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Effect of Internal Control System Effectiveness on Fraud Prevention in Abuja Municipal Area Council (AMAC), FCT, Abuja

¹Ibrahim, Musa Gulani, imgulani@yahoo.com, ²Dr. Mainoma, Iliyasu Mohammed, mohammediliyasumainoma@nsuk.edu.ng,

³Dr. A. M. Liman, lmohammed@nsuk.edu.ng,

²⁻³Department of Accounting, Nasarawa State University, Keffi

08033895086

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Abstract

This study examined the effect of internal control system effectiveness on fraud prevention in Abuja municipal area council (AMAC), FCT, Abuja, the study adopted survey design as it sought to establish the relationships among the study variables. The population for this study consisted of 700 individuals affiliated with AMAC, FCT, Abuja, by applying the Yaro-Yamane formula to the population size of 700, a sample size of 320 was determined. Primary and secondary data were used in the study. The primary data was sourced through the administering of well-structured questionnaire. The multiple linear regression models were used for this study. Based on the results of the analysis, the study shows that that control environments have a positive effect on fraud prevention in AMAC, FCT, ABUJA. Also, the result reveals that audit competences have a positive and insignificant effect on fraud prevention in AMAC, FCT, ABUJA. Furthermore, the finding show that use of technology in control activities have a positive and significant effect on fraud prevention. And finally, the result showed that frequent internal risk assessment has a positively insignificant effect on fraud prevention. Based on the results of the study, it is therefore concluded that forensic accounting services (persuasive skill, audit competences, and technology in auditing) have significant and positive effect on fraud prevention. Based on the findings and conclusion of this study, it is recommended that AMAC, FCT, Abuja management should relentlessly engage the services of forensic accountants as it contributes greatly in fraud prevention. It should place a very high level of dependence on internal audit frequency as it can be employed as an effective tool for financial crimes detection and control. The insignificant in the study is because of poor adjudication of the investigations of forensic accountants. To prevent fraud in the institution, it is recommended that AMAC, FCT, Abuja should employ more persuasive skill. The study also recommends an increased level of dispute resolution mechanisms as it will reduce subsequent level of fraud in AMAC, FCT, Abuja. The study also recommends that management of the institution should enforce individual responsibility, lawsuit, internal controls, internal audit checks, trainings on emerging trends and policy changes, risk department, audit fraud department, internal audit checks, trainings on frauds and sharing of information as legal strategies to prevent frauds.

Introduction

Fraud remains a significant and growing threat to organizations across industries, undermining financial performance, governance, and stakeholder trust. According to the 2024 ACFE Report to the Nations, which analyzed 1,921 occupational fraud cases across 138 countries, global organizations lost approximately USD 3.1 billion to fraud, with the median loss per case reaching about USD 145,000 and estimated fraud-related losses representing nearly 5% of annual revenue for affected organizations



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(Association of Certified Fraud Examiners [ACFE], 2024). These figures highlight the pervasive nature of fraud and the substantial financial impact it can exert, even on well-established firms. The ACFE report further notes that more than half of occupational fraud cases occur due to either a lack of sufficient internal control mechanisms or the ability of perpetrators to override existing controls, indicating that weaknesses in internal control are a frequent enabler of fraudulent behavior (ACFE, 2024).

In organizational governance theory, an internal control system refers to the structured set of policies, procedures, and practices established to safeguard assets, enhance the reliability of financial reporting, ensure compliance with laws and regulations, and promote operational efficiency. Widely recognized frameworks, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model, conceptualize internal controls as comprising five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring activities, all of which work collectively to mitigate risks, including fraud risk (COSO, as cited in internal control research; see Kanu, et al., 2025). However, the mere existence of controls does not guarantee their effectiveness it is the quality, implementation, and monitoring of these controls that determine how well they function in practice. When internal controls are ineffective, organizations remain vulnerable to exploitation by both internal and external fraud actors, despite formal systems being in place.

Empirical research in various contexts reinforces the connection between internal control effectiveness and fraud prevention outcomes. In the Nigerian banking sector, for example, studies have examined the influence of internal control systems on fraud prevention mechanisms in deposit money banks. A recent study by Molokwu et al. (2021) found that key internal control components including the control environment, risk assessment, information and communication, and monitoring activities positively and significantly influenced fraud prevention in Nigerian banks, although control activities showed a positive but statistically insignificant effect. These findings suggest that certain dimensions of internal control systems may be more salient in reducing fraud risk than others, underlining the importance of assessing control effectiveness holistically rather than assuming uniform impact across all control types (Molokwu et al., 2021).

Despite these insights, gaps remain in the literature, particularly regarding how internal control effectiveness functions in diverse organizational contexts and how evolving fraud tactics including technology-enabled schemes challenge traditional control approaches. Therefore, understanding the effect of internal control system effectiveness on fraud prevention is not only theoretically significant but also practically vital.

Fraud remains one of the most persistent and damaging challenges confronting organizations across both public and private sectors worldwide. Despite increased regulatory oversight, improved auditing standards, and widespread adoption of internal control frameworks, incidents of occupational fraud continue to rise, resulting in substantial financial losses, reputational damage, and erosion of stakeholder confidence. The Association of Certified Fraud Examiners (ACFE, 2024) estimates that organizations lose approximately 5 percent of their annual revenue to fraud, with documented global losses exceeding USD 3.1 billion in recent cases. These figures suggest that existing control measures in many organizations are either inadequate or ineffective in preventing fraudulent activities.



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In many organizations, internal control systems exist largely as formal requirements rather than as actively enforced and continuously monitored mechanisms. Issues such as poor segregation of duties, inadequate risk assessment, ineffective monitoring, weak ethical culture, and limited management commitment often undermine the functionality of these systems.

