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Effectiveness of Internal Control System on Fraud Detection and Prevention in Humanitarian Organizations in Northeast

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Abstract

Fraud is a virus that can kill organization faster if not check, prevented and detected. The prevention and detection of fraud is usually done through establishment, proper implementation and monitoring of internal control system in an organization. The objective of the study is to assess the effectiveness of internal control system use on fraud prevention and detection in humanitarian organization. A quantitative research design was adopted. Purposive sampling technique was used in selecting the samples and twelve (12) respondents were chosen out of the six (6) humanitarian organization selected for the study in Northeast Nigeria. Data used for the research was collected through structured interview and analyzed qualitatively. The research findings indicated that internal control system is effective in fraud prevention and detection in humanitarian organizations. The study further, discovered that internal control system is use to reduce fraud incentive, fraud opportunity, fraud rationalization and fraud capability. Thus, establishment and implementation of good internal control system and its proper usage is necessary and important in an organization to reduce the exposure of high risk of fraud occurring. This is because the absence of monitoring of the internal control system increases the risk of fraud components.

Keywords: Fraud, Fraud Diamond, Fraud Triangle, Humanitarian Organization,, Internal Control System,

Introduction

Globally, humanitarian organizations roles and efforts in crisis prompt areas have been contributing to nations building. Their role in complementing government efforts to support areas where there is crisis in some countries has led to great improvement in social, economic growth and development, promoting democracy and good governance. This effort has led to the effective functioning of our communities that were revenge with crisis and other social vices (Taye & Birhanu, 2010). Humanitarian organizations in Nigeria performs an important role in poverty reduction, conflict and crisis situation and functions such as women issues, disable person income generation, youth empowerment, refugees, conflict resolution, displacement, food security, self-help, good governance and promotion of peace. But it remains unclear whether the funds provided by the donor agencies for these purposes are used by the humanitarian organizations judiciously for the realization of those objectives.

Ayom (2013) conducted a study in South Sudan and disclosed a high level of fraud and mismanagement of funds in their operations. The author reported cases of fraud such as inflated workshop expenses, fake receipt and unsatisfactory support documentations. Global Fund Audit (2011) also add that YGC for International Co-operation (YGC)'s financial statement showed a deficit worth US\$ 2,172,712 in transactions which were not supported with appropriate documentation because of poor internal control system.

For the humanitarian organizations to achieve their goals and makes sure funds provided are utilized properly, proper internal control system must be instituted. Yousef (2017) observed that Internal control system is a broad concept that covers the entire range of procedures, methods and controls established by an organization to detect and curb fraud and misappropriation of assets to increase the probability of achieving its business goals. Bongani (2013) argued that internal control procedures help to place reliance on financial reporting, improves operational efficiency and effectiveness, detect and curb fraud, while at the same time ensuring compliance with regulations and laws. Abdulkadir (2014) observed that humanitarian organizations must demonstrate that they have the necessary internal control systems and competencies while adhering to the social and developmental programs to prevent and detect fraud.

This is because fraud has skyrocketed and Fraudulent activities causes serious threat to the integrity, efficiency, and financial stability of both private and public organization all over the world. The misappropriation of public funds not only undermines public trust but also hampers the socio-economic development of a nation. Despite the existence of internal control system in most organization, Akinyele and kolawale (2020) concealed that internal control system established by the management in majority of the organization has not totally prevent and detect fraudulent activities as a result of inherent limitation of internal control system most especially in the design and implementation.

Prior studies argued that ineffective internal control system can have negative consequence or effect on fraud detection and prevention in organizations (Chen, Goh & Kim, 2015). The studies concluded that ineffective internal control system increases the chance of diverting funds available for project or programs execution activities by employees or managers for personal use, thereby lowering the quality of outputs and consequently reduces the efficiency of operation of the organization. Hendri, Yulianto and Ama (2020) rightly said that fraud related case has unfortunately hindered the proper functioning of the activities of some humanitarian organization. Other studies also opined that effective internal control system can have a significant and positive consequence on fraud detection and prevention in organizations.

Abeki (2024) concludes that internal control system effectively and significantly related with the financial statement fraud in Nigeria. Kabue and Aduda (2017), looks at reconciliation control, financial governance control, reporting and budget control in relation

to fraud prevention and detection and discovered a significant positive relationship or effect of internal control on fraud prevention and detection in Kenya. Akinola (2024) Adeleke, Segun and Olaoye (2019) considered risk assessment, information and communication and monitoring to positively affect fraud prevention and detection in Nigerian banks. Similarly Zgarni (2025) conducted a study among Tunisian banks and discovered that an adequate internal control system has a positive impact on the prevention and detection of financial fraud in Tunisian bank.

This shows that most of the studies carried out on internal control system and fraud prevention and detection in Nigeria are in banks and public institutions. Thus, little or none is currently known about internal control system and fraud prevention and detection in humanitarian organization in Nigeria. Moreover, the results of the empirical studies above showed mixed results, which indicates that there is a need for further studies to be carried out. In addition, Most of those studies used quantitative research design in Nigeria and part of the contribution of this studies is to use qualitative research design in Nigeria.

