

**INTERNAL CONTROL AND FRAUD PREVENTION IN
GOVERNMENT INSTITUTIONS. A CASE STUDY OF THE
OFFICE OF THE PRIME MINISTER**

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REG NO: 2011/U/HD/347/MBA

**DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD
OF A DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF
KYAMBOGO UNIVERSITY**

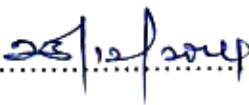
NOVEMBER 2013

DECLARATION

3alyejusa Nelson Reg. NO:2011/U/HD/347/MBA, hereby declare that this report is my original work and It has never been submitted to any other University for the award of any degree or any other award in any University or other Institute of higher learning.

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APPROVAL

This dissertation has been under my supervision as a Principal Supervisor and is ready for submission to the examiners of Kyambogo University.

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SUPERVISOR: MR. AKABWAI STEPHEN

Signature.. *Akabay*

Date.. *30/12/2014*

DEDICATION

I dedicate this report to my parents, brothers, sisters and most especially to my lovely children Nelly, Mukisa Don Noel, Birungi Kelly Clowie Nicole, Mulungi Don Moen Klyton and my dear Wife Mrs. Catherine Balyejusa for the love and support they have always given me specifically during the two years when in school. May God reward them abundantly.

ACKNOWLEDGEMENTS

I also express much gratitude to my university supervisors, Dr. Regis Kamaduka and Mr. Akabwai Stephen for their support, encouragement and advice during my research. I would also like to acknowledge my colleagues in Treasury Services Department namely; Mr. Nasamba Mubarak, Mr. Baluku Libert and Mr. Mwandha Joseph who supported and assisted me during my studies. Commissioner Mpooza Isaac, Assistant Commissioner Aiden Rujumba, and the entire Treasury Services Department for the financial support and also allowing me carry out Research despite the tight schedule in the Department, my colleagues, Miss Adrine Katusiime, Nyadoi Catherine and Miss Syson Niwomujuni for their endless support throughout my MBA studies at Kyambogo University.

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ABBREVIATIONS AND ACRONYMS

ACFE	Association of Certified Fraud Examiners
ANOVA	Analysis of Variance
CVI	Content Validity Index
ICAEW	Institute of Chartered Accountants of England and Wales
IFRS	International Financial Reporting Standards
IGG	Inspectorate of Government
IIA	Institute of Internal Auditors
MOFPED	Ministry of Finance Planning and Economic Development
OPM	Office of the Prime Minister
PAC	Public Accounts Committee
PWC	Price Water House Coopers
SPSS	Statistical Package for Social Sciences
PAT	Principal-agency theory

ABSTRACT

This study aimed at establishing the relationship between internal controls and fraud prevention in Government Institutions specifically in the office of the Prime Minister. This study was guided by the following objectives: to examine the relationship between system evaluation and fraud prevention, to examine the methods of accountability used to prevent fraud in the office of the Prime Minister; to establish the relationship between control activities and fraud Prevention; to identify strategies for preventing fraud in the office of the Prime Minister and to establish the relationship between environmental influence and fraud prevention.

The study employed a cross-sectional survey design since the data was collected from a cross section of selected departments. 126 respondents who participated in the study were selected through purposive and simple random sampling among the Directors, under secretaries, technical staff, and support staff. Several methods were used to collect data: self-administered questionnaires, interviews, review of primary documents and secondary literature.

Findings revealed that there was a positive significant relationship between all the study variables of internal controls and fraud prevention. Results showed that internal controls influence fraud prevention.

It is therefore recommended that government should allow separation of duties and set up strong structures of system evaluations and accountability strategies which are periodically monitored by external bodies like the Inspector General of Government, auditor General and others in addition to refresher trainings to employees and empowering the internal auditors. It thus be concluded that internal control systems have a direct bearing on fraud prevention.

CHAPTER ONE

1.0 Introduction

The study examines the relationship between internal controls and fraud prevention. This chapter covers the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study and significance of the study.

1.1 Background to the study

Internal control system is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries. When companies suddenly collapse, the often-resounding question is, "What went wrong?" A breakdown in the internal control system is the usual cause. Marshall (2005) asserts that internal controls are processes used by an organization to ensure that there are reliable financial reporting standards that comply with laws, policies and procedures. Internal control is a process that guides an organization towards achieving its objectives including operational efficiency and effectiveness, reliability of financial reporting, and compliance with relevant laws and regulations and absence of these variables often results in organizational failure (COSO, 2007).

Internal control is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations (Institute of Internal Auditors, IIA, 2004) which is a fundamental aspect that reflects good governance (Satterthwaite, et al, 2005). Internal controls are a fundamental tool which offers security to the business concerning the credibility of financial affairs (COSO, 1992). Baltaci and Yilmaz (2006) recognize that to reform a fiscal system, internal control and audit are crucial for the role they play in enhancing accountability and effective governance (Papadatou, 2005). Good governance and institutional performance is

driven by the mechanisms, processes and procedures, through which authorities, stakeholders and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences to enhance effective service delivery (Swianiewicz, 2002b and Bird, 2001). Internal controls independently review and evaluate the adequacy of the system of and checks management to improve these controls for good governance (Wen et al., 2002). The scope of the works of internal audit functions includes examining, evaluating and recommending improvements to the organizations' internal controls. It encompasses the policies, procedures, activities, and information systems through which its associated departments ensure: reliability, integrity, and security of information; compliance with laws and regulations; compliance with organizational policies and procedures occur including the code of conduct; safeguarding of assets; and economical and efficient use of resources (Claessens et al, 2002).

There is no universally accepted definition of fraud. However, taking one of the wider definitions, as highlighted by Davies, it includes: All those activities involving dishonesty and deception that can drain value from a business, directly or indirectly, whether or not there is a personal gain. Fraud in this context is therefore considered to be more than just the intentional distortion of financial statements, and can range from the exaggeration of expenses, to international fraud.

Fraud refers to the use of deception to obtain an unjust or illegal financial advantage and intentional misrepresentation, affecting the financial statements by the one or more individuals among management, employees or third parties (Pack, 2006). Fraud prevention consists of measures taken by an organization for the purpose of protecting its resources against fraud, waste and inefficiency so as to ensure accuracy and reliability in accounting and operating data,

securing compliance with policies of the organization and evaluating the level of performance in all the organization's units. Internal controls are good business practices (Hillison et al, 2000).

The Office of the Prime Minister in Uganda was established among other responsibilities, to take charge of government business, monitor performance of ministries and implement government programs, and manage Aid and donations from foreign governments which it had served for long. Following the International Financial Reporting Standards (IFRSs, 1992) and powers of the Auditor General in Uganda mandated under Article 163 of the Constitution of the Republic of Uganda and as elaborated on by the National Audit Act, 2008, which emphasize timely production of financial reports to supervisory government organs such as the accountant and the auditor general's office. Public institutions must prepare financial reports periodically to the accountant general's office which must be audited and verified by the auditor general's office and transparently monitored by the IGG, as has over the years been the expected practice by the OPM's office in order to create efficiency and effective utilization of public resources.

However, the Office of the Prime Minister is reported to have experienced a sophisticated and elaborate fraud to siphon off €12 million of aid money (Buteera, 2012). The scandal is said to have involved staff from the prime minister's office, and the principal accountant in the OPM's office was suspended and later sent to prison, the donors cut off their Aid to Uganda government compelling parliament to investigate the matter for a way forward (Kasiano, 2013). The OPM's office experiences financial irregularities (Bigirimana, 2012) resulting from poor financial reporting processes, poor procurement procedures, authorization procedures, segregation of duties, reconciliation of key accounts, updating of books of accounts and records which led the office of the prime minister into financial losses. In line with the above weakness, the OPM's

office is continuously experiencing poor performance and strained relationship with its donors (Kiwanuka, 2013). And if the situation is left in this state, the government may make great financial and material losses that will affect the general welfare of the citizens. On the other hand, fraud which is the major reason for setting up an internal control system, has become a pain in the neck of many Uganda Government Institutions and has also become an unfortunate challenge in Uganda Government Institutions reputation. Fraud is eating deep into organizations with a weak internal control system putting them to a high financial risk.

1.2 Statement of the Problem

Public institutions are usually managed by a set of rules and regulations set by central government including internal controls expected to prevent fraud, embezzlement and facilitate preparation of timely and accurate financial reports to ensure compliance with laws, and foster organizational effectiveness (Mattie, 2005). However, the office of the Prime Minister has continuously been losing funds through fraud in their operations. Preliminary evidence indicates existence of falsification of documents and cash, fictitious payment of suppliers, existence of ghost workers, Misappropriation of cash, alteration of invoices and embezzlement of donor funds among others (Bigirimaana, 2012). This led to loss of Aid moneys, government finances, suffering of the intended vulnerable beneficiaries, culminating into public outcry that consequently compelled government to cause an investigation of such fraudulent behaviors in the Office of the Prime Minister through the Parliamentary Public Accounts Committee (PAC, report, Oct, 2012). Despite this effort still cases of reported fraud as still high, therefore, one wonders why this problem exist, yet controls were put in place to mitigate the occurrence of fraud and this is what the study sought to establish in order to devise strategies of lessening this problem.

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1.3 Purpose of the study

The purpose of the study was to examine the relationship between internal controls and fraud prevention in the Office of the Prime Minister in Uganda. This is because cases of fraud are high yet internal controls are in place to prevent and mitigate their occurrences.

1.4 Objectives of the study

- i) To examine the relationship between system evaluation and fraud prevention in the office of the Prime Minister.
- ii) To examine the methods of Accountability in the office of the Prime Minister.
- iii) To establish the relationship between control activities and fraud Prevention in the office of the Prime Minister.
- iv) To identify strategies for preventing fraud in the office of the Prime Minister.

1.5 Research Questions

- i) What is the relationship between system evaluation and fraud prevention?
- ii) What are the methods of Accountability in the office of the Prime Minister?
- iii) What is the relationship between control activities and fraud Prevention?
- iv) What strategies can be employed for preventing fraud in the office of the Prime Minister?

1.6 Scope of the study.

1.6.1 Subject scope

The study focused on internal controls as an independent variable by looking at methods of accountability, systems evaluation and control activities. The study also looked at fraud prevention as a dependent variable by looking at strategies for preventing fraud in the office of the prime minister in Uganda in Kampala.

1.6.2 Geographical Scope

This study took the Office of the Prime Minister based in Kampala district as a case study. This is because Office of the Prime Minister is heavily involved in financial fraud which has caused financial losses to government.

1.6.3 Time frame

The study focused on the year 2013 when several reports of fraud were publically reported in the Office of the Prime Minister.

