increase performance, the report advises management of listed Banks to spend more on information and communication.

Nyakarimi et al. (2020) looked into how internal controls affects Kenya's banking industry's ability to prevent fraud. The study's descriptive research design made use of the mean and standard deviations. The respondents to the survey were all branch managers, operations managers, and cash managers or supervisors in all of these banks' headquarters or offices. The study comprised all banks that were registered and operating in Kenya. Primary data were collected using a questionnaire, and secondary data were corrected using a secondary data schedule. Data from qualitative research was analyzed using document analysis. The variance inflation factor was used to evaluate autocorrelation and heteroscedasticity, as well as the overall relevance of the model, multicollinearity, and if there is inter-correlation among the independent variables. Seven components were retrieved using exploratory factor analysis, which also employed principal component analysis and varimax rotation techniques. It was determined through the use of confirmatory factor analysis that there was no construct bias and that the research instruments were legitimate. According to the researcher, the model fits well throughout, with the exception of SRMR, according to further research that included chi-square, comparative fit index, root mean square for error approximation, pclose, and standardized root mean residual. The strength and direction of the associations between the variables

were tested using Karl Pearson's coefficients of correlation, and the hypotheses were tested using t-statistics. Using structural equation modeling to test the hypotheses, it was discovered that risk assessment, communication, and monitoring had a considerable impact on preventing fraud, whereas the control environment and control activities had a negligible impact. Also, it was discovered that adhering to prudential legislation has no appreciable moderating impact on the connections between the control environment and fraud prevention as well as the relationship between risk assessment and fraud prevention. In the study's analysis of secondary data using the Beneish model and probit regression, it was discovered that financial statement manipulation is widespread in seven institutions, meaning that those banks have weak internal controls systems and are unable to stop fraud.

Odongkara (2020) examined the relationship between internal control systems and financial performance of municipal urban councils in northern Uganda: a case study of Kitgum municipal urban council. A descriptive research survey design was adopted using both qualitative and quantitative methods. Data analysis involved frequencies, percentages and inferential statistics such as correlations, and coefficient of Determinations. Findings revealed a moderate positive relationship between internal Control activities and financial performance; significant relationship between internal control environment and financial performance.

Nugraha and Indah Bayunitri, (2020) investigated the impact of internal controls on fraud prevention at the Bank BRI of Cimahi City. This study employed an explanatory research technique. In this research, 46 employees of Bank BRI of Cimahi City were sampled. The Partial Hypothesis Test (T-Test) was used in this research, with a significance level of 5%. The Statistical Package for Social Sciences (SPSS) 20 was used to evaluate the data. According to this study, internal management has a 50.2% impact on fraud prevention.

Njiru (2020) investigated the effect of internal controls on financial performance of public water companies in Kenya. A descriptive survey study research design was used for the study. Descriptive statistics was

frequencies and percentages while the particular inferential statistics was correlation analysis and regression while Cronbach alpha was used to test reliability. There is a positive relationship between internal controls and financial performance of public water companies in Kenya.

Boakye (2020) examined the role of internal control in the public sector in Ghana. Results indicate that internal control system had been effective at the Hospital as a result of effective supervision, Segregation of duties, proper authorizations and approval etc. the study also revealed that, internal control system faces some problems in its implementation such as poor judgment in decision making, making errors due to carelessness, fatigue etc. Rahmawati, Haerani, Taba and Hamid (2020) investigated the measures of organizational effectiveness: public sector performance. The results of the study provide evidence that the leadership and competencies that can improve employee's behavior for the better. Good leadership and high competence and employee's behavior can increase employee performance management to a higher direction. Leadership and competence cannot increase the effectiveness of the organization towards high, while the employee's behavior and management performance that can increase the organizational effectiveness.

Nneamaka, Terzungwe, Mohammed, Ibrahim and Shuaibu (2021) examine internal control system effectiveness and fraud prevention in deposit money banks in Nigeria. The study adopts a descriptive analysis which helps in summarizing the data. Inferential statistics was used such as the multiple regression analysis to explain internal control system effectiveness and fraud prevention. Questionnaires were administered to Nineteen deposit money banks in Nigeria and a total of 40 questions were asked and answered accurately. Cronbach Alpha Coefficient was used to test the reliability of the measurement and as such are reliable because the entire alpha coefficients are greater than 0.6. The findings of the study show that there is a positive and significant relationship between control environment and fraud prevention mechanism. The overall result showed that control environment (CE), risk assessment (RA), information and

communication (IC) and monitoring (MO) have a positive and significant impact on fraud prevention, whereas control activities have a positive but insignificant effect on fraud prevention. Based on the findings, the study recommends that organizations' management and those saddled with the responsibility of governance of companies should always be alert to all possible circumstances (business risks) that may threaten the banks' ability in achieving its set objectives. Management can achieve this through regular assessment of the operating environment of the organization to identify threats arising from competition, legislation, technological changes, etc. The banking sectors should carryout regular reviews of their control system. This can be done at least semi-annually. The management should ensure it receives timely, relevant, and reliable reports for decision-making.

Eniola, Tonade and Adeniji (2021) examine the internal control mechanisms and financial results of listed companies in Nigeria's southwest area. The research framework was developed primarily based on a thorough review of the literature and compliance with stakeholder theory. The research used multi-level random sampling and multiple regression models to determine if internal audit control, control processes, risk management control, the control environment, and monitoring practices impacted financial performance. The findings indicated a favourable association between internal audit control, risk management, monitoring practices and operational performance, pointing to the objectives. Monitoring practices and control environments have a significant negative impact on asset returns. This analysis would be helpful to corporate managers because it demonstrates the elements that are overlooked in internal control systems and strategies to improve the performance of the internal control system. Policymakers and other stakeholders will have access to the critical role of internal management in the company's performance. The study affected the inculcation of empirical and inductive logic and ethical attitudes and thought growth in all organisational employees.