This research differs from other researches on internal control system that concentrated mostly on assessing soundness of the practice of internal control on performance or on fraud prevention and detection in private companies and public organizations. The main objective of the research is to assess the effectiveness of internal control system on prevention and detection of fraud (This objective deals with examining how internal control system and its use affect the prevention of fraud elements (incentive, opportunity, rationalization and capability). This study is subdivided into five sections. Section one is introduction, section two is concerned with literature review and theoretical development. Section three described with research methodology. Section four concentrated on presentation and discussion of results and section five concluded the research.

Literature Review

Internal Control System

Many financial scandals have shown that numerous frauds were deliberately influenced or carryout not by external auditor's lack of warning or advice as at the period risk of fraud existed. But because organizations have discovered that it is cheaper and safer to form their own internal control system to help in detecting and preventing fraud in the future (Dimitrijevic, Milovanovic & Stancic, 2015). Brat (2023) highlights the crucial role of internal control in addressing the challenges of fraud and professional misconduct especially within SMEs.

Thus, Internal control system performs a vital role in the achievement of an organizational goals (Zgarni, 2025). Akinola (2024) looks at internal control system to composed of procedures and policies established or designed to give enough assurance that the company management realized their aims and objectives of establishing the

organization. Committee sponsoring organizations (COSO) (2013) defines internal control system “as a process affected by an organization management, board of directors and personnel designed to give assurance concerning the achievement of aims of the organization in the following items; reliability of financial reporting, efficiency and effectiveness of operations and in compliance with applicable laws, rules and regulations.” The emergence of internal control over some parts of activities was associated with management need for information on performance of their organizations and its development (Dimitrijevic, Milovanovic & Stancic, 2015). Ndugu (2013) concealed that understanding internal control system is very vital and key point for developing a framework that could make a positive impact in the achievement of organizational goals.

Organizations usually make use of internal control system to monitor, steer and measure entity's funds or resources in order to stop the irregularities that can hinder the achievement or realization of its objectives (Hendri, Yulianto & Ama, 2020). Therefore, all organizations whether governmental or non-governmental are required to enhance the quality and efficiency of their internal control system and internal audit unit in order to enhance good governance (Eko & Hariyanto, 2011). The establishment of internal control system assist in ensuring that an organization function effectively (Verdina, 2011). Thus, Abeki (2024) discovered a significant positive effect of internal control system on effectiveness of internal audit unit.

Fraud

Fraud means any activity that can be regarded to be an unfair activity (Hendri, Yulianto & Ama, 2020). Fraud can be said to be an illegal and irregular acts coming from intentional deception. It can be under taken for the benefit of outsiders (external) or insider (internal) to the detriment of the organization and causes damage to it (Hendri, Yulianto & Ama, 2020). Internal fraud is a fraud carried out by an insider and it is presently taken care off by internal control system in an organization. Some of the internal fraud are; overstatement of expenditures, computer fraud, misappropriation of assets, theft of cash receipts and stock and overstating its value. External fraud are the ones carried out by outsiders or unemployed of the organization, such as advance free fraud.

Adeleke, Segun and Olaoye (2019) sees fraud as unintentional errors that goes undetected or intentional act intended to deceitfully enrich an individual or group. An intentional errors means any minor mistake that is not detected in time. An intentional mistake if made and goes undetected, the person takes credit about it for a clean finished. Thus, he may be tempted to commit the act intentionally with the objective of deceitfully enriching himself, which is fraud. The beginning of this fraud started from committing minor errors, unseeing mistake that some people desiring to defraud capitalized on it

Saleh (2016) conceals that fraud includes; misrepresentation of facts, intention to defraud, falsified of the truth, and misappropriation of funds and assets. Boateng et al.

(2014) talks about common Microfinance Institutions frauds to include; forging of signatures, illegal withdrawal of customer money, illegal granting of loans, falsification of records, hacking of password and computer system. Furthermore, the results discovered that internal control system design and its application had a positive effect on fraud prevention and detection there by providing solution to the research question of “How can internal control system design and use impact the reduction of incentive, opportunity, rationalization, and capability to commit fraud?”

However, Suh et al. (2019) stressed that no matter how good the design of the internal control system and usage in an organization, fraud may be committed, because it is difficult to completely eradicated fraud, despite the fact that, internal control system serves as an important means through which fraud may be reduce and prevented. Shonhadji and Maulidi (2021) highlighted that regular risk assessment and assessment of previous fraud cases, patterns in fraud practices occurring can be deduced, and so give room for the development of new risk assessment strategies that can be install to reduce capability of fraud.

Baker et al. (2017) also stated that fraud opportunity comes from heavy dependence on manual operations, poor communication of specification of functions and poor supervision. Based on the study discovery, enhancing the working environment, and improving and updating internal control systems regularly where the need arise, will increase its efficiency and decrease fraud opportunities. While Nawawi & Salin (2018) pointed out that fraud incentives are decreased due to internal control practices such as surprise audits, monitoring of staff claims, fair reward schemes, performance evaluation and secure whistleblowing.