1.7 Justification

Ugandan government has suffered financial losses in most public entities and therefore necessitates the need to evaluate internal controls and thus devise strategies to mitigate the occurrences of fraud in public institutions.

It is also important to note that public servants should learn how to practice and maintain internal controls to lessen the occurrence of fraud.

With the increasing numbers of university researchers in the country, the literature from this study will enrich researchers with content regarding internal control systems.

1.8 Significance of the study

The study will help the management of the office of the prime minister to curb fraud by implementing fraud prevention measures recommended herein. It will also help future research students in their academic endeavors. The study will also help the government institutions to strongly adopt internal control systems in government entities.

This study will enable organizational leaders learn how to employ effective internal controls by evaluating the strengths and weakness of internal controls in place. The government will benefit by learning the parameters under which to appoint, regulate and manage leaders in public organizations. This research also will enrich the OPM's office with skills to re-invent itself in leadership that can foster effective accountability.

1.9 Definition of Terms.

Internal control is a process that guides an organization towards achieving its objectives including operational efficiency and effectiveness, reliability of financial reporting.

A Government is a branch or service of the supreme authority of a state or nation, taken as representing the whole.

Fraud refers to the use of deception to obtain an unjust or illegal financial advantage and intentional misrepresentation.

A Stakeholder is a person, group or organization that has interest or concern in an organization.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section details the review of related literature of the concepts which were derived from the objectives of the study. It assessed the studies that have been undertaken on internal control systems in relation to fraud prevention. It presents a theoretical review and defines and describes the concepts and presents the linkage between them using a conceptual framework.

2.1 Theoretical review

The study employed the Principal-Agent theory to explain how internal controls can prevent fraud in organizations (Scope, 2005). Principal-agency theory (PAT) is one modeling technique that assumes a relationship in which the agent has an informational advantage over the principal and takes actions that impact both the principal and the agent payoffs. The principal has the formal authority, but in PAT, the attention is on a particular form of formal authority: the authority to impose incentives on the agent. However, in most cases the agents act in their best interests rather than in interest of the principal there by causing the agency problem.

The theory is applicable to this study because internal control is one of many mechanisms used in business to address the agency problem. The Sarbanes-Oxley Act of 2002 (SOX) requires companies to report on the effectiveness of their internal controls over financial reporting as part of an overall effort to restore integrity to the financial reporting process (Morris, 2011). Studies have shown that internal control reduces agency costs (Abdel-khalik 1993; Barefield et al. 1993),

with some even arguing that firms have an economic incentive to report on internal control, even without the requirements of SOX (Deumes and Knechel 2008). Their argument assumes that providing this additional information to the principal (shareholder) about the behaviour of the agent (management) reduces information asymmetry and lowers investor risk and, therefore, the cost of equity capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management (Chan et al. 2008; Ashbaugh et al. 2008). Earnings management is the agency problem that motivated SOX legislation in the first place, specifically earnings manipulation by Enron, WorldCom, etc.

Internal controls have played a major role in moderating the agency problem in corporations and public institutions for many years. Accordingly, Samson et al. (2006) document several internal control procedures used by Altimore and Ohio Railroad as early as 1831. During the 1980s, several high-profile audit failures led to creation of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), organized for the purpose of redefining internal control and the criteria for determining the effectiveness of an internal control system (Simmons 1997). They studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies, independent auditors, educational institutions, the Securities Exchange Commission (SEC), and other regulators (COSO 1985). The product of their work is known as the COSO Internal Control—Integrated Framework (Simmons 1997). The framework also points out that controls are most effective when they are “built into” the entity’s infrastructure (COSO 1992,) and further states that “built in controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions” (COSO 1992).

At the turn of the century, another group of corporate scandals resulted in enactment of the Sarbanes-Oxley Act of 2002 (SOX) which, among other things, requires a formal report on the effectiveness of internal controls (Marcia 2006). The COSO framework plays a key role in compliance because Section 404 of the Act requires companies to include in their annual report, a separate management report on the company's internal control over financial reporting and an attestation report issued by a registered public accounting firm.

Morris. (2011) separates internal controls into those that are general (entity-wide) controls from those that are specific (account-level) controls. He believes that if management was overriding control features in order to manage earnings, then one would expect to find more Internal Control Weaknesses related to general controls, even if the specific controls are effective. This type of behavior should be uncovered during the audit process since this is an area of concern specifically identified in Auditing Standard No. 5, Paragraph 24, which states that "entity-level controls include controls over management override." On the other hand Levasseur (2002) says a stronger argument could be made that if general controls are in place and working, then one would expect to find less Internal Control Weaknesses related to general controls.

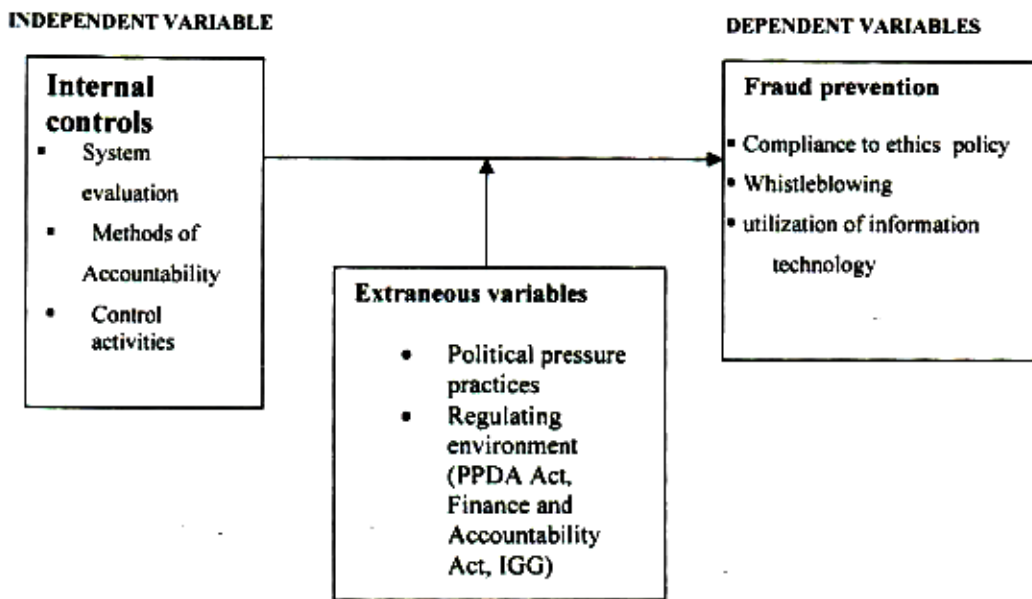
Whittington and Pany (2001), attempt to explain the meaning, significance of Internal Controls, and the Components of a Company's internal controls. They also attempt to explain the relevancy of internal controls in large scale business organizations as process effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories; reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable

laws and regulations. Horngren and Sundem (2009) emphasize that internal controls is a process and not an end in or of itself. They note that internal controls provide reasonable but not absolute assurance about the attainment of an entity's objectives. Gupta (2001) also acknowledges that internal controls can only provide reasonable assurance that management objectives will be achieved.

This is basically due to the inherent limitations of internal controls In the Executive Summary of "Enterprise Risk Management-Integrated Framework" 2004 by the Committee of Sponsoring Organizations (COSO, 2004), of the Treadway Commission, Internal controls have been incorporated into policies, rules and regulations to help organizations achieve their established objectives. This is in line with Pany, Gupta and Hayes (2001), assertion that internal controls are meant to help an organization achieve its objectives. The COSO commission was partly instituted in response to a series of high profile scandals and business failures where stakeholders suffered tremendous losses. This study however differs in that it is done for an organisation that is not ailing though there are reported incidences of scandals and financial misfeasance. The end results should therefore aid the preventive mechanism rather than being reactionary. Entities exist to provide value to its stakeholders but are normally face with uncertainty.

2.2 The Conceptual Framework

Below is the conceptual model (Figure 1.0) explaining the relationship between internal controls (independent variable) and fraud prevention (dependent variable).

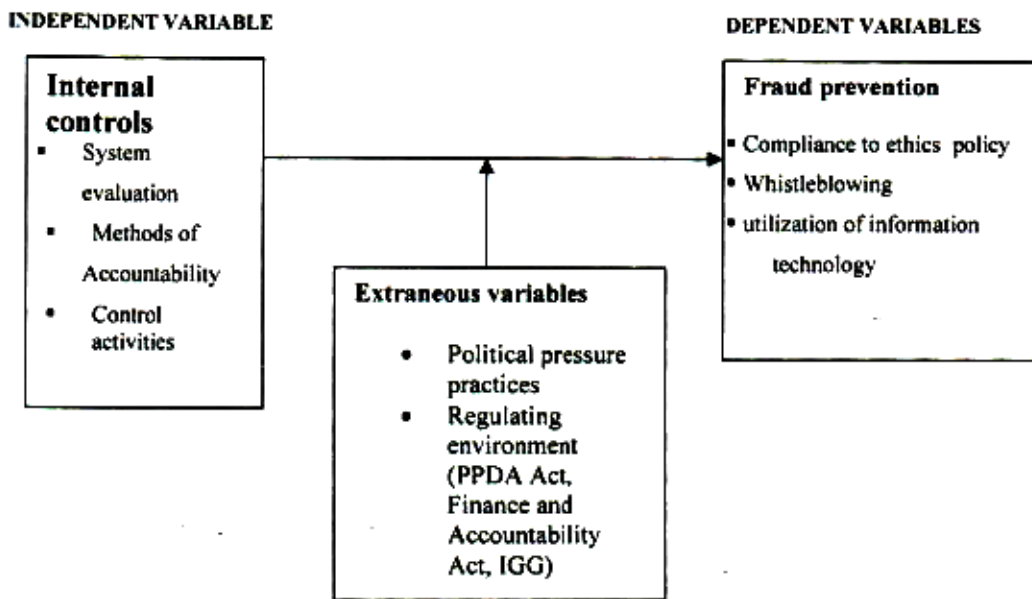


Source: Morris 2011

This Conceptual framework is developed to show the relationship between internal controls as the independent variable and fraud prevention as the dependent variable. Internal control (independent variable) is operationalised by the constructs of methods of accountability, systems evaluation and control activities (Dorminey, et.al, 2012). While fraud prevention (dependent variable) is operationalised by the constructs of ethical behavior, whistleblowing and utilization of information technology (Pricewaterhouse Coopers, 2009) and Black, (2007). And, the extraneous variables which include political pressure practices and regulating environment (PPDA Act, Finance and Accountability Act, IGG) modified from works developed by Fewings, (2008). Hence, it is believed that if the extraneous variables are favourable then fraud prevention will be minimized as indicated in the conceptual framework. Therefore extraneous variables were controlled by matching them with study variables.