Mahadeen, Al-Dmour, Obeidat and Tarhini (2021) examined the effect of the internal control system on organizational effectiveness. Descriptive statistics and

multiple regression was used for the analysis of questionnaires. The results of the study showed that there is a statistically significant effect of control environment and monitoring on the organizational effectiveness. While, there is no statistically significant effect of communication, risk management and control activities on the organizational effectiveness.

Akmese and Ilgaz, (2021) investigated the efficiency of internal control systems and the effects of organizational structure culture on the internal control systems in the accommodation industry. According to their survey of the literature, research investigations are often based on certain geographic areas or corporate units. Research on internal control efficiency in the hotel industry served as the study's foundation, and five-star hotels that operate in Turkey were chosen as the study's sample in order to get the most complete understanding possible. The study revealed that five-star hotels attributed great importance to the utilization and efficiency of internal control systems.

Barzinji, Yusoff, Rosbi, Salleh and Abdullah (2022) the foremost goal of this research will be to come up with a model to show how impactful forensic accounting is in the intense attention to rigid internal control in the Iraqi context. This article also uses an inductive quantitative research approach to obtain the data, and 230 responses were received from employees working for 110 Iraqi companies, all registered on the Iraqi Stock Exchange. This study used SPSS, a statistical package for study areas, and Smart PLS 3.3 to test hypotheses. The research reveals that the instrumentation of forensic accounting, such as forensic accounting competence and proactive fraud auditing, has a significant impact on fraud prevention in Iraq. Nevertheless, the results show that forensic accounting techniques don't considerably affect its use. Besides that, there seems to be an explanation - based on verification that internal control challenges processes appear negatively to mitigate the effects of community engagement for forensic accounting and fraud prevention in an organization. On account of this, Effective internal control practice enhances the forensic accounting and fraud prevention link.

Kraipetch, Kanjanawasee and Prachyapruit, (2022) evaluated organizational effectiveness in higher education institutions, ministry of tourism and sports in Thailand. Data collection was conducted through documentary study, interviews, observations, and inquiry using assessment form. Analysis employed descriptive statistics and content analysis. The study Ong'are and Njeru (2022) the study used a descriptive design to shed more light on the effectiveness of internal control systems in government parastatals in Kenya. It was found from the findings that segregation of duties is a key internal control systems component that influence effectiveness of Kenya pipeline company and recommend that the management should emphasize and train members of staff of their significance, It was also quite interesting that few studies that had been done on internal control effectiveness had been skewed to financial performance, therefore the researcher suggested that more studies can be done in the public sector and lay emphasis on government parastatals. found out that organizational effectiveness evaluation system involves four interrelated components: input, process, output, feedback and utilization of evaluation results. The system is valid, comprehensive, and useful for evaluating organizational performance based on its main missions, propriety, and feasibility.

Anyanwu and Okafor (2022) examine the effect of the internal audit functions on fraud control in manufacturing companies in Anambra state. The study made use of survey design. Data were collected from primary sources through the issue of seventy-two (72) structured questionnaires to four (4) senior management staff, including the accountant of each of the eighteen (18) companies under the study. The collected data were analysed using Logistic Regression analyses with the help of Statistical Package for Social Science (SPSS) version 23. The findings showed that the internal audit functions which include evaluation of internal control, risk assessment all affect fraud prevention and detection in manufacturing concern. Based on the above, it is recommended among others that management of manufacturing companies in Anambra state should always adopt the services of a qualified Internal auditor in the company so as to ensure no financial leakages and accountability in the company. The management should create and establish a standard

internal control system, strong enough to stand against the wiles of fraud in order to promote continuity of operations in such company. The structure should be such that can remain relevant for a very long time and capable of been updated with emerging technology.

Ifarajimi and Audu (2022) examine the effect of internal control on financial fraud in the Nigerian banking industry. The study is framed theoretically using the pentagon fraud theory. The exploratory research design was employed for this study. Secondary source of data was used and data on the independent and dependent variables were obtained from available data which is the NDIC 2019 Report. The data gathered were analyzed using the Multiple regression model. was used in analyzing the effect of the independent variables on the dependent variable. The result shows that staff control has a positive effect on fraud prevention in the banking industry in Nigeria. It is concluded from the study that staff control does not have a significant effect on fraud in the banking industry in Nigeria. This study recommends that staff controls be put in place to ensure that the right human resources are attracted and retained for the job in order to prevent financial fraud in the banking industry in Nigeria

Agwor and Akani (2022) assessed internal control system in public service of Bayelsa State, Nigeria. The research design adopted was cross sectional survey method. Analysis of data adopted the spearman rank order correlation. It was found that very strong relationship exists between internal control and fraud, safeguarding of assets is significantly related to asset misappropriation and there is a significant relationship between management integrity/ethical value and employee embezzlement.

Ogwiji and Lasisi (2022) examine the effect of internal control system on fraud prevention of financial services firms in Nigeria. The population is 284 respondents from the listed financial services firms in Nigeria. A cluster sampling technique was adopted for the study. The data was sources through the primary sources and a structure questionnaire were administered to the respondents through the use of five-point Liker scale system, and the SMART-PLS-3-SEM was used to analyze the fitness of the data and test the research hypothesis. A constructive reliability

and validity, the discriminant validity measure and cross loadings were used to test the fitness of the model. Path coefficient, predictive relevance of exogenous. Findings from the study revealed that control environment and monitoring were found to have a positive and significant effect on fraud prevention, while the information and communication has a negative and significant effect on fraud prevention. Risk assessment show an insignificant positive effect on fraud prevention while control activities is negative and insignificant effect on fraud prevention of the listed financial services firms in Nigeria. In conclusion, the study found that internal control system has a significant influence on fraud prevention. It is recommended among others that the management of financial services firms should maintain the used in control environment, monitoring system because they play a greater in effect on fraud prevention. Also, regulator agency such as CBN, EFCC and ICPC should develop an internal control framework and policy that will guide the financial services firm in Nigeria.