Fraud Detection and Prevention

According to Riney (2018), a combination of prevention and detection acts as a good tool for making vulnerable organizations stronger and more resistant to fraud. This is supported by Sow et al. (2018) who add that the most economical way to manage financial loss through fraud is prevention. Fraud prevention is a critical aspect of organizational governance, aimed at minimizing the risk of fraudulent activities that can lead to financial losses, reputational damage, and legal repercussions (Taherdoost, 2021; Rashid, 2022). Hence fraud prevention refers to practical measures established by an organisation to avoid or stop fraud occurrence (ACFE, 2020). Furthermore, Effective fraud prevention strategies rely on robust internal control system, including preventive measures, vigilant monitoring, and proactive risk management practices (Ziorklui, Ampofo, Nyonyoh, & Antwi, 2024).

It also requires a system of rules which when put together minimizes the likelihood of fraud occurring while maximizing the possibility of detecting any fraudulent activity that may emerge (Biegelman & Bartow, 2006). Key preventive controls include; segregation of Duties, this control principle ensures that no single individual has control over all key

aspects of a transaction or financial process (Rauterberg, 2021). Effective fraud prevention requires a holistic approach that integrates preventive controls, proactive monitoring, and continuous improvement efforts (Musyoki, 2023). Unfortunately, Lack of training, understanding, or compliance with control measures can undermine the effectiveness of preventive controls. Stringent preventive controls may sometimes impede operational efficiency or agility, particularly in dynamic business environments (Plant et al., 2022). Therefore, implementing rigorous authorization processes, comprehensive access controls, and robust segregation of duties in organizations can strengthen and improve their defenses and protection against fraud.

Fraud detection, on the other hand, involves identifying fraud as fast as possible once it has been committed and comes in after fraud has failed to be prevented (Othan et al., 2015). Effective fraud detection strategies rely on robust internal controls, proactive monitoring, and mechanisms designed to identify anomalies and irregularities (Ziorklui, Ampofo, Nyonyoh, & Antwi, 2024). Hence, fraud detection increases the perceived risk of getting caught thereby deterring people from engaging in fraudulent behaviour (Jeppesen, 2019). Fraud detection plays an important part in investigation and prevention of fraud because the velocity with which fraud is detected can have a significant impact on the fraud magnitude which in turn may assist in curtailing occurrence of fraud in future (ACFE, 2020). The critical step to detecting and subsequently preventing fraud is to identify the factors that can cause fraud in organization (ACFE, 2020; Ghazili et al., 2014). The most important measure used in detective controls include. Reconciliation and Verification Processes, these controls involve comparing financial records, transactions, and accounts to identify discrepancies or inconsistencies.

Regular reconciliation of accounts ensures accuracy and detects unauthorized transactions or errors that may indicate fraudulent activities (Tapang and Ihendinihu, 2020). Despite the gain recorded of detective controls in fraud detection, some organizations and institution face many limitations and challenges (Mwangi and Ndegwa, 2020). Fraudsters keep on creating new ways, tactics and schemes to evade detection. Thereby, making it difficult and challenging for organizations to identify and detect sophisticated fraud schemes through traditional controls. Thus, effective fraud detection requires rigorous training, skilled personnel, monitoring of the system and huge investment in technology.

Fraud Triangle Theory

Fraud triangle theory developed in 1953 by Donald Cressey is the most widely used theory of fraud (Lokana & Sharma, 2018). The theory was developed as a fraud prevention and detection mechanism to explain the reason many individual commit fraud (Riney, 2018). Thus, any kind of fraud committed against an organization or on behalf of an organization is always consist of three elements (Kabue & Aduda (2017). Suh et al. (2019) add that according to Cressey the three factors need to be present for people to commit fraud. These are perceived pressure, perceived opportunity and rationalization of fraud act making up the

fraud triangle (Lokana & Sharma, 2018).. Suh et al. (2019) stress that these three fraud components are connected and must exist at the same time. Thus, the greater the perceived opportunity or the harder the pressure, the less rationalization it takes for a person to commit fraud.

The first element of the fraud triangle is perceived pressure. Perceived pressure according to Le et al. (2020). may arise due to the inability of an individual to share or communicate his financial problem which may be due to stigma or a sense of pride which motivates people to commit fraud. Fraud pressure include greed, high debts, poor credits, investment losses and family pressure (Kranacher & Riley, 2019). In a similar vein, pressure could arise from an individual's feeling to maintain his/her current lifestyle even though his/her income is limited (Zakaria et al., 2016).

The second element of the fraud triangle is opportunity. Opportunity is the ease with which fraud is carried out (Biegelman and Bartow, 2006). Riney (2018) and ACFE (2020). opined that opportunity occurs where there is weakness in the internal control system. Similarly, the position occupied by a person can open up an opportunity for fraud most especially those with the decision making power.

The third driver is rationalization. rationalization refers to people's perception about their performance at work place, contribution and expectations about what they are to earn for delivering something of value to the company. Hence, fraud perpetrators usually look at themselves as victims hence justifying the reasons for their action. For instance "they owe me" or "everyone is doing it" (Biegelman and Bartow, 2012). Therefore, managing rationalization will help to reduce and prevent fraud in an organization.

