

**RELATIONSHIP BETWEEN AUDIT SERVICES AND FRAUD
PREVENTION IN SUB COUNTIES IN GARISSA**

BY

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DECLARATION

I declare that this is my original work and has not been presented for academic award in any other university

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DEDICATION

This project is dedicated to my parents for their continued support through my education journey

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDMENT	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Audit Services	3
1.1.2 Fraud Prevention	5
1.1.3 Audit Services and Fraud Prevention.....	7
1.1.4 County Government of Garissa.....	10
1.2. Research Problem.....	11
1.3 Research Objective.....	13
1.4 Value of the Study.....	13
CHAPTER TWO: LITERATURE REVIEW	15
2.1 Introduction	15
2.2 Theoretical Review	15
2.2.1 Agency Theory.....	15
2.2.2 Fraud Triangle Theory	16
2.2.3 Fraud Diamond Theory	18
2.3 Determinants of fraud prevention	18
2.3.1 Audit Services	18
2.3.2 Internal Controls.....	19
2.3.3 Corporate Governance.....	20
2.3.4 Accounting Standards.	21
2.3.5 Independence of Auditor.....	22
2.4 Empirical Review.....	23
2.5 Conceptual Framework.	27

2.6 Summary of Literature Review	28
CHAPTER THREE: RESEARCH METHODOLOGY	30
3.1 Introduction	30
3.2 Research Design	30
3.3 Population of the study.....	30
3.4 Data Collection.....	30
3.5 Data Analysis	31
3.5.1 Diagnostic Test.....	31
3.5.2 Analytical Model.....	31
3.5.3 Test of significance.	32
CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION	33
4.1 Introduction	33
4.2 Data presentation.....	33
4.2.1 Response rate.....	33
4.2.2 Level of education	34
4.2.3 Departments	34
4.2.4 Audit services.....	35
4.2.5 Internal controls.....	36
4.2.6 Fraud prevention	38
4.2.7 Correlation analysis.....	39
4.2.9 Linear regression analysis	40
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION.....	42
5.1 Introduction	42
5.2 Summary of findings	42
5.3 Conclusions	43
5.4 Recommendations	43
5.5 Limitations of the study.....	44
5.6 Suggestions for further studies	44
REFERENCE	46

APPENDICES	49
Appendix I: Research Questionnaire.....	49
Appendix II: Data Collection Form	53
Appendix III: List of Sub Counties in Garissa County.	54

LIST OF TABLES

Table 4:1 Audit services.....	35
Table 4:2 Internal controls	37
Table 4:3 Fraud prevention	38
Table 4:4 Correlation analysis.....	39
Table 4:5 linear regression model	40
Table 4:6 Anova (Analysis of variance)	40
Table 4:7 Coefficient correlation	41

LIST OF FIGURES

Figure 2.1: Conceptual Framework.....	28
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LIST OF ABBREVIATIONS

ACFE	The Association of Certified Fraud Examiners
CEO	Chief Executive Officer
COSO	Committee of Sponsoring Organizations of the trade way commission
ICPAK	Institute of Certified Public Accountants
ICS	Internal Control System
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
PAYE	Pay As You Earn
SPSS	Statistical Package for Social Science

ABSTRACT

This study set out to establish the relationship between audit services and fraud prevention in Garissa sub counties. The objective of the study was to ascertain the relationship between audit services and fraud prevention in Garissa County. The population of this study was 6 sub counties in Garissa with target population of 42 respondents. The study utilized both primary and secondary data where questionnaires and county audit reports were used. The collected data was coded and analyzed using SPSS. Analyzed data was presented in form of figures and tables for easy understanding. The study revealed that audit services has the strongest positive influence on fraud prevention with ($R = 0.505$, $P < 0.05$) implying the relationship is statistically significant. Further the findings show internal controls has a negative correlation on the fraud prevention with ($R = -0.315$, $P\text{-Value} = 0.029$), implying a decrease in internal controls is associated with an increase in the level of fraud. The results show that, the county government does not have an internal audit committee in place and therefore the internal audit department reports to the management, rendering the internal audit unit ineffective. Further, the study revealed that the county government has internal control system in place but the management is reluctant to adhere to policies and procedures. The county government should ensure that audit committee is in place as opposed to micro managing internal audit department employees. The county government should adhere to public finance management Act (2012) so as to ensure separation of power and approval procedures are strictly followed. In quest to curb the increasing level of fraud, the county government should automate its services to meet its financial target. The county governments should ensure the recommendations of auditors are fully addressed and implemented. It should also ensure the internal control system is working efficiently and effectively to seal loop holes that may create fraudulent activities to take place. The county government should update and continuously review the internal control system to fight fraudulent activities. This study further recommends that external auditors to make frequent visit to Garissa County in order to minimize fraud cases.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The promulgation of 2010 constitution has led to creation of devolved county governments where national government through allocation of funds has been channeling monies to county governments. These funds have been abused by county governments since inception and has raised national concern over the manner in which funds are utilized. Some of the distinguished cases of fraud includes a case where 24 county governments were unable to account for Sh140 billion that they had received from the National Treasury. Such events have demanded for audit services intervention thus gaining fast paced precedence. The changing working environment and invention of new tricks by fraudsters has worsen the situation thus fraud is committed undetected. Auditing is a foundation of good public sector governance. The unbiased, objective opinion on whether public resources are utilized efficiently and effectively for the intended use, auditors help public sector achieve transparency, integrity, improve operations, and institute confidence among stakeholders and citizens. The auditor's role supports governance and oversight in public sector and serves to detect and stop public corruption (Wangui, 2012).