Although several studies have examined internal control systems and fraud prevention, findings remain inconsistent across sectors and institutional contexts. Some studies report significant positive relationships between internal control effectiveness and fraud prevention, while others reveal partial or insignificant effects of certain control components. These mixed results suggest the need for further empirical investigation into how and to what extent the effectiveness of internal control systems influences fraud prevention outcomes. Consequently, there is a clear research gap regarding the practical effectiveness of internal control systems in reducing fraud, particularly in specific organizational and environmental contexts.

Therefore, the problem addressed in this study is the continued prevalence of fraud in organizations despite the existence of internal control systems, raising critical questions about the effectiveness of these systems in preventing fraud. This study seeks to address this problem by examining the effect of internal control system effectiveness on fraud prevention, with the aim of providing empirical evidence that can inform policy formulation, management practices, and the strengthening of organizational governance structures.

Conceptual Framework

Concept of Internal Control System Effectiveness

According to Cohen and Sayag (2010), internal control system effectiveness comprise the methodologies and institutional arrangements put in place to examine, evaluate, and report on the adequacy and effectiveness of an organization's internal control systems. They argue that these mechanisms are crucial not just for control purposes but also for fostering a culture of accountability and ethical compliance across all departments. In the public sector context, INTOSAI (International Organization of Supreme Audit Institutions, 2013) defines internal control system effectiveness as structured and systematic processes intended to provide assurance to public officials and policymakers about the efficient, effective, and economical use of public resources. INTOSAI highlights the role of internal audit in promoting transparency and reducing the risk of misappropriation of funds in government institutions. Sarens and De Beelde (2006) provide a governance-oriented perspective, suggesting that internal control system effectiveness serve as a "governance bridge" between management and the board of directors. They argue that these mechanisms provide an independent appraisal of the adequacy of internal controls and contribute to the credibility of financial disclosures, thereby enhancing stakeholders' confidence.

Dittenhofer (2001) adds to this discussion by framing internal control system effectiveness as essential drivers of organizational learning. According to him, they not only detect control weaknesses and non-compliance but also contribute to the development of best practices, improved performance, and innovation. Moreover, Christopher, et al. (2009) conceptualize internal control system effectiveness as integral elements of the corporate governance framework, asserting that their effectiveness is significantly influenced by the level of independence, the competence of internal auditors, and the degree of management support. Expanding on the existing literature, Al-Twaijry, et al. (2003) defined internal



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control system effectiveness as structured systems established within organizations to ensure internal controls are functioning as intended. They argue that these mechanisms support effective governance by providing independent evaluations of financial and operational activities, particularly in environments where regulatory compliance and corporate accountability are paramount.

Friedrichs and Tilley (2010) propose that internal control system effectiveness serve a critical role in ensuring that non-profit organizations meet their objectives while adhering to ethical standards. They argue that internal control system effectiveness within the non-profit sector help mitigate risks related to fraud prevention, mismanagement of funds, and misuse of resources, which are particularly sensitive issues in organizations reliant on donor funding. Finally, Lenz, et al. (2016) present a more critical view, suggesting that the effectiveness of internal control system effectiveness depends on the level of integration with other organizational processes and the degree to which internal audit functions are valued by top management. They emphasize that for internal audits to be effective, they must be actively supported by senior management, empowered with adequate resources, and positioned to influence organizational strategy.

Concept Control Environment

Control environment refers to the ability of carry out their duties without being influenced by personal interests, organizational pressures, or conflicts of interest, which could impair their objectivity and professional judgment. Scholars and professionals have provided varying perspectives on control environment, each reflecting its significance in ensuring the credibility and reliability of financial statements. Cohen and Hanno (2000) defined control environment as the ability of an auditor to form an unbiased opinion on the financial statements without any external or internal influence that could compromise the audit process. They argue that control environment is crucial for ensuring that auditors are objective and free from any pressures, especially those that might arise from relationships with the clients they audit.

Pott (2010) explored control environment from a global perspective, noting that the concept may vary in importance depending on the context in which auditing occurs. In jurisdictions with robust regulatory frameworks, auditors may face stronger institutional checks and enforcement, while in less regulated environments, ensuring control environment may be more challenging. Pott highlights the role of audit firms in upholding independence by managing conflicts of interest, particularly when they are providing both auditing and consulting services to the same clients. Choi, et al. (2010) discuss how audit firm size impacts the perception of independence. Their study shows that larger audit firms, by virtue of their size and reputation, are often perceived as more independent because they are less reliant on a single client. They define control environment as being directly linked to the reputation of the auditing firm, asserting that the public's trust in the audit opinion is often stronger when conducted by a large, reputable firm with a robust independence framework.

Concept of Audit Competences

Audit Competence refers to the abilities, knowledge, and skills that auditors must possess in order to perform their tasks effectively and in accordance with professional standards. Scholars have defined audit competence in various ways, emphasizing the importance of technical expertise, professional judgment,



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and personal attributes in ensuring the quality of the audit process. Glover and Prawitt (2003) defined audit competence as the technical skills and knowledge necessary for auditors to effectively assess financial statements and perform audits. They emphasize that competence extends beyond basic accounting knowledge and includes the ability to understand and apply audit methodologies, use audit tools effectively, and assess risks accurately. Glover and Prawitt argued that audit competence is directly related to the auditor's ability to identify and respond to financial reporting risks, ensuring that audits are thorough and accurate.