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2.3 System evaluation and Fraud Prevention

System evaluation has been adopted by organisations to create a strong control review system which is quite essential for both success and sustainability of organisations. According to CIIA, (2013), the financial and public sectors are covered by developments, which amount to enhanced guidelines for internal controls that go beyond the generally accepted global standards of The Institute of Internal Auditors (IIA, 2012). In financial services, creating and implementing an appropriate and effective monitoring and evaluation system is a challenge, (Weirich and Reinstein, 2000). According to Pollick, (2006), all aspects determining performance must be considered such as; compliance, risk, internal audit, and management. Senior management must be wholly committed to supporting the system and must totally guarantee its accuracy and integrity to the government monitoring institutions. Compliance staff must be fully expert in system evaluation and it is essential that staff generally receive extensive and dedicated trainings so that they can be able to detect and identify fraudulent activities. And indeed people need to know fraud and its dynamics that could help such managers to seek adequate solutions to such challenges. Some common types of fraud include creating fictitious creditors, “ghosts” on the payroll, falsifying cash sales, undeclared stock, making unauthorized “write-offs”, and claiming excessive or never-incurred expenses. Pollick (2006) regards fraud as a “deliberate misrepresentation, which causes one to suffer damages, usually monetary losses”. According to Pollick, most people consider lying as fraud, but, in a legal sense, lying is only one small element of actual fraud. Albrecht *et al* (1995 cited in Allyne & Howard, 2005) classified fraud into “employee embezzlement, management fraud, investment scams, vendor fraud, customer fraud, and miscellaneous fraud”. Fraud also involves complicated financial transactions conducted by

white collar criminals, business professionals with specialized knowledge and criminal intent (Pollick, 2006).

Recent corporate financial accounting scandals (for instance, Enron, WorldCom, Global Crossing, Tyco, etc.) have increased concerns about fraud, wiped out billions of dollars of shareholder value, and led to the erosion of investor confidence in financial markets (Peterson and Buckhoff, 2004; Rezaee et al., 2004). Globally, the average estimated loss per organization from economic crimes is \$2,199,930 over a two-year period (PWC, 2003). In the USA, the Association of Certified Fraud Examiners (ACFE) estimates that about six percent of firm revenues, or \$660 billion, is lost per year as the result of occupational fraud (Association of Certified Fraud Examiners, 2004).

Although larger businesses are more likely to experience economic crime, fraud may be more costly for small businesses (Thomas and Gibson, 2003; PriceWaterhouseCoopers (PWC), 2003). The average small business fraud amounted to \$98,000 per occurrence compared to \$105,500 per incident for large companies (Association of Certified Fraud Examiners, 2004). On a per employee basis, losses from fraud can be as much as 100 times greater at small firms than large firms (Association of Certified Fraud Examiners, 2004; Wells, 2003). In addition, the damage inflicted by fraud goes beyond direct monetary loss. Collateral damage may include harm to external business relationships, employee morale, firm reputation, and branding (PriceWaterhouseCoopers (PWC), 2003). In fact, some of the collateral effects of fraud, such as damage to firm reputation, can be long-term (PriceWaterhouseCoopers (PWC), 2003). Despite the increased incidence of fraud and enactment of new anti-fraud laws, many organizational anti-fraud efforts are not current and are somewhat superficial (Andersen, 2004). Hence, many entities

are trying new and different steps to combat fraud (KPMG Forensic, 2003; PriceWaterhouseCoopers (PWC), 2003).

One reason that entities of all types are taking more and different steps to fight fraud is that the traditional red flags approach is not considered effective. The well-known red flags approach involves the use of a checklist of fraud indicators. The existence of red flags does not portend the presence of fraud but represents conditions associated with fraud; they are cues meant to alert an auditor to the possibility of fraudulent activity (Krambia-Kardis, 2002). Numerous commentators have cast doubt on the red flags approach as it suffers from two limitations:

Fraud prevention is becoming increasingly important to managers of organizations, to internal and external auditors, and to regulators. Recent events, such as revelations of fraud-related problems at HealthSouth, Enron, and WorldCom, and the Sarbanes-Oxley Act stress the importance of early detection of fraud. Financial statement frauds have weakened investor confidence in corporate financial statements, led to a decrease in market capitalization, and have contributed to four of the 10 largest bankruptcies in history.

Fraud has increased considerably over the recent years and professionals believe this trend is likely to continue. According to Brink and Witt (2006), fraud is an ever present threat to the effective utilization of resources and it will always be an important concern of management. The review of the literature shows that fraud has been broadly defined. ISA 240 'The Auditor's Responsibilities to Consider Fraud in an Audit of Financial Statement (Revised)' refers fraud as "an intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage (para. 6)". KPMG Forensic Malaysia (2005), in their Fraud Survey 2004 defines fraud 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/her actions”.

With the best of intentions, most people make mistakes. The mistakes may be errors in the end results of their work, needless inefficiencies in achieving those end results, or both. And sometimes, without the best of intentions, a few people deliberately falsify. Any organisation wishing to conduct its business in an orderly and efficient manner and to produce reliable financial accounting information, both for its own and for others' use, needs some controls to minimise the effects of these endemic human failings.

This raises the interesting historical question of whether these requirements of an internal control system are effectively ahistorical? Whatever the societal institution is there a need to run that institution efficiently, to safeguard assets, to guard against fraud and to deliver proper accountable information?

The aim of this particular paper is to compare and contrast internal control systems in medieval England with those found today. In particular, the nature of modes of internal control in medieval institutions, such as the English exchequer or medieval Manor, is contrasted with that used in modern institutions such as corporations or government departments. As all institutions, whatever their historical location, need internal controls, we might expect the perennial nature of internal control to be evident in bygone as well as in present times.

When comparing the present with the past caution is needed. To explore the similarities and differences between different historical eras is potentially fruitful and may help to inform present debates and future policies. Historians are always reinterpreting the past from the standpoint of the present. As the famous historian Carr (1987, p. 24) wrote: “we can view the past, and achieve our understanding of the past, only through the eyes of the present”. However, when interpreting

the past through the lens of the present, it is necessary to beware anachronisms (Gaskill, 2000). Words like state, war, king and Church all have current connotations which may be different from their past meanings. They are, in effect, relative concepts bounded by historical context. This is a potential problem with all historical research, including accounting and business history. However, the historian has no choice but to use them (Carr, 1987). It is part of the historian's reinterpretation of the past. In this particular study, this problem is somewhat lessened by the overarching and flexible nature of the corporate governance framework deployed. This framework is meant to provide a reference point by which to gauge internal control in the twelfth century rather than as an imposed paradigm or model. To lessen the problem of terminological anachronisms, where concepts in medieval England and modern England are likely to have had significantly different meanings, like audit, the medieval meaning is explained.

Medieval England provides an interesting comparator for twenty first century Britain as for the first time, in England, a powerful, administratively strong, centralised state emerged. It was probably the most sophisticated state since the Romans (Warren-Hollister, 2001). The English state, particularly under Henry I (1100-1135) and Henry II (1154-1189), was premised on an efficient, financial administrative system. There was unparalleled centralisation and greater logistical capacity than in any previous period (Mann, 1986). This was arguably the first time that there was a need for sophisticated accounting controls. Once established these modes of internal control, such as the audit, have survived, evolved and spread.

There has been very little specific focus on the financial administrative history of the time, particularly from an accounting or corporate governance perspective. Gruber, (2011) review accounting aspects of the period while Bryer (1994, 2000a, b) addresses the feudal aspects of accounting from a Marxian perspective. Most relevant to the present paper is Hoskin

and Macve (1986), who examine late-medieval developments in accounting technology. Of particular interest, they argue that the power-knowledge term “control” emerges from the late twelfth century. It derives, they believe, from the terms *contrarotulus* and *contre-rolle* used for duplicate copies of accounting rolls (i.e. accounting records) at the English exchequer. (Kanniainen, 2010).

Twelfth century England was a relatively new state (Green, 1986). William the Conqueror had led the Norman invasion of England in 1066 and superimposed Norman rule over Anglo-Saxon institutions. For the time, he created a relatively, centralized state which was run by a feudal aristocracy where land was held for service (Britnell, 2001). Norman power was consolidated militarily and economically: militarily through the knights and castles and economically through the introduction of a sophisticated administrative system. As in any society, twelfth century England consisted of a great number of institutions: local and central, religious and lay. All of these needed some form of financial administration, and hence, internal control. There were monasteries and bishoprics, manorial estates, boroughs and guilds, and universities.

The evidence in the paper is drawn both from primary and secondary texts, in existence, in medieval times and today. Current auditing textbooks, auditing standards (APB, 1995a, b; IFAC, 2002) and modern reports into internal control (Sullivan, 2010) are used to provide a framework to compare and contrast the modes of internal control today and in medieval England. This framework is used as a heuristic device, a point of reference rather than as an imposed model. It has five main components (control environment, risk assessment, information and communication, monitoring and control activities). The control environment is the foundational context within which the other aspects of internal control operate (Konrath, 1999). The

philosophy and management style, organizational structure, methods of imposing control, assignment of authority and responsibility are all key aspects of the control environment (Sullivan, 2010).

Risk assessment is the identification, evaluation and management of risks[3]. Risks can relate, inter alia, to financial statement fraud or to the misappropriation of assets. Information and communication involves having procedures for periodic reporting which identify, capture, process and record all of an organisation's transactions. Relevant information is necessary to run any enterprise effectively. This can be internal, such as management reports or external, such as the annual report. Information can be communicated verbally or in writing.

Monitoring involves management and supervisory activities, including internal audit. Monitoring controls are often a form of detection rather than of prevention (Walters and Dunn, 2001) and might include inspection, observation, enquiry and confirmation, computation and analytical procedures. Control activities are the day-to-day operational controls which enable an entity's objectives to be achieved. They include: competent, reliable personnel; clearly defined areas of responsibility; proper authorisation; adequate documentation; segregation of incompatible duties; independent checks on performance and the physical safeguarding of assets.

Fraud sometimes appears to have assumed epic dimensions. According to a 1993 survey by the US branch of KPMG Peat Marwick, 75% of the nation's largest companies acknowledged that they had experienced fraud during the previous year. Nearly a quarter of the respondents admitted to losses in excess of \$1 M; two-thirds reported actual or potential losses of more than \$100,000 (Williger, 1994).

