

**INTERNAL CONTROL SYSTEM AND FRAUDULENT PRACTICES
IN THE NIGERIAN PUBLIC SECTOR; A SURVEY OF NIGERIAN
NATIONAL PETROLEUM CORPORATION (NNPC)
NIGERIA**

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DECLARATION

I **YAT SOLOMON** declare that this dissertation entitled 'Internal Control System and Fraudulent Practices in the Nigerian Public Sector; A Survey of Nigerian National Petroleum Corporation (NNPC) Nigeria' is my original work and has not been presented anywhere for a degree or any other academic awards in any university or institution of learning.

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Date.....19th October, 2018.....

APPROVAL

This is to certify that this dissertation is carried out and reported in this research has been carried out by the candidate under my supervision.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACFE	Association of Certified Fraud Examination
CIMA	Chartered Institute of Management Accountants
COSO	Committee of Sponsoring Organizations
FGN	Federal Government of Nigeria
GAAP	Generally Accepted Accounting Principles
ICAN	Institute Chartered Accountants of Nigeria
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
MASSOB	Movement for the Actualization of the Sovereign State of Biafra
MDA	Ministries, Departments and Agencies
NNPC	Nigerian National Petroleum Company
PCAOB	Public Company Accounting Oversight Board
PDP	The People Democratic Party

ABSTRACT

The researcher investigated the relationship between 'internal control system and fraudulent practices in the Nigerian public sector; a survey of Nigerian National petroleum Corporation (NNPC)'. The purpose of the study was to determine the Effect of Internal Control system on fraudulent in the Nigerian National Petroleum Corporation, Nigeria. The specific objectives were to determine the relationship between internal control system components (Control Environment, Risk Assessment, Control Activities, information and communication, and monitoring) and fraudulent practices in the Nigerian public sector. The study adopted a cross sectional research and descriptive research design in which data was collected and analyze using quantitative method. The sample size of 300 was selected from the target population of 1205 using Slovene's formula. Results from the Pearson linear correlation and regression analysis shows that there are statistical significant relationship between the internal control system variables and fraudulent practices in the Nigerian public sector and internal control system have a negative Effect on fraudulent practices. Thus Control Environment was regressed on Fraudulent Practices and the result of linear regression showed that $R^2=0.961$ and significant at $P < 0.000$; Risk Assessment was regressed on Fraudulent Practices and the result of linear regression showed that $R^2=0.951$ and significant at $P < 0.000$; Control Activities was regressed on Fraudulent Practice and the result of linear regression showed that $R^2=0.936$ and significant at $P < 0.000$; Information and communication was regressed with Fraudulent Practices. The result of linear regression showed that $R^2=0.936$ and significant at $P < 0.000$; monitoring was regressed with Fraudulent Practices. The result of linear regression showed $R^2=0.936$ and significant at $P < 0.000$. The results of multiple regression analysis performed simultaneously on the variables showed that information and communication control has a positive weak relationship with fraudulent practices, this suggest that improper information and communication control will aid the fraudulent practices instead of mitigating it. The researcher concluded that internal control system has a negative effect on fraudulent practices in the Nigeria public sector but the implementation of internal control is weak thereby making ineffective. The study contributed to the growing body of knowledge in the area of theories used to spur the effectiveness of internal control system and in understanding the motivation to fraudulent practices. The study recommends that those who are in charge of managing public funds should set the appropriate tone and demonstrate it through directives, actions, integrity and ethical values that support the functioning of the system of internal control system.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter present the background of the study include the historical, Theoretical, conceptual and contextual perspective, the Statement of the problem, the Purpose of the study, the Objective of the study, the Research Questions, the Research Hypothesis, the Scope of the study and the Significance of the study.

1.1 Background

1.1.1 Historical perspective

Internal control system has been in existence since the ancient time, in the Republic of China there was a Supervisory Authority and an investigatory agency which are charge with monitors the other branches of government, also in the Hellenistic Egypt administration one set of administration was charged with collecting taxes and another with supervising the activities of the tax collectors (Rezaee, 2002). Internal control was traditionally regarded as accounting controls limited to the system of auditors test as part of their assurance test on the reliability of financial reporting (Dimitrijevic, Milovanovic, & stancic, 2015). Internal control system was often discussed in the context of the external auditor assessment, while fraud detection was distinct subject which has a long history; internal control system was not recognized as a subject until in the twentieth century (Pfister, 2009). The Account of internal control system is also found in Ancient Egypt, scribes were assigned to the monitoring of the pharaohs' incoming and outgoing grain and gold inventories so as to prevent fraud and theft (Rezaee, 2002).

According to Pfister (2009) the debate and definitions of internal control system come up as a result of changes in the interpretations and applications which often occur in reaction to a major change in the economic condition of a nation as a whole or the actions of individual firms within an economy. Lakis & Giriūnas (2012) maintained that the historical development of internal control system is not as broad as that of others management science; He maintained that the definition of internal control was presented for the first time in 1949 by the American Institute of Certificated Accountants (AICPA) and they defined internal control system as a plan and other coordinated means and ways by the enterprise to keep safe

its assets, check the coherency and reliability of data, to increase its effectiveness and to ensure the settlement of management politics. However, this definition of internal control system concept has been constantly improved upon and nowadays there is quite an extensive set of conceptions that indicates the system of internal control as one of the means of leadership to ensure safety of entity assets and it is a tool for regulating development both in the private and public sector.

The Committee of Sponsoring Organizations (COSO) model analysis distinguished the concepts of risk and internal control in 1992 and presently the concept of internal control involved not only accounting mistakes and prevention measures, but also a modern attitude that might identify the level of management control and processes to motivate development (COSO, 2011). The Enron scandal, world.com and others popular incidence of fraudulent practices provoke a new era of tightening the internal controls rules, regulations and guideline both in the private and public sector (International Organization of Supreme Audit Institutions INTOSAI, 2011).

In Greek civilization, Aristotle reports the fraudulent practices involved in the enactment of the Solon's shaking-off of burdens in the 6th century BC, which released the Greeks from slavery for debts, in the Roman times; Cicero's Verrine attest to the series of thefts and the fraudulent collection of tax proceeds by Verres, the Governor of Sicily (Rezaee, 2002). In modern times new dimension of fraudulent practices involving accounting manipulations, overestimation of earnings and Proliferation of corporations etc. emerge (William & Marc-André 2012). According to Chartered Institute of Management Accountants CIMA (2008) Counterfeiting is one type of fraudulent practices that may have hazardous consequences if not detected and deal with in a good time. With the growing Technology, counterfeiting becomes easier for fraudster to produce similar looking products and packaging in order to fool legitimate wholesalers and retailers. The history of fraudulent practices around world will not be complete without mention the Enron Scandal and world.com cases, Enron was founded in 1930 and eventually collapsed in 2002 because of a massive accounting fraud, experts could not ascertain or agree on the total amount lost, but the cost of the fraudulent practices was estimated to exceed \$30 billion and thousands of people lost their jobs and their retirement savings; the WorldCom, Inc. is headquartered in Clinton, Mississippi, the corporation was a victim of \$11 billion accounting scandal that resulted to the company bankruptcy in 2002 (Association of certified fraud examiners, 2004).

According to Ogunyemi (2016) the history of fraudulent practices in Nigeria can be traced back the pre-colonial times in 1957, the tribunal was set up to inquire into allegations of corruption and fraudulent activities by the Eastern Premier of Nigeria and other officials of the region; he however maintained that recent researches show that there are evidences of corruption in Nigeria since 1951, in the 1951/52 financial year, the sum of £2,291 was spent without approval and in the following fiscal year, a bigger amount of £51,108 was again, spent without any expenditure warrant and the trend continue unabated until the present days where trillions of Naira are involve in fraudulent practices. Jimoh (2017) reported that the Senate uncovered some fraudulent practices in the petroleum industry through which the nation lost N10 trillion between 2006 and 2016, and maintained that the panel of investigation alleged that out of the N10trillion fraudulent activities N5.2 trillion was lost through the Nigerian National Petroleum Corporation (NNPC) alone, which would be summoned to account for the loss.

1.1.2 Theoretical perspectives

The study adopted the white collar crime theory and the social contract theory of government because white collar theories assume that fraudulent practices strives on motivation such as social status, benefit outweigh the consequence, choice, opportunity available and ruling class detect what they want (Price & Norris, 2009). Also the success of internal control system is imbedded in tacit obedience social contract theory as developed by John Locke in 1690, as cited by Moore & Bruder (2008). The theory view human beings as God's property and are obliged to preserve ourselves and the rest of humankind, except for the sake of just punishment; no person may take away or impair another's life, liberty, health, limbs or goods or anything on which these various items may depend on (Moore & Bruder, 2008). Locke provides three reasons why people would want to contract together to form a government or a state. People need (1) an established and unbiased interpretations of the natural moral laws embedded in nature. (2) An impartial judge to apply the established law to settle dispute and conflict of and (3) a power to support the right of those who are victims of injustice and to enforce the law (Lawhead, 2010). The researcher also reviewed the John Rawls theory of justice, and the fraud triangle theory.

1.1.3 Conceptual perspectives

According to COSO (2011) internal control system is a management process, design and affected by an entity's board in charge of management and other personnel, in order to

provide reasonable assurance in regards to the achievement of objectives effectiveness and efficiency of operations, Reliability of financial reporting and compliance with applicable laws and regulation. Internal control is usually designed to address risks relating to fraud and errors; and to provide reasonable assurance, in pursuit of the entity's mission and to ensure the following general objectives are being achieved: executing orderly, ethical, economical, efficient and effective operations, fulfilling accountability obligations, complying with applicable laws and regulations and safeguarding resources against loss, misuse and damage (INTOSAI, 2004). According to different scholars Internal control system has five components which include: Control Environment, Risk Assessment, Information and Communication, Control Activities, and Monitoring (Arens & Loebbecke, 2000; COSO, 2009)

Therefore for the purposes this study internal control system may be regarded as Control Environment, Risk Assessment, Information and Communication, Control Activities, and Monitoring put in place by the management to prevent and detected fraud.

According to Owolabi (2010) fraudulent practices (fraudulent activities or fraud) is generally considered to be anything calculated attempt to deceive and gain benefit from others and this may include arts, omissions and concealments, breach of legal or equitable duty. CIMA (2008) fraudulent practices commonly include activities such as extortion, misappropriation, corruption, conspiracy, embezzlement, money laundering, and bribery. For the purpose of this study fraudulent practices can be regarded as any misappropriation of government funds, and assets such as extortion, Corruption, concealment of material facts, white collar fraud and collusion for the purpose of personal gain by those who are in charge of managing government funds.

1.1.4 Contextual perspective

Ogunyemi (2016) revealed that the pre-colonial official disbursed government money without approval and the trend continued unabated up to date. Oyegun (2014) complaint that Jonathan administration is characterized by widespread corruption and massive fraud without conviction made on anyone. According to Jimoh (2017) The Senate declared that they uncovered some fraudulent practices in the petroleum industry through which N10 trillion was lost to fraudulent practices between 2006 and 2016; he cry out that for a nation in recession and borrowing to finance its expenditure, there is the need to urgently stop such fraudulent

practices that have robbed it of a huge sum said to be enough to finance the country's budget for two fiscal years. The massive fraudulent activities in the Nigeria public sector are majorly as a result of ineffective internal control system and management integrity has influence on fraudulent practices (Gbegi & Adebisi, 2015). From the above facts it is obvious that the incident of fraud has been on the increase from the pre-colonial days to present days without success in controlling or abating it.

According to United Nation (2016) for a couple of years now, the need to strengthen socio-economic integrity and reduce corrupt practices has become a priority in Nigeria. The country's anti-corruption institutions currently have a reasonable number of quality legislative texts, statutes, and are mandated to carry out their work; however, their policies and interventions are not evidence driven. This reality calls for prioritizing the need for research so as to effectively reposition the anti-corruption project with a view to achieving evidential results borne out of critical and thorough analysis that will inform policy planning and implementation, as well as institutional cooperation. Some of the activities planned for implementation of the anti-corruption project include the identification of stakeholders involved in empirical anti-corruption research; administration of a research needs assessment, and development of an anti-corruption research strategy (United Nation, 2016).

1.2 Problem of the statement

Over the years the Nigerian government have been losing a lot of money and resources to fraudulent Practices (Godwin, 2017). According to Jimoh (2017) the Senate uncovered some fraudulent practices in the oil industry of which N10 trillion was lost due to fraudulent Practices between 2006 and 2016, out of the N10 trillion, N5.2 trillion was lost through the Nigerian National Petroleum Corporation (NNPC) alone. The People Democratic Party (PDP) recently challenged President Muhammadu Buhari to speak out on the allegation of the illegal award of contracts in Nigerian National Petroleum Corporation (NNPC) worth \$25billion; apart from that, reports by other international bodies, including the United States of American Department, the Amnesty International and Transparency International, recently declared that fraudulent practices had escalated in Nigeria under President Buhari, despite his anti-corruption claims and testimonies (Fabiyyi, 2018).

According to Ujah (2017) One hundred and twelve million (112m) Nigerians, out of the over one hundred and eighty seven million (187m) live below poverty line; this level of poverty

has been linked to massive looting of public funds by government functionaries. Jimoh (2017) Lament that for a nation in recession and borrowing to finance its expenditure, there is the need to urgently stop such fraudulent practices which have robbed the nation enough to finance the country's budget for two fiscal years. The major cause of these fraudulent practices is link to lack of good internal control system in the Nigeria public sector (Gbegi & Adebisi, 2015). According to the Institute of Internal Auditors, (2011) Most of the well-publicized failures including Enron and WorldCom and governance failures that led to the 2008 financial crisis were, at least in part, the result of weak control environments. Godwin (2017) maintained that despite concerted efforts, cases of fraudulent practices are still on the increase and that the incident of corrupt and fraudulent activities will continue to increase until an average Nigerian learn to do the right thing. Apart from the Ineffective internal control system and poor Auditing culture, others causes of fraud in Nigeria include Abuse of power, Greed, Poor management, tribalism etc. This study examined the Nigerian internal control system with the aim of improving it to cum fraudulent practices in terms of prevention and detection. The researcher examines the internal control system in relation to the White collar crime theory and the social contract theory of which no previous researcher has examined.

1.3 Purpose of the study

The purpose of the study was to establish the Effect of internal control system on fraudulent practices in the Nigeria public sector, a survey of Nigerian National Petroleum Corporation (NNPC), Nigeria.

1.4 Specific objectives

- (i) To determine the relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).
- (ii) To determine the relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)
- (iii) To determine the relationship between control activities and fraud practices Nigerian National Petroleum Corporation (NNPC).
- (iv) To determine the relationship between Information and communication and fraudulent practices Nigerian National Petroleum Corporation (NNPC).

- (v) To determine the relationship between monitoring and fraudulent practices Nigerian National Petroleum Corporation (NNPC).

1.5 Research questions

- (i) What is the relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)?
- (ii) What is the relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)?
- (iii) What is the relationship between control activities and fraudulent practices in the Nigerian National Petroleum Corporation (NNPC)?
- (iv) What is the relationship between Information and communication and fraudulent practices Nigerian National Petroleum Corporation (NNPC)?
- (v) What is the relationship between monitoring and fraudulent practices Nigerian National Petroleum Corporation (NNPC)?

1.6 Hypotheses

H₀₁: There is no significant relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

H₀₂: There is no significant relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

H₀₃: There is no significant relationship between control activities and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

H₀₄: There is no significant relationship between Information and communication and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

H₀₅: There is no significant relationship between monitoring and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

1.7 Scope

1.7.1 Geographical scope

The study was conducted in Nigerian National Petroleum Company (NNPC), Headquarter Abuja, Nigeria; located in the heart of Nigeria bordered by Kaduna in the north, Suleija in the west, Abaji in the south and Keffi in the east.

1.7.2 Theoretical Scope

This study was underpinned by the white collar crime theory of motivation to crime (fraudulent activities) and the social contract theory of government developed by John Locke in 1690 (Moore and Bruder, 2008). According to this theory, Human are made by God and are his property therefore its logically follows that we are obliged to preserve ourselves and the rest of humankind accordingly, except for the sake of just punishment, no person may take away or impair another life, liberty, health, limbs or goods or anything on which these various items may depends on. The researcher also considers other social contract theory developed by Hobbes and Rousseau, and John Rawls theory of justice. Others theories relating to fraudulent Practices were reviewed in the course of the research.

1.7.3 Content scope

In this study the independent variable (Internal control system) was examined in terms of the effectiveness of the five components of internal control system which are Control Environment, Risk Assessment, and Control Activities, Information and communication and monitoring. The dependent variable (fraudulent practices) was examined in terms of incidence of Misappropriation and white collar fraud and the methods used by the fraudster to deplete government revenue.

1.8 Significance of the study

The study may assist the policy makers in the designing of policies, regarding financial rules and regulations. The findings may assist managers both the private and public sector in improving and strengthening their internal control system.