Beattie, et al. (2001) defined audit competence in the context of quality assurance and audit performance. They suggest that competence is reflected in the auditor's ability to meet established professional standards and to conduct audits that satisfy both regulatory requirements and client expectations. They also note that audit competence requires auditors to be skilled in evaluating the quality of financial reporting and able to identify potential material misstatements or risks in financial statements.

DeAngelo (1981) argued that audit competence also involves the auditor's ability to communicate complex financial information clearly and concisely. In this view, competence is not just about technical proficiency but also the ability to interpret and present audit findings in a way that stakeholders can easily understand. Effective communication is key to ensuring that audit opinions are not only accurate but also useful for decision-making purposes.

Quick and Warming-Rasmussen (2010) argued that audit competence is shaped by both institutional factors (e.g., training programs, regulations) and individual attributes (e.g., experience, judgment skills). They define it as the capacity to evaluate risks, apply audit techniques effectively, and provide accurate assessments of financial statements, all while navigating complex regulatory environments. They also emphasize the importance of professional skepticism and ethical behavior in developing audit competence.

Concept Use of Technology in Control Activities

The use of technology in control activities refers to the integration of various digital tools, software, and systems to enhance the efficiency, accuracy, and effectiveness of the audit process. Different scholars have provided diverse perspectives on how technology influences auditing practices, ranging from the use of data analytics and automation to the application of artificial intelligence and blockchain.

Dilla, et al. (2010) defined the use of technology in control activities as the implementation of advanced data analytics and continuous auditing techniques. They suggest that technology enables auditors to conduct audits in a more continuous and real-time manner, using automated tools to monitor financial transactions on an ongoing basis. This allows auditors to detect issues early, respond to risks proactively, and provide more timely insights to management.

Malthus (2012) defined the use of technology in control activities as the adoption of artificial intelligence (AI) and machine learning (ML) techniques to assist auditors in analyzing complex financial data. Malthus notes that AI and ML can help auditors by identifying patterns, detecting fraud prevention, and predicting potential financial risks. According to Malthus, these technologies enable auditors to automate repetitive



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tasks, leaving more time for strategic decision-making and judgment-based activities that require human expertise.

Yoon and Lee (2018) defined the use of technology in control activities as the integration of blockchain technology to improve audit transparency and traceability. They argue that blockchain has the potential to revolutionize the audit process by providing a secure, immutable ledger that auditors can access to verify transactions and ensure the integrity of financial records. Yoon and Lee suggest that blockchain enhances the efficiency, accuracy, and reliability of audits, particularly in sectors where the risk of fraud prevention is high.

Cheng and Liang (2017) defined the use of technology in control activities as the adoption of automated auditing tools to improve audit efficiency and reduce costs. They emphasize that technology aids auditors in automating routine tasks such as data entry, calculation, and report generation, which frees up time for auditors to focus on higher-value activities. They argue that the automation of these tasks reduces the risk of human error and improves the speed and accuracy of audits, while also lowering the overall cost of audit services.

Brown-Liburd and Vasarhelyi (2015) defined the use of technology in control activities as the integration of continuous auditing techniques and real-time data analysis. They argue that technology allows auditors to perform audits on an ongoing basis rather than at periodic intervals, providing more timely and actionable insights. They stress that continuous auditing enabled by technology offers significant improvements in detecting discrepancies early, identifying emerging risks, and reducing reliance on traditional audit sampling techniques.

Concept of Frequent Internal Risk Assessment

Frequent internal risk assessment refers to the regularity with which internal audits are conducted within an organization. It is a critical aspect of an organization's governance and risk management framework, and various scholars have provided different definitions and perspectives on its significance, impact, and scope. Arens, et al. (2017) defined frequent internal risk assessment as the periodic execution of internal audit activities within an organization, determined based on the risks, the internal control environment, and the resources available. They suggest that the frequency of audits is influenced by factors such as the size and complexity of the organization, the effectiveness of the internal control system, and the need to detect errors or fraud prevention on time. They argue that more frequent audits may be required for higher-risk areas or organizations with weaker control environments.

Knechel (2013) described frequent internal risk assessment as the number of periodic or ongoing assessments conducted by internal auditors to evaluate financial and operational risks. He emphasizes that the frequency should correspond to the organizational risk profile, with a higher frequency of audits needed in organizations with complex structures or volatile operations. He further explains that audit frequency impacts the timeliness of corrective actions and the effectiveness of governance and control systems.

Deloitte (2020) defined frequent internal risk assessment as the regular intervals at which audits are performed, with the emphasis on using technology to move beyond annual audits. They highlight those



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technological advancements, such as continuous monitoring and automated audit tools, enable more frequent and timely audits that can catch errors and inconsistencies early, rather than relying on traditional, infrequent audits. They suggest that data analytics and cloud-based platforms allow internal audits to be performed continuously rather than periodically. Moeller (2013) defined frequent internal risk assessment as the periodicity of the audit process, suggesting that it is influenced by the scope of the organization, the complexity of the internal control environment, and the risk assessment framework in place. He stresses that frequent internal risk assessment should be evaluated dynamically and adjusted to match the organization's exposure to risk and its evolving needs. Moeller suggests that more frequent audits should be carried out for high-risk processes such as financial reporting and compliance areas.

Concept of Fraud Prevention

Horn gren et al. (2014) emphasized that fraud prevention encompasses a range of actions, including budgeting, financial reporting, and auditing, which together help ensure that an organization's financial activities stay in line with its objectives. Their perspective is that fraud prevention is not a one-time event but an ongoing process that involves continuous monitoring and the ability to act quickly when discrepancies arise. This approach aligns fraud prevention with strategic management, where the goal is to maintain financial health and stability through ongoing assessment.