Hotten (1993) examined the fraud phenomenon through the Victorian age. He wrote that Margaret Thatcher's call in the early 1980s for a return to Victorian values heralded an outbreak of corruption strongly reminiscent of that age. In Hotten's view, Victorian frauds had soured the image of businessmen in the minds of the people; the Industrial Revolution and the consequent emergence of sophisticated financial and legal networks led to expanded opportunities for fraud.

Fraud is classified into two and is; Management fraud and Employee fraud

Management fraud often involves the manipulation of records and the account, typically by the enterprise's senior officers with a view to benefiting in some indirect way, an example of obtaining finance under false pretences, or concealing a material, worsening off the company's true position, that is window dressing (Fakunle, 2006).

Management fraud is also defined as a deliberate fraud, committed by management that injures investors and creditors, through materially misleading financial statements (Robertson, 1996).

The essence of management fraud most times is to attract more shareholders to come and invest in the organization. It is also perpetrated, so that organization will be in better position of obtaining loans from banks, because, a good statement will show a healthy look, hence it will be a good collateral security.

Employee fraud also known as non-management fraud, employee fraud is a fraud that is perpetrated by the employees of an organization. It is the use of fraudulent means to take money or other property from an employer (Robertson, 1996). It usually involves falsification of some kind of documents, lying, exceeding authority, or violating an employer's policies, embezzlement of company's funds, usually in form of cash or other assets.

Employee frauds according to Awe (2005) are as follows: Fictitious payment of suppliers, Alteration of invoices, Double payment of invoices, Suppression of credit notes received,

Missing returned cheques (so that it appears that bills are paid), payroll fraud like payment for hours not worked for, ghost employees, payment of an incorrect wage rate, deliberate error in wage sheet, misappropriated cash taking, Actual theft of cash balance, Misappropriated cash from creditors.

According to Black Law Dictionary (cited in Lawrence *et al* 2004), fraud also means “taking advantage over another person by providing false, misleading suggestions, or by suppression of the truth”. Therefore, fraud is not restricted to monetary or material benefits. It includes intangibles such as status and information. In the Anti-fraud policy in Murdoch University (2001), fraud is described as “...inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing, with the object of obtaining money or other benefits from or by evading a liability”.

Other researchers have investigated the effectiveness of various audit procedures in detecting fraud. Hylas and Ashton (1982) performed an empirical study of 281 errors requiring financial statement adjustments on 152 audits. These researchers found that analytical review procedures and discussions with clients predicted a large percentage of errors. Wright and Ashton (1989) investigated the fraud detection effectiveness of client inquiry, expectations based on prior years, and analytical reviews from a sample of 186 engagements involving 368 proposed audit adjustments. These researchers discovered that about half of the errors were signaled by the three procedures noted.

Blocher (1992) determined that only four out of 24 fraud cases were signaled by analytical procedures. Calderon and Green (1994) found that analytical procedures were the initial signal in 15 percent of 455 fraud cases. Kaminski and Wetzel (2004) performed a longitudinal examination of various financial ratios on 30 matched pairs of firms. Using chaos theory

methodology, metric tests were run to analyze the behavior of time-series data. These researchers found no differences in the dynamics between fraudulent and non-fraudulent firms providing evidence of the limited ability of financial ratios to detect fraud.

Apostolou et al. (2001) surveyed 140 internal and external auditors on the fraud risk factors contained in SAS 82. They document management characteristics as the most significant predictor of fraud followed by client operating/financial stability features, and industry conditions. Chen and Sennetti (2005) apply a limited, industry-specific strategic systems auditing lens and a logistic regression model to a matched sample of 52 computer firms accused of fraudulent financial reporting by the SEC. The model achieved an overall prediction rate of 91 percent for fraud and non-fraud firms.

Moyes and Baker (2013) conducted a survey of practicing auditors concerning the fraud detection effectiveness of 218 standard audit procedures. Results indicate that 56 out of 218 procedures were considered more effective in detecting fraud. In general, the most effective procedures were those yielding evidence about the existence and/or the strength of internal controls.

2.4 Methods of Accountability

Internal controls are processes used by an organization to ensure operations, reliable, financial reporting and compliance with laws, policies and Procedures (Marshall, 2005). Methods of Accountability are policies, procedures, practices and organizational structures implemented to provide reasonable assurance that an organization's objectives will be achieved and undesired risk events will be prevented or detected and corrected, based on either compliance or management initiated concerns (Awe, 2005).

Both fraudulent financial reporting and asset misappropriation have become major costs for many organizations. Numerous fraud prevention and detection techniques are now utilized to reduce the direct and indirect costs associated with all forms of fraud. These various techniques include but are not limited to: fraud policies, telephone hot lines, employee reference checks, fraud vulnerability reviews, vendor contract reviews and sanctions, analytical reviews (financial ratio analysis), password protection, firewalls, digital analysis and other forms of software technology, and discovery sampling (Carpenter and Mahoney, 2001; Thomas and Gibson, 2003). Organizations that have not been fraud victims tend to rely more on intangible prevention tools such as codes of conduct or fraud reporting policies while those that have suffered fraud have implemented more tangible measures such as whistle-blowing policies and fraud prevention and detection training (PriceWaterhouseCoopers (PWC), 2003).

Maintain a fraud policy

Every organization should create and maintain a fraud policy for guiding employees. A corporate fraud policy should be separate and distinct from a corporate code of conduct or ethics policy. A model or sample fraud policy is available from the ACFE. Such a fraud policy should be clearly communicated to employees. Various avenues of communication include use in orientation of new hires, employee training seminars, and annual performance evaluations. Written acknowledgment by each employee that the policy has been read and understood should be required (Dorminey et al., 2012).

Establish a telephone hotline .A rather novel fraud approach that is becoming more common is the use of anonymous telephone hotlines (Holtfreter, 2004). It is a very cost effective means for detecting occupational fraud and abuse. A hotline allows employees to provide confidential,

inside information without the fear of reprisal that accompanies being a whistleblower (Pergola and Sprung, 2005).

Hotlines may be supported in-house or provided by a third party. An example of a third-party hotline is a subscription service offered by the ACFE. The annual subscription rate may be quite modest. The results of all calls are provided to the client within two or three days. A hotline is not only an effective detection tool but it also enhances deterrence. Potential perpetrators will likely have second thoughts when considering the risks of being caught.

The institute of Chartered Accountants of England and Wales (ICAEW,2012), defined it as the whole system of controls, financial or otherwise, established by management in order to carry on the business enterprise in an orderly and efficient manner, ensure adherence to management policies, safe guard the assets and secure as far as possible, the completeness and accuracy of records.

Also internal control systems are the measures taken by an organization for the purpose of protecting its resources against wastes, fraud, inefficiency; ensuring accuracy and reliability in accounting and operating data, securing compliance with organization policies and evaluating the level of performance in all divisions of the organization, (Dorminey et al., 2012). Internal control system is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries. A proactive preventive approach to the problem requires a critical evaluation of existing internal control structures in organizations to determine their capacity to ensure that the organization's activities are carried out in accordance with established goals, policies and procedures (Manzano, et.al, (2011).

Internal controls can be split into two groups: active and passive internal control systems. Active internal controls are signatures, passwords, segregation of duties etc. As Davia et al. (2000) put, these can be compared with fences. They may appear insurmountable at first sight, but like all fences, they have their weakness to be defeated by clever fraud perpetrators. And like a fence, once evaded, there is little or no continuing value in preventing or deterring fraud. Albrecht, et.al, (2012), Passive internal controls operate at a deterrent level. Instead of preventing fraud, like active controls attempt to, the emphasis here is on deterring. Passive internal control systems induce a state of mind in the would-be perpetrator that strongly motivates him "not to go there". Examples of passive control systems are surprise audits, customized controls and audit trails. Passive control systems, when turned active if a company feels the need to do so (they suspect fraud), mainly make use of reporting tools, like providing deterrent numbers and statistics for manual analysis.

Internal control systems are categorized under; Preventive controls that prevent risks from occurring (Transparency International ,2012). For example authorization controls should prevent fraudulent or error full transactions from taking place. Other preventive controls are segregation of duties, recruitment and training of the right staff and having effective control culture. Detective controls that detect if any problem has occurred. They are designed to pick up errors that have not been prevented; these could be exception types of reports that reveal that control has been circumvented (Manzano, et.al, 2011),

Examples include amount paid without being authorized, reconciliation, and supervisions and internal checks and Corrective controls that are designed to fix errors or irregularities after they are detected, (Will, 1999). Examples are; a transfer expenditure request form is completed, properly approved, and sent to move an expense to the proper account.

All of the control activities identified in the modern literature were present in the twelfth century internal corruption so as to maintain a public appearance of integrity and trustworthiness. Traditionally, the most common tactic that has been used to protect against the threat of management and employee fraud in the financial sector has been to focus on improving internal controls and checks so as to reduce the opportunities for fraudulent behaviour at work. Typical measures in this respect have included: task rotation, improved internal communication, independent checks, segregation of duties and enhanced systems of authorization (Beasley et al., 2000; Wells, 2004). Yet, as recent scandals such as those involving the rigging of the London Interbank Offered Rate (Libor) have so clearly highlighted, many bank managers and employees have proved to be very adept at finding ways to bypass these sorts of internal checks. As a result, renewed calls have been made – not just in the financial sector but also across a range of professions – for greater efforts to be made to combat fraudulent behaviour in the workplace (Levi et al., 2007; Murphy and Dacin, 2011).

Amongst the many suggestions that have been forwarded to tackle occupational fraud has been the need for more detailed research to be conducted into understanding the factors that motivate workers and other insiders to commit such crimes (Albrecht, 2012; Pan et al., 2011; Wells, 2001). Surprisingly, this is an area that has received almost no attention from those who have written about occupational fraud in the financial sector. Indeed, what little that has been written on the subject of fraud motivation in the workplace has tended to treat the figure of the worker as a unitary one, with little attempt made to distinguish between different professions (Kapardis and Krambia-Kapardis, 2004). This paper seeks to go some way towards redressing this analytical imbalance by providing an in-depth, exploratory look at the factors that have motivated managers and employees in the British financial sector to commit fraudulent offences at work.

Amongst the key questions that it will endeavour to answer is the issue of whether or not the factors that motivate bank managers and employees to commit fraudulent offences at work are the same as those that motivate workers in other sectors. In addition, this paper will also consider whether or not the motivating factors differ according to occupational status and whether there is a need for auditors and regulators to distinguish between senior-level bank employees and lower-level ones when it comes to assessing fraud risks in the financial sector.