The study contribute additional knowledge to the previously existing facts about the role of internal control system in preventing and detecting fraudulent and corrupt practices both in the private and public sector and to future researchers who are interested internal control and

fraudulent and corrupt practices for further research. The findings and conclusions resulting from the study also contribute to the body of knowledge on the relationship between internal control system and fraudulent practices for future researchers; and the academicians may use the study findings to further their research. Still the study generates new information from the existing theories to which this study is based and brings gaps identified in literature.

1.9 Operational definition of key terms

Fraudulent Practices: For the purpose of this study fraudulent practices can be regarded as any misappropriation of government funds and assets such as Corruption, concealment of material facts, white collar fraud and collusion for personal gain by those who manage government funds.

Internal control system: For the purposes of this study internal control system may be regarded as Control Environment, Risk Assessment, Information and Communication, Control Activities, and Monitoring put in place by the management to prevent and detected fraud.

Corruption is the abuse of entrusted power for private gain (e.g. soliciting or receiving gifts or other gratuities to perform part of an official function, or omit to perform an official duty

Control Environment refers to the management attitudes toward control, integrity and ethical values, commitment to competence, management's philosophy and operational style.

Control activities: Control activities refer to the policies, procedures and directives by the management of an entity to ensure achievement of organizational goals.

Risk assessment: Risk assessment is an on-going process of management's identification and analysis of relevant risk of fraud occurring and the risk to preparation of financial statements and achievement of organisation objective that are critical to internal control system.

Information and communication: Refer to the process of recognizing, capturing, analyzing classify, summary and communicating of relevant information timely and appropriately in order to achieve the financial reporting objectives.

Monitoring can be regarded as the continue assessment of internal control system effectiveness and performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers the theoretical review, the conceptual framework, and Empirical reviews to the study.

2.1 Theoretical review

2.1.1 Social contract theories

The social contract theory of government was developed by John Locke in 1690 in his treatise to the government (Moore & Bruder, 2008). According to this theory, we are all made by God and are his property it logically follows that we are obliged to preserve ourselves and the rest of humankind accordingly, except for the sake of just punishment, no person may take away or impair another's life, property, liberty, health, limbs or anything on which these various items may depends on. Lawhead (2010) maintained that Locke's claims that the state of nature is one of complete freedom and the reasons for creating a state are (1) To establish an unbiased natural moral laws embedded in nature and interpret them when need. (2) To provide impartial judges to apply the established law to settle fraudulent act, dispute, and conflict. (3) To provide power to support the right of those who are victims of fraudulent act and injustice. These three reasons pointed by Locke form the basic expectation of the citizens from the government; the citizens will naturally expect that the Government, who are in charge of the state affairs, to give impartial interpretation of the established laws and apply them when there are fraudulent acts, disputes and also protects the rights of victims of fraudulent acts and injustice. But it disheartening to point here that the Nigerian government has failed over the years to meet the expectation of it citizenry especially in the fight against fraudulent practices in the public sector, for instance Idris (2013) revealed that there is a perfect correlation between corruption and insecurity in Nigeria and that the high level of corruption in Nigeria is one of the factors responsible for the high level of insecurity Nigeria.

James (2003) Hobbes and Rousseau postulates that to live in a society, people must agree to follow certain rules and regulation like don't steal, don't murder etc. On the contrary to this postulation, an average Nigerian hate to follow, rules, process, guidelines and regulations even though they might have taken an oath or written pledges that they abide by the rules and

regulations. Godwin (2017) lamented that despite concerted effort, cases of fraudulent practices are still on the increase in Nigeria and that the incident of frauds will continue to increase until Nigerians learn to do what is right. Management attitude toward the rules and regulation set the stage and tone for the action of the employees, once personnel perceive that control is not important or taken seriously by top management, there is little hope for its effective (Carmichael, Willingham, & Schaller, 1996). Gbegi & Adebisi (2015) found out that there is no strong internal control system and further revealed that management integrity influences fraudulent practices in the Nigeria public sector and that the behavior, attitudes and actions of government leaders and their subordinates has created a fertile ground for corrupt and fraudulent practices . It was as a result of the weak internal control system that the federal government of Nigeria in 2004 introduces due process to compliment the internal control system put placed by the government. Due process couldn't work because the authorities that introduce due process don't follow the due process in carry out the civil duties and rights. Fraud and corruption gain a fertile ground in Nigeria simply because Nigerians has not embrace the tradition of following the right process, procedures, rules and regulations in governance, employment, contracts, trading, business etc (Nwofia, 2017).

According to Popkin & Stroll (1993) there would be no reason for men to leave the state of nature and form societies except that difficulties arise in applying, punishment to those who transgress the law. These difficulties are three in number (a) each man in the state of nature is his own judge of what is right or wrong and this leads him to make biased judgments, one may claim that he has been injured; another may deny it. Who is to decide the merit of the dispute? (b) Even where it is plain that someone has violated the law we may not have adequate force to punish him. (c) Moreover, the degree of punishment will vary for the same crime. A man who steals a loaf of bread may be hanged by one group of individual, but another may merely be fined. In order to overcome these impairments in the state of nature, men require (i) a judiciary that will administer the law impartially (ii) an executive who can enforce the law when it is broken and (iii) a legislative that can lay down consistent and uniform laws. Society originates in attempt to develop such institutions for the purposes of remedy the defects of life. It is clear that the signs and symptoms of societal breakdown Nigeria is experience are indicators that Nigeria has lost its societal values and need to recreate it again by simply implementing the recommendations made by Locke (Popkin & Stroll, 1993).

The social contract theories have it fallacies according to many critics: One of the main defects is that it is historically false and has no foundation in history; secondly its assertion that men lived an independent and isolated life in the State of nature and voluntarily contracted to the State is false and the sudden transition from state of nature to state is also impossible. However despite criticism, social contract theory forms the basis of state.

The relevance of social contract theory to this study hinges on the internal control system as it guides in the applications of policies, guidelines, regulations, laws and order and conduct of behaviour in a work place, by extension the internal control system is a by-product of social contract and fraudulent and corrupt practices are the direct outcome of the violation of social contract. This theory explains that without the social contracts there will be no society, in other words without the social contracts the society will be full of frauds, corruption, deceit, vices, atrocities, murder, theft, robbery, riot, strikes etc. The disobedience to social contract by public servants and those who manage government funds explain the reason why the fight for fraudulent practices is a mere illusion in Nigeria.

According to Atagboro (2015) there is need to re-embark upon moral, religious, ethical and social re-orientation in the public sector on the path of economic progress and development and not for political advantages and to awaken the conscience and re-orientate public servants and the general society on the need to refrain from fraud. The internal control system operating in the public sector needs to be strengthened. Also, there is need for institutionalizing, internalizing and building ownership for the multitude of reforms within the public sector so as to ensure that it sustains the changes in the anti-corruption campaign in Nigeria. It is a common scenario in Nigeria for top government officials or political officials to give out written notes with their complimentary cards or official letter headed papers to people who are seeking for jobs or government contracts so that they will be favored (Idris, 2013). The same authorities that established the rules, regulations and guidelines are the ones officially violating them through power manipulations; subsequently, it is important to note that people charged with persecuting these criminals are, in fact, the actual perpetrators. The Nigerian Police Force was ranked the nation's most corrupt public institution (Omotoye, 2011). Mwindi (2013) maintained that a control environment that is not effective creates an opportunity to commit fraud. The signs and symptoms of societal breakdown are already there, for instance the militant and avengers in the south-south region, Movement for the Actualization of the Sovereign State of Biafra [MASSOB] in the east, the Boko Haram in

the north-east, and the Fulani herdsmen majorly in the north-west and central other part of the nation. Also the sporadic killings and kidnapping for financial ransomed and rituals cut across the entire nation are signs and symptoms of societal breakdown all this vices has been link to corrupt and fraudulent practices in the public sector (Tella, 2015; Idris, 2013)

2.1.2 John Rawls theory of justice

According to Rawls (1971) there are two principles of justice, the first principle involves equal basic liberties, and the second principles concern the arrangement of social and economic inequalities. These are the principle that free and rational person would in a hypothetical original position where there is a veil of ignorance hiding from the contractors all the particulars facts about themselves.

Rawls maintained that his main idea of justice theory is to present a conception of justice which generalizes and carries to a higher level of abstraction like the familiar theory of social contract as found say in Locke, Rousseau and Kant to (Rawls 1971, Popkin & Stroll, 1993). According to Popkin & Stroll (1993) Rawls is a defender of a form of liberal democracy and believes that it is a condition of any legitimate government to democratic in principle and that there are more important goals than preservation of property, and in particular that a good society distribute its wealth in such a way that poverty is minimized. The definition of fraud includes the word stealing, which implied that even those have genuine reason for stealing has committed the act of fraud, but that can be minimized through well distributed wealth of the society.

According to Gupta (2001) in a federation all citizen are equal. No discrimination is made between people on the basis of caste, religion and colour. Based on the researcher opinion there is no true federalism in Nigeria based on the selective justice observed, some people are considered as sacred cows while others are use as scapegoat to atone for the sin of the sacred cows; this kind of injustice has further deepening the fraudulent activities in the public sector since the sacred cows will always go caught free or at the worse they will look for scapegoat to cover up their evil.

2.1.3 The White Collar Crime Theory (Sutherland 1939).

Edwin Sutherland pioneered the white-collar crime in 1939 when he delivered his paper, "White-Collar Criminality," at the American Sociological Society Meeting (Price & Norris, 2009). The traditional theories of crime put blames of poverty on insane personalities and broken homes; and attribute fraudulent and criminal activities to such personalities. But

Sutherland in his theory maintained that most of the people who commit crime and fraudulent activities in business setting and government are not the poor but are people with happy family background, and they are well educated, intelligent and affluent (Abdullahi & Mansor, 2014; Enofe, Egbe & America, 2016). Sutherland (1983) defined white-collar crime as “a crime committed by a person of respectability and high social status in the course of his occupation”. He describes White collar crime as illegal activities perpetrated by government, professionals, and businesses in occupational setting. The crimes are usually financial in nature and are not related to violence, but for monetary gains. The victims of White collar crimes are usually the government, taxpayers, individuals, stakeholders, and businesses and that social bonds to a group of people or organization are responsible for encourages white-collar crime. Price & Norris (2009) Noted that the perpetrators of white collar crime are generally similar in background and social status; usually are those who are the ruling class, governing rules and laws that define their crimes.

There are a lot of theories relating to the white collar crime perspectives that motivate to commit white collar crimes but to this two are worth mentioning. The Routine Activity Theory assumes that the occupation of perpetrators gives them the access to easily commit white collar crimes. They are vulnerable to criminal activities because of their work situation and the opportunity to commit the crimes because they have access to the assets and the Conflict Theory believed that the societal elite determine what is detect what is crime and they dominate a higher socioeconomic status while putting others under subjection; The white collar perpetrators are motivated to commit crimes to gain in social status Feeley (2006).

Price & Norris (2009) put a distinction between occupational crimes, such as embezzlement, that are committed against an entity by an individual for personal gain and corporate crimes, such as concealment of the true financial situation, that are committed mainly for the benefit of the firm, he further maintained that even with corporate crime there can be significant benefits to the individual in the form of promotion, bonuses and others.

The theory invalidated the assumption that criminal behaviour in general is due to poverty, the behaviour of white-collar criminal is proof since most of them are of higher social status and criminality relating to poverty is obviously not concern to white-collar crime because by large, they are not poor.

The theory has been widely criticized that there is no evidence presented in his assumptions and that it explains crime initiation better than it explains crime itself and the theory offer no

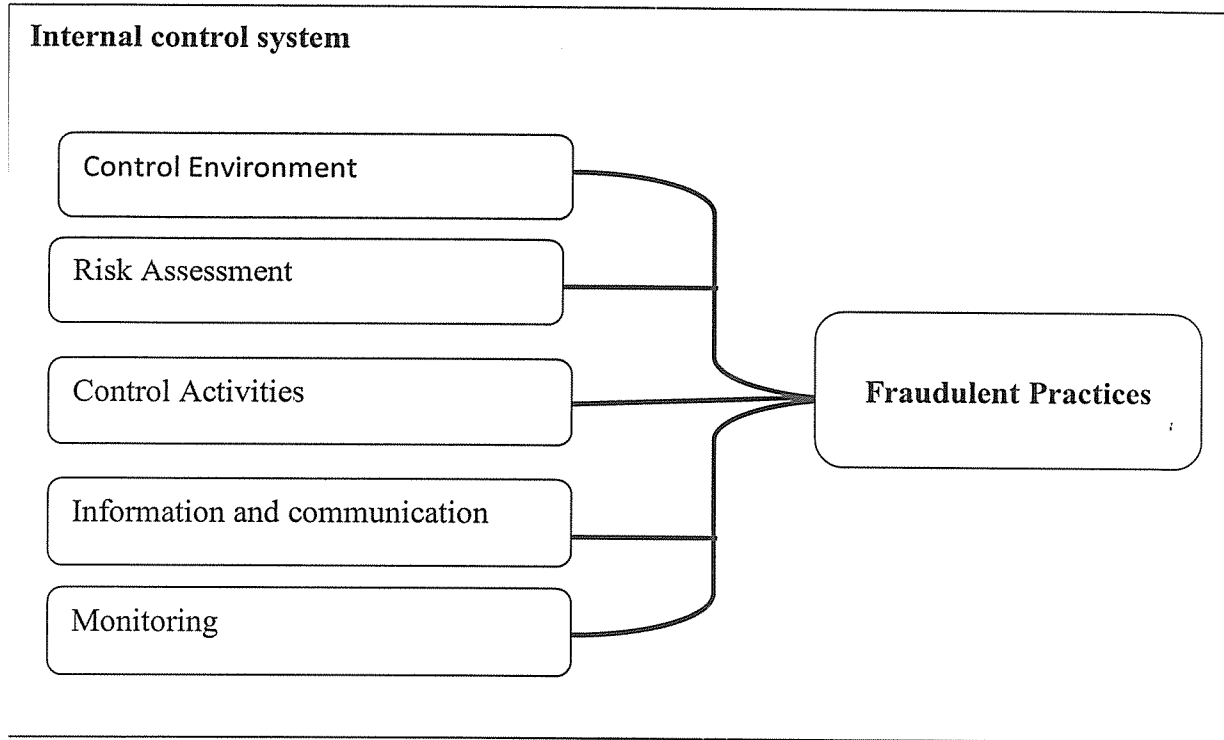
explanation the origin of crime. The researcher is agreement with Sutherland since the doctrine of egoism explain that men can be selfish and may seek to promote their selfish interest above the interest of the state or organization that is why most people in power are likely to abuse it because of selfish reason, a good example of selfish tendencies is greed (Popkin & Stroll, 1993). Beside that desire to maintain a particular social class throws light to reasons some well-placed Nigerian will loot the government treasuring so much than they actual needed.

The white collar theory related to this study as it gives the motivating factors to fraudulent practices which include the occupation, social status, the accessibility to assets and funds etc. if proper control measures can be put in place and implemented fraudulent practices will be minimize. Godwin (2017) maintained that, we don't blame the thieves, but rather we blame the people who put their things carelessly. Fraudulent and corrupt practices are so prevailing and unabated over the years; because the political and government institutions are corrupted and therefore internal control system cannot be effective in corrupt institutions. Fraud actual prevails when people are not doing what is right; the capacity of the experts to perpetrate fraud is as a results of the opportunity that prevails itself. Without the weakness in the system they cannot see opportunity.

Having reviewed the social contract theory and Rawls theory of justice and the white collar crime theory, the present study therefore underpinned the study on white collar theory and social contract theory. The white collar crime theory is relevant to the researcher dependent variable (fraudulent practice) since it offers the basic explanation and motivation to fraudulent practices, while the social contract theory is relevant to the independent variable (internal control system) as guide to a successful establishment of an effective internal control system and it also throws light to why internal control system are not functioning in the Nigerian public sector.

2.2 Conceptual framework

A conceptual framework showing the relationship between internal control and fraudulent practices in the Nigerian public sector



Source: Researcher's Conceptual Framework 2018 constructed using the idea of Committee of Sponsoring Organizations COSO (2017).

The conceptual framework shows that the independent variable (internal control system) of this study is conceptualized as the control Environment, Risk Assessment, Control Activities, Information and communication and Monitoring. Committee of Sponsoring Organizations COSO (2017) defines internal control system to consist of five components which are 1. Control Environment which detects the tone for the organization and influenced the control awareness of its employees. It is the bedrock and backbone of the other components of internal control system. 2. Risk Assessment involves the process of identifying and analyzing the relevant risks to the achievement of objectives; assessing risk assist to form the basis for managing 3. Information and Communication control system refers to the processes that support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities 4. Control Activities involves the policies design and procedures that help to ensure management directives are carried out accordingly. 5. Monitoring is the processes used to assess the quality of internal control performance over

designated period of time. Different scholars agreed that there are five major categories or components of internal control system these include: (1) The control environment (2) Risk assessment (3) Control activities (4) Information and communication (5) Monitoring.