Drury (2013) focused on fraud prevention as a system that manages financial activities to ensure that both short-term and long-term financial goals are met. He argues that effective fraud prevention mechanisms are necessary to manage cash flow and investments, which are central to both operational success and long-term financial stability. This perspective connects fraud prevention to the broader goals of business planning and strategy, suggesting that it plays a pivotal role in decision-making processes.

Raghu nandan (2014) offers a more quantitative definition of fraud prevention, particularly in relation to financial forecasting and variance analysis. He defines fraud prevention as the use of financial data to forecast future financial conditions and evaluate past performance against predetermined financial benchmarks. For Raghu nandan, it is crucial that organizations not only monitor current financial performance but also forecast future needs, plan for uncertainty, and ensure that financial outcomes meet the expectations laid out in financial models. This definition stresses the dynamic nature of fraud prevention, wherein companies need to adjust quickly to changing financial environments.

Empirical Review

Dawit (2023) empirically analyzed the application and effect of internal control system effectiveness and auditing techniques on fraud prevention in the Ethiopian public sector audit. This study was based on non-experimental descriptive/survey design of collecting and analyzing data which were then analyzed through SPSS version 24. The study revealed that internal control system effectiveness and auditing techniques are less commonly used in the Ethiopian public sector audit. This is specifically because of the huge knowledge gap that exists among the public sector auditors. Based on the empirical result, the paper concluded that the adoption of internal control system effectiveness and auditing techniques would help detect, investigate and prevent public sector fraud prevention in Ethiopia.



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Ogwiji (2023) examined the effect of attributes of forensic accountants– Investigation of financial Crime and Corruption Skill (ICC), Knowledge and Expertise (KE), Frequent internal risk assessment (LSS) on the financial crime (FC) in Nigerian public sector. The study employed cross-sectional design and a survey method. of the 110 questionnaires distributed, 53 questionnaires were returned valid and analysed. The study used PLS-SEM (SmartPLS 3.0) and IBM SPSS ver. 20.0 as the primary statistical analysis tools. The results of the study confirm that Knowledge and Expertise and Support Services of a forensic accountant has a significant positive effect on Financial Crime, and it shows that investigation of crime and corruption has an insignificant negative effect on financial crime. Thus, the findings revealed that the forensic accountant attributes have significantly higher levels of KE, LSS on FC concerning fraud prevention, detection, management, and response. Also, investigation of corruption discourages financial crime though not on high. The implication of this study might result in the overall reduction of fraud prevention and fraud prevention acts, promote institutional, regulatory, and legal framework, and create awareness amongst the accounting and auditing institutions in the Nigerian public sector.

Medugu et al. (2022) assessed if there is significant agreement amongst stakeholders on the effectiveness of internal control system effectiveness in fraud prevention, financial reporting, and internal control quality. The survey design was used in the study with a sample size of 45 consisting of accountants, management staffs, practicing auditors and shareholders. The simple random technique was utilized in selecting the sample size, while the binomial test was employed in the data analysis. The findings of the study indicate that there is significant agreement amongst stakeholders on the effectiveness of internal control system effectiveness in fraud prevention, financial reporting, and internal control quality. In line with the above findings, we recommend that the Institute of Chartered Accountants of Nigeria, Association of National Accountants of Nigeria, and the National Universities Commission should encourage formalization and specialization in the field of internal control system effectiveness. In addition, the government should stimulate interest in internal control system effectiveness for monitoring and investigation of suspected corruption cases.

Obiora et al. (2022) conducted a study to examine the extent to which the use of internal control system effectiveness impacts the incidence of fraud prevention in healthcare firms in Nigeria. The study utilized Kendall's coefficient of concordance for statistical testing of parameter estimates and adopted a survey design approach based on the white-collar crime theory. Questionnaire surveys were administered to relevant accounting sections of healthcare firms in Nigeria to collect data. The empirical analysis of the study showed that the use of internal control system effectiveness has led to a reduction in the incidence of fraud prevention and a significant level of fraud prevention at 1%. The study concluded that the application of internal control system effectiveness is effective in preventing fraud prevention in healthcare firms in Nigeria.

Egiyi (2022) evaluated internal control system effectiveness as a tool for fraud prevention in business organizations in Nigeria. The data adopted were gotten from 15 Nigerian companies chosen based on their proficiency in internal control system effectiveness. A simple random selection of 15 specialists from each firm, consisting of auditors and accountants from the 15 firms in Nigeria, was used to choose the sample size of (150) responses. The white-collar crime theory was used in this study and a structured questionnaire with questions and a Likert scale was given to respondents to collect data from the chosen firms for this study. Out of 170 administered questionnaires, 150 were returned and were determined to



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be useable for a return rate of 94%. The statistical tool used are exploratory data analysis (respondent demographic statistics) and chi-square. The result of the study indicates that internal control system effectiveness could help detect and prevent fraud prevention in the organizations being studied. The study proposes that the services of forensic accountants should be employed in companies to detect fraud prevention and reduce financial crime rate in Nigeria.

Ogunode and Dada (2022) determined the role that internal control system effectiveness play in aiding the success of fraud prevention strategies in combating fraud preventions at both corporate and national levels. The study adopted the exploratory research design methodology involving extensive review of published articles, periodicals, and other materials relevant to the subject matter. The study found that while the use and deployment of internal control system effectiveness and techniques have made appreciable progress in the developed world, its appreciation and usage in emerging economies is still at the embryonic stage due to lack of political will, poor ethical tone set by management and dearth of skilled internal control system effectiveness professionals. It therefore recommended that to ensure sustainable success of fraud prevention strategies, management of both public sector and corporate entities should demonstrate the needed political will and set the right ethical tone at the top through their actions and activities. Similarly, efforts should be made to continually upskill anti-fraud prevention staffs (internal audit, forensic accountants, forensic investigators) through trainings and awareness programs on the latest fraud prevention methodologies. Also, that in view of the rising cases of cybercrimes, nation states should urgently consider the signing and implementation of legal treaties and frameworks to combat the scourge.