2.5. Control activities and fraud prevention

Control activities are activities built in a well and efficient internal control system with proper activities to streamline transparency and thus contributes to the success of a business entity. Many companies continue to exhibit a tendency to rely mostly on external control systems. Jensen (2003) and Varela-Neira et al., (2010), have shown that demand for control is linked to the presence of agency costs, which can be reduced by hiring internal control activities such as auditing. However, internal and external control mechanisms are fundamentally different by definition. External control mechanisms such as external audits are intended primarily to enhance the reliability of financial reporting, either directly or indirectly by increasing accountability among information providers (Jensen, 2003).

In the highly competitive market, a well-managed internal control system guards the business entity from failure (Varela-Neira et al., 2010). The small scale of internal controls inside the business entity improves employee's understanding of company goals and objectives and builds up the concepts of internal controls; employees tend to carry out more exactly on the company policies and programs thus the operating efficiency can be improved as a whole. Good control

means that risks are identified and dealt with effectively since they monitor the profitability goals of the organization, enhancing profitability and protecting the assets (Vinod, 2006).

According to PricewaterhouseCoopers, (2009) and Anderson et al., (2004), internal audit function contributes to better governance when it operates within a strategic framework established by the audit committee and senior management (primary stakeholders) and addresses enterprise-wide risk and control issues. Once this strategic framework is in place, the company is likely to be well positioned to define the mission, organizational structure, resource model, working practices and communications protocols for the internal audit function. Literature indicates that this checks accountability and takes a center stage in creating good corporate governance structure (IIA, 2012). Internal auditors take an active role in supporting an organization's ethical culture in which they help detect misappropriation of an organization's assets. Internal Audit function requires management to certify the effectiveness of disclosure, controls and procedures with respect to firms' quarterly and annual reports. At such a stage, it requires that organization's management document, evaluate, and report on the effectiveness of internal control over financial reporting. This requirement may increase external auditors' reliance on the work of internal auditors when they perform the integrated audit.

Internal audit departments in a variety of organizations are currently using total quality management to improve continuously the quality of their internal audit services (Varela-Neira et al., 2010) together with the use of audit principles in developing an improved approach to internal auditing which is called the Internal Process Assessment. This approach has shifted from the traditional functional audits to the assessment of processes, and helps the internal audit departments to for instance, become more of a team player; make recommendations that add

value, focus attention on significant activities; and finally develop a positive attitude towards helping management achieve goals (Young, 2005).

2.6 Conclusion

This chapter reviewed and discussed existing relevant literature, covering the concepts of fraud prevention and internal controls. Fraud prevention and internal controls have been considered broadly according to views of different scholars and later discussed in the context of Office of Prime Minister. Factors that are seen to hinder Office of Prime Minister to prevent fraud and how these can be solved were discussed. It also outlines the processes and routes of fraud prevention and internal control and how they are linked. The review led to anticipation that in Office of Prime Minister there are loopholes in the internal control systems which are likely to affect adversely its fraud prevention strategies and this is what the study sought to find out.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section discusses the methods that were used in conducting the study. It describes research methodology, the area of study, the study population and sampling design, sources of data, data collection, data collection procedure and instruments, measurement of variables, data analysis tools and limitations to the study.

3.1 Study Design

The study adopted a cross-sectional survey design because data was collected at a single point in time to answer research questions (Sekaran, 2003: 135). The study employed both qualitative and quantitative approaches. Quantitative approach provided the fundamental connection between empirical observation and mathematical expression of quantitative relationship. The quantitative method also enabled the study to work out the relationships between variables including internal controls and fraud prevention. Qualitative approach was also employed. This approach allowed the researcher to solicit information that cannot be quantified (Mugenda and Mugenda, 1999) combining numerical and textual approaches can help the researcher enrich the interpretation of findings of the study.

3.2 Area of Study

The study was conducted in the Prime Minister's Office because it is where there were rampant reports of fraud among officials. Prime Minister's Office is located in Kampala. The prime minister's office is a government ministry in charge of handling all government businesses with several ministries housed in there ie disaster preparedness, etc, and the ministry of finance is in charge of government treasury.

3.3 Target Population

The target population included the civil servants in the Prime Minister's Office which amounted to approximately 375 in total (OPMs Human Resource Records, 2012). These included (5) directors, (23) under secretaries, (172) technical staff, and 175 support staff. The above

categories of civil servants participated in providing data relating to accountability, systems evaluation, control activities and how these influence fraud prevention in OPM.

Table 2.1: Sampling frame of Public servants in the OPM's Office.

Serial Number	Category of civil servants	Number of public employees
1.	Directors	5
2.	Under secretaries	9
3.	Technical staff (accountants, procurement staff, engineers Economists etc)	186
4.	Support staff(OPM)	175
	Total	375

(OPMs Human Resource Records, 2012).

3.4 Sample Size

The target population of all civil servants in the OPM's office were 375. This number was rather big for this study. For that reason a minimum sample size had to be determined using the following statistical parameters. The "estimate" needs to be 95% accurate which corresponds to a z-score of 1.96 (Saunders, et al, 2004). The minimum margin of error (e) was 5%. It was presumed that 80% of the selected respondents were to answer all the items on the questionnaire correctly and return them. It therefore meant that 20% had high chance of not being able to complete all the questions accurately and fully.

Using the method popularized by de Vaus (2002), the required minimum sample of civil servants that received the questionnaires were determined as follows:

$$n = p\% \times q\% \times \left(\frac{z}{e}\right)^2$$

where n = minimum sample

p = proportion that will respondent accurately

q = proportion that may fail or make mistakes

z = value corresponding to the level of confidence required

e = margin of error required.

$$\text{therefore, } n = 80 \times 20 \times \left(\frac{1.96}{5}\right)^2$$

$$n = 1600 \times (0.392)^2$$

$$n = 1600 \times 0.154$$

$$n = 246.4$$

$$n = 246$$

This figure of 246 was adjusted using the total number (375) of Public employees in OPM's office. This is done in order to obtain the minimum sample. The adjustment followed the following formula:

n' = the adjusted minimum sample size.

n = the minimum sample size (as calculated above).

N = the total population.

$$n' = 1 + \frac{n}{\left(\frac{n}{N}\right)}$$

$$n' = 1 + \frac{246}{\left(\frac{246}{375}\right)}$$

$$n' = \frac{246}{1 + 0.656}$$

$$n' = 149$$

So a sample of 149 public employees in the prime minister's office and minister of finance were selected for the study.

3.5 Sampling Techniques

In determining the numbers of respondents, a stratified sampling technique was used to select the respondents from prime minister's office, who responded to the questionnaire and interviews. The Stratified sampling technique was preferred because there are several categories of respondents in the strata of the civil servants in prime minister's office. The stratified sampling technique was used to determine the numbers of respondents is:

Formula

$$r = \frac{c \times s}{p}$$

where
r = respondents desired from a stratum
c = category (stratum) population
s = desired sample
p = population of all the Public employees.

For instance the number of respondents from the different categories was determined as follows:

$$\begin{aligned} \text{Directors} &= r = \frac{5 \times 149}{375} = \\ &r = 2 \text{ (respondents)}. \end{aligned}$$

$$\begin{aligned} \text{Under Secretaries} &= r = \frac{9 \times 149}{375} = \\ &r = 4 \text{ (respondents)}. \end{aligned}$$

$$\begin{aligned} \text{Technical Staff} &= r = \frac{186 \times 149}{375} = \\ &r = 74 \text{ (respondents)}. \end{aligned}$$

$$\begin{aligned} \text{Support Staff} &= r = \frac{175 \times 149}{375} = \\ &r = 69 \text{ (respondents)}. \end{aligned}$$

Table 2: Sample size selection table

Category of Respondents	Total population	Number of respondents
Directors	5	2
Under Secretaries	9	4
Technical Staff	186	74
Support Staff	175	69
Total	375	149

Source: Researcher (2013)

After having determined the numbers of respondents from each stratum, directors and undersecretaries were selected using purposive sampling technique. These were selected because they participate in making decisions in their departments or sections. Purposive sampling is one where sampling is confined to specific types of people who can provide the desired information (Sekaran, 2003: 277; Amin, and 2005:242). Purposive sampling is often used when working with very small samples and when selecting cases that are particularly informative (Neuman 2000) hence, its application in this study.

3.6 Measurement of variables

For all the research variables, a 5-point Likert scale was used in which respondents were requested to give responses that were ranked from strongly agree (5) , Agree (4), Not sure(3) Disagree (2) to strongly disagree(1).

Internal controls as the independent variable was measured by the constructs' of system evaluation, methods of accountability and control activities as modified from Anderson et al., (2004) and (Black, (2007).

Fraud prevention (dependent variable) was measured by the constructs' of ethical behavior, whistleblowing and utilization of information technology (Pricewaterhouse Coopers, 2009) and Black, (2007).

3.7 Research instruments

Two types of data collection instruments were used in the study. These included questionnaire forms and interview guides which are briefly explained in the following subsection.

(i) The Questionnaire form

The quantitative data was collected using a standardized questionnaire as one of the primary research instrument. All respondents filled because they are in charge of accountability and meritocracy for the day to day decisions. The questionnaires are techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order (de Vaus, 2002). The questionnaires are structured self-administered consisting of open ended and close ended questions. Questionnaires are chosen for collecting data because of the number of respondents is big and they also enable the assessment and interpretation of views related to internal control and fraud prevention (Statpack, 2004).

(ii) Interview Guides

Interview guides were used to elicit information from a limited number of respondents. An interview is a purposeful discussion between two or more people (Kahn and Cannel (1957). Through the use of interviews it was possible to gather qualitative information relevant to research objectives. Semi-structured and in depth interviews were used to obtain qualitative data from the respondents. Those interviewed included the Directors, under secretaries and the accountants general. It was expected that interviews would provide a deeper understanding of the and interpretation of information (Kakooza, 1995), and would help to probe respondents on the contributions of legislations to the performance of civil servants of prime minister's office and minister of finance; the extent to which civil servants have followed codes of conduct and ethics in executing duties and strategies for the enhancing ethical conduct among Public servants.

3.8 Data quality control

Prior to using the questionnaire to collect data it was tested. The purpose is to refine the questionnaire so that respondents have no problem in answering the question. There were no problems in recording the data. It also enabled the assessment of questions validity and likely reliability of the data.

The issues of reliability and validity were taken into account by this study. This is because the data collected have to be reliable and valid (Saunders et al 1997: 173) if accurate conclusion are to be drawn. Reliability is about consistency of the research scales (White, 2002: 26).

