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Effect of Internal Audit Functions on Fraud Control in Manufacturing Companies in Anambra State

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ABSTRACT
The study is aimed to examine the effect of the internal audit functions on fraud control in manufacturing companies in Anambra state. The study made use of survey design. Data were collected from primary sources through the issue of seventy-two (72) structured questionnaires to four (4) senior management staff, including the accountant of each of the eighteen (18) companies under the study. The collected data were analysed using Logistic Regression analyses with the help of Statistical Package for Social Science (SPSS) version 23. The findings showed that the internal audit functions which include evaluation of internal control, risk assessment all affect fraud prevention and detection in manufacturing concern. Based on the above, it is recommended among others that management of manufacturing companies in Anambra state should always adopt the services of a qualified Internal auditor in the company so as to ensure no financial leakages and accountability in the company. The management should create and establish a standard internal control system, strong enough to stand against the wiles of fraud in order to promote continuity of operations in such company. The structure should be such that can remain relevant for a very long time and capable of been updated with emerging technology.

KEY WORDS: *Internal audit, risk, fraud, internal control, fraud prevention, fraud detection*

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INTRODUCTION
Business practices in Nigeria have been marred by incredible waves of fraud involving misappropriation of fund, cheque forgeries, and funds diversion (Agwor, 2017). History has recorded an unprecedented increase in fraud and fraudulent practices as result of greater size and complexities in the business environment. Fraud has grown to a point where its perpetration poses a threat not only to the concerned organization but also the entire economy (Okoye, & Ndah, 2019). Fraud has for long been categorized as a menace that led to the collapse of many reputable institutions in the world which include Enron, Bernie Madoff scandals, WorldCom, Lehman Brothers, Tyco International Ltd, and Adelphia Communications Corporation in the USA, Parmalat crises in Italy and HIH Insurance Ltd in Australia (Sule, Ibrahim, & Sani 2019). In Nigeria, and Anambra state in particular, the story is not different. There has been several corporate failures and large scale misappropriation of funds in the recent past in Nigeria involving Anambra State Motor Manufacturing Companies, Anambra Vegetable Oil Production Company Nigeria Limited, Niger Steel Company Enugu formerly in Anambra state (Chukwuemeka, Okechukwu, & Iloanya, 2015). The cases of Cadbury Nigeria Plc; NAMPAK, were relatively caused by massive fraud (Sule, Ibrahim, & Sani, 2019).

According to Golden, Skalak, and Clayton (2006), all acts of fraud can be distilled into four basic elements which are: a false representation of a material nature; knowledge that the representation is false, or reckless disregard for the truth; the person receiving the representation reasonably and justifiably relied on it for decision making and financial damages resulting from all of the above. Thus, fraud is a deliberate act with the intention to deceive those who rely on the information and would normally cause loss especially of a financial nature to victims.

Fraud can be internal or external to the organization however, the most damaging of frauds are those perpetrated by members of the organization. According to Shouter (2001), financial statement fraud (a type of fraud perpetrated by insiders) has a higher negative impact on the victim organization and its shareholders and the investing public. This type of fraud is characterized by intentional misstatements or omissions of amounts or disclosures in financial reporting to deceive financial statement users. More specifically, financial statement fraud involves manipulation, falsification, or alteration of accounting records or supporting documents from which financial statements are prepared. In addition to causing losses of a financial nature to the organization, fraud when uncovered will lead to loss of confidence by the investing public which will likely starve the organization of needed funding for future activities. In numerous cases, fraud has led to the liquidation of business organizations that were initially thought financially healthy.

Despite the several legislations put in place to reduce, alleviate and if possible eliminate the occurrence and incidences of fraud, it is worrisome that incidences of fraud have become so widespread that it is fast assuming an epidemic proportion in Nigeria. In fact, fraud has become a daily occurrence in Nigeria firms (Okoye, Adeniyi, & James, 2019). The acts of financial fraud has persisted in most firms in spite of strong internal controls put in place to forestall and control any planned intention to steal the business money (Adetiloye, Olokoyo & Taiwo, 2016). Hence, business organizations have over the years taken great pains in trying to prevent and detect the occurrence of fraud. In the corporate world, the internal audit function is one of the many business strategy employed by organizations to forestall fraudulent activities, catch the perpetrators and make financial recoveries where possible (Adetiloye, Olokoyo & Taiwo 2016).