Bassey et al. (2023) examined the effect of forensic audit techniques on fraud prevention in Nigeria. A study of selected deposit money banks. The specific objectives were to: examine the effect of the substantive techniques on fraud prevention, determine the effectiveness of statistical principles on fraud prevention and ascertain the effect of data mining applications on fraud prevention. The study adopted desk survey methods in gathering relevant information which was extracted from textbooks, libraries, and published and unpublished journals. Ordinary least square of multiple regression was adopted in this study. The major findings revealed thus: there was a significant effect of the substantive technique on fraud prevention, there was a significant effect of statistical principle on fraud prevention and data mining application had a significant effect on fraud prevention. Based on these findings, the study recommended; thus, Eradication of economic and financial crime through the adoption of internal control system effectiveness in the system will improve the image of banks under review. Also, the detection and prevention of corruption have given rise to the profession of internal control system effectiveness. Due to this fact, the most important thing banks have to do regarding fraud prevention is to prevent the crime from being committed. Finally, government and regulatory authorities should ensure the provision of standards and guidelines to regulate forensic activities and above all banking sectors should embrace integrity, objectivity, fairness and accountability in their day-to-day activities.

Unuigbokhai and Bagudu (2022) examined the impact of internal control system effectiveness and fraud prevention in Nigeria. The specific objectives were to; examine the effectiveness of internal control system effectiveness in fraud prevention, the effectiveness of internal control system effectiveness in improving financial reporting quality and to ascertain the relationship between internal control system effectiveness and internal controls. The study adopted desk survey methods in gathering relevant



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information which was extracted from textbooks, libraries, published and unpublished journals. Pearson Product Moment Correlation statistical tool was adopted in this study. It was revealed that there was a significant relationship between internal control system effectiveness and fraud prevention, there was a significant relationship between internal control system effectiveness and financial reporting quality and there was a significant relationship between internal control system effectiveness and internal control. The study recommended that eradication of economic and financial crime through the adoption of internal control system effectiveness in the system will improve the image of Institutions under-review. Also, recommended that government and regulatory authorities should ensure the provision of standards and guidelines to regulate forensic activities above all, therefore Nigerians should embrace integrity, objectivity, fairness and accountability in their day-to-day activities.

Theoretical Framework

Agency Theory

Agency Theory serves as a critical theoretical framework underpinning this study on internal control system effectiveness. Originally propounded by Michael Jensen and William Meckling in 1976, Agency Theory examines the relationship between principals (such as shareholders) and agents (such as company managers or executives), focusing on the inherent conflicts that arise when decision-making authority is delegated. The fundamental issue outlined by the theory is the potential divergence between the interests of the principals and those of the agents, which can result in inefficiencies and increased costs collectively known as agency costs. At its core, Agency Theory explains that principals, who are the owners of the firm, must rely on agents to manage the company; however, these agents may have personal incentives or risk preferences that lead them to act in ways that are not fully aligned with the principals' best interests. The theory identifies two primary types of costs: monitoring costs incurred by principals to oversee agent behavior, and bonding costs incurred by agents to guarantee their commitment to the principals. Even after these measures are put in place, a residual agency cost often remains if the agents' actions do not perfectly align with the optimal outcomes desired by the principals.

Institutional Theory

Institutional Theory provides a lens through which organizations' internal structures and practices such as internal control system effectiveness can be understood as responses to external pressures and expectations. This theory was initially propounded by John and Brian in 1977 and later developed further by Paul and Walter in 1983. Their work laid the foundation for understanding how organizations adopt certain formal structures and practices not solely for operational efficiency but also to gain legitimacy and meet normative, regulatory, and cognitive expectations in their external environments. Institutional Theory argues that organizations are influenced by the institutional environment in which they operate. Rather than being solely driven by a focus on technical rationality and efficiency, organizations are pressured to conform to societal norms, legal requirements, and professional standards. This conformance is often achieved through the adoption of standardized procedures and structures mechanisms that might appear to have little direct contribution to operational outcomes but serve critical roles in garnering legitimacy and trust from external stakeholders.

In terms of internal control system effectiveness, Institutional Theory suggests that such functions are implemented not only as a means of ensuring internal control and mitigating risk but also as a signal to external parties such as regulators, investors, and other stakeholders that the organization adheres to



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accepted governance practices. The theory underscores that internal audit practices may become institutionalized across organizations due to coercive pressures (for example, legal and regulatory requirements), mimetic pressures (where organizations imitate the practices of successful peers in environments of uncertainty), and normative pressures (stemming from professional standards and education). In this light, internal audits are seen as part of a broader array of governance practices that serve to secure an organization's legitimacy. This theoretical framework is directly relevant to the study of internal control system effectiveness. By applying Institutional Theory, the study can explore how external pressures from regulatory bodies, industry standards, and societal expectations influence an organization's decision to adopt and enhance internal audit functions. The theory also helps explain why similar internal audit processes emerge across organizations operating in the same institutional environment, even when those processes might not optimize operational efficiency per se. Instead, they serve to provide assurance, reduce perceived risks, and align the organization with widely accepted governance norms, thereby reducing the risk of reputational damage and securing stakeholder confidence.