Internal control system if adequately designed and properly executed all the five components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) and the management understand the extent to which operations objectives are being achieved; Published financial statements are being prepared reliably, Applicable laws and regulations are being complied to it has the capability of minimizing fraudulent activities and errors (COSO, 2017). Many people assume that internal control is a step taken by an entity to prevent employee fraudulent practices; however such measure is just an integral part of internal control system.

According to Oyadonghan, & Ogoun (2018) internal control may be regarded as the application of policies, laws, guidelines, procedures and lay down rules and regulations to ensure safety of assets, efficient and effective control of financial and operational activities and reliability of financial reporting. According to Mwindi (2013) internal control is the process designed and affected by those in charge with governance, management of funds and personnel to provide reasonable assurance, about the achievement of the entity's objective with regard to reliability of financial statement, effectiveness and efficiency of operations and compliance with applicable laws and regulations. COSO (2017) maintained that internal control is a means eliminating fraud opportunities and explained that internal control system framework should include: a sound control environment; an effective accounting system; well-planned control activities; effective monitoring; and sound communication and information. Mwindi (2013) the basic purpose of internal control is to promote the efficient operation of an organization. The system of internal control consists of all measures employed by an organization to (1) safeguard asset from waste, fraud and inefficient use. (2) Promote accuracy and reliability of accounting records (3) encourage and measure compliance to organizational policies (4) evaluate the efficiency of operation (Mwindi, 2013).

According Arens & Loebbecke (2000) policies and procedures are often called controls and collectively they comprise the entity internal control. Internal control extends beyond the accounting and financial function, its scope touches all activities of the organization. It includes the methods by which top management delegates authority and assigns responsibility. Internal controls which have direct bearing with accounting and financial

statement are regarded as internal accounting controls while those controls which have no direct bearing with financial issues are regarded as administrative control e.g. procedures for decision making.

Hermanson, Loeb and Strawser (1983) that there various factors that contribute to effective internal control. Included among these are (1) personnel who are both competent and of high integrity, (2) A clear-cut and well-conceived organizational structure, (3) A well-defined accounting system (4) limited access to assets by unauthorised persons (5) existence of an effective auditing staff. This actual gives us a precise and concise summary of achieving an effective or good internal control system. Tuan Vu, (2016) in his studies found out the key factors that influence the effectiveness of internal control systems as Control environment, Risk Assessment, Control Activities, Information and communication, Monitoring, Political institutions and Group interests and detection of fraud is very important in improving the effectiveness of internal control systems.

KPMG (2004) in their prior research stated that “organizations with weak internal controls are especially susceptible to fraudulent asset misappropriation schemes”. Internal control weakness includes physical safeguards and other controls meant to safeguarding assets such as passwords etc.

Agwor and Akani (2017) maintained that overriding internal controls creates opportunities for assets misappropriation. Internal control systems are not new to the Government and private sector organizations, checks and balances have been part of routine activities of the Government Ministries and Departments in both sector, accountability should be prime(COSO, 2011). According to Arens & Loebbecke (2000) Good internal control prevents more defalcations than good auditors find. A system of internal control consists of policies and procedures designed to provide management with reasonable assurance that the company achieve its objectives and goals. Özbek (2011) the main objectives of the internal control system are as follows: 1) Efficiency and effectiveness of activities, which can be refer as performance objective. 2) Reliability, timeliness and completeness of financial information which can be refer as information objectives. 3) Compliance with applicable laws and regulations which is the compliance objectives.

Control Environment: James (2010) the control environment is the foundation of an effective system of internal control. Control Environment detects for the employee the tone of management toward control and it's influenced the control awareness designed to achieve the objective of the organization (COSO, 2011). In the absence of an effective control environment, no design can provide meaningful assurance to stakeholders' integrity of their organization internal control structure (James, 2010).

According to Mwindi (2013) the control environment includes the attitudes awareness, and actions of management and those who are charged with governance of the entity's internal control and its importance to the entity. Gleim & Hillison (1999) maintained that corporate directors, management, external and internal auditors, all play important roles in creating proper control environment. According to Arens & Loebbecke (2000) Control environment consist of the actions policies and procedures that reflect overall attitudes of the top management, directors and owners of an entity about internal control and its importance. The International Standards for the Professional Practice of Internal Auditing (Standards) Glossary 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: (1) Integrity and ethical values. (2) Management philosophy and operating style. (3) Organizational structure (4) Assignment of authority and responsibility. (5) Human resource policies and practices. (6) Competence of personnel (KPMG, 2016; COSO, 2013; Arens & Loebbecke 2000).

According to Carmichael, Willingham and Schaller (1996) management attitude toward control set the stage for the attitude and action of the entire organization. If employees perceive that control is not important to top management, there is little hope for its effectiveness. The control environment sets the tone of an organization and also it influences the control consciousness of all organization personnel and is the foundation for the other components of internal control. Mwindi (2013) a control environment that is not effective creates an opportunity to commit fraud. Arens & Loebbecke (2000) identified the major components of control environment to include: integrity and ethical values, commitment to competence, board of directors or committee participation, management's philosophy and operational style, organizational structure, assignment of authority and responsibility, and human resource policies and practices. Management philosophy and operating style provide a clear signal to employee about the importance of internal control (Arens & Loebbecke, 2000).

Organizational structures define the existing lines of responsibility and authority; assignment of authority and responsibility should be communicated by authority and should followed methods as memoranda from top management down the line (Mwindi, 2013). The authority assign should be in line with control related matters like employees job description, related policies and formal organizational and operating plan. Human resources policies and practices is an important aspect of internal control. If the employees are competent and trustworthy others control can be absent and yet reliable financial statement will still result (Mwindi, 2013).

Control environment elements may include integrity, ethical values, and competence of its personnel and it provides discipline and structure for the whole system of control and should reflect several factors such as display strong ethical values, competent in the performance of duties, management philosophy and operating style, human-resource policy, including proper assignment of authority and responsibility, adequate training, and promotion and compensation guidelines etc (Abiola and Oyewole, 2013). According to COSO frameworks (2017) and INTOSAI GOV 9100 (2004) Guidelines for Internal Control Standards for the Public Sector define Control environment components to include Integrity and ethical values: The values of integrity and ethical behaviours are established and special emphasis are made the behaviours of the senior management members of the organisation, there must be appropriate familiarity with the principles and in the course of the preparation of the financial reports, these are applied as fundamental norms of behaviour Supervisory body: The supervisory body (Board of Directors, Board of Trustees or Supervisory Board) is aware of, and exercises the responsibilities related to financial reporting, as well as the relevant internal control system. Management philosophy and working style: The philosophy and operational style of management contribute to the realization of an effective internal control system of financial reporting. Organizational setup: The organizational setup of the entity supports the effective operation of the internal control system of financial reporting. Financial reporting competences: The organization uses such persons who have the required expertise and experience in financial reporting and the related supervisory responsibilities. Authority and responsibility: Both the managers and the staff have the appropriate authority and responsibilities for allowing the efficient operation of the internal control system of financial reporting. Human resources: The human resource policies and practices are planned and introduced in such a way that these allow the effective operation of the internal control system of financial reporting (Janos & Jozsef, 2009).

Risk assessment: Risk assessment can be refers to the management's identification and analysis of relevant to risk to the preparation of financial statements in conformity with GAAP and the achievement of organisation objectives (Arens & Loebbecke, 2000; Gleim & Hillison, 1999). Identifying and analyzing risk is should be an on-going process and it is a critical component of effective internal control. Management must focus on risk at all levels of the organization and take necessary action, to manage them. The first step is to identify factors that may increase risk such as failure to prior objectives, quality of personnel, significance and complexity of core business process, introduction of new information technologies, and the entrance of new competitors etc. (COSO, 2017). Management must estimate the significance of any risk identified, assess the likelihood of occurrence and developed specific actions that need to be taken to reduce the risk to the bearest minimum (Arens & Loebbecke 2000). Aren & Loebbecke (2000) maintained that Risk Assessment should be part of designing and operating internal control to minimize errors and fraud. According to Joseph, Albert and Byaruhanga (2015) opined that risks are assessed in order to determine the likelihood of an event occurring, the impact, and risk tolerance level. Once risks are identified, management should estimates the significance of the risks and assesses the likelihood of the risks occurring and then developed action plan that need to be taken to reduce to an acceptable level (Arens & Loebbecke, 2000). Based on the accuracy of the assessment, risk tolerance level can then be determined, in order to determine whether risk management are effective, relevant risk information should be captured and communicated in a timely manner across the organization, enabling staffs, management and the board to carry out their responsibilities (Arens & Loebbecke, 2000; IIA, 2017). In reporting situation, management must determine the level of risk carefully to be accepted, and should try to maintain such risk within determined levels. Therefore, public sector governances are required to frequently assess the level of risk in misstatement and fraud in order to take necessary actions (IIA, 2017). Arens & Loebbecke (2000) opined that there is no cost-beneficial way to eliminate risks, however management must assess how much risk is prudently acceptable and strive to maintain risk within the level of prudence. If management effectively assess and respond to risks the auditor will typically accumulate less evidence than when management fails to identify or respond to significance risks. According to Abiola and Oyewole (2013) Risk assessment denotes the identification, analysis, and management of uncertainties facing an organization from external and internal sources. Risk assessment is highly relevant to control of objectives, because risk assessment are also subject to changes and adjustments. Proper setting of objectives is a necessary precondition to effective risk assessment.

Risk assessment looks at both internal and external threats which may include the entity's personnel; management's philosophy and operating style; the way management assigns authority and responsibility and organizes and develops its people (Abiola and Oyewole, 2013).

According to different scholars Risk assessment component usually include: The goals of financial reporting that is the managers define the goals of financial reporting with appropriate clarity and by applying sufficient criteria in order to allow the identification of the risks that may affect reliable financial reporting; Risks of financial reporting of which the organization identifies and analyses the risks that may affect the achievement of the goals of financial reporting, and based on this, determines the method of risk management; The risk of fraud that is the possibility of fundamental misrepresentations arising from fraud should expressly be reckoned with in the assessment of risks affecting the achievement of the goals of financial reporting (Janos & Jozsef, 2009).

Control activities: Abiola and Oyewole (2013) define Control activities to include the policies and procedures maintained by an organization to ensure management directives are carried out. Control activities are the policies and procedures, in additions to those included in the other four components of internal control system which helps to ensure that necessary action are taken to address risks in the achievement of the entities objectives (Arens & Loebbecke 2000). According to Gleim & Hillison (1999) control activities helps to ensure that management directive are executed. Arens & Loebbecke (2000) categories control activities into five which include: adequate separation of duties, proper authorisation of transaction and activities, adequate documentation and recording, physical control over assets and records, and independent checks on performance.

These are policies, procedures and mechanisms that ensure management's directives are properly carry out (Aikins, 2011). Proper documentation of policies and procedural guidelines in these aspects help to determine not only how the control activities are to be executed but also provide adequate information for auditors examination of the overall adequacy of control design over financial management practices (Aikins, 2011). This control activities ensure that all necessary actions should be taken with the aim to address risks so that organizational objectives are achieves. Example of control activities include; segregation of duties, daily deposit of cash receipts, bank reconciliations and limiting access to check stock

According to Arens & Loebbecke (1997) proper separation of duties is useful to prevent various types of misstatement, both intentional and unintentional. To prevent fraud it is important that anyone responsible for imputing sales and cash receipts transaction information into the computer should be denied access to cash. According to Jain (1993) the work is not entrusted to a single person but gets distributed among different staff in a sequential order in such a way that the work of one will automatically get verified in the course of the transaction by another. One man will not be made responsible for the whole work; this kind of distribution and processing of work is made purposely to avoid error and fraud (Jain, 1993). According to Arens & Loebbecke (2000) there are four general guidelines for adequate separation of duties to prevent both fraud and errors: (1) separation of the custody of assets from accounting as measure against defalcation. (2) Separation of the authorization of transaction custody as measure against increase risk of defalcation. (3) Separation of the operational responsibility from record keeping responsibility to ensure unbiased information in maintained. (4) Separation of Information Technology (IT) duties from key duties outside Information Technology as the level of Information Technology complexity increase often the segregation of duties becomes blurred.

Arens & Loebbecke (2000) Authorization can be General or specific. General Authorization refers to management policies for the organization to follow; subordinate are instructed to implement the General Authorization e.g. fixing of credit limit, while specific Authorization applies to individual transaction. It is important to note here that Authorization and approval are not exactly the same. Arens & Loebbecke (2000) maintained that Approval on the other hand is the implementation of management general Authorization decision; for example, assuming there is a policy for credit limit for credit sales; the credit manager will authorized the transaction after ensuring the transaction meet the credit limit requirement, while the sales manager approves the sales after confirming the genuineness and availabilities of goods order by the customer.

Arens & Loebbecke (1997) proper Authorization is meant to prevent loss through fraud by shipping assets to fictitious customer or those who will fail pay for the goods while Price Authorization is meant to ensure that goods are sale at the set price by organization policy. Another important aspect of control activities is Adequate documentation and recording of physical objects on which transaction are entered and summarised such as invoice, receipts, procurement order, requisition order, subsidiary records, journals and ledgers should be maintained adequately (Arens & Loebbecke, 2000).

According to Arens & Loebbecke (2000) certain relevant principles dictate the proper design and use of document and records, that document and records should be pre-numbered to facilitate control over missing documents and that will help in locating the documents, prepared at the time the transaction take place or as soon as possible to avoid chances of misstatement and increase credibility. Arens & Loebbecke (2000) maintained that design should be simple and clear and easy to understand, should be designed for multiple use, if possible and minimize the number of different forms and should be designed in a manner that encourage correct preparation. To maintain an effective and adequate internal control, Physical control over Assets and record are essential for the protection of assets and records.

According Hermanson, Loeb and Strawser (1983) one excellent means of controlling assets is to make periodic comparison of books with the physical assets; such comparison may involves cash, inventory, securities, plant and equipment etc. The greater the materiality or susceptibility to loss of the asset, the more frequent the comparison should be made. According to Arens & Loebbecke (2000) the most important type of protective measure is the use of physical precaution or measure e.g. fireproof deposit vault and safe can be used for the protection of currency, securities, and others valuable; the use of storeroom for inventory to guard against theft. Security of IT facilities is very vital, there are three related controls to IT equipment, data files and programs (1) physical control can be used to protect the hardware (2) access control to ensure that only authorize personnel can use the equipment (3) back-up and recovery procedures are in place should in the event of loss of program data and equipment (Arens & Loebbecke, 2000).

An Independent checks on performance is the last category of control activities which relate to the careful and continuous review of the other controls. It is often refer as internal verifications and is important because control usually change over time. If regular checks and review are not carried out, personnel are likely to fail to follow procedure or forget or intentionally refuse to follow the control process and become careless. The personnel carrying out independent checks should have some degree of independence from the personnel preparing the data. Computerised accounting system can designed so that internal verification can be automated as part of the system (Arens & Loebbecke 2000).

According to Janos & Jozsef (2009) Control activities component include: Integration with risk assessment which involves measures taken to handle the risks that jeopardize the achievement of the goals of financial reporting; Selection and development of control

activities which involve taking into account the costs related to the development of control activities and their expected effectiveness with regard to the reduction of the risks that jeopardize the achievement of the goals of financial reporting; Policies and procedures that is the policies for reliable financial reporting are developed and communicated to the whole organization, the procedures stipulated in executive directives are executed and Information Technology (IT) controls are planned and introduced in order to support the achievement of the goals of financial reporting, where applicable. Abiola and Oyewole (2013) summarize Control activities to include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. According to Abiola and Oyewole (2013) Control activities are the most visible element of internal control and arguably the most important in preventing wrong actions from occurring. However COSO (2017) maintained that the control environment is the most critical because it influences proper behaviour and set the tone for the employee to follow and act accordingly.

Information and communication: Information and communication control is the process of identifying, capturing, and communicating of relevant information in an appropriate manner and within timeframe in order to accomplish the financial reporting objectives (Aldridge & Colbert, 1994). Information and communication systems are purposely designed to identify, assemble, classify, analyse, record, summary and report the entity transactions and maintain accountability for the related Assets and liabilities (Arens & Loebbecke, 2000)

According to Porter & Norton, (1998) maintained that regardless of the lack of profit motive in non-business entities, there is still a need for the information provided by an accounting system. To Competing in the global market managers are required to have access to information that will support effective and efficient operation of their business (Raibon, Barfield and Kinney, 1999). According to Rennox (2017) the component of accounting information system are made of the classes of transaction in an organization, such as contract, procurement, purchases, sales, cash receipts and payment and so on. The systems are usually designed meet to the organizational and auditing objectives. A good system must avoid duplication of recording and must satisfy the audit objectives of existence, completeness, accuracy, classification, timing, posting and summarization (Arens & Loebbecke, 2000, Rennox, 2017).