This study will be anchored on the following theories: Agency theory, fraud triangle theory and fraud diamond theory. Jensen and Meckling (1976) stated that organizations must incur agency costs to solve agency problem that exists between the owners and managers. This theory helps in executing various governance mechanism to control agent's actions in respect to running the activities of the firm. Cressy (1973) states that the person entrusted

to run the affairs of the company can violate the trust bestowed upon them. The person will commit the fraud when he is under pressure, opportunity exists to commit the crime and finally there is justification to commit the crime that is rationalization. According to the Fraud diamond theory, even though fraud occurs due to the pressure, opportunity and rationalization factors, the said fraud is less likely to happen unless there is the fourth factor which is “capability” (Mansor, 2015).

There have been cases where county governments have been unable to account for billions of shillings. Some of the distinguished cases of fraud includes a case where 24 county governments were unable to account for Sh140 billion that they had received from the National Treasury. This could be a case of book-keeping nightmare or just an outright diversion of taxpayers’ money. Fraud prevention in the county governments has been a difficult assignment for the stakeholders thus calling for the intervention of the audit services Some of the notable cases of fraud in the County Government of Garissa include that of the Ksh 9 million worth Toyota Land Cruiser that was nabbed by Ethics and Anti-Corruption Committee after it was found out that it was allegedly missing from the 27 others procured by the Garissa County Government. Another fraud case was that which involved Ksh 5 million of the County Government money being wired into a private bank account. In a given instance, Bungoma County governor was grilled by anti-corruption committee over the purchase of 10 wheelbarrows at inflated prices (Mwenda, 2010).

1.1.1 Audit Services

Auditing is defined as the independent examination and expression of opinion with regards to financial statements of an entity by an appointed auditor as per the requirements of the appointment and in compliance with the existing statutory requirement (ICPAK, 2015). Audit services provided by firms includes; financial audit, performance audit, forensic audit, procurement audit and compliance audit. Financial audit refers to the examination of books of accounts by an independent auditor with the intention of verifying whether the financial statements provided by the management portrays the fair view of financial status as at the reporting date and in compliance with the generally accepted accounting principles. The independent auditor at the end of the audit will give his opinion on the financial statements where to write qualified or unqualified, Adverse or disclaimer report (Arokiasamy & Cristal, 2009).

Performance audits refers to examination of effectiveness and efficiency of organization undertakings, programs or government with respect to economy, and the aim of leading to improvement. It shows the results and conclusions based on an evaluation of suitable evidence against criteria. Performance audit assist management in using information to improve operation and performance, expedite decision making process, initiate corrective measures, reduce cost and promotes accountability. Forensic audit refers to examination of company's financial information to be used as evidence in court. Forensic audit is conducted so as to prosecute the criminal for fraud and embezzlement of financial claims. Forensic accounting is concerned with the utilization of accounting principles obtained through auditing method and procedures to provide solutions to legal issues that require investigative, accounting and auditing skills (Dhar & Sarkar 2010).

Procurement audits is defined as a project management process that evaluates contracts and the process of contracting to determine the efficiency, completeness and accuracy of procurement process. Procurement audits are conducted to analyze activities of the organization and gives a clear picture of purchasing and selling trends. These audits assist companies in improving their risk management, calculation and overall performance of the organization. The result of procurement audit can provide methods in which organizations can reduce spending and improve on the quality of products. Compliance audit refers to an audit aimed at ensuring that an organization meets the requirements of an outside governing body. The objective of this audit is to enable auditor express opinion on whether the company complied in all material respects measured by suitable criteria. Tax audit refers to an audit that is aimed at ensuring the statutory deductions for the organization is deducted and remitted on time. This is touches on where the organization is compliant and adheres to the law of the land. Some of the taxes to be remitted includes; PAYE, NSSF, NHIF and withholding taxes depending on the residence of the person. 5% for residents and 20% for non-residence.