Policeman Theory

The theory was developed by Dowler and Harris in 1912. The policeman theory positions an independent investigator as a policeman, whose role is to check the accuracy of operations in an organization in line with standards. for prevent fraud preventions (Hayes, et al., 2005). But as far as professional fraud prevention and fraud prevention risk are concerned, the concerns to detect and control these deeds are pretty active and clean-cut by means of standards that are dedicated to this aspect (Carpenter, 2007).

It is assumed that the forensic accountant is a policeman whose primary concern is the detection and prevention of fraud prevention so as to reduce the overall cases of reported corporate fraud prevention incidence (Ittonen, 2010). The involvement of internal control system effectiveness in the organization will mitigate some of the fraud prevention activities. Policeman theory supports the argument that there is need for strong monitoring, evaluation, audit, and information sharing with reference to the role of an independent and responsive forensic accountant to assist the Universities improves their performance of oversight and ensure accountability and transparency for the clients (Khan, & Stern, 2007).

Research Design

This study utilized a field survey methodology, which involved the systematic collection of data pertaining to both the dependent and independent variables concurrently.

The population for this study consisted of 700 individuals affiliated with AMAC, FCT, Abuja. This population comprised four distinct groups: IT staff, Audit Staff, Accounts personnel, and Administrative Staff, totaling 700 individuals. Specifically, there were 400 IT staff, 5 Audit Staff, 56 Accounts personnel, and 239 Administrative Staff within the organization."

The Yaro-Yamane formula was employed to determine the sample size for this study. This formula is commonly used in research to calculate a representative sample size from a large population. By applying the Yaro-Yamane formula to the population size of 700, a sample size of 320 was determined. This sample



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size was deemed sufficient to adequately represent the diverse groups within the population and facilitate robust statistical analysis.

Table 3.1 Population and Sample Size Table

Population Group	Population Size	Sample Size
IT Staff	400	183
Audit Staff	5	2
Accounts Personnel	56	26
Administrative Staff	259	109
Total	700	320

Source: Field Survey 2025

Primary and secondary data were used in this study. The primary was sourced through the administering of well-structured questionnaire. The instrument for collecting primary data for this research was questionnaire which is listed to rate the opinions of respondents on some specified categories on five-point Likert scales. The questionnaire consisting of closed-ended questions that are related to the study variables and the questionnaire would be divided into two parts. Part A sought for general information on the demographic of the respondents. Part B comprises questionnaire items of the constructs in respect to internal control system effectiveness tool (control environment, audit competences, forensic advisory and frequent internal risk assessment) and fraud prevention to seek for their opinions using five-point Likert scales itemized indicating as (Strongly Agree, Agree, and Neutral). The questionnaire would be administered to the respondents on proxy and face-to-face basis.

The instrument for data collection in this study was questionnaire. This is considered appropriate due to the nature of the study variables which are measured using perceptual measure in prior studies Baer & frees, (2003), Namugenyi, (2012), Larreta, (2011). Therefore, the instruments were validated in terms of its validity and reliability.

Reliability test would be used to test the internal consistency of the questionnaire. In establishing internal consistency, the Cronbach alpha and composite reliability will be employed. The rule is that both statistics should be 0.7 and above Hair.,et al (2010).

Table 3.2 Reliability Test

Variables	Cronbach's Alpha ^a	N of Items
Audit competences	.724	3
Frequent internal risk assessment	.824	3
Control environment	.856	3
Use of technology in control activities	.831	3
Fraud prevention	.707	3

Source: SPSS Output, 2025



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Interpretation: From Table 3.2, the reliability test was conducted for the whole items of the latent variables based on the number of items that measured it. The variables have value of the Cronbach Alpha above 0.7. It can be inferred that the questionnaire is a reliable instrument.

Method of Data Analysis and Model Specification

The aim of this study was to test the relationship between internal control system effectiveness tool and fraud prevention. This suggests the use of parametric statistics such as regression. As such multiple regression would be used to test the direct association between the independent and the dependent variables. The multiple linear regression models would be used for this study.

It is important to consider how control environment, audit competences, frequent internal risk assessment using a multiple regression model.

$$FP = \beta_0 + \beta_1 CE + \beta_2 AUCMP + \beta_3 UTCA + \beta_4 FIRA + e$$

Where:

FP= Fraud prevention

CE = Control environment

AUCMP= Audit Competences

UTCA = Use of technology in control activities

FIRA = Frequent internal risk assessment

β_0 = Constant

e = error term for the Model that is, the difference between the observed value and the predicted value of fraud prevention.

Data Presentation

Table 4.1.1 Results of the Questionnaire Rate

Response	Frequency	Percent
Returned	320	80
Unreturned	80	20
Total	400	100

Source: Field Survey 2025

The findings presented in the table above demonstrate a commendable total response rate of 80%. This response rate is noteworthy, especially considering established guidelines provided by reputable scholars such as Mugenda and Mugenda (2003) and Babbie (2004). According to Mugenda and Mugenda (2003),



a response rate exceeding 50% suffices for descriptive studies, indicating that the achieved rate surpasses this threshold.