However Janos & Jozsef (2009) maintained that Information for financial reporting must be determined, collected and applied, as well as distributed in time and by using such timing that it would support the achievement of the goals of financial reporting. Effective communications should occur naturally in a wider sense with flows of information within the various department and sections of the organization (Rennox, 2017). Most of the recent literature on internal control system frameworks gave credence to information and communication as one of the most vital component of internal control system, because of its influencing in create a good working relationship at all levels of the organization (Amudo & Inanga, 2009). Therefore, information needed to achieve the organization objective and goals must be communicated throughout the entire organization in order to permit personnel to carry out their responsibilities with regard to the objective achieve.

Rennox (2017) The information required for the operation of the others control components is defined, collected, applied and distributed in such a way and by using such timing that should allow the employees to perform their internal control tasks. Internal communication allows and supports the understanding and implementation of the internal control goals and processes, as well as the personal tasks on each level of the organization while, external communication keep the partners informed of the issues that affect the achievement of the goals of financial reporting (Janos & Jozsef, 2009).

Arens & Loebbecke (2000) observe that to understand the design of accounting information system, the auditor must determine: (1) the major classes of transactions in an entity (2) How those transaction are initiated (3) What accounting records exist and their nature in the entity (4) How transactions are processed from the initiation to completion; including the extent and nature of computer use (5) The nature and details of the financial reporting followed. Typically this is accomplished and documented by narrative descriptive of the system or by a flowchart.

Janos & Jozsef (2009) summarises information and communication subcomponent to include: Information in financial reporting, Information in internal control, internal communication and external communication.

Monitoring: It is a usual practice that internal control systems are adequately monitored in order to assess the quality and effectiveness of the system over a period of time. Monitoring provides assurance that auditors finding and others reviews are promptly determined by the entity (Rennox, 2017). Özbek (2011) maintained that it is not sufficient for senior

management to simply establish appropriate policies and procedures for the various activities and divisions of the entity; they must regularly ensure that all areas of the entity are in compliance with such policies and procedures.

Monitoring is the assessment of internal control performance over time and it is accomplished by continuous monitoring activities and separate evaluations of internal control such as self-assessments, peer reviews, and internal audits. The purpose of monitoring is to ensure that internal control systems are adequately designed, properly executed, and effective to the achievement of designated objective (COSO, 2017).

According to Arens & Loebbecke (2000) Monitoring activities deal with continuous or periodic assessment of the quality of internal control performance by management to determine that the controls are operating as intended and that they are modified as appropriate for change in condition. Information assessment and modification comes from variety of sources including studying the existing internal control, internal auditors reports, exception reporting on control activities, report by regulatory bodies and agencies, feedback from personnel and complaint from client, customer and partners. The major type of monitoring activity in most organization is internal audit which must have some degree of independence from the accounting department and report directly to a high level of authority within the organization (Arens & Loebbecke, 2000).

According to Amudo & Inanga (2009) monitoring of operations ensures the effective functioning of internal controls system of an entity, hence monitoring is carried out to ensure policies and procedures designed and implemented by the management are being carried out effectively by employees. Many entities that experienced losses from internal control system problems did not effectively monitor their internal control systems and often the systems don't have the necessary built-in ongoing monitoring processes (Özbek, 2011). The most important things that the auditor needs to know about monitoring are the major types of monitoring activities that an entity uses and how these activities are used to modify internal controls when necessary and discussion with the management is the most common way of doing that (Arens and Loebbecke, 2000). For most entities, especially the larger ones internal audit department is the most effective unit for monitoring (Arens and Loebbecke, 2000; COSO, 2017, Rennox 2017). According to different scholars for an internal audit department to be effective, the internal audit staff need to independent of the operating managers and Accounting controller

and that the department should report directly to the highest level of authority within the organization whether the top management or committee boards of Directors

Janos & Jozsef (2009) summarises Monitoring components to include: 1)Regular and individual assessments which involves regular individual assessment in order to ascertain that internal control of financial reporting exists and is working .2)Reporting deficiencies of internal control system are identified in time and communicated to the responsible managers to take corrective measures.

Fraudulent practices: CIMA (2008) consider fraudulent practices to include activities such as misappropriation, corruption, conspiracy, theft, embezzlement, money laundering, bribery and extortion. Jarrod (2013) maintain that fraudulent practices involve the use of deception to make a personal monetary gain for oneself and thereby create losses for other. Fraud refers to a deliberate act that usually involves the use of deception to obtain some form of financial benefit or advantage from a position of authority or trust that often results in some form of loss to the organization defrauded. It refers to dishonesty in the form of an intentional deception or a willful misrepresentation of a material fact. For the purpose of these studies the term Fraud refers to deception, trickery, bribery, money laundering, forgery, extortion, corruption, theft, conspiracy, embezzlement, false representation, concealment of material facts, and collusion for the purpose of personal gain.

Aderibigbe and Dada (2007) view fraudulent practices as a deliberate deceit planned and executed with the intent to deprive another person of his property or rights directly or indirectly, regardless of whether the perpetrator benefits from his or her actions. Fraud is regarded as an irregularity or a deception. It is a means where an individual illegally enriches himself or herself. Fraud is a deliberate act (or failure to act) with the intention of obtaining an unauthorized benefit, either for oneself or for the institution, by using deception or false suggestions or suppression of truth or other unethical means, which are believed and relied upon by others. Depriving another person or the institution of a benefit to which he or she it is entitled by using any of the means described above also constitutes fraud (Ama, 2003). Adeniji (2012) define fraud as an intentional act by one or more individuals among management, employees or third parties, which results in a misrepresentation of financial statements. Fraud can also be seen as the intentional misrepresentation, concealment, or omission of the truth for the purpose of deception or manipulation to the financial detriment of

an individual or an organization which also includes embezzlement, theft or any attempt to steal or unlawfully obtain, misuse or harm the asset of the organization.

Mwindi (2013) maintained that fraud is broad legal concept, but for the purpose ISAs the auditor is concerned with fraud that causes material misstatement in the financial statement; some individual possess an attitude or set of ethical values that allow them knowingly and intentionally to commit a dishonest act. Fraud takes many forms may include Corruption embezzlement, kickbacks, theft, fraudulent financial reporting, environmental crimes, software piracy, bid rigging, computer-related crime, identity theft, credit card fraud, check fraud, fraudulent workers compensation claims, ghost employee schemes, expense report schemes, vendors, unreported conflict of interest etc. (Ama, 2003). Fraud usually includes any form of deception, cunning or trickery with an intention to deceive or cheat. It involves the use of human ingenuity devise to gain an advantage by intentional distortion of the truth.

Fraudulent practices are conceptualized as misappropriation (i.e. corruption, Theft, Embezzlements, inflation of contract cost, money laundering, bribery and extortion and fraudulent financial reporting. Oyadonghan, & Ogoun (2018) "Prior to the industrial revolution, auditing was generally concerned with the detection of frauds and errors and was directed mainly at government accounts." In modern times the objectives of auditing are to detect errors and fraud, to prevent the occurrence of error and fraud. Udoayang and James (2004) maintained that most cases misappropriation of public fund is perpetuated not without the knowledge of an internal auditor. The loss of trust and confidence on those who are entrusted to manage public economic resources by the society shows that the reliance on the internal auditor to give credibility to financial claims is void (Russell, 2004). The general outcry by the citizens against misappropriation of public fund merits serious attention since the internal auditors are employed by the government to appraise the activities of managers of government funds; they are expected to examine the financial records of government to ascertain whether money is disbursed laid down rules and regulations (Oyadonghan, & Ogoun, 2018). Where there is deviation, the internal auditor should report such irregularity to the Auditor-General, who will in turn report to the legislative arm and the public (Ibanichuka and Onuoha, 2012).

According Hermanson, Loeb and Strawser (1983) safeguarding assets means only certain authorized personnel should have access to the assets. This suggests that a control system is in place to guide against loss of assets through theft, corruption, trickery and conspiracy etc., if

the control put place was poorly designed and the wrong people have access to the assets the rate of susceptibility is greater. In other words if the internal control system are good and effective the incidence of fraudulent practices will be minimised, however if the internal control systems are poorly designed fraudulent practices will thrive. According to Ama (2003) most cases fraud are the product of poor internal control systems in organizations. The mitigation of fraud can be effected if there is an efficient and effective internal control system, which can be applied to nip any fraudulent activities in organizations in the bud.

According to Aguolu (2002), fraud can take place in one or two forms, which are either defalcations or manipulations. Defalcation is the misappropriation of a company's assets while Manipulation is ether the falsification of a company's records or the improper use of the asset of the company. Defalcation will often go with manipulations. Where the assets of a company have been misappropriated, the offender will often alter the records to conceal the misappropriation. Manipulations on the other hand, may go without defalcation. This may take the form of inflating the assets or omitting liabilities in order to show a particular view (Aguolu, 2002). According to Arens & Loebbecke, (2000) while both errors and fraud may result in misstatements or omission in the financial statements, they differ in that fraud is intentional.

Arens & Loebbecke (2000) agreed that there two type fraud considered in auditing these are (1) Fraudulent financial reporting that makes financial statement misleading. (2) Misappropriation of assets (theft, defalcation etc.). According to Mwindi (2013) fraudulent financial statement or reporting may be accomplished by the following (1) Manipulation, falsification or alteration of account records or supporting documents from which the financial statements are prepared. (2) Misrepresentation in or intentional omission from the financial statements events, transaction or other significant information. (3) Intentional misappropriation of accounting principles relating to amounts, classification, manner of presentation or disclosure.

According to Mwindi (2013) fraudulent financial reporting often involves management overriding controls and the system may appear to be operating effectively; the common techniques are (1) recording fictitious journal entries, particularly close to the end of accounting period in order to manipulate operating results or achieve others objectives (2) Inappropriately adjusting assumptions and changing judgement used to estimate used to estimate account balances. (3) Omitting, advancing, or delaying recognition in the financial

statement of events and transaction that have actually occurred during the period of reporting. (4) Concealing or not disclosing facts that could affect the amounts recorded in the financial statement. (5) Engaging in complex transactions that are structured to misrepresent the financial position or financial performance of the entity. (6) Altering records and terms related to significant and unusual transactions (Arens & Loebbecke, 2000).

Mwindi (2013) Misappropriation of assets can accomplished in a variety of ways including (1) embezzling receipts (for example misappropriating account receivable or diverting receipts in respect of written-off accounts to personal bank account). (2) Stealing physical assets or intellectual property (for example stealing cash or inventory for personal use or sale). (3) Causing the organization to pay for goods and services not received (for example payment to fictitious vendors, kickback pay vendors to the entity's purchasing agent in return for inflating prices). (4) Using an entity's asset for personal use (for example using the entity assets as collateral for personal loan or to loan of related party). Misappropriation of assets is often accompanied by false or misleading records or documentations to conceal the facts that the assets are missing or have been pledged without proper authorization. According to Jain (1993) fraud take this four forms (1) Misappropriation or embezzlement of cash (2) Misappropriation of goods (3) falsifications of accounts with intent to defraud (4) window dressing.

According to Jain (1993) Misappropriation of goods refers to the use of goods the business for the purpose other than that of the enterprise. The possibility is greater when the enterprise deal with goods of higher volume and/or of value. Jain (1993) maintained that misappropriation of cash means wrongful conversion or fraudulent application of cash; while embezzlement generally means the fraudulent appropriation property by whom it has been entrusted. Misappropriation or embezzlement may be committed in any of the following (1) Non-recording of cash receipts or transaction or sales (2) making false entries in the accounts of customers as regards bad debts or rebate or discount etc. (3) entering cash received from one customer against another. (4) Showing payments against purchases that never occur, (5) Non-recording of credit notes for purchases returns (6) Non- recording of bills of exchange discounted. (7) Non-recording of cash received against unusual sales like furniture or sales substandard goods etc. (8) Non-recording of unusual money receipts such as donations (9) Recording payment never made (Arens & Loebbecke, 2000; Jain, 1993).

Fraudulent manipulation or falsification of account can be done by suppression of receipts or inflation of profit or by perpetrating false payments (Jain, 1993; Mwindi (2013). False or fictitious entries are made for misappropriation of cash or goods, such frauds are committed in the following: (1) over- invoicing or under-invoicing (2) introducing false vouchers towards purchase (3) over valuation or under valuation of stock at a close of accounting year (5) omission of outstanding liabilities or prepaid expenses (5) over-valuation or under-valuation of stock at the close of accounting year. (6) Over-valuation or under-valuation of assets or liabilities (7) utilization of reverse secretly without the knowledge of the shareholders (8) omission of provided depreciation on assets (9) Provision of less depreciation on assets (10) window-dressing of balance sheet (Jain, 1993). According to Owolabi (2010) Common fraud are embodies of various types of fraud, which include clearing fraud, advance fee fraud, money transfer fraud, counterfeit securities, cheque kitting, theft and embezzlement, robberies, forgeries, defalcation and letter of credit fraud.

According to Jain (1993) Window-dressing is the practice of arranging the disposition of assets and liabilities in such a way that the state of affairs of the business as shown in a subsequent balance sheet does not truly represent the normal financial position of the business. Window-dressing may be done by: (1) recording of sales or income of the following year in the current year. (2) Recording goods sent or sales return basis as regular sales. (3) Entering loans given to directors and others managerial persons as having been advanced to the same personnel. (5) Treatment of normal revenue expenditure as deferred revenue expenses (6) Provision of less depreciation on assets. From the above literature review it clear that we have two forms of fraudulent practices: Financial reporting misrepresentation and misappropriation of funds. Although most of the literal work agreed that management are mostly involved in financial reporting and misrepresentation of statement, while employees are grossly involved in misappropriation of funds. However it is pertinent to point here that in Nigeria management are grossly involved in misappropriation of funds and manipulate the records and financial reporting to cover up their nefarious act. Gbegi and Adebisi (2015) Fraud detection is a difficult task because those involved have perfected the act and no clues for the auditor to detect.

2.3 Empirical Review

Agwor & Akani (2017) study found out that there is a strong negative relationship between Management integrity/Ethical Values and fraudulent practices in the Nigerian public sector. Also Enofe, Egbe and America (2016) found out that there is significant relationship

between management integrity and fraud prevention in the Nigerian public sector and concluded that corporate governance is being overridden, thus making controls ineffectiveness

Robinson and Bennet (1995) in their study found out that organizational factor might be more likely to influence deviance attitude directed at defrauding an organization. Oyinlola (2010) maintained that fraudulent practices are causes of concerned to the Nigerian citizens and that perception of the official objective of an audit is incorrect, as they placed a very high expectation on auditors' duties on fraud prevention and detection. This perception is not in line with the primary objective of an audit, as contained in ISA 200 which required auditors to form an opinion on the financial statement, but not to detection and prevention fraud.

Tuan Vu (2016) found out that the key factors that influence the effectiveness of internal control systems as Control environment, Risk Assessment, Control Activities, Information and communication, Monitoring, Political institutions and Group interests and detection of fraud is very important in improving the effectiveness of internal control systems. Rennox (2016) study findings revealed that effective implementation of internal controls components brings about better financial performance and that absence of internal controls results in negative financial performance, he then concluded that strong financial performance is partly as a result of implementing and maintaining effective internal controls and the existence of effective internal controls may be attributed to the highly regulated and structured control environment.

Modibbo (2015) concluded that effective internal audit have a positive impact on the effectiveness of Internal Control System; He maintained that the internal audit units of tertiary educational institutions in Adamawa State are ineffective because they lack independence and there is insufficient staff in internal audit unit and there is no segregation of duties i.e. Record keeping, checking, authorization and approvals are done by a single individual and there is no timely reporting. Beside that the components of internal control system are not properly in place especially in the area of authorization, approval, and supervision, segregation of duties and personnel control.

Ogunyemi (2015) in his study revealed that corruption and different forms of non-accountable acts characterized the fiscal operations of Nigeria's colonial administration from 1950 to 1960; he maintained that the legal and institutional frameworks that were erected to ensure conformity with the best practices of fiscal prudence are not good enough to ameliorate

corruption that why there is competition among government official for misuse of public funds while the legal provisions for prosecuting corrupt behaviors were observed more in the breach than in compliance. The resultant effect was that, government lost huge sums of money to forgeries, fraudulent encashment, embezzlement and outright theft of moneys from the treasury. Thus, this culture of poor accountability grew to constitute a most disturbing impediment to accurate financial accounting.

Abiola and Oyewole (2013) in their discussion of findings maintained that fraud will be difficult to eradicate completely. He observed that several executives are being incarcerated and imprisoned for fraud, while new ones are coming up, with more sophisticated ideas to commit the very crime, even with the ever-tightening control measures being instituted. They suggest that since fraud cannot be totally eradicated, then there is need to find ways of minimizing it and they recommended the following: Adequate remuneration and motivation to ensure employee's basic needs are met; Live an exemplary leadership and managerial conducts that will discourage employees' fraudulent practices.