According to the Institute of Internal Auditors (IIA) (2004), internal audit is an independent, objective assurance and consulting activity designed to add value and improve organizations operations. It helps an organization accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control and governance process. Internal audit uses various methods in the performance of their roles. These include the analysis of financial statements and other relevant financial records, assessing and testing data for completeness and accuracy. It therefore becomes necessary to examine the effect of internal audit functions on fraud control in manufacturing companies in Anambra state.

Many companies lack mechanisms for adequate monitoring of activities and operations, thereby not giving room for easy achievement of the business goals (Adeniji, 2004). Adetiloye, Olokoyo and Taiwo, (2016) confirmed that the installation of internal controls cannot be sufficient to eliminate fraudulent activities, constant rejigging of the controls already put in place to ensure that they are effective in reducing fraudulent activities in companies should become important. Flaws and loopholes still exist in an organization despite the existence of internal control system, which can easily be circumvented by individuals who are inclined towards fraudulent activities. This is in agreement with the views of many researchers that the use of internal control alone by many firms to prevent and detect fraud has been proven not to be sustainable for most businesses particularly those in the manufacturing industry that are operating as a going concern. Therefore, these calls for an effective internal audit which is expected to examine and evaluate the adequacy and effectiveness of controls and identify areas of improvement in risk management, so that fraud and irregularities can be minimized or prevented.

Meanwhile, from the existing research works reviewed, Adeniji (2004) examined the impact of internal audit on fraud detection and prevention with power Holding company. Onyinlola (2010) carried out study on the role of auditors in the prevention, detection and reporting in Nigeria, while Saleh (2016) conducted research on the effect of internal control on fraud prevention in Maiduguri Manufacturing industries. There was no work on the effects of internal audit functions on fraud control in manufacturing companies in Anambra state. Most of the existing studies focused on the problems of fraud, and the expectations of auditors, forensic accountant and internal control on fraud prevention and detection. None of the empirically reviewed work in this study was able to center on various variables of internal audit function and fraud control to ascertain how internal audit function regulates and controls the extent of fraud in the manufacturing sector. These posed a gap in knowledge which the study aimed to fill by focusing on the variables of internal audit functions such as internal control systems, risk assessment, , as well as the variables of fraud control such as fraud prevention, fraud detection. This was done to ascertain how the variables or components of internal audit function influence the variables of fraud control.

The main objective of the study is to examine the effect of the internal audit functions on fraud control in manufacturing companies in Anambra state.

The study will have its specific objectives as follows, to:
1. Ascertain the effect of internal control on fraud prevention in manufacturing companies
2. Evaluate the extent to which risk assessment affect fraud detection in manufacturing companies

Research Questions
Based on the research problem identified, this study will seek to answer the following questions:
1. To what extent does internal control affect fraud prevention in manufacturing companies?
2. To what extent does risk assessment affect fraud detection in manufacturing companies?

Review of Related Literature
Internal Audit
According to the Institute of Internal Auditors (IIA) (2004), internal auditing is an independent, objective assurance and consulting activity designed to add value, and improve organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control and governance process. The primary purpose of internal auditing is to improve organisational efficiency and effectiveness through constructive scrutiny of internal process. Omolaye and Jacob (2017), observe that internal audit functions as an important link in the business and financial reporting process. It also plays significant role in monitoring an organisations risk profile and identifying areas of improvement in risk management. Odum and Odum (2017) stated that the extent of work covered by the internal auditor goes beyond financial matters. They could look into personnel department to see if there are wastages in human resources. They could also look into purchasing department to see if the purchases are made from the cheapest source and into the marketing department to see if the new sales outlets have been fully exploited and make a report to management. To make auditing possible, the internal control measures should be adequate and perfect, the accounting system must be sound and the organisational structure must not be overlapping (Josiah, Samson & Elizabeth, 2012). The element of effective internal audit comprises, auditors` independence, good working relationship, proper staffing and training, exercising due care, evaluation of internal control systems, proper reporting and follow-ups (IIA 2004).

In this study, internal audit is defined as a strategy used in supporting management efforts to establish a culture that embraces ethics, honesty, and integrity. They assist management with the evaluation of internal controls used to detect or mitigate fraud, evaluate the organization`s assessment of fraud risk, and are involved in any fraud investigations.