Fraud diamond theory

The fraud diamond came into being in 2004 as an addition or extension of the fraud triangle (Wolfe and Herman, 2004). The creators of fraud diamond argue that the fraud triangle is only complete when the fourth driver called capability is included. The capability is what made up the fraud diamond theory. This is because, without the capability to exploit the shortcomings of control, it may be impossible to commit and conceal fraud (Dorminey et al., 2012). Thus, the fraud diamond theory comes as an improvement of the fraud triangle by adding the fourth element of capability (Wolfe and Herman, 2004). Wolfe and Herman (2004) went further to say that for fraud to take place, four elements must be present. These are incentive, opportunity, rationalization, and individual's capability. Therefore in this paper, the fraud diamond will be used as a tool for detection and prevention.

Therefore, Wolfe and Herman (2004) explain that the opportunity to commit fraud in an organisation may occur in the presence of weak internal control system or oversight. Therefore, without the right individual who has the right capabilities to utilize the opportunity, its incentive and rationalize it, fraud may not occur. And so, Wolfe and Herman

(2004) discovered the traits that can manifest in an organization for fraud to be committed as follows:

- (1) the position an individual occupies in an organisation may give him the chance or opportunity to engage in fraudulent activity.
- (2) An individual must be clever to understand how to capitalize on the weakness of the internal control system to commit fraud.
- (3) The right person must possess a strong ego and confidence.
- (4) The person can conceal the fraud or coerce others to commit, the person must have a very persuasive personality
- (5) The person must have the ability to lie very well on a consistent basis and can be able to accommodate the stress of the lies for long.

Empirical Analysis

So many studies have attempted to discover the effect of internal control system on fraud prevention and detection. For instance, Kabue and Aduda (2017) in their study in Kenya discovered reconciliation control and financial governance control to have a significant and negative effect on fraud detection and prevention. While, reporting and budgetary control has a positive and significant impact on fraud detection and prevention and recommends that commercial banks should always reconcile their accounts so as to reduce and prevent cases of frauds incidence.

Adeleke, Segun and Olaoye (2019) observes that risk assessment, information and communication, control environment and monitoring positively and significantly prevent and detect fraud in Nigerian deposit banks and recommend the review of human resources management function or activities regularly and that studies should be carried out in other sectors. In addition, Saleh (2016) looks at the effect of internal control system on fraud prevention of listed manufacturing industries in Nigeria and discovers that a good internal control system has a positive and significant impact on fraud prevention and detection.

While, other studies highlight the relationship between internal control system and performance of an organization (Abeki, 2023; Akinola, 2024; Akinyele & Kolawale, 2020; Hendrin, Yuliaturo & Ama, 2019; Kinyu, et al., 2015; Oppong et al., 2016; Umar and Dikko, 2018; Zgarni, 2025). For instance, Kinyu, et al. (2015) and Zgarni, 2025) discovered the effect of internal control system most especially the control on the environment on financial performance of companies in Nairobi and Nigeria. Similarly, Akinyele and Kolawale (2020) studied the COSO component of internal control system like; control activities, information and communication, control environment, risk assessment and monitoring on performance of tertiary institutions in Nigeria. The result reveals the influence of COSO components of internal control system to be positive and significant on the performance of tertiary institutions.

Zgarni (2025) determine the effect of internal control, in particular risk assessment, on the prevention and detection of financial fraud in Tunisian banks. The investigation disclosed that an adequate internal control system has a positive impact on the prevention and detection of financial fraud in Tunisian banks. Abeki (2024) study concludes that internal control system effectively and significantly related with the financial statement fraud in Nigeria. Similarly, Akinola (2024) investigation showed also that Nigerian banks' use of a number of internal control mechanisms to thwart fraud has increased, particularly in the areas of authorizations, approvals, reconciliations, reviews of operational performance, asset security, division of labor, an enhanced information system, and a regular assessment of the internal oversight structures already in place.

Similarly, Oppong et al. (2016) also uses COSO model with the exception of risk assessment and discovered internal control system to contribute to the success of overall projects, long-term social objectives on persons and the society and hence impact positively on performance of faith-based NGOs in Ghana economy. And concludes that the internal control system assist in making sure organizations receives value for money on procurements as well as ensure effective budgetary control on expenditure and judicious utilization of resources of the organization. This shows that the existing four COSO components of internal control system such as control activities, control environment, information and communication and monitoring functions very well in NGOs. While, Adeleke, Segun and Olaoye (2019) had a contrary result and discovered risk assessment measure to be weak in influencing performance

Umar and Dikko (2018) investigates the components of internal control system such as control environment, implementation of control procedures, risk assessment, information and communication and monitoring framework on quality of banks statements in Jordan. The study discovered all the factors of internal control system to be effective in the quality of the preparation of financial reporting and recommends that banks should enhance their internal control system, improve the role of internal audit unit and integrating their incentives and rewards with performance and control system.