3.9 Validity Test

White (2002) intimated that validity is concerned with idea that the research design fully addresses the research objectives and hypotheses that have to be answered and achieved. In the current study validity was established through a validity test using the Content Validity Index (CVI). It was the main tool for assessing the accuracy of the data. CVI is where representative experts in the area of the study give their opinion on the suitability (accuracy) of the questions.

3.10 Reliability Test

The reliability of the questionnaire pre-tested before issuing them to respondents. Reliability is important because the data collection methods must have the ability to consistently yield the same results when measurements are taken of the same individuals under same conditions (Koul, 2004: 130).

The method of computing reliability is:

$$\alpha = \frac{k}{k-1} \left(1 - \frac{\sum \sigma_k^2}{\sigma^2} \right)$$

Where $\sum \sigma_k^2$ is the sum of variance of the items the test.

= σ standard deviation of the test

The reliability was done using Cronbach's (1964) alpha test using the Statistical Package for social sciences (SPSS) software. This was done in order to establish how internal controls systems affect fraud prevention. If the Cronbach alpha coefficient turns out to be greater than 0.7, it meant that the scales for the study variables are reliable and consistent

The reliability of the research instrument was measured using the Cronbach Alpha Coefficient while the validity was measured using the Content Validity index as indicated in the table below:-

<i>Variable</i>	<i>Number of Items</i>	<i>Cronbach Alpha Coefficient</i>	<i>Content Validity Index</i>
Internal Controls	22	.965	.864
Fraud Prevention	20	.978	.800

Results for the reliability were reflected as shown in the table above for the research instrument. For both measures, the researcher noted that the coefficients were above 0.700 showing that the research instrument was both valid and reliable.

3.11 Data Collection Procedure

Upon approval of the proposal from Kyambogo University, the researcher obtained a letter of introduction to both the prime ministers' office and ministry of finance authorities as means to secure permission to carry out the study in these ministries. The researcher then presented a letter of consent to the respondents and later served them with the questionnaires were expected to be filled in within one week's time. Questionnaires were then collected later after being filled. They were sorted, coded under the supervision of a trained research assistant who checked for data entry, cleaning, pretesting, and coding errors, completeness, and consistency

3.12 Ethical considerations

Before carrying out the study, the researcher clearly explained the reason behind the study. The researcher assured the respondents of maximum confidentiality. Indeed the information collected was treated with strict confidentiality. The researcher also tried to protect the respondents from any kind of danger that may have threatened them. This was done through keeping the data with the highest level of confidentiality. The researcher also sought permission from the Office

of Prime Minister before carrying out the study to avoid social and political sabotage. All sources of data used in this research were acknowledged.

3.13 Data Analysis

Data collected was edited for accuracy and completeness and this was mostly done manually. At this point, the researcher proceeded to interpret the findings and the responses were critically analyzed for accuracy and relatedness. Both quantitative and qualitative analysis techniques were employed to analyze the finding of the study.

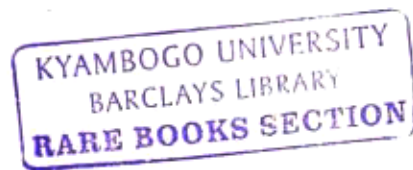
Quantitative data was analyzed using measures of central tendencies as computed by Statistical Package for Social Scientists (SPSS) to yield the desired statistical output, measures of dispersion and measures of relationships between the variables (internal controls systems and fraud prevention) were established with the use of mean, and standard deviation.

Analysis of **qualitative data** was done through descriptions of events and occurrences as gathered from the interviewees. The findings of the study were analyzed and presented under various themes. The judgment was made basing on what majority said and the facts on the ground.

3.14 limitations of the study

Some respondents were too busy with work related activities, however, the researcher persuaded them to spare sometime for him in order to accomplish the study.

Most respondents were suspicious of spies on their jobs, but the researcher tried to explain the academic purpose of this research.



CHAPTER FOUR

ANALYSIS, PRESENTATION AND INTERPRETATION OF DATA

4.0 Introduction

This chapter covers the analysis, presentation and interpretation of data using descriptive and inferential statistics as indicated in the following order: the demographic characteristics of the respondents who participated in the study, the second section covers the results about the methods of accountability employed in the ministry, the third section presents, analyzes, and interprets the results about strategies employed by the ministry to prevent fraud; the fourth section covers results about relationships between system evaluation and fraud prevention, fifth section presents, analyzes, and interprets the results about control activities and fraud prevention.

4.1 Demographic characteristics of the respondents.

4.1.1 Gender

The results in the table below show the distribution of the gender among the study respondents.

Table 4.1.1 Gender Distribution among the respondents

	<i>Count</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Male	104	69.79	69.79
Valid Female	45	30.2	100.0
Total	149	100.0	

Results indicated that majority of respondents were male (69.7%) while the females were a minority (30.2%). This implies that more males participated in the study than female in OPM.

Marital Status

Table 4.1.2 Marital Status among the respondents

The table below shows the marital status among of the respondents

	<i>Count</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid Married	92	61.7	61.7
Single	31	20.8	82.5
Divorce	26	17.5	99.9
Total	149	99.9	

Results indicate that the majority of respondents were married (61.7%) while the least were divorced (17.4%). And only (20.8%) were single. This means that majority of employees in the institution were responsibilities staff since they were married.

Age Group

Table 4.1.3 Age Distribution among the respondents

The table below shows the age distribution of the respondents in the OPM

	<i>Count</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid 20-29	32	21.5	21.5
30-39	76	51.0	72.5
40-49	21	14.1	86.6
50 above	20	13.4	99.8
Total	149	99.8	

Results in the table above show that the majority of respondents ranged between 30 to 39 years of age (51%). And those between 20 to 29 years of age were only (21.5%). And only (14.1%) were between 40 and 49 years, implying that majority of the respondents who participated in the study are in their youthful age and can drive the OPM towards attainment of its objectives.

Period Worked For Institutions

4.1.4 Tenure Distribution

The table below shows the time spent by the respondents serving the OPM.

	<i>Count</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
1-2	23	15.4	15.4
3-4	77	51.7	67.1
Valid 5-6	28	18.8	85.9
Over 6	21	14.1	100.0
Total	149	100.0	

Results indicate that the majority of respondents served the institution between 3 to 4 years (51.7%) while the least have served over 6 years (14.1%). The table also indicates that (18.8%) had served the organization between 5 to 6 years, implying that majority of respondents are experienced at their work.

Highest Level of Education

4.1.5 Level of Education among the respondents

The table below shows the education levels among respondents

	<i>Count</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Certificate	18	12	12
Diploma	23	15	27
Valid Bachelors	84	56	83
Masters	24	17	100.0
Total	149	100.0	

It was found out that the majority of respondents were bachelors' holders (56%) and the least were certificate holders (12%). Further findings revealed that masters' holders were the second majority (17%). Hence it is concluded that the ministry mostly recruits graduates with bachelor's degrees.

4.2. Systems evaluation and Fraud Prevention

The results in the table below were presented so as to explore systems evaluation and fraud prevention in the office of the Prime Minister. The results were coded such that items with means close to 1 or 2 show Disagreement while those that are close to 4 or 5 show Agreement. Means close to 3 show uncertainty and therefore a need for improvement of the study variable constructs

Table 4.2 Systems evaluation

	N	Mean	SD
There are reviews on the overall operations of the organization.	149	4.70	1.701
There are checks to ascertain whether the processes meet the set standards.	149	4.31	1.493
Auditors normally use support documents for every transaction made.	149	3.93	1.507
Managers see whether policy implementation is in line with set objectives.	149	3.87	1.337
Management has interest in knowing the progress of every activity setup in your Ministry.	149	4.01	1.302
There are constant evaluation reports made by supervisors about the progress of activities in your organization.	149	4.00	1.306

The findings in table 4,2 shows that there are reviews on the overall operations of the organization (Mean = 4.70). The results further reflect that majority of the respondents agreed that there are checks to ascertain whether the processes meet the set standards (Mean = 4.31). It was also highlighted that auditors normally use support documents for every transaction made (Mean = 3.93). Further majority of the respondents agreed that managers see whether policy implementation is in line with set objectives (Mean = 3.87). The study highlighted that management has interest in knowing the progress of every activity setup in your Ministry (Mean = 4.01). The findings in table 4.2 shows that respondents were with a view that there are constant evaluation reports made by supervisors about the progress of activities in your organization (Mean = 4.00).

4.3 The methods of Accountability in the office of the Prime Minister.

The results in the table below were presented so as to explore the methods employed to ensure accountability in the office of the Prime Minister. The results were coded such that items with means close to 1 or 2 show Disagreement while those that are close to 4 or 5 show Agreement. Means close to 3 show uncertainty and therefore a need for improvement of the study variable constructs

Table 4.3 Methods of Accountability

	N	Mean	SD
There is separation of duties among employees in the organization	149	2.53	1.36
There is an independent appraisal of each and every body's action in the office	149	3.21	1.28
There are clear processes and procedures to follow whenever taking an activity	149	2.93	1.30
We normally follow instructions from our bosses before accomplishing certain financial or administrative tasks.	149	3.00	1.36
All departments and sections must make accountability reports to top leadership in the organization.	149	3.29	1.38
There is adequate supervision of employee activities in the OPM	149	2.73	1.29
It is easy to discover anybody for misbehavior or abuse of office	149	2.83	1.22
We normally have proper documentation for every transaction that is carried out in the OPM	149	3.55	4.81

Results showed uncertainty whether there is adequate supervision of employee activities in the ministries (Mean \approx 2.73) and they were not sure of separation of duties among employees in the organization (Mean \approx 2.53). Further, the respondents indicated that there are no clear processes and procedures to follow whenever handling an activity with a mean value of 2.93. The results also show that respondents were indifferent as to whether they follow instructions from bosses before accomplishing certain financial or administrative tasks (Mean \approx 3.00). The study indicate that respondents were indifferent as to it is easy to discover anybody for misbehavior or abuse of office (Mean \approx 2.83). The findings further show that respondents slightly agreed that they normally have proper documentation for every transaction that is carried out in the OPM (Mean \approx 3.55). Furthermore, respondents reflected that there is an independent appraisal of each and

every body's action in the office (Mean \approx 3.21). It was also highlighted that all departments and sections must make accountability reports to top leadership in the organization (Mean \approx 3.29)

4.4 To identify strategies for preventing fraud in the office of the Prime Minister.

The results in the table below were presented so as to explore the strategies used to prevent fraud in the office of the Prime Minister. The results were coded such that items with means close to 1 or 2 show disagreement while those that are close to 4 or 5 show Agreement. Means close to 3 show uncertainty and therefore a need for improvement of the study variable constructs