Concept of Fraud
According to Osisioma (2013), fraud is defined as all the multifarious means which human ingenuity can devise and are resorted to by one individual to get any advantage over another. It includes all surprise, trick, cunning, dissembling and unfair ways by which another is deceived. Fraud covers a plethora of corporate crimes like embezzlement, larceny, theft, misappropriation of assets, among others. Fraud is not peculiar to manufacturing companies; it is a general phenomenon. Some multinational organisation such as Enron, World com and so on have been affected negatively due to fraud occurrence, therefore many organisation have made so many attempts to restore their goodwill and images by instituting internal controls, ethical guidelines, and code of ethics to prevent unethical behaviour. The terms "fraud" has received attention and different definitions from different scholars, researchers and authors. What is very peculiar to the definitions is that the concept has been associated with embezzlement, financial misstatement and misappropriation, extortion, illegal amassing of wealth through dubious means, act of deception, bribery, false representation, theft, concealment of material fact etc. According to Adeyemo (2012), fraud is defined as "any illegal act characterized by deceit, concealment or violation of trust. These acts are not dependent on the application of threat or violence or of physical force. On the other hand, Mutesi (2011) defined fraud as "any premeditated act of criminal deceit, trickery or falsification by a person or group of persons with the intention of altering facts in order to obtain undue personal monetary advantage. Penny (2002) explains fraud as an illicit financial gain for the fraudster or loss for the victim while Mahinda (2012) added that the menace occurs as a result of a person in position of trust or accountability who advances his own personal interests at the expense of the public interests through digressing from the set standards and rules.

All organisations companies are vulnerable to fraud. The Association of Certified Fraud Examiners (ACFE) (2018) has identified three primary Categories of fraud based on the numerous investigated fraud cases. These are asset misappropriations, corruption schemes and financial statement fraud schemes. According to ACFE, asset misappropriations are those schemes in which the perpetrator steals or misuses the companies' resources. The corruption schemes involve the employee's use of his or her influence in business transactions in a way that violates his or her duty to the employer for the purpose of obtaining a benefit for himself or herself or someone else. Financial statement fraud schemes are those involving the intentional misstatement or omission of material information in the organization's financial reports.

Fraudsters often display certain behaviors or characteristics that may serve as warning signs or red flags. For example, some perpetrators act unusually irritable, some suddenly start spending lavishly, and some become increasingly secretive about their activities. According to Institute of Internal Auditors (IIA) (2009), the following red flags should be understood and identified by an organization`s management and internal auditors as potential warning signs of fraudulent conduct: These include overrides of controls by management or officers, irregular or poorly explained management activities, problems or delays in providing requested information, and significant or unusual changes in customers or suppliers. Red flags also include transactions that lack documentation or normal approval, employees or management hand-delivering checks, customer complaints about delivery, and poor IT access controls such as poor password controls.

Personal red flags include living beyond one's means; conveying dissatisfaction with the job to fellow employees; unusually close association with suppliers; severe personal financial losses; addiction to drugs, alcohol or gambling; change in personal circumstances; and developing outside business interests. In addition, there are fraudsters who consistently rationalize poor performance, perceive beating the system to be an intellectual challenge, provide unreliable communications and reports, and rarely take vacations or sick time (and when they are absent, no one performs their work). In this study, fraud is perceived as any illegal acts which include squander, misallocation and embezzlement of fund or resources, characterized by deceit and concealment or violation of trust which may eventually collapse an organization.

Internal Control Systems

The Institute of Chartered Accountants in England and Wales (ICAEW) statement of Auditing defines internal controls as not only internal check and internal audit, but the whole system of control, financial and otherwise, established by management of an organization in order to carry on the business of the entity in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records (Enofe, Mgbame, Okunega & Ediae, 2013). It is therefore worth noting that Internal control system are expected to be designed by entities and executives for the purpose of efficient and effective business processes, reliable financial reporting and compliance with rules and regulations are assessed through internal audit activities. Internal auditors are responsible for providing information to management on the efficiency and quality of internal control, appropriateness of business processes and performance quality. Internal audit activities are the key elements which have significant role in avoiding fraud and error as well as loss of income and assets (Uzum, 2020). Properly instituted systems of internal control will enhance better financial performance. It will ensure; completeness of all transactions undertaken by an entity, that the entity's assets are safeguard from theft and misuse, that transactions in the financial statements are stated at the appropriate amounts, that all assets in the financial statement of a company do exist, that all the assets presented in the company's financial statements are recoverable and that the entity's transactions are presented in the appropriate manner according to the applicable reporting framework