Adiningrat (2022) studied fraud prevention using control structure and spiritual accounting. The study sought to assess the impact of implementing internal control frameworks and spiritual accounting on fraud prevention. The specific goal is to reduce the amount of fraud committed by firm management. Multiple linear regression analysis was employed as the analytical method in this study. Multiple linear regression analysis is made up of two analytical tools: descriptive statistical analysis and inferential statistical analysis. The results reveal that the internal control system has a detrimental effect on the auditor's capacity to prevent fraud, whereas spiritual accounting has a good effect.

Eskindir (2022) investigated the impact of internal controls on fraud detection and prevention in Abay Bank. This study employs descriptive and explanatory research techniques. This research collected primary data using a questionnaire instrument. This study's population includes both managerial and non-managerial workers from Addis Ababa city branches, with 273 respondents drawn at random. The analytical methods used in this research are both descriptive and inferential. SPSS 26 was used to analyze the data. According to the study's findings, internal control has

a substantial impact on fraud prevention and detection. The research found that all five internal control components had a positive and significant impact on Abay Bank's fraud prevention and detection practices. Lwin (2022) studied the influence of internal control systems on the performance of Yangon construction firms. The study used regression analysis and selected a sample of 20 construction enterprises in Dagon Township, representing 43% of a target population of 46 construction companies. The major data collection technique is a questionnaire, which is delivered to 79 respondents from the management committees or department heads of a sample of 20 construction enterprises in Dagon Township. The data demonstrated a positive association between internal control systems and construction company performance at the Pearson correlation coefficient. This study advised that construction company management should change proper control techniques that are linked with potential risk and should constantly assess the entire internal control system to see if it is successful within the firm to get the best performance.

Dharmawati et al., (2022) investigated the impact of internal control and risk management on organizational performance by focusing on fraud protection. This quantitative research technique employs descriptive analysis and inferential statistics, specifically Structural Equation Modeling (SEM) with Partial Least Square (PLS) and Microsoft Excel software. In this research, the population consisted of all auditors who worked at the Inspectorate of Southeast Sulawesi Province, a total of 37 apparatus. The quantity of samples taken using a saturated piece is 37 Apparatus at the Inspectorate of Southeast Sulawesi Province. This study relies on both primary and secondary evidence. The Structural Equation Model (SEM) study was carried out using the PLS program. According to the study's findings, internal control and risk management have a positive and significant effect on fraud prevention; fraud prevention has a positive and significant impact on organizational performance; and internal control and risk management have a positive and significant impact on organizational performance via fraud prevention.

Yazan (2022) investigated the impact of internal controls on the battle against fraud. The research created an endeavor to help organizations reduce fraud while pursuing exact definitions of internal controls and fraud prevention. The study concluded that one of the most important aspects of fraud prevention is the use of internal controls, and that following organizational standards significantly reduces the risk of fraud occurring and aids in detecting it when it does occur.

Yahya and Venusita (2022) investigated the impact of control environment, risk assessment, control activities, information and communication, and monitoring activities on fraud prevention using the fraud pentagon theory's factors of pressure, opportunity, rationalization, ability, and arrogance. Employees of a construction service business in Surabaya form the population of this study. The nonprobability sampling method was used in this study, which means that all members of the community were used as the study's sample. In this research, 57 respondents who were company employees were used as samples.

Abubakar, Dibal and Pwagusadi (2023) examined the effect of internal control system on financial accountability and transparency in local government areas of Borno State, Nigeria. The data for the study were collected through the use of the questionnaire instrument. The data collected were analyzed using descriptive statistics, chi-square statistics as well as regression analysis. The result of the chi-square statistics revealed that internal control activity is ineffective in the local government areas of Borno state. The regression results revealed that internal control activity has insignificant impact on financial accountability.

Adetula, Balogun, Uwajeh and Owolabi (2023) examined internal control system and performance of universities in South-West region of Nigeria. A study was conducted among 20 federal, State, individual private and mission-based private universities in South-West region of Nigeria. Findings revealed that many components of internal control system (segregation of duties, performance of supervisors' role, and the management review) are properly

adhered to except that the internal audit units of those institutions are not independent.

Abba and Kakanda (2023) examined internal control system and performance of local government areas. An ex-post facto research was conducted in Nigeria among 16 Local Government Areas in Taraba state, reported that internal control system moderates both statutory allocation and internally generated revenue towards government expenditure, but internal control system is not effectively applied in the local governments.

Eniola and Akinselure (2023) examined the effect of internal control on financial performance of firms in Nigeria. Survey was conducted on 5 companies based on purposive sampling method. Internal control activities have significant relationship with fraud perpetrated in the organization. The study also established that internal control contributes significantly to attainment of the organization goals and objectives.

Onyefulu and Ofor (2023) examined how internal control can prevent and detect fraud in the public sector. Data were analyzed using Pearson's moment correlation coefficient. This result of the study shows that internal control of Anambra state public sector is not adequately staffed, equipped with qualified personnel to prevent and detect fraud.

Sanusi and Mustapha (2023) investigated the effectiveness of internal control system at local government level in Nigeria. The study was carried out in some selected local government council area of Oyo State, Nigeria. Data obtained were coded and analyzed using frequency table and percentage; chi-square was used to test the formulated hypothesis. The result of the finding shows that internal control system is positively significant for the good financial accountability in the local government area council in Nigeria.

Ademola, Adedoyin and Alade (2023) studied the effect of internal control system in Nigeria public sectors using the Nigeria National Petroleum Corporation as a case study. Findings revealed that there is a significant effect of effectiveness of internal

control system in the public sector as in the case of NNPC in the prevention and detection of fraud.

Ejoh and Ejom (2023) studied the impact of internal control system on performance of tertiary institutions in Nigeria. A survey research was conducted in Cross River State College of Education, Akamkpa. The study revealed that all activities of the College are initiated by the top management. The study also found that the institution adheres strictly to the provisions of annual departmental budget and that control are in place to exclude incurring expenditure in excess of allocated fund. Also, there is poor security network in the College. Surprisingly, the study result further confirms that there is no significant relationship between internal control activities and financial performance of Cross River State College of Education.