Solomon et al. (2023) discovery showed a mixed result and concluded that control environment, monitoring, and information and communication had a significant positive effect on fraud prevention and detection of public institutions in Ekiti State, Nigeria. On the other hand, risk assessment and control activities showed an insignificant positive relationship. This shows that most of the studies carried out on the effect of internal control system on fraud prevention and detection in Nigeria are in public institutions and Banks. Moreover, the results of empirical studies above showed mixed results, which indicates that there is a need for further studies to be carried out. In addition, Most of those studies used quantitative research design in Nigeria and part of the contribution of this studies is to use qualitative research design in Nigeria, and concentrated on the internal control components without putting emphasis on the fraud triangle and diamond.

Research Methodology

The research design adopted in this study is the qualitative research design. Corbin and Strauss (2015) argued that qualitative research gives a more in-depth understanding of the context under study as opposed to the quantitative research method. A qualitative research design is used in order to get an understanding of the underlying pattern of the field research and answers the questions of “how” and “why” (Gray, 2017). Thus, the conduct of qualitative research will help us gain an understand of why and how people think, feel, and react the way they do as it concernss fraud preventions and detection in humanitarian organizations. This is because the research design gives a framework for how data will be gathered (Bryman & Bell (2015). Since the aim of the research is to examine the effectiveness of internal control system on fraud prevention and detection through the eye of the fraud triangle or diamond, a case study design is considered to be the most appropriate tool to use.

A case study involves a concentrated and in-depth study and exploratory interaction between the case and the context under study (Marshall & Rossman, 2014). This shows that a case study research design is the appropriate strategy of getting data on the thoughts of the respondents concerning the internal control system. Twelve employees in total are included in the sample, from sx humanitarian organization in Northeast. two employees from each of the humanitarian organizations were chosen to take part in the study. Purposive sampling, a branch of non-probability sampling, was used to determine the sample size. Purposive sampling create an avenue to select the study participants based on their familiarity with the research question (Taherdoost, 2021). Because the employees of the humanitarian organizations are in charge of creating and carrying out internal control procedures and policies for preventing and detecting fraud.

The study used semi-structured interviews to gather qualitative data. In this interview type, participants are asked questions on a research problem and given the opportunity to share their opinions on the research questions. The method of data collection used in this study is the primary data collection method with the use of semi-structured interviews as the tool for the collection of data. Bryman and Bell (2015) explain that interviews make the researcher familiar with the data and ease its further assessment. The interviews were formulated from the theorization of prior studies.

The interview stage was made up of one-on-one, semi-structured interview of Project coordinators or managers, financial controllers and auditors that lasted between 15–40 minutes. The interviews was carriedout on six humanitarian organizations in Northeast Nigeria, with a purposeful sampling of the project coordinators, finance controllers or accountants, and auditors. The project cordinators, financial controllers, and auditors were choosen because they have knowledge and foundation on internal control system and are the ones that takes part in its implementation and and its workings.

These categories of people chosen have the ability to provide the right information needed to answer the objective and research questions of the study. The population of the study is the six humanitarian organizations in the Northeast, Nigeria. The data was analyzed using thematic analysis. Braun and Clarke (2006) opined that thematic analysis identifies, analyses and reports patterns (themes) within data. The analysis of the data process started with the transcription of the interviews using simple and clear English, which was then read thoroughly to gain more data familiarity. Thus, data were coded. the coding involves breaking down data into parts which are then labelled (Bryman & Bell, 2015). Then the codes were collated into themes to assist in the analysis. Some of the themes include “reasons why fraud is an important risk”, “causes of fraud”, “common humanitarian organization fraud types”, “measures taken to handle the fraud cases”, “effectiveness of internal control”, “consideration for internal control design.” These themes were created inline with the rheoretical framework and selected to fit the codes. The themes were subdivided into two sections which are fraud and internal control to reduce the stress in answering the research questions.

Discussion of Results

Twelve (12) respondents were interviewed comprising of five (5) project coordinators, four (4) financial controllers and three (3) auditors to give their perspectives on the effectiveness of internal control system on the prevention and detection of fraud in their humanitarian organizations. From the data gathered, the following results were obtained by the researchers as it is presented below:

The work experience of the respondents lies between the minimum of five years to a maximum of twelve years. The age of the respondents is between 32 years to 55 years. The gender of the respondents are 8 males and 4 females. While, 5 are singles and 7 are married. In addition, their educational qualification or background ranges from a minimum of bachelor degree to a maximum of Masters level.

To address the objective of the research, the results was explained in two parts. The objective deals with examining how internal control system and its use affect the prevention of fraud elements (incentive, opportunity, rationalization and capability). The first section explain the background of the discovery from questions connected to fraud in humanitarian organizations, questions connected to internal control consideration, effectiveness of internal control and how the humanitarian organizations can improve their internal control system. The second part deals with how internal control system can reduce fraud incentives, opportunity, rationalization and capability in humanitarian organizations.

The interview started by asking the respondents about their view on fraud as an important risk factor which is to be handled with absolute care and attention. All the respondents collectively endorsed that fraud was a significant risk factor in humanitarian

organizations. They went further to say that fraud can lead to bad reputation, loss of goodwill, losses, causes stagnation and eventual closure of the humanitarian organization.