Risk Assessment

Risk assessment is a systematic process of identifying hazards and evaluating any associated risks within a workplace, then implementing reasonable control measures to remove or reduce them (Alizadeh, 2016). According to institute of Internal Auditors (IIA) (2009), internal audit core role with regard to risk is to provide objective assurance to the board on the effectiveness of risk management. Indeed, research has shown that board directors and internal auditors agree that the two most important ways that internal auditing provides value to the organization are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively. Akeem (2015) notes that the various processes of risk assessment include the following:

Risk Identification

Risk identification is the process by which an organization systematically and continuously identifies risks and uncertainties (Al-Khaddash, Al-Nawas & Ramadan, 2013). Identification activities are intended to develop information on sources of risk, hazards, risk factors, perils and exposures to loss. Identification of the risks of an organization requires knowledge of the organization, the market in which it operates, the legal, social, economic, political and climatic environment in which it does its business, its financial strengths and weaknesses, its vulnerability to unplanned losses, the manufacturing processes, and the management systems and business mechanism by which it operates. Risk identification according to Ahmad, Othman, Othman and Jusoff (2017) provide the foundation for risk assessment.

Risk Evaluation/Measurement

The second stage in the risk assessment process is the evaluation of risk or the measurement of its impact on the firm. This involves compiling very accurate records of past events in order that decisions taken in the future are made on the basis of sound statistics (Adeyemi & Okpala, 2016). One very important reason for carrying out careful evaluation is to ensure that the company does not spend too much money on controlling a risk that is not likely to cost a great deal should it materialize. To be systematic about the evaluation of risk Ahlawat and Lowe (2014) considered the aspects of the risk as regards:

A. The probability of a loss occurring or the frequency of loss;
B. The severity of the loss; and possibly
C. The maximum possible (probable) loss.

Risk Analysis

Risk analysis consists of those activities that enable the risk manager to identify, evaluate, and measure risk and uncertainty and their potential impact on the organization (Adeniyi & Mieseigba, 2013). Risk analysis is the most fundamental activity undertaken by the risk manager. It involves the identification of risks, the analysis of frauds and outcomes, and the measurement of risk.

The underlying objectives of risk analysis according to Abdul and Abdul (2013) are to identify and quantify the treats that may bring damage or loss to an organization, its responsibilities and objectives. The author reasoned that it will be useful, however, when beginning to analysis what risk there are, to keep the broad objectives continually in mind.

Fraud Detection

Fraud detective controls are designed to provide warnings or evidence that fraud is occurring or has occurred (IIA 2009). Effective internal controls are one of the strongest deterrents to fraudulent behavior and fraudulent actions. Simultaneous use of preventive and detective internal controls enhances any fraud risk management program's effectiveness. Although detective internal controls may provide evidence that fraud exists, detective internal controls are not intended to prevent fraud. Fraud detection methods need to be flexible, adaptable, and continuously changing to meet the changes in the risk environment. While preventive measures are apparent and readily identifiable, detective controls may not be as apparent (that is, they operate in the background). Organizations often rely on employees to report suspicious activity through an anonymous whistleblower hotline. Using employee feedback capitalizes on the fact that many employees within the organization want to share what they know about organizational issues (IIA 2009). An effective way for an organization to learn about existing fraud, according to IIA (2009) is to provide employees, suppliers, and other stakeholders with a variety of methods for reporting their concerns about illegal or unethical behavior.

Empirical Review

Prior to this study a lot of research works have been conducted by other researchers related to this topic; some of such works have been reviewed below:

Ezejiofor and Okolocha (2020) determined how internal audit function affects financial performance of commercial banks in Nigeria. This study employed survey research design. The population of the study consists of seven (7) branches each from five (5) selected commercial banks in Enugu metropolis, Enugu State of Nigeria, which comprises of managers, internal control officers, fund transfer officer, and cash officers. Data collected for the study were analyzed and the hypotheses were tested using simple regression statistical tool with aid of SPSS version 20.0. The result shows that internal audit control and procedures have positive effect on financial performance of commercial banks in Nigeria and this effect is statistically significant at 5% level of significance.