According to Dimitrijevic, Milovanovic, and stancic (2015) Preventive methods are not new, they have always been present in every entity, but in different forms. They suggested that prevention measures should be treated with much attention, because their adequate implementation increases the quality of business performance and control and that internal control should be consulted with other controls while handling fraud in order to increase the quality of a company's defense mechanisms.

James and Ibanichuka (2014) discovered that there is a positive relationship between implementation of financial controls in fraud prevention. They recommended that prudential guidelines and other internal control policies of banks should followed in order to prevent fraud and misappropriation of assets. They found that compliance with required control measures are often affected by human errors, management policies, commitment and staff recruitment.

Ogundiya (2009) explained the theoretical perspective to political corruption in Nigeria, he maintained that apart from the nature and character of the Nigerian state and the problem of ethnicity, that provided a fertile ground for corruption to thrive and there is poor political will to implement anticorruption laws. He recommend that for corruption to be minimize there must be constitutional reform that will erase the concept of indignity, residence or non-residence in Nigerian politics.

Fasua & Osifo (2016) in their study discovered that the existing financial control by federal government and other control bodies are only sufficient in content and scope but not in the implementation. Akani & Oladutire (2013) study result revealed that there is positive relationship between internal control system and reduction of records manipulation and recommend that the management of any entity should ensure proper documentations of their assets; further still their study finding also revealed that internal audit has positive relationship with fraudulent prevention this is because the monitoring control if properly manned can prevent fraudulent activities.

2.4 Identifying the gap

Many gaps had been identified from the literature review i.e. Agwor T. C., & Akani, F. N. (2017) Enofe, Egbe and America (2016); Godwin, O. (2017); James & Ibanichuka,(2014); Modibbo, (2015); Oyadonghan & Ogoun (2017); Ujah,(2017);Nwofia, (2017), the following gaps are worth mentioning: The massive fraudulent practices in the Nigeria public sector are majorly as a result of ineffective internal control system and management integrity has influence on fraudulent practices (Gbegi & Adebisi, 2015). Most of the researches relating to internal control and fraud prevention, but there none relate it to fraudulent practices. Atagboro (2015) calls for moral, religious, ethical and social re-orientation in the public sector on the path of economic progress and development and not for political advantages are eminent as well as rigorous campaigns to awaken the conscious and re-orientate public servants and the general society on the need to refrain from frauds. There is a theatrical gap identified here, the social contract theory has not been used in conjunction with others theory in the fight against fraudulent practices. Ogundiya (2009) maintained that the theoretical perspective to political corruption and the nature and character of the Nigerian state and the problem of ethnicity, has provided a fertile ground for corruption to thrive and there is poor political will to implement anticorruption laws. Abiola and Oyewole (2013) since fraud cannot be totally eradicated, then there is need to find ways of minimizing it and they recommended the following: Adequate remuneration and motivation to ensure employee's basic needs are met; Live an exemplary leadership and managerial conducts that will discourage employees' fraudulent practices.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the research design, the research population, and the sample size, sampling procedures, research instruments, validity and reliability of instruments, data gathering procedures, data analysis, ethical considerations and limitations of the study.

3.1 Research design

This study employed a descriptive survey design, whereby quantitative methods was used to gain insight about the relationship between internal control system and fraudulent practices. descriptive research was used in the study to describe the characteristics of respondents, internal control system and fraudulent practices in the Nigerian public sector. cross-sectional design was also used since data was collected data from all respondents at a point in time The study employed survey method since the Nigerian National petroleum population is large and is impracticable to study the whole population. The correlational design were used to determine relationship between internal control system and fraudulent practices in the Nigerian public sector and regression and multiple was used to determine the effect of internal control on fraudulent practices.

3.2 Research population

The targeted population of the study population was 1,205 employees working with Nigerian National petroleum corporation,(NNPC) Headquarter, Abuja Nigeria (NNPC, 2018). The study aimed at the employees who are employed and working on permanent and pensionable basis for at least five years within the corporation in order to gather reliable information. The targeted population were accessed and involved in the research survey and the targeted population include managerial level and others employees of the corporation.

3.3 Sample size

In view of the nature of the targeted population where the numbers of employees for the corporation are many, a sample was taken from each category. Table 3.1 shows the respondents of the study with the following categories: Managers and employees. The Slovene's formula was used to determine the minimum sample size.

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

Where:

n: Sample Size = 300

N: Population Size =1205

e: Level of significance =0.05

Table 3.1: Respondents of the study

Category	Population	Sample
Management staff	95	24
Others Staff	1110	276
Total	1,205	300

Source: Researcher's computations (2018).

3.4 Sampling procedure

Simple random sampling was used to select the respondents. Simple random sampling was used to select the managerial level and other employees. This was to ensure that employees at all level are well represented in the study and all of them were given equal chance of being selected to participate in the study as respondents.

3.5 Sources of data

Questionnaires were used to collect data from the respondent because the respondents are always busy. Copies of Questionnaire were distributed and time lapse of two weeks was given to enable the respondents to respond to the questions before retrieving them back.

3.5.1 Primary sources

Questionnaire: A questionnaire was used as source of data collection with instructions to guide the participants, according to the response. KPMG Standard questionnaire for reviewing

internal control system effective was adopted, 26 out of the 35 questions were adopted. However the researcher modified the questions to suit the purpose the research study.

3.6 Research instrument

Questionnaire was the instrument or method used for data collection. The questionnaire was preferred for this study because it enables the researcher reach a larger number of respondents within a short time, thus can make it easier to collect relevant information. The first section in the questionnaires collected data on respondents profile. The second section of the questionnaire was on the independent variables (internal control system), the third section was on the dependent variable (fraudulent practices). All the questions are Likert-Scaled on four points ranging from 1= Strongly Disagree, 2 = Disagree, 3= Agree, and 4= Strongly Agree. The questionnaire contain close-ended questions which collected quantifiable data relevant for precise and effective correlation of research variables. Questionnaire was preferred to save time and enable respondents to easily fill out the questions and also it kept them on the subject and objectives of the study.

3.7 Reliability and Validity of the instrument

3.7.1 Reliability

To ensure reliability of instrument, the measurement variables were taken from other associated researches and modified to suit the purpose of the study the survey was conducted as follows: i) a pilot survey was conducted to ensure the reliability of the questionnaire. The testing was done on a small number of people who are not part of the sample and the purpose is to ensure that the questionnaire meets the researcher's expectations in regards to information collected. To determine the reliability of the instrument, a pilot study was conducted. The researcher distributed ten (10) copies of the questionnaire to Staff of Federal Board of Inland Revenue service (FIRS) in Gusau local government area of Zamfara state. The choice of FIRS is because they are also government agency responsible for generating revenue similar to the targeted population of the study. ii) Each question was framed concisely in order to minimize ambiguity and bias also to ensure high reliability value of the instruments. iii) The reliability of the instrument was tested using Cronbach's Alpha (α) test (Amin, 2005). With the aid of SPSS (Statistical Package for Social Scientist), Cronbach alpha (α) test was conducted on all the constructs with multiple items to see if the benchmark of 0.70 was adhered to; the result is displayed in table 3.7.2

Table 3.7.2 : Internal Consistence Results of Composite Reliability

Factors	Constructs	No. of items	Factor Loading	Cronbach's alpha	Internal Reliability
F1	Control Environment	5		.932	Excellent
			.912		
			.923		
			.942		
			.946		
			.937		
F2	Risk Assessment	5		.921	Excellent
			.934		
			.903		
			.920		
			.921		
			.927		
F3	Control Activities	5		.937	Excellent
			.946		
			.942		
			.937		
			.932		
			.929		
F4	Information & communication	5		.923	Excellent
			.922		
			.932		
			.907		
			.920		
			.934		
F5	Monitoring	5		.911	Excellent
			.903		
			.920		
			.875		
			.948		
			.910		
F6	Fraudulent practices	8		.901	Excellent
			.871		
			.913		
			.913		
			.913		
			.921		
			.906		
			.874		
			.897		
Total:		33		.920	

Source: Researcher's Computation from survey data (2018)

From Table 3.6 all the constructs showed very high internal consistency, and the items loading in all the constructs were above the acceptable benchmark (0.70). The reliability coefficient of Control Environment is 0.932; Risk Assessment is 0.921; control Activities is 0.932; Information & communication is 0.923; and monitoring 0.911 while that of fraudulent practices is 0.901. All the Cronbach's Alpha (α) values exceeded the recommended value of 0.70 indicating an acceptable internal consistency. From the above results, it clearly showed that the items on each construct of the study were reliable.

3.7.2 Validity

Copies of questionnaire were given to three lecturers (experts) to judge the validity of the questions according to the objectives. After the assessment of the questionnaires, necessary adjustments were made bearing in mind the objectives of the study. A content validity index (CVI) was computed using the following formula,

$$CVI = \frac{\text{No.of questions declared valid}}{\text{total No.of questions in the questionnaire}}$$

Table 3.7.1 Content Validity for questionnaire

Variables	Expert 1	Expert 2	Expert 3	Average
Control Environment	0.8	1.0	0.8	0.87
Risks Assessment	0.8	0.8	0.1	0.87
Control Activities	0.83	0.83	0.83	0.83
Information and communication	0.8	0.8	0.8	0.8
Monitoring	0.1	0.8	0.8	0.87
Fraudulent Activities	0.875	0.875	0.875	0.875
Average	0.85	0.85	0.85	0.85

Source: Survey data (2018)

From table 3.7.1 CVI = 0.85 which is greater than 0.70 the research instrument is considered valid

3.8 Data collection procedure

The researcher took an introductory letter from the College of Economics and Management (CEM), seeking authorization from the proposed respondents to conduct research in their organization. The researcher and three assistants, administered copies of the questionnaire to the respondents who were given time to answer the questions in the questionnaire, after which they were collected back and data were systematically checked for identification and corrections of errors and ensure that only qualified respondents are approached. The respondents were requested to sign and answer the questionnaires. The researcher emphasize

retrieval of the questionnaires within two weeks from the date of distribution and all returned questionnaires were checked if all are answered. The data gathered were collected, coded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

3.9 Data Analysis

The frequency and percentage distribution was used to determine the demographic characteristics of the respondents and the mean average was used to describe the internal control system effectiveness and level of fraudulent practices in the Nigerian public sector. The Pearson linear correlation co-efficient was used to determine the relationship between internal control and fraudulent practices; from these the strengths, weaknesses, and the recommendations be derived. Multiple regression analyses was also use test the joint effect of the variables. The following mean ranges and descriptions were used to interpret responses:

Table 3.9 For Internal control and fraudulent practices in the public sector

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very Low

Source: Researcher Table

The researcher used Pearson’s linear correlation coefficient (PLCC) to analyze the relationship between internal and fraudulent practices. The analytical model for the regression was to establish the effect of independent variable on the dependent variable. Thus the regression equation took the following form:

$$Y = f(\chi_1, \chi_2, \dots, \chi_n, E_{\pi 0}). \dots \dots \dots 1$$

Where:
Y= Dependent Variable (Fraudulent Practices)

f= frequency

χ_1, \dots, χ_n = Independent variable (internal control system)

$E_{\pi 0}$ = error term

From equation 1 the mathematical equation formed thus:

$$FRP = \beta_0 + \beta_1 (CE) + \beta_2 (RA) + \beta_3 (CA) + \beta_4 (IC) + \beta_5 (MN) + E_{\pi 0} \dots \dots \dots 2$$

Where: FRP= Fraudulent Practices

CE= Control Environment

RA= Risks Assessment

CA= Control Activities

IC= Information and communication

MN= Monitoring

β_0 = the constant or the level of at which internal control are not in existence

E_{n0} = error term

Error term is a statistical assumption that a normal distribution has a zero mean; in this study, the assumption of error term is the absence of serial correlation.

Decision Rule

To reject the null hypothesis if the P- Value < 0.05 and to accept the null hypothesis If the P- Value > 0.05; SPSS software was applied for the analysis.

3.10 Ethical considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the ethical coded and practice in this study, the researcher implemented the following activities:

The researcher tried to avoided personality identification questions or reflecting names of the respondents rather the respondents were coded and presented in a generalized manner.

The researcher duly and appropriately informed the respondents of the purpose of the study, why and how they were chosen to participate in the study and assured them of their confidentiality in their responses which are unanimous. The researcher also requested the respondents to sign in the informed consent form.

Authors quoted and cited are duly acknowledged in this study through referencing. Findings from this study were presented in a generalized manner.

Honesty was maintained in the course the study by ensuring that data collected, presented, analyzed and interpreted were strictly based on the findings

In the course of data management, quantitative results were reported in aggregated form using such measures as percentage, means, correlations and regression coefficients.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presents, analyzes, and interprets the results of data collected from the field survey. The Data analysis and interpretation was based on the research objectives. Below are the data presentations and analysis of research findings.

4.1 Demographic characteristics of respondents

The demographic profiles of the respondents surveyed were based on Age, gender, level of education, and years of working experience. Table 4.2 presents the findings of the respondents' profile

Table 4.2.1 Age characteristics of Respondents

Profile characteristics	Frequencies	Percentage (%)
Age		
21 – 30	48	15.9
31 – 40	117	38.7
41 – 50	90	29.8
50 and above	47	15.6
Total	302	100

Source: Computation from survey data (2018)

The results in table 4.2,1 show the age distribution of the respondents: 117 respondents representing 38.9% and 90 representing 29.8% are aged between 31 and 40 years; and 41 and 50 years respectively. Furthermore, 48 (15.9 %) of respondents are between 21 and 30 years, while 47 (15.6%) respondents were above 50 years. This implied that most of the respondents in the study are adult and energetic, within the active labour age

Table 4.2:2 Gender characteristics of Respondents

Profile characteristics	Frequencies	Percentage (%)
Gender		
Male	224	74.2
Female	78	25.8
Total	302	100

Source: Computation from survey data (2018)

Regarding the respondents gender Table 4.2.2 revealed that 224 respondents representing (74.2%) of the sample size are male and 78 (25.8%) are female. This reflected the national gender distribution with majority of men in the labour market, while women mainly managed homes.

Table 4.2:3 Education characteristics of Respondents

Profile characteristics	Frequencies	Percentage (%)
Level of education		
Secondary education	0	0
Diploma education	86	28.5
Bachelor Degree	125	41.4
Master's Degree	68	22.5
PHD	23	7.6
Total	302	100

Source: Computation from survey data (2018)

With respect to the respondents' level of education, Table 4.2.3 indicated that 125 of them, representing 41.4%, possessed Bachelor degree/HND and 86 representing 28.5 % possessed diploma. In addition, 68 respondents representing 22.5% possessed Master's Degree and 23 of the respondents, representing 7.6% had PHD, none of the respondents stop at secondary level of education. The results confirm that most of the respondents were in their adulthood and had a sound academic background.

Table 4.2:4 Years of working experience characteristics of Respondents

Profile characteristics	Frequencies	Percentage (%)
Years of working Experience		
5 - 10 years	49	16.2
11 - 15 years	146	48.3
16 - 20 years	62	20.5
21 years and above	45	14.9
Total	302	100

Source: Computation from survey data (2018)

Table 4.2.4 revealed that 146 (48.3%) respondents had 11 to 15 years of working experience in the corporation and 62 respondents representing (20.5%) had over 16 to 20 years of working experience, also 42 (14%) had 21 years and above working experience and only 49 representing 16.2% of the respondent less 10 years working. This point to the fact that majority the respondents had a remarkable working experience to give credibility to the result of data collected.