Table 4.1.2 Frequency Results of the Respondents Based on the Variables

Response	Scale	AIND	AUCP	UTCA	FIRA	FP
Strongly Agreed	2	56	108	95	104	92
Agreed	1	110	82	104	55	90
Undecided	0	11	6	2	6	6
Disagreed	-1	58	68	59	69	72
Strongly Disagreed	-2	85	56	60	86	60
Total Obv		320	320	320	320	320

Source: Field Survey 2025

Table 4.1.3 Results of the Response Rate

	SA	A	UN	D	SD
FRAUD PREVENTION	%	%	%	%	%
The existing fraud prevention mechanisms at AMAC, FCT, Abuja are effective in preventing and detecting fraud prevention activities.	33.1	16.6	3.0	34.8	12.6
The implementation of fraud prevention measures at AMAC, FCT, Abuja is conducted efficiently, minimizing unnecessary costs and resource wastage.	32.5	23.8	1.3	13.2	29.1
Overall, I believe that AMAC, FCT, Abuja's fraud prevention framework strikes a balance between effectiveness and efficiency, ensuring optimal protection against fraud prevention activities while minimizing operational burdens	44.0	17.5	1.3	17.5	19.5
CONTROL ENVIRONMENT	%	%	%	%	%
Control environment effectively influences stakeholders to adhere to fraud prevention policies and procedures.	25.2	22.8	13.2	21.9	16.9
The ability to communicate persuasively enhances the implementation of fraud prevention measures within AMAC, FCT, Abuja.	33.1	16.6	3.0	34.8	12.6
Control environment foster a culture of transparency and integrity, reducing the likelihood of fraud prevention activities at AMAC, FCT, Abuja.	42.4	13.9	3.6	22.8	17.2
AUDIT COMPETENCE					
Effective audit competences contribute to the timely detection and prevention of fraud prevention activities within AMAC, FCT, Abuja.	22.2	34.1	6.0	18.5	19.2



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Control environment help uncover hidden instances of fraud prevention, enhancing the overall integrity of financial operations at AMAC, FCT, Abuja.	21.5	40.4	1.3	20.9	15.9
The application of audit competences facilitates the gathering of evidence necessary for prosecuting individuals engaged in fraud prevention behaviour within AMAC, FCT, Abuja.	32.5	23.8	1.3	13.2	29.1
USE OF TECHNOLOGY IN CONTROL ACTIVITIES					
Use of technology in control activities play a crucial role in enhancing fraud prevention measures within AMAC, FCT, Abuja.	44.0	17.5	1.3	17.5	19.5
The involvement of use of technology in control activities significantly contributes to the timely detection and prevention of fraud prevention activities at AMAC, FCT, Abuja.	39.7	21.2	0.3	19.9	18.9
Overall, I believe that use of technology in control activities provide valuable insights and recommendations that strengthen the effectiveness of fraud prevention efforts within AMAC, FCT, Abuja.	14.9	46.7	5.3	14.9	18.2
FREQUENT INTERNAL RISK ASSESSMENT					
Frequent internal risk assessment enhances the organization's ability to pursue legal action against perpetrators of fraud prevention, thereby deterring fraud prevention behaviour	16.2	41.4	4.6	28.5	9.3
The availability of frequent internal risk assessment facilitates the thorough investigation and documentation of fraud prevention activities, strengthening the organization's case in legal proceedings.	11.3	33.8	2.6	25.2	27.2
Engagement with frequent internal risk assessment professionals improves the organization's capacity to recover losses resulting from fraud prevention acts, mitigating financial impact and restoring trust in the institution.	20.5	14.9	6.3	28.8	29.5

Source: Field Survey 2025



Data Analysis

Table 4.2.1 Pearson Correlation Matrix

Correlations			FP	CE	AUCMP	UTCA	FIRA
Control Variables							
FP	FP	Correlation	1.000	.953	.976	.965	.935
		Significance (2-tailed)	.	.000	.000	.000	.000
		df	0	320	320	320	320
CE	CE	Correlation	.953	1.000	.939	.924	.962
		Significance (2-tailed)	.000	.	.000	.000	.000
		df	320	0	320	320	320
AUCMP	AUCMP	Correlation	.976	.939	1.000	.975	.931
		Significance (2-tailed)	.000	.000	.	.000	.000
		df	317	317	0	317	317
UTCA	UTCA	Correlation	.965	.924	.975	1.000	.908
		Significance (2-tailed)	.000	.000	.000	.	.000
		df	320	320	320	0	320
FIRA	FIRA	Correlation	.935	.962	.931	.908	1.000
		Significance (2-tailed)	.000	.000	.000	.000	.
		df	320	320	320	320	0

Source: Field Survey 2025

The table 4.2.1 above reports the Pearson correlation between all the independent variables. The correlation matrix is used to determine the relationship between variables of the study. The above result indicates that there is a positive and significant correlation between all the independent variables. It indicates that there is a positive and significant relationship between Fraud prevention, Control environment, Audit competences, Use of technology in control activities, and Frequent internal risk assessment. This signifies that a forensic accountant can apply the skill of Control environment, Audit competences, Use of technology in control activities, and Frequent internal risk assessment for the purpose of fraud prevention in AMAC, FCT, Abuja.

Table 4.2.1.2: PLS regression results for fraud prevention (FC)

Predictor Variable	PLS Coefficient	Interpretation
CE (Control environment)	0.228	Positive influence on fraud prevention (FC), though moderate compared to others.
AUCMP (Audit competences)	0.482	Highest positive impact on fraud prevention, indicating its significant importance.
UTCA (Use of technology in control activities)	0.059	Minimal impact on fraud prevention, showing a weak relationship.
FIRA (Frequent internal risk assessment)	0.231	Positive influence, comparable to Control environment but slightly higher.

Source: Field Survey 2025



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4.2.1.2 provides insights into how various predictor variables Control environment, Audit competences, Use of technology in control activities, and Frequent internal risk assessment (LS) affect fraud prevention Below is a detailed discussion of the findings based on the PLS coefficients, which indicate the strength and direction of these relationships.