Okoye and Ndah (2019) carried out a study titled "Forensic accounting and fraud prevention in Nigeria manufacturing companies." The objective of the study is to investigate the relationship between forensic accounting practices and the prevention of fraud in manufacturing companies in Nigeria. Data was collected from primary sources through the issue of fifty (50) structured questionnaires to the accounting staff of ten (10) manufacturing companies. The collected data was analyzed using Ordinary Least Square method of multiple regression analyses. The findings of the research showed that there is a positive and statistically significant relationship between fraud investigation practices and the prevention of fraud in manufacturing companies. Chimeocha (2018) carried out a study on the examination of internal audit as an effective tool for fraud control in a manufacturing organization. The main objective of the study is to examine the internal audit system in the operation in companies in Nigeria and evaluate the effectiveness of the system as a strategy for fraud control. The data were collected through primary source, and using Taro Yamene's 1964 formula out of the population of eight (8) staff in Michelle laboratory Enugu. The data were analysed using t-test analysis. The study revealed that internal audit has statistical significance association on fraud prevention in manufacturing organization, also that internal audit has statistical significance association on fraud detection in manufacturing organization, and finally, internal audit has no statistical significance association on fraud remediation in manufacturing organization.

Ezejiofor and Erhirhie (2018) investigate the effect of audit quality on the financial performance of deposit money banks in Nigeria. The study adopted ex post facto research design, data for the study were collected from annual reports and accounts of quoted deposit money banks in Nigeria. Regression analysis and coefficient correlation were employed to test the hypotheses. Findings revealed that there is a significant effect between audit quality and financial performance of Nigerian deposit money banks. Enofe, Abilogu, Omoolorun and Ehailo (2017) carried out a study on the measures of fraud prevention in banking industry. Primary data were used for this study. This study was carried out by collecting data from 15 quoted commercial banks in Nigeria as at 31st December, 2015. The study utilized ordinary least square regression model. It was observed that strong internal control system, good corporate governance and compliance with banking ethics have positive and significant influence on fraud prevention in banking industry. Olatuji and Adekola (2017) conducted a study titled 'the role of auditors in fraud detection and prevention in Nigeria deposit money banks: evidence from Southwest. This study examined the impact of auditors captured by risk assessment, system audit and verification of financial report on banking fraud control. The study relied on primary data. Multiple regression technique and ANOVA were used for the analysis. The results indicated that the level of fraud control in Nigerian banks during the period covered was low; the result revealed that risk assessment management, system audit and verification of financial reports adopted by the banking industry in Southwest Nigeria limit the fraudulent activities among the Nigerian banks.

Obonyo (2017) carried out a study on the effect of internal audit practices on fraud risk management in state corporations in Kenya. The study sought to establish the extent to which internal audit practices contributes to success of fraud risk management in State Corporations. The target population was all state corporations in Kenya; Stratified random sampling was used to sample the state corporations under study. Structured questionnaires were used to collect data. 40 state corporations were sampled for the study. The researcher used Pearson Chi-Square to analyse the data. The study concludes that internal audit practices; fraud policy, periodic assessment of fraud risk exposure, fraud prevention and fraud detection when combined contributes to success of fraud risk management in state corporations in Kenya. Adebisi, Matthew and Emmanuel (2016) used mean and standard deviation in assessing forensic accountants' ability to plan fraud detection procedures. They also employed multivariate analysis of variance and analysis of variance ANOVA to evaluate their study. The researchers identified that forensic accountants efficiently transform the level and nature of audit test when the management fraud is high. They also suggest that forensic accountant should better be engaged in the risk of management fraud appraisal process than consulting them. Baz. Samsudin, Che-Ahmad and Opoola (2016) in their study measured the roles of forensic auditors in fighting fraudulent activities, difference between forensic and statutory auditor, features of forensic auditor and the impact of forensic auditor on the Nigerian corporate governance. The study concludes that forensic auditors have enhanced management responsibility, reinforced external auditor's independence. Fury (2016), the research was on the role of internal audit unit in detecting and preventing fraud in public universities in West Java Indonesia. This study aims to identify the extent of the role of the Satuan Pengawas Intern (Internal Audit Unit) in detecting and preventing fraud in public universities in West Java under the Ministry of Research, Technology and Higher Education. The research method applied was a qualitative case study approach, while the unit of analysis for this study is the Internal Audit Unit at each public university. Results of this study indicate that the Internal Audit Unit is able to detect and prevent fraud within a public university environment by means of red flags to mark accounting anomalies. Okonkwo and Ezegbu (2016) studied internal control techniques and fraud mitigation in Nigerian Banks. The study adopted regression analysis and discovered that the internal control techniques employed by banks in checking fraud have not been very effective; and the branch managers were the dominant perpetrators of fraud in the banks. Sorunke (2016) conducted a research titled "Internal audit and fraud control in public institutions in Nigeria: A survey of Local Government Councils in Osun State" the study is aimed to evaluate the effectiveness of the internal audit unit on fraud control in local government administration in Osun State. The primary data were obtained through the administration of questionnaires, interview and actual observation. They were supplemented with secondary data. The findings of the research indicate that the Internal Audit unit did not fulfill and in reality does not contribute significantly to fraud prevention and control in local government administration in Osun State. The study thus recommends total overhauling of the internal audit unit in the local government administration in Osun State.