The respondents also gave some reasons that lead to commission of fraud in humanitarian organizations. They mentioned staff pressure, the pressure to meet donor requirement and deadlines, family pressure, cultural and social factors, poor governance, greed, delay in payment of wages and allowances, financial pressure, weak internal control, poor remuneration system and lack of proper training, which create an incentive for fraud to be committed. Consequently, poor employee recruitment system, lack of good working environment, incompetence of the management in running the affairs of the organization, lack and poor facilities, rumour of attack and the inability to monitor the staff activities of the organization very well gives room and opportunity for fraud to occur. Moreover, lack of incentive to encourage hardwork, bonuses where possible for staff who hit their target, and poor remuneration causes or leads to rationalization. Similarly, poor job rotation, segregation of duties and duplication of functions give birth to fraud capability in humanitarian organizations.

Hence, majority of the respondents believed and agreed that fraud is mainly caused by poor or low remuneration, the pressure to meet donor requirement and deadlines, lack of proper training, financial pressure and weak internal control system in humanitarian organizations.

In many of the instances, the staff work too much for an unspecified time limit sacrificing or risking their life working in a crisis areas and terrorist zones but are poorly remunerated and under paid and so this motivates them to explore every available change to divert goods meant for the victims or reduced the amount of money to be paid as compensation to the victims. [.....] (R2).

Therefore, this results shows that for employees fraud to be prevented in humanitarian organizations, there should be insurance policy for the staff of the humanitarian organization to compensate the families of workers in case any of them is kidnap, injured and kill on duty. Strong policy to protect workers and a good remuneration system should be put in place. This will motivate them and deter them from committing fraud and keep them in positive check knowing fully that whatever happens to them their families will be cared for.

In addition, a question was asked on fraud related cases in humanitarian organizations and how they take care of such instances. Majority of the respondents gave some situation and instance of fraud related situations in their various humanitarian organizations.

[....] I remembered a project coordinator was discovered to have conspired with the hotel manager to inflate the amount to be paid per room and the conference hall. Asked the food

vendor supplying food to the trainees to include some amount in the her proposal and when she is paid, she should remove that amount and give him when trainings are organized.

Moreover, there are instances of cash and goods conversation by field officers. The field officers reduces the amount proposed to be paid to the beneficiaries or victims or the volume of goods and services to be given to the victims. This was discovered during an unexpected visit in the field where the items of goods and cash are being distributed (R6).

Other form of fraud mentioned by the respondents are falsification of records, false payment of workshop and training allowance to staff. This findings shows that cases of fraud scandals are almost the same despite the fact that there are small variation in other humanitarian organizations. Thus, where fraud were discovered, investigation were undertaking and the perpetrators where sanctioned in accordance with the rules and regulations and policies of the humanitarian organization. Infact those who were found guilty were asked to repay the shortages. In some instances the assets of the culprit are comfiscated, legal proceedings often resulted in the accused being investigated, suspended, dismissed, and even imprisoned in serious cases. Thus, almost all the respondents agreed that fraud was a major cause for concern in humanitarian organizations and concluded that internal control system is important for the prevention and detection of fraud in any organization.

Impact of internal control system design and use on fraud prevention and detection.

The results gathered from the interviews depitch the essence of internal control system in fraud prevention and detection in humanitarian organizations. From the respondents views, the COSO framework is vital in the implementation of internal control system design in humanitarian organizations.

The parts that makes up the internal control system are put into consideration within our internal design. In the control environment we makesure that we create a balance work environment to carry the rest of the internal control system. Risk assessment implementation is carried out frequently because of the delicate nature of financing projects and risk involved in executing the project while in the field. Control activities assured us that the right activities back the risk assessment of the organization making sure there is adequete supply of information and commununication which encourages team building and monitoring the smooth running of the activities of humanitarian organizations internal control system (R2).

In the same vein, one among the respondents when further to say that: we put into consideration the five components of COSO of internal control system and determined which of the component applies to which goals or objectives.

In general, the findings shows that the COSO framework of internal control system is important for fraud prevention and detection in humanitarian organizations as it is in Zgarni (2025) in her study which also opined that internal control system positively affects fraud prevention and detection. So instead of putting funds in the development of new framework, funds should be put into the maintenance of the COSO framework of internal control system.

In addition, respondents stated despite the fact that all components of internal control system are vital, however, most of the respondents confirm that the monitoring, control activities and control environment are the most vital components of internal control system to prevent and detect fraud.

[...] The control environment is the most vital due to the fact that proper functioning of the organization depends on the control instituted in the environment. If an organization has a control environment, rules, integrity and good ethics, it is definely going to have an internal control system that works well. If there are serious issues or problem at the management level, other parts of the organization will be affected (R8).

Majority of the respondents selected for the study discovered that internal control system design and how it is used would detect, prevent or reduce fraud in humanitarian organization. Although, there is an exception as stated below by respondent (R1).

[...] despite all the measures which might have been put in place in an organization, internal control system design is the major determining factor of the rate or how much fraud can be committed (R1).