Table 4.4 Strategies to Prevent fraud in the Office of the Prime Minister

Strategies	N	Mean	SD
Security measures have been put up to safeguard assets in the Office of the Prime Minister.	149	2.68	1.33
Normally, every transaction must follow right procedures in your office	149	3.17	1.31
More than one officer approves and endorses financial transactions.	149	3.17	1.37
It is now easy to detect and prevent fraud and error in your Ministry.	149	2.84	1.30
There are systems and procedures that checks actions and activities of workers.	149	2.96	1.19
Financial or non financial decisions to be implemented must be supported by written documents.	149	3.15	1.44
Key risks are usually discussed in management meetings.	149	3.28	1.37

Results showed disagreement of respondents on the fact that security measures are set up to safeguard assets (Mean = 2.68) and there was uncertainty whether systems and procedures that checks actions and activities of workers office exist (Mean = 2.96). Further, the respondents indicated that it is not easy to detect and prevent fraud and error in the Ministry (Mean = 2.84). The respondents marginally agreed that there are key risks and are usually discussed by management (Mean = 3.28). Further it was noted that financial and non financial decisions are by supported written documents (Mean = 3.15). That more than one officer approves and

endorses financial transactions (Mean = 3.17) and that normally, every transaction must follow right procedures in your office (Mean = 3.17)

4.5 Relationships between Internal controls and Fraud Prevention

The results in the table below helped address the study relationships between internal control and fraud prevention. These were generated using the Pearson (r) correlation coefficient

Table 4.5 Relationships between Internal controls and Fraud Prevention

	1	2	3	4
System evaluation-1	1.000			
Methods of Accountability-2	.808**	1.000		
Control activities-3	.567**	.636**	1.000	
Fraud Prevention-4	.588**	.558**	.555**	.420**

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

4.4.1 To examine the relationship between system evaluation and fraud prevention

Results showed that system evaluation and fraud prevention are positively related variables ($r = .588^{**}$, $p < .01$). Further, the elements of Internal Controls which are system

Evaluation and Methods of Accountability are positively related variables to the the Fraud Prevention (sig. $< .01$). These results show that implementation of the proper system Evaluation and Methods of Accountability can effectively lead to Prevention of Fraud in the Office of the Prime Ministers.

4.4.2. To examine the relationship between Methods of Accountability and fraud prevention

Results showed that Methods of Accountability and fraud prevention are positively related variables ($r = .558^{**}$, $p < .01$). These results show that implementation of the proper Methods of Accountability can lead to Prevention of Fraud in the Office of the Prime Ministers.

4.4.3 To establish the relationship between control activities and fraud Prevention

Results showed that control activities and fraud prevention are positively related variables ($r = .555^{**}$, $p < .01$). This implies that if control activities such as separation of duties, self evaluations proper documentation, and others, fraud tendencies can be prevented.

4.5 Analysis of Variance Results (ANOVA)

Table 4.6 ANOVA^{c,d}

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	88,7.68	3	313.756	190.906	.000 ^a
	Residual	25.032	146	19.180		
	Total	113.800 ^b	149			

Source: Field data, 2013

Furthermore, from table 4.6 these findings were statistically significant ($F = 190.906$, $p < .05$). Thus, this implies that internal control systems in place have a direct bearing on fraud prevention.

4.6. Interviews

4.6.1 Responses from Interviews

Out of a total of 126, the researcher was able to interview 82 respondents. Respondents were tasked to answer questions such as, do you have internal controls in OPM, do Internal Auditors exercise their independence when performing their duties, do Departments make accountability reports and if so, how often, are decisions made in OPM supported by written documentations and the last one was, are there professional codes of conduct followed by employees in OPM. The issues raised by a similar group of respondents, were then summarized and organized into

key factors raised. For instance, under directors and under secretaries were captured together, and technical staff separately from support staff.

Respondents gave different views on the above questions as indicated in the table below

Table of responses from Interviews

Category of respondents	No. of Respondents	Having internal controls	Independence of internal auditors	Making accountability reports by depts.	Exercising professional codes of conduct
Directors & under-secretaries	8	-we have but still weak they are rarely implemented -not quite -May be those set by central govt.	-Yes they are -they exercise their powers - May be they fear	- But not periodically -when external auditors are yet to come -Yes they do -many times they don't	-A few exercise -we don't have clear codes -we try to emphasize them
Technical staff	42	-Not in place -they are relaxed -work selectively - there is no control systems	-not often -may be -sometimes -they are coerced most times -I have never known about it	-Most of us do -we account for our activities -we do when needed -Voluntarily	-I don't think -we can't since our bosses don't -They are never emphasized
Support staff	32	-Not so sure -I think -Yes there are	- I don't know -Could be	-Some of us do but I don't know about others -The supervision is weak	- We have discipline -Many are above the law

The 8 respondents among both the Directors and undersecretaries revealed that the internal controls are there but still weak, while others believe that they are rarely implemented. Some reported that they use those set by central government but they are insignificant in the institution.

They also agreed that auditors exercise independence of their powers but argued that may be

they fear their bosses. About making accountability, they reported that they do but not periodically. It is sometimes done when external auditors are yet to come and they said that though accountabilities are made, many times officers do not do so. About codes of conduct directors and undersecretaries confessed that a few officers exercise the professional code of conduct while others reported that the institution does not have clear codes however, respondents believed that they try to emphasize codes of behaviour.

On the other hand, 42 respondents among both the technical staff believe that there are no internal controls in place while others who believe that internal controls exist said that they are relaxed and that they work selectively among officials. They reported that it is not usual for internal auditors to exercise independent powers and respondents were not sure it happens in the ministry, while others believed that sometimes they do but respondents believed that they are coerced most times. About making accountability, they reported that they do but when needed and accepted that they account for their activities to their bosses. While others reported that it is done on voluntary basis. It is sometimes done when external auditors are yet to come and they said that though accountabilities are made, many times officers do not mind accounting. About codes of conduct, the technical staff confessed that they are never emphasized and many were not sure whether officers exercise the professional code of conduct and others simply said that they could not since their bosses do not seem to mind about them.

The 32 respondents among the support staff expressed uncertainty of the existence of internal controls and over 20 of these believed such controls apply to senior officers while very few believed that internal controls exist in the ministry. About auditors exercising independence of their powers, the support staff seems not to be aware. Respondents did not

believe they do while over 13 thought they do. About making accountability, they reported that most of them do, but they did not know about others

They further believed that supervision is weak so accountability was dodged.

About codes of conduct, support staff confessed that they exercise high discipline and the professional code of conduct, but they reported that their bosses sometimes do not because they seem to be above the law.

CHAPTER FIVE

DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

The purpose of this study was to establish the relationship between internal controls, and fraud prevention in the office of the prime minister in Uganda Kampala. The internal control was the independent variable and included dimensions of system evaluation, methods of accountability and control activities; while the dependent variable is fraud prevention include constructs of Compliance to ethics policy, utilization of information and technology and whistleblowing. This chapter presents a summary, discussion, conclusions and recommendations based on the study findings.

5.1. Summary

There is a positive and significant correlation between internal controls and fraud prevention. These findings were statistically significant ($F = 190.906, p < .05$). Hence internal controls are significant predictors of fraud prevention.

5.2. Discussion

5.2.1 To examine the relationship between system evaluation and fraud prevention Results showed that system evaluation and fraud prevention are positively related variables ($r = .588^{**}, p < .01$). Further, the elements of Internal Controls which are system Evaluation and Methods of Accountability are positively related variables to the Fraud Prevention (sig. $< .01$). These results show that implementation of the proper system Evaluation

and Methods of Accountability can effectively lead to Prevention of Fraud in the Office of the Prime Minister.

These results are in agreement with Wen et al., (2002) who contends that Internal controls reviews and evaluates the adequacy of the systems and checks behavior of officials for compliance through reports supervisors for improvement (Claessens et. al. 2002). According to Vinod, (2006), a well built-in and efficient internal control system contributes to the success of institutional development and good governance. In the highly competitive market, a well-managed internal control system guards organizations away from failure. The small scale of internal controls inside the business entity improves employee's understanding of company goals and objectives and builds up negativity to the concepts of fraud (Anderson et al., (2004). Good control means that risks are identified and dealt with effectively since they monitor the profitability goals of the organization, enhancing profitability and protecting the assets. According to PricewaterhouseCoopers (2009), and internal audit function contributes to better governance when it operates within a strategic framework established by the audit committee and senior management (primary stakeholders) and addresses enterprise-wide risk and control issues.

5.2.2. To examine the relationship between Methods of Accountability and fraud

prevention

Results showed that Methods of Accountability and fraud prevention are positively related variables ($r = .558^{**}$, $p < .01$). These results show that implementation of the proper Methods of Accountability can lead to Prevention of Fraud in the Office of the Prime Ministers.. This is in agreement with findings of Allyne & Howard (2005) who found out that Once a framework for activities and those responsible for them is in place, the company is likely to be well positioned

to define the mission, organizational structure, resource model, working practices and communications protocols which in essence prevent fraud in any setting . Literature indicates that system evaluation checks accountability and takes a center stage in creating good corporate governance structure (IIA, 2004). Internal auditors take an active role in supporting an organization's ethical culture in which they help detect misappropriation of an organization's assets and funds. System evaluation requires management to certify the effectiveness of disclosure, controls and procedures with respect to firms' quarterly and annual reports. At such a stage, it requires that organization's management document, evaluate, and report on the effectiveness of internal control over financial reporting. This requirement may increase external auditors' reliance on the work of internal auditors when they perform the integrated audit.

5.2.3. The strategies used to prevent fraud in the prime minister's office

Findings indicated disagreement of respondents on the fact that security measures are set up to safeguard assets (Mean = 2.68) and there was uncertainty whether systems and procedures that check actions and activities of workers office exist (Mean = 2.96). Further, the respondents indicated that it is not easy to detect and prevent fraud and error in the Ministry (Mean = 2.84), and they are uncertain whether key risks are discussed by management (Mean = 3.84). During interviews, respondents also reported that there are no internal controls in place while others said controls exist but they are relaxed and that they work selectively among officials and that internal auditor's do not to exercise independent powers because they are coerced most times. They also said accountability is done only when needed and reported that they account for their activities to their bosses when external auditors are yet to come. In addition, professional codes of conduct are never emphasized and many were not sure whether they were there. This explains

why there is fraud in the ministry. Lampe et. al, (1994) submit that such practices will increase fraud and suggest that organizations need to use total quality management to improve continuously the quality of their internal controls together with the use of audit principles in developing an improved approach to internal auditing known as the Internal Process Assessment. According to Pollick (2006), this approach has shifted from the traditional system evaluation to the assessment of processes, and helps the internal audit departments to for instance, become more of a team player; make recommendations that add value, focus attention on significant activities; and finally develop a positive attitude towards helping management achieve goals (Weirich and Reinstein, 2000) Indeed, Internal controls are seemingly comprehensive, quite threatening and capable of humiliating un effective and unethical managers whose perceptions warrant them to believe that practicing them is one way of policing their own actions (Fakunle, 2006).