Eze and Wilson (2023) evaluated the relationship between fraud and internal control procedures: evidence from two south east government ministries in Nigeria using Enugu and Ebonyi States as case study. The result of the study shows that the degree of internal control activities in ministries and departments leaves much to be desired. There were clear cases of failure of the system of internal check and absence of actual segregation of duties.

Onaolapo and Odetayo (2023) investigated the effect of information system on organisational effectiveness: a case study of selected construction companies in Ibadan, Nigeria. The study covered five (5) randomly selected construction industries in Ibadan, Oyo state. The questionnaire technique was used in gathering relevant data from their financial accountant and site project manager respectively. The results show that accounting information system has effect on organizational effectiveness.

2.4 Summary of Literature Gap

This section provides a review on theoretical, conceptual and geographical issues relating to the research area. This study filled the gaps identified in the literature.

Theoretically there is a gap, as previous studies such as Odongkara, (2020); Njiru, (2020); Kisanyanya, (2021); Wonder et al., (2021) employed agency theory

as their theoretical underpinning but this study used system theory and institutional theory as the theoretical framework to investigate internal control system on organizational effectiveness of public sector in Delta State, Nigeria which was not used in previous studies. Conceptually there is a gap, as previous studies such as Abubakar et al., (2020); Wonder & Cobblah, (2021), Kisanyanya, (2021); Muhuny & Jagongo, (2021) used control environment, control activities, risk assessment, monitoring, information and communication technology to measure internal control system but this study introduced internal audit to proxy internal control system on organizational effectiveness of public sector in Delta State, Nigeria which was not used in previous studies. There is a geographical gap, as previous studies such as Mahadeen et al., (2021); Rahmawati et al., (2021); Kraipetch et al., (2021); Oduro and Cronwell, (2021); Kisanyanya, (2022); Muhuny and Jagongo, (2021) focused mainly on Jordan, Malaysia, Ghana, Kenya, Thailand, Zambia and South Africa. Even though some studies such as Eze and Wilson, (2020); Ademola et al, (2020); Onyefulu and Ofor, (2020) ; Agwor and Akanni, (2020); Abba and Kakanda, (2021) were conducted in Nigeria, they were carried out in other States of the Federation outside the geographical zone (South-South) the present study was conducted.

III. METHODOLOGY

3.1 Introduction

The research techniques and processes used in this study are covered in detail in this chapter. It covers the research design, the study's population, sample size and sampling strategies, data gathering procedures, and model definition.

3.2 Research design

The research design adopted for this study was cross-sectional survey research which requires a quantitative system of data collection from a sampled population through the use of questionnaires (Pallant, 2020). Perceptual data of this nature can be effectively obtained through a survey research specification.

3.3 Sources of Data

Data for this study was derived using a primary source derived from accountants and internal auditors from

ministries, department and agencies in Delta State Nigeria. This method would enable the researcher to obtain reliable and valid information from the respondents. The structured questionnaire has three sections. Section A was on demographic data of the respondents. Section B is a close ended question used to determine the extent of adherence to control activities, information and communication technology, monitoring and internal audit. Section C consists of questions used to elicit information on the level of organizational effectiveness of MDAs. Sections B and C were close ended form of questionnaire based on a five (5) point Likert scale, ranging from Strongly Agree (SA) = 5 points, Agree (A) = 4 points, Undecided (UD) = 3 points, Disagree (D) = 2 points and Strongly Disagree (SD) = 1 point.

3.4 Population of the Study

The term "population" refers to the total set of people or things whose behavior or units share a common foundation and well-defined characteristics. Population is "the collection of all potential observations of the categories with which we are interested," (Osuala, 2021). The population of this study consists of 32 MDAs under the control of Delta State government. The target population of this study consists of 515 accountants and 341 internal auditors in MDAs making a total of 856.

3.5 Sample Size and Sample technique

The sample size of this study is 856 respondents. This is determined by Taro Yamane's formula (1967). This number was selected using stratified sampling technique to achieve fairly representative of the population from the MDAs. The computation is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N is the Population

1 is the constant

e is the degree of error expected

n is the sample size

$$n = \frac{856}{1 + 856(0.05)^2}$$

$$\frac{856}{1 + 856 (0.0025)}$$

$$\frac{856}{1 + 3}$$

$$\frac{856}{4}$$

n = 300

tautology

The sample size of the study is 300. Hence, the 300 questionnaires were equally distributed to the MDAs. According to Israel (1992) a margin of 30% additional questionnaires should be added to make up for non-returned and filtered out questionnaires. Therefore, 300 X 30% = 390 questionnaires were administered on the respondents. The questionnaires were randomly distributed using google document, which were electronically filled and collected by the researcher.

3.6 Model Specification and variable Measurement
To attain the objectives of this study, the model of Mahadeen, Al-Dmour, Obeidat & Tarhini, (2021) was adapted. The model was presented as:

$$FP = \beta_0 + \beta_1CENV + \beta_2RISK + \beta_3CONTA + \beta_4ICT + \beta_5MONT + \epsilon$$

Where:

FP = Fraud Prevention

β_0 = Constant

CENV = Control Environment

RISK = Risk Assessment

CONT = Control Activities

IC = Information Communication

MONT = Monitoring

ϵ = Error term

$\beta_1 - \beta_5$ = Coefficient of explanatory variables

Table 3.2: Variable and their Measurement

S/N	Variables	Measurement
1.	Control environment	The control environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organizations (COSO,2013)
2.	Risk assessment	Risk assessment involves a dynamic and iterative process through which management identifies and assesses risks to the realization of its set goals (COSO, 2013)
3.	Control activities	Control activities are the measures established through policies and procedures that help guarantee the management's orders to mitigate risks and achieve its goals (COSO, 2013)
4.	Information & Communication	Information and communication are systems that allow people in a firm to capture and exchange information needed to perform their duties (COSO, 2013)
5.	Monitoring	Monitoring is the procedure through which the quality of internal control is assessed which can be ongoing evaluation and separate evaluation (COSO,2013)
6.	Fraud prevention	The process of identifying, assessing, and prioritizing fraud risks within an organization and developing strategies to mitigate them

		effectively. (COSO, 2013)
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Source: Authors compilation (2023)

3.7 Method of Data Analysis

Descriptive and inferential statistics were used to analysis the data gathered from the survey through the questionnaires. The descriptive statistics in this study includes the frequency tables, percentages, mean, and standard deviation. Multiple regression and analysis of variance was used as the inferential statistics to analyze independent and dependent variables to statistically show the effect of internal control system on organizational effectiveness of MDAs.