4.3 Descriptive characteristics of Internal control system in Nigerian National Petroleum Corporation (NNPC).

The independent variable of the study was internal control system and it is broken into five components, with the total of twenty five questions, based on four point linker scale. The respondents were asked to indicate the extent to which they agree or disagree with each question, and their responses were analyzes using SPSS. The rating scales were as follows: 1 = you disagree with no doubt at all; 2 = you disagree with some doubt; 3 = you agree with some doubt; 4 = you agree with no doubt at all. The responses were summarized using means and standard deviations, as indicated in table 4.3. The cohesiveness behind descriptive statistics is to summarize and present the raw data collected from the field in a clear and understandable manner (Hanneman, Kposowa & Riddle, 2013)

Table 4.3 .1 Mean and standard deviation showing Control Environment Effectiveness in the Nigerian National Petroleum Corporation (NNPC)

No	Item/Questions	MEAN	STD	Mean interpret ation	Rank
INTERNAL CONTROL SYSTEM					
	Control Environment				
1	1.The corporation have clear objectives	1.7185	.77562	Very Low	20
2	2.The management communicate the objectives so as to provide effective direction to employees	1.8510	.97527	Low	13
3	3.There is significant compliance in operational and financial rules and regulations	1.5364	.65996	Very Low	24
4	4.The corporation has a culture, code of conduct that reward performance systems that support the business objectives	1.7351	.74443	Very Low	19
5	5.The management demonstrate, through its actions and policies the commitment to competence, integrity and trust	1.8874	.81955	Low	12
	Average mean	1.7457	.33397	Very Low	5

Source: Researcher Computation, (2018)

Result in Table 4.3.1 Indicated that ‘on the corporation clear objectives’ was rated very low with the mean of 1.7185 and standard deviation of .7756 implying that clear objective are not spell out to employees; on the communication of objectives to employees the result shows low

rating with mean 1.851 and standard deviation of .9753; on the compliance to operational and financial rules and regulations the results indicated very low rating with a mean of 1.5364 and standard deviation of .6599; similarly on culture and code of conduct the result shows very low rating with the mean of 1.7351 and standard deviation of .74443; and finally management integrity and tone towards control the results indicated low rating with a mean of 1.887 and standard deviation of .81955. Therefore the construct Control Environment has an overall average mean 1.7457 and average standard deviation of .33397 which was rated Very low, implying that the corporation's clear and communication of objective, culture, values and attitude of management towards the control environment is generally very weak. Effective Control environment is the foundation for a functional internal control system (James 2010). However the people in charge of governance of public corporation do not take it serious through their attitude

Table 4.3 .2 Mean and standard deviation showing Risk Assessment Effectiveness in the Nigerian National Petroleum Corporation (NNPC)

No	Item/Questions	MEAN	STD	Mean interpretation	Rank
INTERNAL CONTROL SYSTEM					
	Risk assessment				
6	1. The Board has clear strategies for dealing with the significant risks of frauds occurring.	1.9603	.82631	Low	10
7	2. There are policies on how to manage these risks	1.8411	.67310	Low	16
8	3. Risks of frauds occurring are identified and assessed on an on-going basis.	2.1656	1.0779	Low	5
9	4. Authority, responsibility and accountability are clearly defined in the corporation	2.1424	1.07351	Low	6
10	5. The management have the knowledge, skills and tools to effectively manage risks to the achievement of their objective	1.6556	.79906	Very low	21
	Average mean	1.9530	.36230	Low	2

Source: Researcher Computation, 2018

Table 4.3.2 Shows that 'on the corporation clear strategies for dealing with risks of fraud occurring' was rated low with the mean of 1.9603 and standard deviation of .82631; on the

policies to manage risks the result shows low rating with mean 1.8411 and standard deviation of .67310; on the on-going basis of assessing Risks of frauds occurring, the results indicated low rating with a mean of 2.1656 and standard deviation of 1.078; similarly on clear define authority and responsibility the result shows low rating with the mean of 2.1424 and standard deviation of 1.0735; and finally on management knowledge, skills and tools to effectively manage risks the results indicated very low rating with a mean of 1.6556 and standard deviation of .79906. Risk Assessment was rated low with an overall average mean of 1.9530 and average standard deviation of .36230, implying that risk assessment of fraudulent practices in the organization is averagely low in the Nigerian National Petroleum Corporation.

Table 4.3 .3 Mean and standard deviation showing Control Activities Effectiveness in the Nigerian National Petroleum Corporation (NNPC)

No	Item/Questions	MEAN	STD	Mean interpretation	Rank
	INTERNAL CONTROL SYSTEM				
	Control Activities				
11	1. The corporation communicate to its employees what is expected of them and the scope of their freedom to act	1.9172	.89095	Low	11
12	2. The employees in the corporation have the knowledge, skills and tools to support the achievement of the corporation objectives	2.5199	.89921	High	1
13	3. Processes and controls are adjusted to reflect new changes.	2.1821	1.0921	Low	4
14	4. There is proper segregations of duties	1.8477	.79239	Low	14
15	5. There is proper authorization and Approval of transactions	2.3642	1.1642	Low	3
	Average mean	2.1662	.35910	Low	1

Source: Researcher Computation, (2018)

Regarding Control activities which help to ensure that employee follow lay down procedures; Table 4.3.3 indicated that ‘on the communication of what is expected of employees’ the results shows low rating with the mean of 1.9172 and standard deviation of .89095; on the employees knowledge and skills the result shows high rating with mean 2.5199 and standard deviation of .89921; implying they have high skill personnel; on the adjusted to reflect new changes the results indicated low rating with a mean of 2.1821 and standard deviation of 1.0921; similarly on proper segregations of duties the results show low rating with the mean

of 1.8477 and standard deviation of .7924; and finally on management integrity and tone towards control the results indicated low rating with a mean of 2.3642 and standard deviation of 1.1642. Control activities construct indicated that the rating was generally low with the overall mean of 2.1662, hence, implying that management doesn't emphasis the necessity of following the lay down procedure.

Table 4.3 .4 Mean and standard deviation showing Information and communication Effectiveness in the Nigerian National Petroleum Corporation (NNPC)

No	Item/Questions	MEAN	STD	Mean interpretation	Rank
	INTERNAL CONTROL SYSTEM				
	Information and communication				
16	1.The management receive timely, relevant and reliable reports on progress against the corporation objectives	2.0033	.74930	Low	9
17	2.The management receive timely, relevant and reliable reports on indicators to changes, such as employee attitudes etc.	1.6490	.80446	Very Low.	22
18	3. The information needs and related information systems are reassessed to meet objectives.	1.7550	.76438	Low	18
19	4.The periodic reporting procedures are effective in communicating accounts of the corporation position and prospects	2.0397	.82229	Low	8
20	5.There are established channels of communication for individuals to report suspected breaches of laws or regulations	1.3974	.62164	Very Low	25
	Average mean	1.7689	.36412	LOW	4

Source: Researcher Computation, (2018)

The result on table 4.3.4 indicated that 'on the received of timely, relevant and reliable reports' it was rated low, with the mean of 2.0033 and standard deviation of .74930 imply that timely report are not received as expected; on the on indicators to changes, the result shows very low rating with mean 1.6490 and standard deviation of .80446; on the information needs and related information systems the results indicated low rating with a mean of 1.7550 and standard deviation of .76438; similarly on effective communicating accounts the results show low rating with the mean of 2.0397 and standard deviation of .8223; and finally on report of suspected breaches of laws and regulations the results indicated very low rating with a mean

of 1.3974 and standard deviation of .62164. The construct Information and communication overall mean 1.7689 and standard deviation of .36412 this implied that there is no effective or timely communication of accounting results

Table 4.3 .5 Mean and standard deviation showing Monitoring Effectiveness in the Nigerian National Petroleum Corporation (NNPC)

No	Item/Questions	MEAN	STD	Mean interpretation	Rank
	INTERNAL CONTROL SYSTEM				
	Monitoring				
21	1. There are on-going processes, which monitor the effective application of the policies, process	1.7649	.71134	Low	17
22	2. Such processes may include control self-assessment, confirmation by personnel of compliance with policies and codes of conduct.	2.0430	.87117	Low	7
23	3. There are effective follow-up procedures to ensure that appropriate action or changes against defaulters	1.6159	.82213	Very Low	23
25	4. There are appropriate communication to the Board on the effectiveness of the on-going monitoring processes	1.8278	.85696	Low	15
25	5. The monitoring personnel report any significant failure or weaknesses on a timely basis.	2.4834	.85379	Low	2
	Average mean	1.9470	.82244	Low	3
	Overall Mean	1.9162	.35918	Low	

Source: Researcher Computation, (2018)

With respect to Monitoring and supervision of employee activities to improve in work process and the entire system, the results in table 4.3.5 indicated that 'on the on-going processes of monitoring policies and process' it was rated low with the mean of 1.7649 and standard deviation of .71134 implying monitoring is not regular affairs; on the control self-assessment, the result shows low rating with mean 2.0430 and standard deviation of .87117; on the effective follow-up of procedures the results indicated very low rating with a mean of 1.6159 and standard deviation of .82213; on the appropriate communication to the Board on the effectiveness of the on-going monitoring processes the results show low rating with the mean of 1.8278 and standard deviation of .85696; and lastly on monitoring personnel report of any significant failure or weaknesses the results indicated very low rating with a mean of 2.4834

and standard deviation of .85379. The construct monitoring overall mean indicated a low rated performance with an average mean of 1.9470 and average standard of .82244, hence, implying that monitoring and evaluation in Nigerian National Petroleum Corporation (NNPC) is also weak.

The overall average mean of all the five constructs stood at 1.9162 and average standard deviation of .35918 which is low rated implying that the internal control System the Nigerian public sector is weak and not effective enough minimize Fraudulent activities.

4.4 Descriptive characteristics Fraudulent practices

The dependent variable in this study was Fraudulent Practices and it was broken into eight questions and the questions were based on four point linker scale where respondents were asked to indicate the extent to which they agree or disagree with each question, and their responses were analyze using SPSS and summarized in table 4.4 below

Table 4.4 Means and standard deviations showing fraudulent practices

tem/Questions	Mean	STD	Mean Interpretation	Rank
FRAUDULENT PRACTICES				
There are many incidents of fraud or corruption you aware of in your Corporation	2.9603	.96021	High	8
You are aware of the perpetrator(s) in the most recent incident of fraud or corruption	3.5396	.85186	Very High	2
Internal parties are involve in the most recent incident of fraud or corruption	3.3642	.68669	Very high	3
The Corporation Management identified any fraudulent activity perpetrated within the organization.	3.0397	.96021	High	6
You are aware of different type of fraud or corruption committed within your organization in the most recent incident	3.6424	.68534	Very High	1
The total amount of Naira lost to most incidents of fraud and corruption are in Billions	3.3179	1.0107	Very High	5
No Action was taken against the perpetrator(s) in the most recent incident of fraud or corruption	3.3212	.73327	Very High	4
Most of the fraud or corruption committed are detected involves a lot of staff	2.9967	.6542	High	7
average mean	3.2752	.33397	Very High	

Source: Researcher’s Computation from table, 2018

The result in table 4.4 shows that the mean on the incident of frauds is 2.9603 which rated implying High incident of frauds in the Nigerian public sector. With regards to the awareness of the perpetrators of the fraudulent activities the mean was 3.5396, which is rated very high; these shows the employees are aware of the perpetrators of the dastardly act of fraudulent practices. With respect to the question on the involvement of insiders or employees, it was rated very high with a Mean of 3.3642 hence implying that employees are grossly involve in the fraudulent activities in the Nigerian public sector. Still on the question of the Corporation management identifying the type of fraudulent perpetrated the results indicated a mean of 3.0397 which is rated high implying that even the management of the corporation have knowledge of the type of fraudulent activities taking place in the Corporation. Furthermore on the issue of the issue of the extent of fraud whether billions of Naira are involved; the Mean was 3.3179 which is rated very high, hence implying that billions of Naira are lost to fraudulent activities. The question of no action taken against the Perpetrator was also rated very high with a mean of 3.3212 implying that most the perpetrator use to get away with it. On the question of whether employees are usually involved, the mean was 2.9967 which is rated high hence implying that a majority of the incident involve employees. The overall average mean on fraudulent practices show the mean of 3.2752, rated Very high hence implying that the fraudulent activities in the Nigerian public sector is Very high.

4.5 Correlation Analysis of Internal Control System and Fraudulent Practices

To establish whether Internal Control system was significantly related with Fraudulent Practices, in Nigerian National Petroleum Corporation (NNPC)Nigeria; the independent Variable internal control system were broken into five components based on their functions and each was correlated with the dependent variable (Fraudulent Practices). Below is the outcome of the correlation analysis on table 4.5

Table 4.5 Pearson Correlation between Internal Control System Vs Fraudulent Practices in Nigerian National Petroleum Corporation, FCT Abuja, Nigeria

Variables correlated	Coefficient	Mean	Sig	Interpretation
Control Environment Vs Fraudulent Practices	-0.961 1	1.7457 3.2752	0.000	Negative Significant Correlation
Risk Assessment Vs Fraudulent Practices	-0.951 1	1.9530 3.2752	0.000	Negative Significant Correlation
Control Activities Vs Fraudulent Practices	-0.958 1	2.1662 3.2752	0.000	Negative Significant Correlation
Information & Communication Vs Fraudulent Practices	-0.849 1	1.7689 3.2752	0.000	Negative Significant Correlation
Monitoring Vs Fraudulent Practices	-0.955 1	1.9470 3.2752	0.000	Negative Significant Correlation

Correlation is significant at the 0.05 level (1-tailed)

Source: Researchers' computation table, 2018

The Pearson's linear correlation coefficient (PLCC) results in table 4.5 indicated that Control Environment is significantly correlated with Fraudulent Practices this is because this result is in line with the threshold of its significance level being below 0.05. The Results also indicate that Risk Assessment is significantly correlated with Fraudulent Practices at significance. Further still the constructs Control Activities, Information and Communication and Monitoring Results shows a significance relation since all the constructs are significantly related at 0.000, level of significance. The Results further suggesting that increased in Internal Control System will reduce Fraudulent Practices, since the correlation in all the constructs shows Negative and very strong correlation. This may imply that strengthening the internal control system especially the control environment, control Activities and monitoring will drastically reduce fraudulent Activities.

4.6 Testing of Hypotheses

The first objective was to determine the relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC). Thus null hypothesis was tested using the result of coefficients in the simple linear regression and thus Control Environment was regressed with Fraudulent Practices. The result of linear regression showed that $r=0.961$, $r^2=0.924$, Adjusted $r^2=0.924$ and significant at $P < 0.000$. By this result the researcher established that there is negative relationship between Control Environment and fraudulent practice and therefore rejected null hypothesis "that there is no significant relationship between Control Environment and fraudulent practices and accept the alternative

hypothesis that there is a significant relation between the variable since the p-value is below the acceptance threshold of (0.05).

Table 4.6.1 Regression Analysis for Control Environment and Fraudulent Practices Nigerian National Petroleum Corporation, FCT Abuja, Nigeria

Variables Regressed	R	R ²	Adjusted R ²	F-value	Sig.	Interpretation	Decision on H ₀₁
Control Environ. vs Fraudulent Practices	.961 ^a	.924	.924	3652.154	.000	Significant Relationship	Rejected
Coefficients	B	Std Err	Beta	T			
(Constant)	4.822	.026		184.467	.000		
Control Environment	-.866	.015	-.961	-60.433	.000		

Source: Researcher's Computation from table (2018)

The outcome of the test of H₀₁ confirm to the fact that Control Environment has a significant influence on fraudulent practices and the linear regression analysis yielded the following model:

FRP= $\beta_0 + \beta_1$ (CE) + E_{it0}. Where FRP = fraudulent practices, β_0 = constant and (CE) independent variable Control Environment. Thus $\beta_0 = 4.822$, $\beta_1 = -.866$, E_{it0} = (0.26) (.015). Therefore fraudulent practices = $4.822 + -.866 + (0.26) (.015)$

The second objective was to determine the relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC). Thus null hypothesis was tested using the result of coefficients in the simple linear regression and thus Risk Assessment was regressed with Fraudulent Practices. The result of linear regression showed that $r=0.951$, $r^2=0.905$, adjusted $r^2=0.905$ and significant at $P < 0.000$. By this result the researcher established that there is negative relationship between Risk Assessment and fraudulent practices and therefore rejected null hypothesis “that there is no significant relationship between Risk Assessment and fraudulent practices and accept the alternative hypothesis that there is a significant relation between the variable since the p-value is below the acceptance threshold of (0.05).

**Table 4.6.2 Regression Analysis for Risk Assessment and Fraudulent Practices
Nigerian National Petroleum Corporation, FCT Abuja, Nigeria**

Variables Regressed	R	R ²	Adjusted R ²	F-value	Sig.	Interpretation	Decision on H ₀₂
Risk Assessment Vs Fraudulent Practices	.951 ^a	.905	.905	2856.173	.000	Significant Relationship	Rejected
Coefficients	B	Std Err	Beta	T			
(Constant)	4.986	.033		184.467	.000		
Risk Assessment	-.876	.016	-.951	-60.433	.000		

Source: Researcher's Computation from table (2018)

The outcome of the test of H₀₂ confirm to the fact that Risk Assessment has a significant influence on fraudulent practices and the linear regression analysis yielded the following model:

FRP = $\beta_0 + \beta_2$ (RA) + E_{no}. Where FRP = fraudulent practices, β_0 = constant and (RA) independent variable Risk Assessment. Thus $\beta_0 = 4.986$, $\beta_2 = -.876$, E_{no} = (0.33) (.016). Therefore fraudulent practices = 4.986+-.876 + (0.33) (.016)

The third objective was to determine the relationship between Control Activities and fraudulent practices in Nigerian National Petroleum Corporation (NNPC). Thus null hypothesis was tested using the result of coefficients in the simple linear regression and thus Control Activities was regressed with Fraudulent Practices. The result of linear regression showed that $r=0.958$, $r^2=0.917$, adjusted $r^2=0.917$ and significant at $P < 0.000$. By this result the researcher established that there is negative relationship between Control Activities and fraudulent practices and therefore rejected null hypothesis "that there is no significant relationship between Control Activities and fraudulent practices and accept the alternative hypothesis that there is a significant relation between the variable since the p-value is below the acceptance threshold of (0.05).