To sum it up, the research result shows that a good internal control system design and how it is utilized would decrease fraud incentive, opportunity, rationalization, and capability. That means if organizations want to put in place a good policies on fraud prevention and detection, adequate attention and priority must be accorded to internal control system design.

Internal control system and fraud incentive

Incentive to worker usually determine their productivity. In this study, the respondents emphasized that for humanitarian organizations to reduce fraud incentive, there is the need for them to re-enforce their reward policies. They stated that the current policies on incentive for promotion and hardwork are either compromised or not practice thereby, encourage the staff to engage in fraudulent activities. Similarly, the findings also disclosed that if staff are not well paid, no matter how effective the internal control system is in the organization, employees will deversed a new ways to bypass the internal control system to commit fraud.

[....] Thus, respondent (R10) emphasized the need for the implementation of whistle-blower policy. This could go a long way in curtailing fraud incentive greatly. In addition,

respondent (R3) when further to say that if there is adequate enforcement and enough communication of the repercussion of committing fraud and misconduct, there will be great decrease in people's fraud incentive. Furthermore, respondent (R5) added that an impromptu or unexpected audit should be scheduled on both program managers or coordinators and other employees. This will decrease the rate of fraud incentive. The above findings indicated that if an organization wants to minimize or reduce fraud incentive to the barest minimum, reward policies that encourage promotion of staff promptly and good remuneration schemes should be emphasized.

Previous research like Nawawi & Salin (2018) pointed out that fraud incentives are decreased due to internal control practices such as surprise audits, monitoring of staff claims, performance evaluation and fair reward schemes and secure whistleblowing. This study is inline with the results of Othman et al., (2015) on secure whistleblowing and Nawawi and Salin (2018) on monitoring of staff claims as means to decrease fraud incentive. Thus, whistle-blowing policies and surprise audits (monitoring) makes those who want to commit fraud to be in constant fear of being apprehended and so it assists in reducing fraud incentive.

However, in a contrary opinion, the research refused to accept hotlines as a fraud preventive factor as it is in Othman et al. (2015) which stated that hotlines serve as an avenue where fraud incentive can be reduced. In spite of the disagreement, this research disclosed a new internal control strategy like the approval of your good conduct by a guarantor during the signing of an employment contract to discourage fraud incentive. When employees are made to present someone who stands for them in case they misbehave upon employment, they are prevented from fraud incentive so as not to shame the person that serves as a guarantor for fraud.

Internal control system and fraud opportunity

Majority of the respondents concluded that fraud opportunity takes place or emerges due to loopholes and openings in the internal control systems in used in the humanitarian organization. Most of the openings are seen in the poor recruitment processes, poor working environment, irregular monitoring of staff and the use of manual operation. From the results of the interviews, some of the respondents opened up to say that their humanitarian organizations are not ruled or governed under a proper internal control system practices. Thus, there are comments from the interview conducted below.

[...] The project coordinators working conditions are poor, as it is shown on the performance they put while on duties. [...] assessment is done manually while on the field work which is time consuming and is very tiring. This gave birth to negligence of work while on duty, hence gives openings or room for fraud. (R6).

In addition, [...] often, the recruitment of project managers or coordinators, auditors and financial controllers is not based on know-how or knowledge but instead, it is based on sentiment, who you know, family ties and not by merit (R9).

Almost all the respondents concluded and agreed that regular checking of workers on the job will reduce fraud opportunity. Respondent (R3) stated that proper background checks and of the staff and staff training on fraud would boost staff skills and decrease fraud opportunity. Stepping up the control process by fixing and using surveillance cameras in the working place can go along way to reduce fraud opportunity (R7) and (R5). Consequently, respondent (R2) also gave suggestion to humanitarian organizations create an independent internal supervisory board to serve as a preventive or deterrent measure to manage fraud opportunity. The respondent add that risk assessment should be given priority in the process of internal control design to reduce fraud opportunity. For example, a project manager or coordinator (R6) explained or stressed that reconciling cash everyday during the closing period and controlling the transaction journals of the previous day, can assist in averting fraud.

The above findings simply means that it is the loopholes in the internal control system that gives a chance for fraud opportunities to exist in an organization. Hence, it is imperative for project managers or coordinators to create policies and rules that will close the loopholes. Previous studies like Othman et al., (2015); Nawawi and Salin (2018), concluded that fraud opportunities are created as a result of ineffective internal control system practices like poor supervision, heavy dependence on manual operations, poor communication of specification of function, improper documentation, and lack of rotation of staff. Therefore, to reduce fraud opportunities, past studies highlighted internal control practices such as fraud reporting policy, cash reviews, staff rotation policies, and constant modification and updating of internal control systems is absolutely important. This research reaffirm the discoveries of Baker et al. (2017) that fraud opportunity comes from heavy dependence on manual operations, poor communication of specification of functions and poor supervision. This discovery will enhance the working environment, improve and update internal control systems regularly where the need arise. It will also increase its efficiency and decrease fraud opportunities.