Control environment have a positive influence on fraud prevention, as indicated by the PLS coefficient of 0.228. This suggests that individuals who possess strong control environment are moderately effective at improving fraud prevention. While this coefficient shows a positive relationship, the impact of control environment on fraud prevention is moderate compared to other factors. It implies that, although persuasion is important, other skills, particularly investigative abilities, play a more significant role in enhancing fraud prevention within organizations.

Audit competences exhibit the highest positive impact on fraud prevention, as shown by the PLS coefficient of 0.482. This underscores the critical role that investigative expertise plays in detecting, mitigating, and preventing fraud prevention.

Use of technology in control activities is 0.059, indicating a minimal impact on fraud prevention. Use of technology in control activities involve providing expert opinions on the implementation of anti-fraud prevention policies and systems, as well as advising on best practices for preventing financial crimes.

Frequent internal risk assessment has a positive influence on fraud prevention, as indicated by the PLS coefficient of 0.231. Frequent internal risk assessment involves providing expertise and evidence during legal proceedings related to fraud prevention cases. It plays a role in ensuring that fraud prevention cases are prosecuted effectively, and that the organization recovers losses from fraud prevention activities.

Table 4.2.1.3: Variance Explained by PLS Model

Component	Explained Variance (%)
Component 1	96.73%
Component 2	3.26%

Source: Field Survey 2025

The two components in the model account for different portions of the total variance, with Component 1 explaining most of the variance.

Component 1 explains 96.73% of the variance in fraud prevention, suggesting that this component captures the most critical factors contributing to fraud prevention at AMAC, FCT, Abuja. This high percentage indicates that the model's primary predictors control environment, audit competences, use of technology in control activities, and frequent internal risk assessment strongly influence fraud prevention, with audit competences likely being the most dominant factor based on prior analysis.



Component 2 accounts for only 3.26% of the variance in fraud prevention, meaning it captures minor, residual factors that influence fraud prevention beyond those captured by Component 1.

The model's ability to explain 96.73% of the variance in fraud prevention underscores the importance of focusing on the primary factors especially audit competences and frequent internal risk assessment as these account for most of the variability in fraud prevention outcomes.

Table 4.2.1.4: Path Coefficients Table

Relationship	Path Coefficient	t-value	p-value	Significance
CE → FP (Control environment → Fraud prevention)	0.228	3.12	0.002	Significant
AUCMP → FP (Audit competences → Fraud prevention)	0.482	5.68	0.000	Highly Significant
UTCA → FP (Use of technology in control activities → Fraud prevention)	0.059	0.87	0.391	Not Significant
FIRA → FP (Frequent internal risk assessment → Fraud prevention)	0.231	2.98	0.003	Significant

Source: Field Survey 2025

The positive path coefficient of 0.228 shows that control environment has a moderate and statistically significant influence on fraud prevention. The t-value of 3.12 and p-value of 0.002 (less than the conventional threshold of 0.05) indicate that this relationship is statistically significant. This suggests that strong persuasive communication by forensic accountants or fraud prevention investigators can contribute to improved fraud prevention in AMAC, FCT, Abuja. Control environment help facilitate cooperation, gain trust, and influence stakeholders to implement and support fraud prevention measures.

Audit competences exhibit the highest path coefficient of 0.482, indicating a strong and positive relationship with fraud prevention. The t-value of 5.68 and p-value of 0.000 suggest that this relationship is highly statistically significant.

Use of technology in control activities, with a path coefficient of 0.059, exhibit a weak and statistically insignificant relationship with fraud prevention, as indicated by a t-value of 0.87 and a p-value of 0.391. This shows that use of technology in control activities have little to no direct impact on fraud prevention efforts at AMAC.

Frequent internal risk assessment demonstrates a positive and statistically significant impact on fraud prevention, with a path coefficient of 0.231, a t-value of 2.98, and a p-value of 0.003. This suggests that legal expertise and assistance during fraud prevention-related court cases play a crucial role in ensuring the successful prosecution of fraud prevention, leading to better fraud prevention.



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Conclusion and Recommendations

This study examined the effect of internal control system effectiveness on fraud prevention by narrow it to AMAC, FCT, Abuja. This study adopted survey design as it sought to describe and establish the relationships among the study variables. The result indicated that control environment has a significant and positive effect on fraud prevention in AMAC, FCT, Abuja. The result of the analysis also revealed that audit competences have a positive and significant effect on fraud prevention in AMAC, FCT, Abuja

The result of the analysis further revealed that use of technology in control activities has a positive and significant effect on fraud prevention of AMAC, FCT, Abuja. finally, the result of regression shows that frequent internal risk assessment has a positive and insignificant effect on fraud prevention. Although there were variations in opinion, most of the respondents agree that forensic accountants' knowledge of frequent internal risk assessment activities such as presentation of expert testimony and analysis of the financial components of the initial complaints can significantly influence fraud prevention in AMAC, FCT, Abuja.

From the results of the analysis, the result revealed that internal control system effectiveness (control environment, audit competences, and use of technology in control activities) have significant and positive effect on fraud prevention in AMAC, FCT, Abuja, it is therefore concluded that internal control system effectiveness contribute greatly to fraud prevention in AMAC, FCT, Abuja. On the individual variables, it is concluded that control environment service is a strong organization strategy in fraud prevention.

Also, for audit competences, based on the findings it is concluded that audit competences provided by forensic accountants is a strong influence on fraud prevention. Furthermore, it is concluded that business advisory service advanced the cause of fraud prevention in AMAC, FCT, Abuja. Finally, it is concluded that though frequent internal risk assessment service is important for fraud prevention, it is poorly utilized by AMAC, FCT, Abuja.

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