Lawrence (2014), pointed that procurement law has a great impact on the procurement performance at the Machakos County. The study found out that there are a number of challenges faced by the county government which affects the procurement performance of the county and recommends that the county government comes up with strategies that will enforce stricter penalties on officers found to have engaged in corruption, it also recommends that the county government organizes employee trainings and workshops to train them on technical skills. The study further recommends that the county appoints a

procurement oversight committee that will see implementation of the procurement law and county policies on.

1.1.2 Fraud Prevention

Fraud refers to false representation of matter by words, conduct, allegation or concealment of what ought to have been disclosed. It is the duty of the management to ensure that the internal control system is strong to detect and prevent fraud. The Association of Certified Fraud Examiners (ACFE, 2014) defined occupational fraud as one in which an employee uses his or her occupation to enrich himself or herself through the deliberate misuse or misappropriation of employer's resources or assets. Fraud has increased in the recent years which reduced public confidence in financial and non-financial statements.

Palshikar (2002), fraud is a leading white collar wrong doing in today's business world and government organizations mainly in financial services, suffer from different types of fraud. In the county governments, frauds are committed through falsified payments of ghost workers, contractors and claim of unwarranted expenses. The common types of frauds include; computer fraud, cash and cheques frauds. As hinted above, fraud is the practice of acquiring undeserved benefit from an entity or person by use of deception or other unethical means that could manipulate the thinking of the users. Depriving another person's benefit is also described as fraud. The key way to stop fraud is to have an active fraud prevention programme. The major components of fraud prevention programmes include; fraud awareness training for staff, fraud prevention programmes that include investigation and finally creating and implementing active policies and procedures.

Charles (2013), pointed that staff frustration, lack of knowledge, and lack of control are key factors that motivates fraud at work place. The study found out that training, prevention, prosecution and investigation strategies are used in managing fraud menace. Information from staff, customers and suppliers are the common ways companies unearth fraud hence the need to arm employees with knowledge that will assist them spot suspicious behavior. Comprehensive training combined with detailed anti-fraud training in higher risk area is recommended. It is important to regularly update employees on fraud and remind that their employer takes fraud seriously. Staff training should include the risk of fraud, the code of conduct and each employee's role in preventing fraud. Staff can report on fraud through direct call to an anonymous hotline, report to supervisor or directors. Organization must have a written assurance to protect employees who report suspicious activities, clearly stating that whistle blowers will not be dismissed, harassed, demoted or discriminated against in any way at the work place.

When staff are aware that management is looking for fraud and punishing offenders, they are less likely to steal. Fraud investigation will reduce cases of fraud drastically when it is done by an expert. The broadest part of fraud prevention is creating and implementing active policies and procedures. Policies can include, governance codes, response plans, codes of conduct, and antifraud policies. All employees should sign a code of conduct and fraud policy annually, as part of the organization's anti-fraud education programme. If the internal control system is working efficiently and the management is aware that it is their responsibility to control fraud whilst sealing all loopholes, then fraud can be reduced.

1.1.3 Audit Services and Fraud Prevention

John (2017), pointed that proactive fraud audit, compliance with policies, robust internal controls, management override of controls, segregation of duties, dispute resolution and litigation support have a positive and significant impact on fraud prevention and detection. An audit targets to obtain reasonable assurance that the internal control system is working effectively and efficiently to prevent irregularities including fraud and errors and, if these appear, the system is capable of preventing and correcting them. When carrying out their responsibilities, auditors may detect weaknesses in the internal control system that require action. Auditors have responsibility to draw the attention of management and address the weakness. These authorities have duties to address the inadequacies detected, which will help in fraud prevention. There are several factors that contribute to corporate fraud which includes; ineffective and outdated internal controls, understaffing of internal audit function, modern commerce and computerization.

There are harmonious conclusions by a number of past studies on the relationship between audit services and fraud prevention. Majority of past research agree that audit services are vital in fraud prevention. There are two key ways in which audits contributes to fraud prevention. First, internal auditors greatly help by examining the operational practices and policies of a company and by doing so detecting any possible loopholes through which fraudulent activities could be executed. This therefore gives the company a chance to seal these loopholes with the help of the decisions and opinions given by the auditors (Iyer & Samociuk, 2016). This point is further supported by DeZoort and Harrison (2018) and Othman et al (2015) who both emphasizes on the role of internal auditors in detecting risks

in the organizational policies and provided feasible opinions towards the prevention of these risks which could make the organization to be vulnerable to fraud.