Methodology
This study adopted survey research design. This design is considered appropriate for this study because it enables the collection, interpretation and analysis of quantitative data from questionnaire.

Population of the Study
The population of the study comprised of manufacturing firms in Nnewi North Local Government of Anambra state, registered with National Association of Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA) as at 31st December, 2020. There are total of eighteen (18) of such registered manufacturing firms. The respondents are drawn from of senior management staff and Accountants in the various companies. The registered manufacturing companies in Nnewi North Local Government of Anambra State include the following.

1. Curtix PLC
2. Adwitch PLC
3. AZ Petroleum Products
4. Christomex Industry Limited
5. First Aluminium Company Limited
6. Lious Carter Industry Limited
7. Johnray Limited
8. Ngobros & Company Nigeria Limited
9. Omatta Holdings Limited
10. Ibeto Petrochemical Industries Limited
11. Union Auto Parts Manufacturing Company Limited
12. Innoson Vehicles Manufacturing Company Limited
13. Uru industries Limited
14. Tummy Tummy Food Industries Limited
15. Afro Asia Automobile and Plastic Limited
16. Prometex Industrial and Chemical Company Limited
17. Sambros Limited
18. Resources Improvement & Manufacturing Company Limited

Source: National Association of Chambers of Commerce, Industries, Mines and Agriculture (2020)

Determination of Sample Size
The sample size that was used for this study constitutes the total population which is eighteen (18) manufacturing companies' resident in Nnewi North Local Government, Anambra state. This is because the entire population is not large to be sampled

Method of Data Collection
In this study, the researcher made use of primary data. The primary instrument that was used for gathering data for this study was the questionnaire which was structured and designed in a five-point Likert: Strongly agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly Disagree (1).

Method of Data Analysis
Data were analysed using tables and mean while hypotheses were tested using Logistic Regression. The Statistical Package for Social Science (SPSS) version 23 was employed to carry-out the data analysis.

Logistic regression was used in this study to determine whether there are any statistically significant association between the dependent and independent variables. This test is used to show the likelihood that the dependent variable is influenced by the independent variable.

Decision rule: Reject the null hypothesis (H_O) if the probability value or the significant value is less than 0.05, otherwise accept the null hypothesis.

Data Analysis
Analysis of General Questions

Table 1: To what extent does internal control affect fraud prevention in manufacturing companies?

	Responses	SA	A	U	D	SD	N	Total	Mean score	Decision
1	Internal control promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organization' mission	30	30	0	2	1	63	275	4.37	Agreed
2	Internal control prevent fraud in manufacturing companies in Nigeria by safeguarding resources against loss due to waste, abuse, mismanagement, errors and fraud	22	38	2	1	0	63	270	4.29	Agreed

3	Internal control promote adherence to laws, regulations, contracts and management directives in attempt to prevent fraud in manufacturing companies	12	18	1	10	22	63	177	2.81	Disagreed
4	Reporting to the audit committee on internal control assessments, audits, and related activities aid in preventing fraud in manufacturing companies	45	6	0	0	0	63	249	3.95	Agreed
5	The quality of internal control systems is most fundamental in fraud prevention	43	6	2	0	0	63	245	3.89	Agreed
	Cluster Mean								3.86	

Source: Researcher's Computation, 2021

Table 5 shows that the respondents agreed that items in number 1, 2, 4 and 5 are the ways in which internal control affect fraud prevention in manufacturing companies in Anambra state because their respective mean was greater than the cluster mean being 3.86 but they disagreed with item 3.