**Table 4.6.3 Regression Analysis for Control Activities and Fraudulent Practices
Nigerian National Petroleum Corporation, FCT Abuja, Nigeria**

Variables Regressed	R	R ²	Adjusted R ²	F-value	Sig.	Interpretation	Decision on H ₀₃
Control Activities vs Fraudulent Practices	.958 ^a	.917	.917	3311.619	.000	Significant Relationship	Rejected
Coefficients	B	Std Err	Beta	T			
(Constant)	5.204	.034		153.164	.000		
Control Activities	-.891	.015	-.958	-56.547	.000		

Source: Researcher's Computation from table (2018)

The outcome of the test of H₀₃ confirm to the fact that Control Activities has a significant influence on fraudulent practices and the linear regression analysis yielded the following model:

$$FRP = \beta_0 + \beta_3 (CA) + E_{\pi 0}$$

Where FRP= fraudulent practices, β_0 = constant and (CA) independent variable (Control Activities) Thus $\beta_0 = 5.204$, $\beta_3 = -.891$, $E_{\pi 0} = (0.34) (.015)$.

Therefore fraudulent practices = $5.204 - .891 + (0.34) (.015)$

The fourth objective was to determine the relationship between Information and communication and fraudulent practices in Nigerian National Petroleum Corporation (NNPC). Thus null hypothesis was tested using the result of coefficients in the simple linear regression and thus Information and communication was regressed with Fraudulent Practices. The result of linear regression showed that $r = 0.849$, $r^2 = 0.720$, Adjusted $r^2 = 0.720$ and significant at $P < 0.000$. By this result the researcher established that there is negative relationship between Information and communication and fraudulent practice and therefore rejected null hypothesis "that there is no significant relationship between Information and communication and fraudulent practices and accept the alternative hypothesis that there is a significant relation between the variable since the p-value is below the acceptance threshold of (0.05).

Table 4.6.4 Regression Analysis for Information & communication and Fraudulent Practices in Nigerian National Petroleum Corporation, FCT Abuja, Nigeria

Variables Regressed	R	R ²	Adjusted R ²	F-value	Sig.	Interpretation	Decision on H ₀₄
Information & communication vs Fraudulent Practices	.849 ^a	.720	.720	776.523	.000	Significant Relationship	Rejected
Coefficients	B	Std Err	Beta	T			
(Constant)	4.653	.050		92.175	.000		
Information & communication	-.779	.028	-.849	-27.866	.000		

Source: Researcher's Computation from table (2018)

The outcome of the test of H₀₄ confirm to the fact that Information & communication has a significant influence on fraudulent practices and the linear regression analysis yielded the following model: FRP= $\beta_0 + \beta_4$ (IC) + Std. Err; Where FRP = fraudulent practices, β_0 = constant and (IE) independent variable Information & communication, E_{tr0} = error term Thus $\beta_0 = 4.653$, $B_4 = -.779$, E_{tr0} = (0.50) (.028) Therefore fraudulent practices = 4.653+-.779+ (0.50) (.028)

The fifth objective was to determine the relationship between monitoring and fraudulent practices in Nigerian National Petroleum Corporation (NNPC). Thus null hypothesis was tested using the result of coefficients in the simple linear regression and thus monitoring was regressed with Fraudulent Practices. The result of linear regression showed that $r=0.955$, $r^2=0.913$, Adjusted $r^2=0.912$ and significant at $P < 0.000$. By this result the researcher established that there is negative relationship between monitoring and fraudulent practice and therefore rejected null hypothesis "that there is no significant relationship between monitoring and fraudulent practices and accept the alternative hypothesis that there is a significant relation between the variable since the p-value is below the acceptance threshold of (0.05).

Table 4.6.5 Regression Analysis for Monitoring and Fraudulent Practices in Nigerian National Petroleum Corporation, FCT Abuja, Nigeria

Variables Regressed	R	R ²	Adjusted R ²	F-value	Sig.	Interpretation	Decision on H ₀₅
Monitoring vs Fraudulent Practices	.955 ^a	.913	.912	3138.517	.000	Significant Relationship	Rejected
Coefficients	B	Std Err	Beta	T			
(Constant)	5.005	.031		159.428	.000		
Monitoring	-.888	.016	-.955	-56.022	.000		

Source: Researcher's Computation from table (2018)

The outcome of the test of H_{05} confirm to the fact that Monitoring has a significant influence on fraudulent practices and the linear regression analysis yielded the following model:

$FRP = \beta_0 + \beta_5 (MN) + E_{r0}$. Where FRP =fraudulent practices, β_0 = constant and (MN) independent variable Monitoring Thus $\beta_0 = 5.005$, $\beta_5 = -.888$, $E_{r0} = (0.31) (.016)$. Therefore fraudulent practices = $5.204-.891 + (0.31) (.016)$

Table 4.6.6 Test for regression models of fraudulent practices and the variables

Variables	Durbin-Watson
Control Environment	2.265
Risk Assessment	2.291
Control Activities	1.982
Information and Communication	2.157
Monitoring	2.170

Source: Researcher's Computation (2018)

From the results for Table 4.6.6 the regression model adequacy for the test of the variables were considered adequate since all Variables regressed showed that they are within 2 approximately indicating absents of autocorrelation hence, the result is good for prediction.

4.7 Multiple Regression Analysis of Internal Control System and Fraudulent Practices in the Nigerian National Petroleum Corporation (NNPC)

Table 4.7: Results of multiple regression analysis

Model summary		R	R ²	Adjusted R ²	F	Sig	Findings
		.976 ^a	.952	.951	1180.68	.000	
Hypotheses	Relations	Unstandardized Coefficients		Standardized Coefficients	t-value	p-value	
		B	Std. Err.	Beta			
	(Constant)	5.084	.030		171.01	.000	
H ₀₁	Control Environment	-.306	.049	-.332	-6.209	.000	Rejected
H ₀₂	Risk Assessment	-.185	.043	-.201	-4.335	.000	Rejected
H ₀₃	Control Activities	-.359	.052	-.386	-6.864	.000	Rejected
H ₀₄	Information and Communication	.097	.028	.106	3.489	0.01	Rejected
H ₀₅	Monitoring	-.158	.049	-.170	-3.245	0.01	Rejected
	Durbin-Watson	2.287					No Auto regression

Dependent Variable: Fraudulent Practices

Source: Researcher's Computation (2018)

The result of multiple regressions in Table 4.6 shows that information and communication is not negatively related to fraudulent practices since the combine Regression results gives the coefficient of 0.097 with a P-Value of 0.001 thus still significantly related therefore the hypothesis still rejected.

Thus, the multiple regression analysis yielded the following model: $FRP = \beta_0 + \beta_1 (CE) + \beta_2 (RA) + \beta_3 (CA) + \beta_4 (IC) + \beta_5 (MN) + E_{\pi 0}$

Where, β_0 is constant or the level when Fraudulent Practices is taken to be zero. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are the regression parameters measuring Control strength of the independent variables on Fraudulent Practices. Thus β_1 was the parameter measuring the control power of Control Environment (CE) on Fraudulent Practices; β_2 was the parameter measuring the control power of Risk Assessment (RA) on Fraudulent Practices; β_3 was the parameter measuring the control power of Control activities (CA) on Fraudulent Practices; β_4 was the parameter measuring the control power of Information and Communication (IC) on Fraudulent Practices; and β_5 was the parameter measuring the control power of Monitoring (MN) on Fraudulent Practices.

Thus, the multiple regression analysis yielded the following model: Fraudulent Practices = $5.084 + -.306 + -.185 + -.359 + .097 + -.158 + .07359 + (.030) (.049) (.043) (.052) (.028) (.049)$

With the R-Square of .952 and the adjusted R-Square of .951 means that the variables: Control Environment, Risk Assessment, Control Activities, information & communication, and Monitoring explains at least 95% of the behavior of Fraudulent Practices in the Nigerian National petroleum Corporation (public sector).

Finally with the Durbin-Watson results of 2.287, there is no evidence of the existence of positive first order autocorrelation in the model, which indicates that the result from this model can be used for long-term forecasting.

CHAPTER FIVE

DISCUSSIONS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

In this chapter, the researcher discusses the main research findings, presents the conclusions, recommendations and limitations of the study were highlighted.

5.1 Discussion

In this section, the study's findings were discussed in line with the research objective and findings of previous researchers. The subheadings of the discussion are structured according to the research objective.

The purpose of the study was to establish the Effect of internal control system on fraudulent practices in the Nigeria public sector, a survey of Nigerian National Petroleum Corporation (NNPC), Nigeria. On a generally note, this study succeeded in advancing the current understanding of the key components of internal control system that control fraudulent activities by providing answers to five research questions, on the Relationship of Control Environment, Risk Assessment, Control Activities, Information and Communication and monitoring with fraudulent practices in the Nigeria public sector, a survey of Nigerian National Petroleum Corporation (NNPC), Nigeria.

5.1.1 Objective One the relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

The research question that guided this objective was 'What is the relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)?', and in attempt to get answer for the question a null hypothesis was formulated thus H_{01} There is no significant relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).' The descriptive statistics showed that Control Environment is very weak. The result was in line with Mwindi (2013) a control environment that is not effective creates an opportunity to commit fraud. This is also in line with the fraud triangle theory, scale fraud theory and fraud diamond theory; whose all agreed that fraud prevail where opportunity exist. According to Carmichael, Willingham and Schaller (1996) management attitude toward control set the stage for the attitude and action of the entire organization. If employees perceive that control is not important to top management,

there is little hope for its effectiveness, conscientious, application of accounting and control procedures. The control environment sets the tone of an organization. In others words control environment either close or create the opportunity for fraudulent activities.

The Pearson's linear correlation coefficient (PLCC) findings of this study indicated that Control environment had very strong significant relationship with fraudulent practices in the Nigerian National Petroleum Corporation and they are negatively correlated. Similarly the results of the linear regression also showed that Control Environment is significantly and negatively related with fraudulent practices in Nigeria National Petroleum Corporation (NNPC). The multiple regressions results also show that Control Environment is significantly and negatively related with fraudulent practices in Nigeria National Petroleum Corporation (NNPC) although not a strong relation as it is in simple linear regression, this is because others components of internal control system also contribute to the negative relationship. The finding was consistent with previous empirical studies. Agwor & Akani (2017) study found out that there is a strong negative relationship between Management integrity/Ethical Values and fraudulent practices in the Nigerian public sector. Also Enofe, Egbe and America (2016) found out that there is significant relationship between management integrity and fraud prevention in the Nigerian public sector and concluded that corporate governance is being overridden, thus making controls ineffectiveness. Fasua & Osifo (2016) in their study discovered that the existing financial control by federal government and other control bodies are only sufficient in content and scope but not in the implementation.

5.1.2 Objective Two the relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

The research question that guided this objective was 'What is the relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)?', and in attempt to get answer for the question a null hypothesis was formulated thus: 'H₀₂ There is no significant relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC). First of all the descriptive statistics showed that Risk Assessment control is weak. The Pearson's linear correlation coefficient (PLCC) findings of this study indicated that Risk Assessment had very strong significant relationship with fraudulent practices in the Nigerian National Petroleum Corporation Similarly the results of the linear regression also showed that Risk Assessment is significantly and negatively

related with fraudulent practices and the multiple regressions results also showed same. The finding was consistent with prior empirical studies specifically with

5.1.3 Objective Three the relationship between control Activities and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

The research question that guided this objective was ‘What is the relationship between Control Activities and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)?’, and in attempt to get answer for the question a null hypothesis was formulated thus: ‘ H_{03} There is no significant relationship between Control Activities and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).’ The descriptive statistics shows that Control Activities is weak and corresponding mean average of fraudulent practices showing a Very high rating hence implying that the fraudulent activities in the Nigerian public sector is Very high.

The Pearson’s linear correlation coefficient (PLCC) findings of this study indicated that Control Activities had very strong significant relationship with fraudulent practices in the Nigerian National Petroleum Corporation and they are negatively correlated. Similarly the results of the linear regression also showed that Control Activities is significantly and negatively related with fraudulent practices in Nigeria National Petroleum Corporation (NNPC), Nigeria. The multiple regressions results also show that Control Activities is significantly and negatively related with fraudulent practices in Nigeria National Petroleum Corporation (NNPC), Nigeria at the coefficients $-.359$ and at $.000$ significant. The multiple regression coefficient indicate that it is not a strong relation this is because others components of internal control system also contribute to the negative relationship. The findings was in contrast with empirical studies by Atagboro (2015) The results revealed that there is a strong, positive relationship between due process and fraudulent practices, and concluded that this suggests that due process is an antidote for fraudulent practices in the Nigerian public sector. I disagree with this conclusion that strong positive correlation between due process and fraudulent Practices suggests that due process is an antidote because if due process was an antidote to fraudulent practices the result would have been strong negative relationship just as it was discovered in this study. Rennox (2016) study findings revealed poor implementation of internal control system lead to negative financial performance; he added that poor financial performance is partly as a result of weak implementation of controls which is line with the findings of this study.

5.1.4 Objective Four the relationship between Information & communication and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

The research question that guided this objective was 'What is the relationship between Information & communication and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)? In attempt to the answer the question a null hypothesis was formulated thus: 'H₀₄ There is no significant relationship between Information & communication and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).' The descriptive statistics shows that Information & communication is weak and the result Pearson's linear correlation coefficient (PLCC) findings of this study indicated that Information & communication had very strong significant relationship with fraudulent practices in the Nigerian National Petroleum Corporation negative. Similarly the results of the linear regression also showed a negative significant relationship, while the multiple regressions results also showed that Information & communication is significantly and negatively related with fraudulent practices. The multiple regression coefficient indicate that it is not a strong relation this is because others components of internal control system also contribute to the negative relationship. The implication of multiple Regression results of this construct was not in line with the general belief that effective information and communication minimize fraudulent practices. However it can be concluded that information and communication control ineffectiveness in Nigerian National Petroleum Corporation aid and abate fraudulent practices at 9.7% rate, instead of preventing it. In other words the findings of multiple regression revealed that poorly designed information and communication system can promote fraudulent practices. The findings is line with the empirical study of Akani & Olaadire (2013) which revealed that there is positive relationship between internal control system (information and communication control and reduction of records manipulation.

5.1.5 Objective Five the relationship between Monitoring and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).

The research question that guided this objective was 'What is the relationship between monitoring and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)?', and in attempt to get answer for the question a null hypothesis was formulated thus: 'H₀₅ There is no significant relationship between monitoring and fraudulent practices in Nigerian National Petroleum Corporation (NNPC).' The descriptive statistics showed that monitoring is

weak the Pearson's linear correlation coefficient (PLCC) findings of this study indicated that monitoring had very strong inverse significant relationship with fraudulent practices in the Nigerian National Petroleum Corporation. Similarly the results of the linear regression also showed that monitoring is significantly and negatively related with fraudulent practices. The multiple regressions results also showed that monitoring is significantly and negatively related with fraudulent practices although a weak relationship this is because others components of internal control system also contribute to the negative relationship. The findings is in line with Akani, & Oladutire (2013) study result which revealed that internal audit (monitoring) has positive relationship with fraudulent prevention this is because the monitoring control if properly manned can prevent fraudulent activities.

5.2 Conclusions

Based on the findings of the study the following conclusions were drawn

Objective One: The relationship between Control Environment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)

There is a strong Negative correlation between Control Environment and fraudulent practices in the Public sector, which implied that control environment has capability of reducing fraudulent practices. However it was also discover that control Environment indicated a very low performance which makes it ineffective fighting fraudulent practices and corruption. By implication it means Management in the public sector does not take control serious and they either violent or promote the violation of control put in place, thereby set the tone for other employees.

Objective Two: The relationship between Risk Assessment and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)

There is a strong Negative correlation between Risk Assessment and fraudulent practices in the Public sector, which implied that Risk Assessment has capability of reducing fraudulent practices. However it was also discover that Risk Assessment indicated a low performance which makes it ineffective fighting fraudulent practices and corruption. This implied that Risk Assessment of fraud occurring in the public sector is not giving the required attention

Objective Three: The relationship between Control Activities and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)

There is a strong Negative correlation between Control Activities and fraudulent practices in the Public sector; this may be explained that Control Activities has capability of reducing fraudulent practices. It was also discover that Control Activities indicated a low performance which makes it poor fighting fraudulent practices and corruption. By implication it means Management in the public sector does not take control Activities like segregation of duties, rotation of duties, procedures for initiating transaction etc. are not given serious priority and they either violent or promote the violation of control activities put in place to guide their conduct, actions and inactions.

Objective Four: The relationship between Information & communication and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)

The correlation result shows that Information & communication has a strong Negative correlation with fraudulent practices. In other word there is a significant relationship between Information & communication and fraudulent practices. However the multiple regressions result shows that it a positive weak relation. Therefore it can be concluded that Information & communication control if not properly designed and implemented may create opportunity for fraudulent practices to take place.