Internal control system and fraud rationalization

Majority of the respondents emphasized that fraud rationalization as justification for staff committing fraud will reduce when there is proper remuneration and reward system put in place in an organization. [...] stressed the need for good control environment with the right ethical value, energy and policies. Meaning that the right ethical values will influence people's consciousness and so decrease their rationalization (R12).

Moreover, respondent (R10) results gave emphasis on creating and implementing training programs on ethics, and developing an ethical organizational culture to go hand in hand with transformational leadership to decrease fraud rationalization. In the same vein, the respondent (R8) emphasized that in some humanitarian organization, the managers do force their lower-level staff to manipulate their statement of accounts make their organization looks as if they are performing better. This statements of accounts usually presented to the donor agencies in other to attract more fundings. This synerior has a side effect in the long run on the humanitarian organization because the employees that were used to make the books of accounts and financial statements looks good, will start to rationalize their fraudulent activities. The findings indicated that humanitarian organizations should make ethical training for new employees compulsory, and replace those workers that are corrupt to build a more ethical organizational culture. This way, fraud rationalization will be reduced in the organization.

Past studies have shown that fraud rationalization is decreased due to internal control system pratice such as integrity, regular work ethics and fairness of distributive and procedural policies and upholding good values in the control environment (Peltier-Rivest & Lanoue, 2015). Nawawi and Salin (2018), also opined that company culture and environment within companies affected the likelihood of fraud. This research uphold the findings Spatacean (2012) noted that integrity and upholding good values in the control environment reduce the possibility of fraud opportunity. In addition, Peltier-Rivest and Lanoue (2015) pointed out the significance of regular ethics training. These synerious were taken to be a good internal control system measures to reduce fraud rationalization. Thus, an organisation is supposed to design policies that encourage strong inbuilt organisational culture and ethical training. This will reduce the rate at which fraud may occur and boosts ethical consciousness in the control environment. Lastly, organizations should set achievable target for their employees. This will decrease work pressure and so reduce fraud rationalization.

Internal control system and capability :

The respondents explained fraud capability as a situation where there is poor job rotation and duplication of functions in humantarian organizations. Moreover, other respondents when further to say that these make some employees to be very conversant with their duties and so gives them the chance and capability to manipulate books of accounts and records at will and then commit fraud in the organization.

Thus, the respondents gave some way forward to fraud capability by stressing the need for on job rotation and segregation of duties among staff as a means of control measures that can decrease fraud capability. But it may be difficult for it to stop in totality as some staff may likely come up with new ways to increase their fraud capability.

[...] Rotation and segregation of duties does not accord a worker a change to stay for a long time to know the task given to him very well build capability (R11)

In the same vein, other respondents further stated that constant checking of staff and risk assessment will decrease person's capability to engage in fraudulent act.

[...] It takes the ability to take advantage of opportunity and to carryout fraud operation succesfully to build capability. Thus, regular checking and risk assessment to ensure immediate detection of fraud and error capability can decreased (R3).

The empirical results from the interviews indicated that fraud is a vital risk factor that must be handled with automous care and attention because its impact on humanitarian organizations is detrimental. some responses indicated that fraud takes place because of the following factors; incentive, opportunity, rationalization, and capability to commit fraud which has made it imperative to be minimized with the assistance of internal control system in an organization. The respondents also pointed out that these four factors of fraud can be decreased with the aid of internal control system. Thus, respondents confirmed and concluded the five COSO components are vital in internal control system design, given the different roles these components play in preventing and detecting fraud within the humanitarian organizations. Past study such as Shonhadji and Maulidi (2021) deduced that fraud capability can decrease through internal control practices such as risk assessment and continuous monitoring. This research reaffirms this discovery of Shonhadji and Maulidi (2021) by highlighting that through regular risk assessment and assessment of previous fraud cases, patterns in fraud practices occuring can be deduced, and so give room for the development of new risk assessment strategies that can be install to reduce capability of fraud. In addition, humanitarian organization are expected to design, develop and monitor the internal control system, makes it flexible and easy to check. This will not only reduce fraud capability but encocourege and accomodate new changes coming as a reult of globalization.

In conclusion therefore, this study brings to light that fraud capability can be reduced through job rotation and segregation of duties.these will reduce the ability of fraud perpetrator's to take advantage of fraud opportunities. Therefore,this study contributes by confirming the discovery of Shonhadji and Maulidi (2021) and bring to bear the vital role of job rotation and segregation of duties in preventing fraud occurrence in humanitarian organizations.

Conclusion

The main aim of the study is to assess the effectiveness of internal control system use on the prevention and detection of fraud in humanitarian organizations. The research findings indicated that internal control system is effective in fraud prevention and detection in humanitarian organizations. The study further, discovered that internal control system is use to reduce fraud incentive, fraud opportunity, fraud rationalization and fraud capability.

Thus, designing, establishing and implementation of good internal control system and its proper usage is necessary and important in an organization to reduce the exposure of high risk of fraud occurring. This is because the absence of proper monitoring of the internal control system increases the risk of fraud incentive, fraud opportunity, fraud rationalization and fraud capability in an organization or institution.

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