3.8 Justification of the methodology

Cross-sectional survey was used because it provides a snapshot of a population at a given point in time. It allows researchers to collect data on a range of variables, such as demographics, behaviors, attitudes, and opinions, providing a comprehensive understanding of the target population which was the cardinal reason this method was employed in this study. Conducting a cross-sectional survey is often more cost-effective compared to other research methods. The data collection process can be streamlined, as it typically involves administering questionnaires or interviews to a large sample size simultaneously.

Cross-sectional surveys provide relatively quick results, allowing researchers to obtain data in a relatively short period of time. This is particularly useful when time constraints are a factor, or when timely information is needed for decision-making purposes. Cross-sectional surveys enable researchers to compare data across different groups within the population. This allows for the identification of patterns, trends, and differences in various subgroups, providing insights into disparities or commonalities among different populations.

Cross-sectional surveys can be used to explore relationships between variables. By collecting data on multiple variables simultaneously, researchers can analyze correlations, associations, and potential causal relationships among different factors. Cross-sectional surveys often aim to obtain representative samples of the population, which increases the generalizability of

the findings. The data collected can be used to draw inferences about the broader population from which the sample was drawn. Cross-sectional surveys can lay the foundation for future research. The findings from these surveys can guide the development of hypotheses, inform the design of longitudinal studies, or provide insights for further investigations.

IV. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the results of the analysis and the discussion of the findings. The chapter begins with the descriptive statistics of the variables (internal control and fraud prevention). In addition, regression analysis is used to test the hypotheses. In addition, this study employs the multiple regression analysis. Cronbach alpha, and multicollinearity test were employed to ensure the reliability and validity of the result.

4.2 Data Collection

A total number of 390 questionnaires were distributed to various respondents, out of which 300 were found to be suitable for this study. This represented 76.9% response rate, which was enough for data analysis and interpretation.

4.3 Data analysis

This section presents the output of the various analysis starting from demographic statistics, correlation matrix the various diagnostic test and research hypotheses testing.

4.3.1 Demographic Statistics

The questionnaire was designed to elicit information about the respondents. The demographic information includes gender, managerial level, unit head and age. This is necessary to explore the kind of respondents that made up the population for this research.

Table 4.1: Demographic statistics

Variable	Category	Frequency	Percentage
Gender	Male	195	65
	Female	105	35
Age	Below 30	60	20

	30 - 40	120	40
	41 - 50	78	26
	Above 50	42	14
Education	Diploma	9	3
	First degree	195	65
	Masters	90	30
Position	Ph.D.	6	2
	Managerial level	90	30
	Unit head	180	60
No. of years	others	30	10
	Less than 1	15	5
	1 – 10	225	75
	Above 10	60	20

Source: Fieldwork (2023)

Table 4.1 shows the demographic statistics was carried out to understand the distribution of the respondents. From the analysis, the gender distribution of the respondents shows that majority of the respondents were male which make up 65%, while female respondents were 35%. This implies that the targeted respondents are dominated by male gender.

The age distribution of the respondents shows that most respondents fall under the age bracket of 30 – 40 years, which represents 40%. This was followed by 41 – 50 years, which represents 26%. Next is the age below 30 years which represents 20% and those above 50 years. The implication of the findings is that the respondents were mid-age and therefore experienced to provide suitable data on the effect of internal control on fraud prevention.

The study also carried out an inquiry on the education background of the respondents. This is important to ascertain their ability to understand the subject matter. Based on the findings, majority of the respondents have first degree which is represented by 65% followed by those with masters degree which represents 30% of the respondents. Also, 3% have diploma while 2% has PhD degree.

The analysis also showed that majority of the respondents were unit heads which is represented by 60%. 30% of the respondents were at the managerial level. Also, other cadre made up 10% of the respondents. These findings imply that the

respondents have broad understanding of the internal control framework and fraud prevention.

The study also assessed the years of work experience of the respondents. Respondents were asked to indicate the number of years they have spent in their respective ministries, department and agencies. Based on the findings, 75% of the respondents have worked in the in the MDAs between 1 – 10 years, while 20% of the respondents had spent above 10 years. In addition, 5% have worked less than 1 year.

4.3.2 Descriptive statistics

Table 4.2: Descriptive statistics

Variable	Mean	Standard deviation
Fraud prevention	4.8	.6120
Control activities	3.27	.925
Risk assessment	4.79	.7712
Control environment	4.401	.5937
Monitoring	4.009	.8953
Information and communication	4.512	.6197

Source: SPSS output (2023)

The descriptive statistics of the responses are presented in table 4.2, which contains the mean and standard deviations values. Based the findings, the mean value which measure the average responses shows that on the average, the sampled respondents strongly agreed that the internal control framework help fraud prevention in MDAs. Furthermore, the respondents agreed that control activities, risk assessment, control environment, monitoring and information and communication are important framework of internal control used in preventing fraud in MDAs.

4.3.3 Validity and Reliability Test

The table below shows the reliability of the questionnaire. The reliability co-efficient (Cronbach alpha) was used to test the reliability of the research instrument. According to Zikmund, Babin, Carr, and Griffin (2010) Cronbach Alpha value of 0.7 or above, for all the constructs, was considered adequate for this study.