Table 2: To what extent does risk assessment affect fraud detection in manufacturing companies?

	Statements	SA	A	U	D	SD	N	Total	Mean score	Decision
1	Risk assessment function as a mechanism of identifying potential risks in fraud detection in manufacturing companies	12	43	6	2	0	63	254	4.03	Agreed
2	Risk assessment aid in appropriate security for financial documents in fraud detection in manufacturing companies	10	43	6	3	1	63	247	3.92	Agreed
3	Risk assessment function as policy for monitoring operations and transactions in fraud detection in manufacturing companies	6	34	13	9	1	63	224	3.56	Agreed
4	Risk assessment play a role in reconciliations for transactions and review of procedures and policies in fraud detection in manufacturing companies	11	9	7	12	24	63	136	2.16	Disagreed
5	Only risk-based internal audit procedures can help a company detect fraud in a system	4	20	16	22	1	63	193	3.06	Disagreed
	Cluster Mean								3.35	

Source: Researcher's Computation, 2021

Table 6 shows that the respondents agreed that items in number 1, 2 and 3 are the ways in which risk assessment affect fraud detection in manufacturing companies in Anambra state because their respective mean was greater than 3.35 which is the cluster mean but they disagreed with items 4 and 5.

Test of Hypotheses

The Researcher conducted a logistic regression analysis to determine the relationship between the independent and the dependent variables.

Decision Rule

Accept the Alternate hypothesis when the Sig. value is less than 0.05, otherwise reject the Alternate hypothesis.

Hypothesis One

Internal control does not significantly affect fraud prevention in manufacturing companies.

Table 3 Logistic Regression for Test of Hypothesis I

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[Fraud_Prevention = 2]	41.304	61.687	.448	1	.503	162.209	79.601
	[Fraud_Prevention = 3]	27.983	54.985	.259	1	.711	135.751	79.785
	[Fraud_Prevention = 4]	9.663	44.336	.048	1	.827	96.561	77.235
Location	[Internal_Control=2]	51.024	72.925	.490	1	.611	193.954	91.907
	[Internal_Control=3]	34.641	58.429	.352	1	.553	149.160	79.877
	[Internal_Control=4]	18.866	50.171	7.141	1	.007	117.200	79.468
	[Internal_Control=5]	0[a]	.	.	0	.	.	.
Link function: Logit.								
a. This parameter is set to zero because it is redundant.								

Source: SPSS Version 23.0

Interpretation of Logistic Regression Analysis

The hypothesis above tested sought to ascertain how internal control influences fraud prevention in manufacturing companies. The ordinal logistic regression that was carried out produced the coefficients of correlation with which the hypothesis is tested. Of note, the standardized estimates above show the marginal effect of the independent variable on the dependent variable. Thus, the effect of internal control on the possibility of fraud prevention is revealed by the estimate in Internal_Control = 4, whose *p*-value is less than 0.05 alpha level. Therefore, an increase in internal control will increase the likelihoods of fraud prevention in the selected manufacturing firms by 18.87%. In other words, there are 18.87% chances that firms with tightened internal control system are better disposed to preventing corporate fraud. This decision was inferred on the basis of the decision rule re-stated below:

Decision:

The ordinal logistic regression analysis was conducted using an alpha value of 5%. Therefore, the null hypothesis is rejected since the *p*-value = 0.007 is less than 5%. Therefore, it is concluded that internal control significantly affects fraud prevention in manufacturing companies (*Wald*-statistic = 7.141, *p*-value = 0.007).

Hypothesis Two

Risk assessment does not have significant effect on fraud detection in manufacturing companies.