5.2.4 To establish the relationship between control activities and fraud Prevention

Results showed that control activities and fraud prevention are positively related variables ($r = .555^{**}$, $p < .01$). This implies that tightening fraud control activities such as separation of duties, self evaluations and proper documentation, can prevent fraud. This is in agreement with Brink and Witt (1982) who argued that fraud is easily detected in organizations where there is intentional act by those in management, those charged with governance, employees or third parties, to relax or abandon responsibility to implement systems of controls so that they can involve in use of deception to obtain an unjust or illegal advantage. The Auditor's neglect of Responsibilities to Consider Fraud in an Audit of Financial Statement is referred to 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/her actions (Young, 2005).

5.3. Conclusions

5.3.1 To examine the relationship between system evaluation and fraud prevention.

It is concluded that implementation of the proper system Evaluation and Methods of Accountability can effectively lead to Prevention of Fraud in the Office of the Prime Minister. Secondly system evaluation can enhance adequacy of the systems and checks behavior of officials for compliance through reports.

5.3.2. To examine the relationship between Methods of Accountability and fraud prevention

It is also concluded that implementation of the proper methods of accountability can lead to Prevention of Fraud in the Office of the Prime Ministers. Furthermore, there is need to institute a strong ethical value system to manage the implementation of proper accountability.

It was concluded that the internal control systems in the Prime Minister's office exist but less implemented to the extent that most workers do not understand their existence.

5.3.4 To establish the relationship between environmental influence and fraud Prevention

It is concluded that government practices and legal activities have not been effective in playing their role in ensuring that public institutions observe ethical and internal control policies for effective performance.

5.3.5 To establish the relationship between control activities and fraud Prevention

It is concluded that in the Prime Minister's office, there are less implementation of control activities such as separation of duties, self evaluations and proper documentation which can prevent fraud.

5.4.0 Recommendations

The following recommendations were made from the study findings and conclusions above:

5.4.1 To examine the relationship between system evaluation and fraud prevention.

The government needs to strengthen her monitoring of institutions such as the Inspector General of Government, Auditor General and accountant General to strictly monitor accountability practices.

5.4.2. To examine the relationship between Methods of Accountability and fraud prevention

It is also recommended that management in the prime minister's office should ensure that implementation of the proper methods of accountability is done in order to Prevent Fraud. Furthermore, there is need to institute a strong ethical value system to manage implementation of proper accountability.

5.4.3 To establish the relationship between environmental influence and fraud Prevention

It is recommended that government practices and legal activities become more effective in playing their role in ensuring that public institutions observe ethical and internal control policies for effective performance.

5.4.4 To establish the relationship between control activities and fraud Prevention

The Prime Minister's office should put in place and implement control activities such as separation of duties, self evaluations and proper documentation, to prevent fraud.

5.5 Areas for further studies

This study focused on internal controls and how it relates to fraud prevention. However there is need to study the impact of government monitoring bodies such as the IGG, Auditor General, Accountant General and PAC on fraud prevention so as to be able to know how based these bodies can perform to curb this.

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APPENDICES

INTERNAL CONTROLS AND FRAUD PREVENTION IN GOVERNMENT INSTITUTIONS

Dear respondent,

You are kindly requested to answer the following questionnaire in order to assist the researcher administering the questionnaire to collect data in the above topic. This research is intended to be used for academic purposes only and results of this study will be treated with utmost confidentiality. Kindly spare some time and answer the questions by writing in space provided or ticking against the answer of your choice appropriately.

Thank you for your cooperation.

SECTION A:

Background Information

1. Name (optional).....

2. Sex, of respondent Male Female

3. Marital status Single Married Divorced Widowed

4. What is your age range? 20-29 30-39 40-49 50&above

5. Which ministry are you working in?

6. Department

7. Position

8. What is your level of education

Certificate Diploma Bachelors Masters Other

9. How long have you worked in this institution?.

1- 2year 3- 4 years 5- 6 years Over 6 years

SECTION B

Internal Controls

In this section, you are requested to answer by ticking against a scale that best suits the situation. Use the scale

5- Strongly agree. 4- Agree, 3- Not sure, 2- Disagree, 1- Strongly disagree

System Evaluation

1.	There are reviews on the overall operations of the organization.	1	2	3	4	5
2.	There are checks to ascertain whether the processes meet the set standards.	1	2	3	4	5
3.	Auditors normally use support documents for every transaction made.	1	2	3	4	5
3.	Managers see whether policy implementation is in line with set objectives.	1	2	3	4	5
4.	Management has interest in knowing the progress of every activity setup in your Ministry.	1	2	3	4	5
5.	There are constant evaluation reports made by supervisors about the progress of activities in your organization.	1	2	3	4	5
6.	Auditors normally use support documents for every transaction made.	1	2	3	4	5

Methods of accountability

1.	There is an independent appraisal of each and every body's action in the office.	1	2	3	4	5
2.	Each employee knows how much level he or she is allowed to handle certain issues in the office.	1	2	3	4	5
3.	There are clear processes and procedures to follow whenever taking an activity	1	2	3	4	5
4.	There is separation of duties among officials in the Office of the Prime Minister	1	2	3	4	5
5.	All departments and sections must make accountability reports to top leadership in the organization.	1	2	3	4	5
6.	We now know which goals to pursue as opposed to implementing irrelevant activities.	1	2	3	4	5
7.	It is easy to discover anybody for misbehavior or abuse of office	1	2	3	4	5
	We are proud of getting results about what people do in the Office of the Prime Minister	1	2	3	4	5

Control activities

1.	Security measures have been put up to safeguard assets in the Office of the Prime Minister.	1	2	3	4	5
2.	Normally, every transaction must follow right procedures in your office	1	2	3	4	5
3.	More than one officer approves and endorses financial transactions.	1	2	3	4	5
4.	It is now easy to detect and prevent fraud and error in your Ministry.	1	2	3	4	5
5.	There are systems and procedures that checks actions and activities of workers.	1	2	3	4	5
6.	Financial or non financial decisions to be implemented must be supported by written documents.	1	2	3	4	5
7.	Key risks are usually discussed in management meetings.	1	2	3	4	5

Environmental Influence**Government Practices**

1.	Management usually accept to comply with what auditors ask them to do	1	2	3	4	5
2.	Due to different procedures involved, employees tend to comply with the regulation governing the Ministry.	1	2	3	4	5
3.	Employees follow professional standards and policy guidelines	1	2	3	4	5
4.	The employees follow policy guidelines for all activities in the ministry	1	2	3	4	5
5.	We rarely behave against the standards set by management of the Ministry	1	2	3	4	5
6.	We now appreciate the professional and ethical standards set by the Ministry.	1	2	3	4	5

Effectiveness of legal activities

1.	All employees in the Office of the Prime Minister are courteous of the legal aspects	1	2	3	4	5
2.	We rarely break the laws in the Ministry	1	2	3	4	5
3.	Am sure, every officer is aware of the law and strictly implements activities within the legal framework	1	2	3	4	5
4.	Implementing policy issues have always followed the normal procedures	1	2	3	4	5
5.	We have less cases in court resulting from poor and illegal conduct of our officers	1	2	3	4	5
6.	We allow the Auditor General and other mandated offices to audit our work periodically	1	2	3	4	5

Fraud Prevention

Compliance to ethical policy

1.	All employees respect the values set by the Ministry					
2.	Behavior of the officials in the Office of the Prime Minister is in line with the moral standards set by government	1	2	3	4	5
3.	Employees respect their duties and responsibilities to society	1	2	3	4	5
4.	We have standards of behavior that we follow and respect	1	2	3	4	5
5.	There is a well laid down culture that guides our behavior in the ministry	1	2	3	4	5
6.	I think the behavior of officers in the Office of the Prime Minister is quite good	1	2	3	4	5
7.	We normally do what we are required do in the Ministry	1	2	3	4	5

Accountability adequacy

Use the scale 5- Strongly agree. 4- Agree, 3- Not sure, 2- Disagree, 1- Strongly disagree

1	There are periodical internal and external auditing in the Office of the Prime Minister.	1	2	3	4	5
2	All employees account for financial expenditure at the end of every financial year	1	2	3	4	5
3	Management is open at implementing policy decisions	1	2	3	4	5
4	In the Office of the Prime Minister, stakeholders are aware of all actions of their employees.	1	2	3	4	5
5	All top administrators in the account for their financial and non financial actions	1	2	3	4	5
6	Our leaders usually monitor and supervise all activities carried out	1	2	3	4	5
7	There are usually evaluations carried out on each individual employee in the Office of the Prime Minister.	1	2	3	4	5
8	System evaluation is done periodically in the Office of the Prime Minister.	1	2	3	4	5

Increased role of audit committees

1.	All employees handle office matters in the rightly accepted and expected manner	1	2	3	4	5
2.	We follow the professional standards of conduct in the Ministry	1	2	3	4	5
3.	Each employee is professionally aware of what to do in his/her office	1	2	3	4	5
4.	All employees are qualified in whatever they were appointed to handle	1	2	3	4	5
5.	Our activities are implemented professionally in the Ministry	1	2	3	4	5
6.	All our staff are committed to what they were appointed to handle	1	2	3	4	5
7.	We usually deliver what our stakeholders expect us to do on time	1	2	3	4	5

INTERVIEW GUIDE

INTERNAL CONTROLS AND FRAUD PREVENTION IN GOVERNMENT INSTITUTIONS

Dear respondent,

You are kindly requested to answer the following questionnaire in order to assist the researcher administering the questionnaire to collect data in the above topic. This research is intended to be used for academic purposes only and results of this study will be treated with utmost confidentiality.

Sex, of
respondent.....

1. Which ministry are you working in.....
2. Department
.....
3. Position
.....
4. How long have you worked in this institution?
.....
5. Do you have internal controls in your Ministry?
.....
6. Do Internal Auditors exercise their independence when performing their duties?
.....
7. Do Departments make accountability reports and if so, how often?
.....
8. Are decisions made in your Ministry supported by written documentations?
.....

9. How often do you have refresher courses in your Ministry?

.....

10. Are the Heads of Departments professionally qualified?

.....

.....

11. Are there professional codes of conduct followed by employees in your
Ministry?.....