Table 4.3: Reliability Test

Variables	Cronbach's	
	Alpha	Items
Control activities	.860	9
Risk assessment	.798	4
Control environment	.735	9
Monitoring	.965	4
Information and communication	.808	4
Fraud prevention	.875	10

Source: SPSS output (2023)

From the table above, since the alpha coefficients were all greater than .7, we can therefore conclude that the instruments had an acceptable reliability coefficient and were appropriate for the study.

4.3.4 Correlation Matrix

A correlation analysis was conducted to establish the direction and strength of the relationship between the dependent and independent variables. The Pearson correlation coefficient (r) was employed to establish the relationship between internal control and fraud prevention. In determining the strength of the relationship between the variables, a correlation of zero indicates absence of relationship, a correlation of 1.0 indicates perfect positive relationship and a correlation of -1.0 indicates negative relationship (Pallant & John, 2005).

Table 4.4: Correlation matrix

		FP	CAC T	RA	CEN V	MO N	IC
FP	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	300					
CACT	Pearson Correlation	.987**	1				
	Sig. (2-tailed)	.000					
	N	300					
RA	Pearson Correlation	.849**		1			
	Sig. (2-tailed)						
	N	300					

CENV	Sig. (2-tailed)	.000					
	N	300					
	Pearson Correlation	.458**		1			
MON	Sig. (2-tailed)	.000					
	N	300					
	Pearson Correlation	.720**			1		
IC	Sig. (2-tailed)	.000					1
	N	300					
	Pearson Correlation	.298**					

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS output (2023)

The table 4.4 above shows the Pearson Correlation Coefficient (r). The result showed a significant positive relationship between fraud prevention and control activities (r = .987, p<0.00). The table also showed that a significant positive relationship exist between fraud prevention and other internal control framework which includes risk assessment (r = .849, p<0.00), control environment (r = .458, p<0.00), monitoring (r = .720, p<0.00) and information and communication (r = .298, p<0.00). Thus it can be implied that the independent variables are positively correlated to the dependent variables.

4.4 Diagnostic Tests

To achieve the underlying assumption of the multiple regression analysis and prevent spurious results, the residuals of the result were examined with the aim of establishing normality, and multicollinearity.

4.4.1 Multicollinearity

The presence multicollinearity often helps in increasing the variance of regression coefficients and threatens the validity of the regression equation. In this study, multicollinearity was examined between the

independent variables and analysed with the aid of Variance Inflated Factor (VIF) and tolerance values.

Table 4.5: Multicollinearity Test

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
CACT	.914	1.095
RA	.517	1.934
CENV	.265	3.777
MON	.226	4.426
IC	.275	3.632

Source: SPSS Output (2023)

The result in table 4.6 above shows no multicollinearity problem between the independent variables because the tolerance values are more than .10 and the VIF values are less than 10. Hence multicollinearity is not a problem in this study.

4.5 Test of Hypotheses

To test for the hypotheses formulated in this research, multiple regressions were used to determine the effects of internal control on fraud prevention in MDAs in Delta state.

Table 4.6: Multiple Regression

Variables	Coefficient	t-statistics	P-value
CACT	.083	3.992	0.000
RA	.024	.734	0.463
CENV	.099	1.650	0.100
MON	.375	8.704	0.000
IC	.181	3.217	0.000
F statistics	143.978		0.000
R ² =	64.6		
Adj R ² =	64.2		
DW =	2.015		

*** represents 1% level of significance

Source: SPSS Output (2023)

The result of the analysis in table 4.6 shows the regression coefficient (R²) which explains that 64.6% of the variations in fraud prevention MDAs in Delta state can be explained by internal control (control activities, risk assessment, control environment, monitoring and information and communication). After adjusting the R², 64.2% of the variation can be

explained. The F-statistics is used in testing the fitness of the model of multiple regressions, where customers satisfaction was expressed as the function of control activities, risk assessment, control environment, monitoring and information and communication. The F statistics is significant at 1% (F = 143.978, P<0.000) indicating the fitness of the model. The Durbin-Watson statistics of 2.015 indicates absence of auto serial correlation and fitness of the model.

4.5.1 Control activities has no significant effect on fraud prevention in MDAs in Delta State.

The multiple regression result in table 4.6 shows that control activities has a significant and positive effect on fraud prevention in MDAs in Delta state. Based on this result, we therefore reject the null hypothesis and accept the alternate hypothesis which state that, control activities have significant effect fraud prevention in MDAs in Delta state at 1% level of significance (p=0.00). The implication of this is that a unit increase in control activities tangibles will result to an increase in fraud prevention by .083.

4.5.2 Risk assessment has no significant effect on fraud prevention in MDAs in Delta State.

The multiple regression result in table 4.6 also shows that risk assessment had no significant effect on fraud prevention in MDAs in Delta State at 5% significant level (P = 0.463). Based on this result, the study therefore, accept the null hypothesis and reject the alternate hypothesis which state that, risk assessment have significant effect on fraud prevention in MDAs in Delta state.

4.5.3 Control environment has no significant effect on fraud prevention in MDAs in Delta State.

The multiple regression result in table 4.6 also shows that control environment had no significant effect on fraud prevention in MDAs in Delta state. Based on this result, we therefore, accept the null hypothesis and reject the alternate hypothesis which state that, control environment have significant effect on fraud prevention in MDAs in Delta state.

4.5.4 Monitoring has no significant effect on fraud prevention in MDAs in Delta State.

The multiple regression result in table 4.6 shows that monitoring has a significant and positive impact on fraud prevention in MDAs in Delta state. Based on this

result, this study therefore reject the null hypothesis and accept the alternate hypothesis which state that, monitoring have significant effect on fraud prevention in MDAs in Delta state at 1% level of significance ($p=0.00$). The implication of this is that a unit increase in assurance will result to an increase in customer satisfaction by 37.5%.