Table 4 Logistic Regression for Test of Hypothesis II

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[Fraud_Detection = 1.00]	2.769	.710	15.197	1	.000	4.161	1.377
	[Fraud_Detection = 2.00]	1.806	.644	7.860	1	.065	3.069	.544
	[Fraud_Detection = 3.00]	1.281	.612	4.378	1	.086	2.481	.081
	[Fraud_Detection = 4.00]	.248	.556	.199	1	.655	-.841	1.337
Location	[Risk_Assessment=1]	19.888	.000	.	1	.	19.888	19.888
	[Risk_Assessment=2]	1.752	.900	3.788	1	.032	3.516	.012
	[Risk_Assessment=3]	1.437	1.385	1.076	1	.000	4.152	1.278
	[Risk_Assessment=4]	2.087	.762	6.501	1	.006	3.581	.593
	[Risk_Assessment=5]	0[a]	.	.	0	.	.	.
Link function: Logit.								
a. This parameter is set to zero because it is redundant.								

Source: SPSS Version 23.0

Interpretation of Logistic Regression Analysis

The hypothesis above tested sought to ascertain how risk assessment influences fraud detection in manufacturing companies. The ordinal logistic regression that was carried out produced the coefficients of correlation with which the hypothesis is tested. Of note, the standardized estimates above show the marginal effect of the independent variable on the dependent variable. Thus, the effect of risk assessment on the possibility of fraud detection is revealed by the estimate in Risk Assessment = 4, whose *p*-value is less than 0.05 alpha level.

Therefore, an increase in risk assessment will increase the odds of fraud detection in the selected manufacturing firms by 2.087%. In other words, there are 2.087% chances that firms with tightened risk assessment procedures are better disposed to detection corporate fraud. This decision was inferred on the basis of the decision rule re-stated below:

Decision:
The ordinal logistic regression analysis was conducted using an alpha value of 5%. Therefore, the null hypothesis is rejected since the *p*-value = 0.006 is less than 5%. Therefore, it is concluded that risk assessment significantly affects fraud detection in manufacturing companies (*Wald*-statistic = 6.501, *p*-value = 0.006).

Discussion of Findings
The interpretation of the findings is presented in this section for each study objective based on result of the analysis conducted**.**

Effect of Internal Control on Fraud Prevention in Manufacturing Companies
The study discovered that internal control significantly affects fraud prevention in manufacturing companies in Anambra state due to the fact that the probability value of the response which being 0.007 was less than 0.05. This finding is in line with the results evidenced in the prior study of Enofe, Abilogu, Omoolorun and Ehailo (2017), the study also observed that strong internal control system, good corporate governance and compliance with banking ethics have positive and significant influence on fraud prevention in banking industry.

Effect of Risk Assessment on Fraud Detection in Manufacturing Companies
The analysis of the study also discovered that risk assessment has significant effect on fraud detection in manufacturing companies in Anambra state based on the premise that the probability value being 0.006 less than 0.05. The finding of Obonyo (2017) supports this discovery. The author studied the effect of internal audit practices on fraud risk management in state corporations in Kenya and revealed that internal audit practices; fraud policy, periodic assessment of fraud risk exposure, fraud prevention and fraud detection when combined contributes to success of fraud risk management in state corporations in Kenya.

Conclusion And Recommendations
Conclusion
Frauds in manufacturing firms are now becoming a global phenomenon. Fraud generally inflicts untold hardship on manufacturing company owners, customers and their family members, as most companies' failures are associated with large scale frauds. From the findings, we conclude that internal audit functions are very important for the prevention and detection of fraud in manufacturing companies in Anambra state. This is because the prospect of auditing acts as deterrence for fraudulent activities. Thus, when staffs are aware that internal audit unit is effective, they will be more cautious and avoid any activities that will place them at the centre of a fraud investigation in the company. In the same vein, the prevention and detection of frauds are basically the responsibility of the management rather than the mere establishment of an effective and efficient internal control system. Human beings make the rules and apply the rules. Integrity therefore is required of manufacturing firm managers. Trust and power should not be concentrated in the hands of a single staff to help strengthen the character and resilience of the concerned managers of firms and avoid possible system failure.

Recommendations
The following recommendations are made for this study:
1. The management of every manufacturing firm in Anambra state should strengthen the internal control system. It should be strong enough to stand against the wiles of fraud in order to promote continuity of operations. The structure should be such that can remain relevant for a very long time and capable of been updated with emerging technology.
2. Since it has been found that internal audit unit can prevent and detect fraud according to our findings, every manufacturing firm in Anambra state should try as much as possible to have an effective internal unit so that their usefulness in fraud prevention and detection can become much more evident and enhanced. In addition, the unit should be headed by a qualified accountant, who should be responsible to the top management or a higher authority in the company only.

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