Objective Five: The relationship between Monitoring and fraudulent practices in Nigerian National Petroleum Corporation (NNPC)

There is a strong Negative correlation between Monitoring and fraudulent practices in the Public sector, which implied that Monitoring has capability of reducing fraudulent practices. However it was also discover that Monitoring indicated low performance which makes it ineffective fighting fraudulent practices and corruption. By implication External audit is just a mere routine activities and not a monitoring process in the Nigerian public sector.

5.3. Recommendations

Based on the findings and conclusions of the study, the researcher made the following recommendations

- The management of the corporation should set the appropriate tone and demonstrate through directives, actions, integrity and ethical values that support the functioning of the system of internal control.
- The management of the corporation should first of all try to recognize that every entity faces variety of risks from both internal and external sources that must be evaluated and responded to. By understanding the different types of risk and potential responses, management are better prepared for immediate response when need arises. They should make risk assessment a continue event not a one-time event since government, economic, industry, regulatory and operating situations will continue to change, mechanisms will need to be in place to properly identify and respond to risk.
- The most important control activities should be given attention and priority such as Segregation of duties requires that different individuals should be assigned responsibility for different elements of related activities, particularly those involving authorization, custody, or recordkeeping; Proper authorization of transactions and activities helps ensure that all corporation; activities adhere to established guidelines unless responsible managers authorize another course of action.
- The management and staff should ensure that adequate documents and records are maintained to provide evidence that financial statements are accurate and physical control over assets and records helps protect the company's assets. Finally regular Independent checks on employee's performance to ensure reliability of accounting information and the efficiency of operations. Internal auditors may also verify that the supervisors performed the check assign to them in order to identify and establish effective controls.
- The management of the organization should place importance and priority in obtaining or generating useful, relevant, quality information to support the functioning of internal control. They should maintained timely communication of information, including the objectives and responsibilities for internal control, necessary to support the functioning of internal control both the internal and external parties.
- Management must continually monitor control implementation and modify controls as need arise, internal control deficiencies should be identified and communicated in a

timely manner to those parties responsible for taking corrective action and to management and the board as appropriate.

5.4 Contribution to knowledge

The findings from this study will be of great benefit to the Policy makers, Administrators and managers, government, the society and academicians.

Policy makers

This research output has contributed to the existing knowledge on the kind of policy and financial regulations needed in the public sector and implement control measures in terms of management by example, attitude towards control, organizational cultures and ethical values to adhere to because the outcome of the study has provided the way out for that in terms of recommendation.

Administrators and managers

This research literature has contributed to the existing knowledge on the kind of opportunity for fraud that exist for certain types of jobs like the cashier, account officer, clerks and financial control and that is such cases stringer controls and segregation of duties in an indispensable factor for minimizing incidence of fraud.

Government

The government also will benefit from the recommendation of this study because the findings will serve as a guide for establishing and implementing financial controls and regulations and the programs of government to encourage any prudential use of government funds and training for adherence to control and the consequence of breaking the rules.

Society

This study succeeded in advancing to the body knowledge of the key components of internal control system which mitigate fraudulent activities in the Nigerian public sector, specifically in the Nigerian National Petroleum Corporation (NNPC) which is one of the major revenue generation corporations in Nigeria. This study advanced knowledge by linking the escalating fraudulent activities in Nigeria to disregard of social contract theory and faulting political institution. The present study drew from social contract theory and Rawls theory of Justice to

contend that obedience to the Rule of law and impartial justice are indispensable tools for fighting fraudulent practices and corruption in Nigeria. The study also discovered that information and communication control if not properly designed and implemented could create opportunity for frauds and corruption instead of mitigating it. The purpose of this study was to establish the relationship between internal control system and fraudulent practices in the Nigeria public sector. The outcome of this study has also contributed towards the development of the society and reduction of fraudulent practices in the society at large as a guide to the society for anyone who is interested in the fight against fraudulent and corrupt practices which will provide insight into fraudster motivation.

Academicians

The Results from this study advanced support to the key theoretical propositions especially the social contract theory and Rawls theory of justice. A society that has no respect for social contract, rule of law is bound to face chaotic society, similarly where there is impartial or selective justice lead to further breakdown of laws. No wonder the fight against corruption and fraudulent activities is rather escalating. The result also support the fraud triangle theory, that opportunity most exist before fraud can take place, this is evidence in the Very weak control environment as discovered by the study. This study provided a theoretical implication by giving additional empirical evidence in the domain of fraud by linking the escalating fraudulent activities in Nigeria to disregard of social contract theory and faulting political institution, instead of focusing on other existing theories that explain why people commit fraud. The present study drew from social contract theory and Rawls theory of Justice to contend that obedience to the Rule of law and impartial justice are indispensable tools for fighting fraudulent practices and corruption in Nigeria. Thus, this study extended the social contract theory and Rawls theory of justice by examining their impact on public sector fights against fraudulent Practices and corruption in Nigeria. There is scarcity of empirical studies drawing from social contract theory and Rawls theory of Justice Perspectives to establish the link between social contract theory and Rawls theory of Justice and fraudulent practices in the Nigerian context; hence, theoretical framework of this study had also added to the domain of internal control system frauds theories. The results from this study provided some important practical implications to policy makers in Nigeria Public sector. The study also contributed as a source of reference materials for Academician and others researchers and also broadens their knowledge in the area of internal control and frauds.

5.5 Suggested Area for further Research

1. Further research can be undertaken on the impact of internal control systems on fraudulent activities in the public sectors especially Government Agencies, the results can be compared with the results this study.
2. Further research can be undertaken on the effect of internal control systems on fraud detection and prevention in the public sectors.
3. Still Further research can be undertaken on the Effects of organizational philosophy and culture (way of doing things) on fraudulent and Corrupt Activities in government departments. This is to explored cultural systems in terms of value, attitudes and norms shared in the Nigerian public sector

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APPENDICES

APPENDIX I

TRANSMITTAL LETTER



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Directorate of Higher Degrees and Research Office of the Director

Our ref: 1163-05306-08258

Monday 30th April, 2018

Dear Sir/Madam,

RE: INTRODUCTION LETTER FOR YAT SOLOMON REG. NO. 1163-05306-08258

The above mentioned candidate is a student of Kampala International University pursuing a Master of Science Degree in Finance and Accounting.


He is interested in conducting a research for his dissertation titled, "*Internal Control System and Fraudulent Practices in the Nigerian Public Sector: A Survey of Nigerian National Petroleum Corporation (NNPC)*"

Your organization has been identified as a valuable source of information pertaining to the research subject of interest. The purpose of this letter therefore is to request you to kindly cooperate and avail the researcher with the pertinent information he may need. It is our ardent belief that the findings from this research will benefit KIU and your organization.

Any information shared with the researcher will be used for academic purposes only and shall be kept with utmost confidentiality.

I appreciate any assistance rendered to the researcher.

Yours Sincerely,


Dr. Claire M. Mugasa,
Director

C.c. DVC, Academic Affairs
Principal CEM



KAMPALA INTERNATIONAL UNIVERSITY

COLLEGE OF ECONOMIC AND MANAGEMENT

APPENDIX II:

INTRODUCTION LETTER

Dear respondent,

I am a Master of Science student in the Department Accounting and Finance (M.sc) at the above University; am carrying out a research study on “INTERNAL CONTROL SYSTEM AND FRAUDULENT PRACTICES IN THE NIGERIAN PUBLIC SECTOR; A SURVEY OF NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC) ABUJA-NIGERIA”.

The purpose of this study is to determine the relationship between internal control system and fraudulent practices in the Nigeria public sector. For this purpose I will be glad if you spare your time to assist me by responding to the questions attached as honestly and objectively as possible.

All information provided will be strictly used for academic purposes and kept with utmost confidentiality.

Thanks for your anticipated cooperation.

Yours faithfully,

YAT Solomon

(Researcher)

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research of YAT SOLOMON which is titled
“INTERNAL CONTROL SYSTEM AND FRAUDULENT PRACTICES IN THE
NIGERIAN PUBLIC SECTOR”.

I am assured of privacy, anonymity and confidentiality and I will be given an option to refuse
participation or right to withdraw my participation anytime during the exercise.

I have been informed that the participation in this research is voluntary and that the result will
be given to me if I ask for it.

Initial:

Date:

APPENDIX IV

RESEARCH INSTRUMENT

Section A: Demographic characteristics of Respondents

1. Age

a) ____ 21-30 years, b) ____ 31-40 years, c) ____ 41-50 years and d) ____ 51 years and above

2. Gender

a) Male _____ b) Female _____

3. Level of education qualification

a) Secondary _____

b) Diploma _____

c) Bachelor's Degree _____

d) Master's degree _____

e) PhD _____

4. Years of working experience

a) Below 5 years _____

b) 5-10 years _____

c) 10-15 years _____

d) 15 -20 years

e) 21 year and above _____

SECTION B: Internal Control system

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of **internal control** in your corporation. Kindly use the scoring system below:

Response Mode	Rating	Description
Strongly Agree (S.A.)	(4)	You agree with no doubt at all.
Agree (A.)	(3)	You agree with some doubt
Disagree (D. A)	(2)	You disagree with some doubt
Strongly disagree (S.D.A)	(1)	You disagree with no doubt at all

Control Environment

Question	SA 4	A 3	DA 2	SDA 1
1. The corporation have clear objectives				
2. The management communicate the objectives so as to provide effective direction to employees				
3. There is significant compliance in operational and financial rules and regulations				
4. The corporation has a culture, code of conduct that reward performance systems that support the business objectives				
5. The management demonstrate, through its actions and policies the commitment to competence, integrity and trust				

Risk Assessment

Question	SA 4	A 3	DA 2	SDA 1
1. The Board has clear strategies for dealing with the significant risks of frauds occurring.				
2. There are policies on how to manage these risks				
3. Risks of frauds occurring are identified and assessed on an on-going basis.				
4. Authority, responsibility and accountability are clearly defined in the corporation				
5. The management have the knowledge, skills and tools to effectively manage risks to the achievement of their objective				

Control activities

Question	SA 4	A 3	DA 2	SDA 1
1. The corporation communicate to its employees what is expected of them and the scope of their freedom to act				
2. The management follow the corporation rules, regulations, procedures in recruitment of employees				
3. The employees in the corporation have the knowledge, skills and tools to support the achievement of the corporation objectives				
4. There is proper segregations of duties				
5. There is proper authorization and Approval of transactions				

Information and communication

Question	SA 4	A 3	DA 2	SDA 1
1. The management receive timely, relevant and reliable reports on progress against the corporation objectives				
2. The management receive timely, relevant and reliable reports				

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on indicators of change, such as employee attitudes etc.				
3. The information needs and related information systems are reassessed to meet objectives.				
4. The periodic reporting procedures are effective in communicating accounts of the corporation position and prospects				
5. There are established channels of communication for individuals to report suspected breaches of laws or regulations				

Monitoring

Question	S A 4	A 3	D A 2	SDA 1
1. There are on-going processes, which monitor the effective application of the policies, process				
2. Such processes may include control self-assessment, confirmation by personnel of compliance with policies and codes of conduct.				
3. There are effective follow-up procedures to ensure that appropriate action or changes against defaulters				
4. There are appropriate communication to the Board on the effectiveness of the on-going monitoring processes				
5. The monitoring personnel report any significant failure or weaknesses on a timely basis.				

SECTION C: Fraudulent practices

Direction 1: Please write your rating on the space before each option which corresponds to your best choice by using the rating system below:

Response Mode	Rating	Description
Strongly Agree (S.A.)	(4)	You agree with no doubt at all.
Agree (A.)	(3)	You agree with some doubt
Disagree (D. A)	(2)	You disagree with some doubt
Strongly disagree (S.D.A)	(1)	You disagree with no doubt at all

Fraudulent Activity

Question	S A 4	A 3	D A 2	SDA 1
1. There are many incidents of fraud or corruption you aware of in your Corporation				
2. You are aware of the perpetrator(s) in the most recent incident of fraud or corruption				
3. Internal parties are involve in the most recent incident of fraud or corruption				
4. The Corporation Management identified any fraudulent activity perpetrated within the organization.				
5. You are aware of different type of fraud or corruption committed within your organization in the most recent incident				
6. The total amount of Naira lost to most incidents of fraud and corruption are in Billions				
7. No Action was taken against the perpetrator(s) in the most recent incident of fraud or corruption				
8. Most of the fraud or corruption committed are detected involves a lot of staff				

APPENDIX V

SPSS OUTPUT

Frequencies

[DataSet1] C:\Users\Solomon\Desktop\Data entry 1.sav

Statistics

		Age	Gender	Level of Education	Working Experience
N	Valid	302	302	302	302
	Missing	0	0	0	0
Mean		2.4503	1.2583	3.0927	2.3411
Std. Error of Mean		.05397	.02523	.05175	.05305
Median		2.0000	1.0000	3.0000	2.0000
Mode		2.00	1.00	3.00	2.00
Std. Deviation		.93786	.43841	.89925	.92199
Variance		.880	.192	.809	.850
Skewness		.133	1.110	.451	.423
Std. Error of Skewness		.140	.140	.140	.140
Kurtosis		-.855	-.773	-.578	-.624
Std. Error of Kurtosis		.280	.280	.280	.280
Range		3.00	1.00	3.00	3.00
Minimum		1.00	1.00	2.00	1.00
Maximum		4.00	2.00	5.00	4.00

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30 Years	48	15.9	15.9	15.9
	31-40 Years	117	38.7	38.7	54.6
	41-50 Years	90	29.8	29.8	84.4
	51 Years and Above	47	15.6	15.6	100.0
	Total	302	100.0	100.0	

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	224	74.2	74.2	74.2
	Female	78	25.8	25.8	100.0
	Total	302	100.0	100.0	

Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	86	28.5	28.5	28.5
	Bachelor/HND	125	41.4	41.4	69.9
	Masters	68	22.5	22.5	92.4
	PHD	23	7.6	7.6	100.0
	Total	302	100.0	100.0	

Working Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5-10 Years	49	16.2	16.2	16.2
	11-15 Years	146	48.3	48.3	64.6
	16-20 Years	62	20.5	20.5	85.1
	21 Years and above	45	14.9	14.9	100.0
	Total	302	100.0	100.0	

Descriptive Statistics

	Mean	Std. Deviation	N
Fraudulent Practices Index	3.2752	.33397	302
Control Environment Index	1.7457	.36230	302
Risk Assessment Index	1.9530	.36277	302
Control Activities Index	2.1662	.35910	302
Information and Communication Index	1.7689	.36412	302
Monitoring Index	1.9470	.35918	302

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.961 ^a	.924	.924	.09217

a. Predictors: (Constant), Control Environment Index

b. Dependent Variable: Fraudulent Practices Index

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.822	.026		184.467	.000
	Control Environment Index	-.886	.015	-.961	-60.433	.000

a. Dependent Variable: Fraudulent Practices Index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951 ^a	.905	.905	.10314

a. Predictors: (Constant), Risk Assessment Index

b. Dependent Variable: Fraudulent Practices Index

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.986	.033		153.172	.000
	Risk Assessment Index	-.876	.016	-.951	-53.443	.000

a. Dependent Variable: Fraudulent Practices Index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.958 ^a	.917	.917	.09642

a. Predictors: (Constant), Control Activities Index

b. Dependent Variable: Fraudulent Practices Index

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.204	.034		153.164	.000
Control Activities Index	-.891	.015	-.958	-57.547	.000

a. Dependent Variable: Fraudulent Practices Index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849 ^a	.721	.720	.17660

a. Predictors: (Constant), Information and Communication Index

b. Dependent Variable: Fraudulent Practices Index

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.653	.050		92.175	.000
Information and Communication Index	-.779	.028	-.849	-27.866	.000

a. Dependent Variable: Fraudulent Practices Index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955 ^a	.913	.912	.09881

a. Predictors: (Constant), Monitoring Index

b. Dependent Variable: Fraudulent Practices Index

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.005	.031		159.428	.000
Monitoring Index	-.888	.016	-.955	-56.022	.000

a. Dependent Variable: Fraudulent Practices Index

Model Summary^b

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.976 ^a	.952	.951	.07359	.952	1180.677	5	296	.000	2.287

Predictors: (Constant), Monitoring Index, Information and Communication Index, Risk Assessment Index, Control Environment Index, Control Activities Index

Dependent Variable: Fraudulent Practices Index

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	5.084	.030		171.010	.000		
Control Environment Index	-.306	.049	-.332	-6.209	.000	.056	17.755
Risk Assessment Index	-.185	.043	-.201	-4.335	.000	.075	13.270
Control Activities Index	-.359	.052	-.386	-6.864	.000	.051	19.558
Information and Communication Index	.097	.028	.106	3.489	.001	.175	5.714
Monitoring Index	-.158	.049	-.170	-3.245	.001	.059	17.087

Dependent Variable: Fraudulent Practices Index



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