4.5.5 Information and communication has no significant effect on fraud prevention in MDAs in Delta State.

The multiple regression result in table 4.6 shows that information and communication has a significant and positive effect on fraud prevention in MDAs in Delta state. Based on this result, we therefore reject the null hypothesis and accept the alternate hypothesis which state that, information and communication have significant effect on fraud prevention in MDAs in Delta state at 1% level of significance ($p=0.00$). The implication of this is that a unit increase in empathy will result to an increase in customer satisfaction .181.

4.6 Discussions of Findings

This section presents the discussion the findings based on the outcome of the analysis:

The study assessed the effect of control activities on fraud prevention in MDAs in Delta State and found that control activities affect fraud prevention in MDAs in Delta state. This findings supports the studies of Agang and Njoka (2020) who found that control activities is a significant factor in preventing fraud in organization. This findings submits that control activities play a significant role in fraud prevention within organizations. By implementing effective control measures, companies can deter and detect fraudulent activities, reducing the risk and impact of fraud incidents. Control activities involves segregation of duties involves dividing key responsibilities among different individuals to ensure that no one person has complete control over a process from initiation to completion. This control activity helps prevent fraud by reducing the opportunity for individuals to manipulate or conceal fraudulent activities. According to Romney and Steinbart (2017), authorization and approval controls establish clear guidelines and limits on financial transactions, ensuring that only authorized personnel have the power to initiate or approve transactions. These controls help prevent unauthorized activities and detect potential fraud schemes.

The study also examined the effect of risk assessment on fraud prevention in MDAs in Delta State and found that risk assessment is insignificant in explaining fraud prevention. This findings supports the study of Mahadeen et al. (2021) who found that risk assessment does not affect fraud prevention. In contrast, Agang and Njoka (2020) found that risk assessment have significant effect on fraud prevention. Despite the insignificant effect, risk assessment plays a significant role in fraud prevention within organizations. By conducting thorough risk assessments, companies can identify and analyze potential vulnerabilities, enabling them to implement targeted control activities to mitigate the risk of fraud. According to Association of Certified Fraud Examiners (ACFE) (2018), risk assessment helps organizations identify and understand the specific risks and vulnerabilities related to fraud. This process involves analyzing internal and external factors that may contribute to fraudulent activities, such as inadequate internal controls, lack of segregation of duties, or changing economic conditions. Vasarhelyi, Alles and Kogan (2017), by assessing the likelihood and impact of identified fraud risks, organizations can prioritize their control activities effectively. Risk assessment enables companies to allocate resources and efforts to the areas with the highest fraud risk, ensuring that control measures are appropriately tailored and focused. Furthermore, AICPA (2016) stressed that during risk assessment, organizations evaluate the effectiveness of existing control activities and identify any weaknesses or gaps that may allow fraudulent activities to occur. This identification of control weaknesses helps organizations enhance their control environment and implement additional measures to address the identified risks.

The study also, ascertained the effect of control environment on fraud prevention in MDAs in Delta State and found that have insignificant effect on fraud prevention. This study is a deviation from prior studies such as Mahadeen et al. (2021) and Agang and Njoka (2020) who found that control environment have significant effect on fraud prevention. While this study found that control environment is an insignificant component of internal control system, the control environment sets the tone for ethical behavior, establishes the organization's commitment to integrity, and influences employees' attitudes towards fraud. It

encompasses factors such as management's philosophy and operating style, the organization's code of conduct, the effectiveness of communication channels, and the ethical values upheld by the organization. COSO (2013) emphasized the control environment as the foundation of effective internal control systems. It highlights the importance of management's commitment to integrity and ethical values, which are critical for fraud prevention. Albrecht, Albrecht, Albrecht and Zimbelman (2012) highlights the importance of management's commitment to integrity and ethical values, which are critical for fraud prevention.

This study examined the effect of monitoring on fraud prevention in MDAs in Delta State. The findings showed that monitoring affect fraud prevention in MDAs in Delta state. This findings align with Mahadeen et al. (2021) and Agang and Njoka (2020), Akumbo et al. (2020) and Agyemang (2020). Monitoring plays a significant role in fraud prevention within organizations. By implementing effective monitoring processes, companies can detect and respond to fraudulent activities in a timely manner, reducing the impact and recurrence of fraud incidents. According to COSO (2013), monitoring and review controls involve ongoing assessments of control activities to ensure their effectiveness. Regular monitoring and review help identify potential control weaknesses or deviations from established procedures, enabling timely corrective actions and reducing the risk of fraudulent activities going undetected. Beasley, Carcello, Hermanson (2016) emphasizes the importance of monitoring as a critical component in fraud prevention, highlighting that effective monitoring activities can help identify unusual patterns, anomalies, and inconsistencies that may indicate fraudulent reporting.

The study also accessed the effect of information and communication on fraud prevention in MDAs in Delta State. The findings showed that information and communication is a significant internal control system in fraud prevention. This findings opposes prior studies (Mahadeen et al., 2021 and Akumbo et al., 2020). This study supports assertion that information and communication play a significant role in fraud prevention within organizations. Effective information systems and communication channels

facilitate the timely and accurate flow of information, enabling the detection and prevention of fraudulent activities. Albrecht et al. (2012) emphasizes the importance of clear communication channels, whistleblowing mechanisms, and effective reporting systems to facilitate the reporting of suspicious activities and the dissemination of anti-fraud measures. ACFE (2020) further discusses the correlation between communication channels and the timely detection of fraud incidents. It emphasizes the role of effective reporting mechanisms and anonymous hotlines in facilitating the reporting of potential fraud cases. The article by Cianci and Kaplan (2011) explores the relationship between ethical communication and fraud prevention in the accounting context. It emphasizes the importance of open and honest communication channels, promoting ethical behavior and reducing the risk of fraudulent activities.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study examined the effect of internal control on fraud prevention in MDAs in Delta state. The specific objective analysed the effect of control activities, risk assessment, control environment, monitoring and information & communication on fraud prevention in MDAs in Delta state. Chapter one contains the statement of the problem, research questions, the statement of hypotheses, the significance of the study, scope of the study and limitation of the study.

Chapter two reviewed the concept of internal control system proxied by control activities, risk assessment, control environment, monitoring and information & communication and from prevention. The chapter presented the conceptual framework of the model. Also, the theories that explain the effect of internal control system on fraud prevention were analyses in this chapter. They include the agency theory by Jensen and Meckling (1976) which explained the corporations are required structures that enable the exercise of internal control, which reduces agents' opportunistic conduct. The principal's use of a professional to oversee the agent strengthens the bond between the two parties. The system theory which is a collection of pieces or components that are connected to one another in such a way that they constitute a

recognizable whole and frequently work toward similar goals. Internal control, which is a component of a larger system, was better understood using the system theory (the organization). The institutional theory which has a more sociological bent, was inspired by work by Meyer and Rowan (2018). This idea contends that organizations create structures, processes, and systems because they are essentially necessary for implementing new practices and procedures.

Chapter three contains the research methodology used in this study. The study adopts an survey research design. Primary source of data with the aid of a structured questionnaire which was used in eliciting responses from the respondents in MDAs in Delta state. The data collected were based on the constructs (control activities, risk assessment, control environment, monitoring and information & communication and fraud prevention). The chapter also highlight the population of the study, the sample size and techniques, the specification of the model and the justification of the method used. The method of analysis used in the study was multiple regression.

Chapter four includes the presentation of analysis and interpretation. The chapter carried out descriptive statistics on the respondents to understand their nature. A correlation matrix was carried out to understand the relationship that exists among the variables. More so, a diagnostic test was performed on the residual of the multiple regression to avoid spurious regression. They include a multicollinearity test to prevent correlation among the independent variables. The summary of the findings are as follows:

Control activities has significant effect on fraud prevention in MDAs in Delta state. Risk assessment has no significant effect on fraud prevention in MDAs in Delta state. Control environment has no significant effects on fraud prevention in MDAs in Delta state. Monitoring has a significant positive effect on fraud prevention in MDAs in Delta state and Information and communication has a significant positive effect on fraud prevention in MDAs in Delta state.

5.2 Conclusion

From the findings the following conclusion can be made:

The study concludes that control activities act as deterrents against fraudulent behavior by creating a system of checks and balances within an MDAs. Effective control measures, such as segregation of duties, authorization and approval processes, and physical security controls, increase the perceived risk and decrease the opportunity for individuals to engage in fraudulent activities.

The conclusion made on this finding is that risk assessment in MDAs does not enables MDAs to identify and understand the specific fraud risks they face.

This study deduce that policies, procedures, and practices management implemented to deter and detect fraudulent activities in MDAs is not significant. It implies that the control environment does not encourage employees to be vigilant and report potential fraud incidents promptly.

This study concludes that monitoring is a critical role in fraud prevention by enabling timely detection of fraud, deterring fraudulent activities, identifying control weaknesses, driving continuous improvement, and ensuring compliance with policies and regulations. Monitoring allows MDAs to detect fraudulent activities in a timely manner. By continuously reviewing financial transactions, operational processes, and internal controls, MDAs can identify suspicious patterns, anomalies, or red flags that may indicate fraudulent behavior. Early detection enables prompt intervention and minimizes the potential impact of fraud incidents.

The study found that the effect of information and communication on fraud prevention in MDAs in Delta state is significant and positive. Information and communication enable timely reporting, promote awareness of fraud risks, facilitate knowledge sharing, support collaboration and coordination, and enhance the use of data analytics for fraud detection. By leveraging effective information and communication, organizations can strengthen their fraud prevention efforts and mitigate the risks associated with fraudulent activities.

5.3 Recommendations

In line with the conclusion, the following are recommended:

- i. MDAs in Delta state should institute effective control measures, such as segregation of duties, authorization and approval processes, and physical security controls, increase the perceived risk and decrease the opportunity for individuals to engage in fraudulent activities.
- ii. It is recommended that risk assessment in MDAs should be designed to enable MDAs to identify and understand the specific fraud risks they face.
- iii. This study recommended that MDAs should formulate policies, procedures, and practices management implemented to deter and detect fraudulent activities.
- iv. It is recommended that MDAs continuously review their financial transactions, operational processes, and internal controls, organizations that can identify suspicious patterns, anomalies, or red flags that may indicate fraudulent behavior.
- v. It is recommended that Information and communication MDAs should enable timely reporting, promote awareness of fraud risks, facilitate knowledge sharing, support collaboration and coordination, and enhance the use of data analytics for fraud detection.

5.4 Contributions to Knowledge

This study examined the effect of internal control on fraud prevention in MDAs in Delta state. The study contributes to knowledge in the following areas:

- i. The study contributes to the body of knowledge by testing the internal control framework on fraud prevention in public sector, which is a deviation from other studies that focus on private sector.
- ii. The study contributes to the body of knowledge empirically, which shows that among the internal control frameworks, control activities, monitoring, information, and communication are significant in preventing fraud while risk assessment and control environment are insignificant.

5.5 Suggestions for further studies

This study examined the effect of internal control on fraud prevention in MDAs in Delta state. The following areas are suggested for further studies.

- i. Future studies can explore other internal control frameworks on financial performance.
- ii. Studies can also explore the effect of internal control on fraud prevention in public sector in other states in Nigeria.
- iii. Given the increasing prevalence of cyber fraud, researchers should focus on cybersecurity measures to protect against data breaches and unauthorized access.
- iv. The role of technology, such as data analytics, artificial intelligence, and blockchain, in enhancing internal control and fraud prevention.
- v. The significance of risk assessment in identifying and mitigating fraud risks within an organization.
- vi. The significance of whistleblower programs and mechanisms in promoting a culture of reporting and enhancing fraud prevention efforts.

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