Study conducted by Tricker and Tricker (2015) explains that outcomes of external audit are helpful in preventing subsequent fraud. Even though external auditors are much tasked with the responsibility of pointing out the possible manipulations and false representations in the financial books (as opposed to internal audit that check on policy weakness that can lead to fraud), the outcomes can be used to guide policy adjustments. For example, Jizi and Nehme (2018) explains that if the external auditors present a finding showing that budget for the CEO's office was overpriced in the financial books, the management will adjust the policies to have the said budget approved by a committee and not the CEO alone. There seems to be an overly agreement among many past studies on this. Quite a number of previous research works have shown that audit is indeed very important and widely used for the purposes of fraud detection and possible prevention.

According to Petraşcu and Tieanu (2014), audit services are quite critical in fraud detection as they involve taking closer look into every financial report, expenditure, quotations, orders and supplies among other financially related details in bid to weave out any possible funds misappropriation and manipulated financial books that could lead to loss of money by a firm. Abdallah, Maarof and Zainal (2016) support the argument that audit is important in fraud detection by stating that almost all fraud cases involve gaining unwarranted and unjustified amounts of money from the firms/organizations by the perpetrators through dubious means which often involve manipulating financial books to justify the stolen amounts of money. This study went ahead to validate their argument by ascertaining that

audit services are the sure way of detecting and reporting these financial report manipulations or manipulated accountabilities in financial books that could be hiding these financial thefts from the management of the firm.

DeZoort and Harrison (2018) on the other hand agrees and provides evidential support to the argument of audit being useful in fraud detection and prevention but goes ahead to give inner details. In accordance with the findings of this study done by DeZoort and Harrison (2018), audit serves are key in fraud detection and prevention but at different levels and thus cannot be explained wholesomely without admitting the fact that internal audit and external audit have different roles to play as far as fraud detection and preventions are concerned and thus give different outcomes. Ordinarily, internal auditors (the professionals who conduct internal audits) are employees of a company and have the primary responsibilities of assessing the company's operational practices and policies in order to detect any potential risk(s) that could expose the company to possible fraud (Iyer & Samociuk, 2016). They then proceed to provide the company management with feasible procedures and decisions on how to fix these risks. External auditors on the other hand are outsourced individuals with the expertise of examining financial reports with the objectives of detecting any financial misappropriation and/or theft if any before giving their last informed opinion on the same (Iyer & Samociuk, 2016).

In view of this differences between internal and external audits, DeZoort and Harrison (2018) went ahead to explain that both internal and external audits are important, however, internal audit is most appropriate for fraud prevention while external audit is best for fraud detection. With this in mind, for a company to eliminate fraud to a satisfactory limit (if not

completely) it is advisable to employ both internal and external audit services. However, some studies have also shown that pressure from the top management (who sometimes are the perpetrators of fraud) often jeopardizes the outcome of audit as auditors (especially those employed by the company) fear the confrontation that could lead to their job loss and thus avoid audit outcomes that could drive them to a loggerhead with their seniors in top management (DeZoort & Harrison, 2018); Iyer & Samociuk, 2016;). The key reason for the involvement of audit teams is to detect and prevent frauds. Iyer and Samociuk (2016) state that in bid to prevent future frauds most companies often try to follow the instructions and opinions to the latter and in doing so they usually implement the recommendations given therein. Petraşcu and Tieanu (2014) come in support of Iyer and Samociuk (2016)'s argument by claiming that most firms habitually adjust their policies and practices guided by the instructions and revelations of the audit team in bid to prevent the fraud calamity in the future. This is further supported by DeZoort and Harrison (2018) and Othman et al (2015) who both hold that companies usually prevent future frauds by sealing the loopholes through which the previous frauds were choreographed.

1.1.4 County Government of Garissa

Garissa was the headquarter of the former North Eastern province of Kenya. Garissa County covers an area of 44,175 km² with a population of 623,000 according to the 2009 census. Garissa County consists of six constituencies namely: Garissa Township, Ijara, Dadaab, Lagdera, Fafi and Balambala. County governments have not been meeting their tax targets and this has been a major concern for stakeholder is emerging that tricksters, mainly county executives, have been conspiring to steal billions of shillings of revenue collections with impunity.

Fraud prevention in the county governments has been a difficult assignment for the stakeholders thus calling for the intervention of the audit services. The financial calamity has increased in the recent years due to fraud scandals in both the central and devolved governments hence need for audit services. Kenya is presently in a grip of massive corruption scandals. News of new scandals hit the headline every day, with the amounts at play growing by the day. All these scandals relate to a government agency or a government-owned corporation. National youth service and Commercial banks among others have been on the forefront.

1.2. Research Problem

The introduction of devolution came with budgetary allocations to the County government by the National Government that allows equitable sharing of resources and downstream resources to the most common citizen. These funds have been abused by county governments since inception and has raised national concern over the manner in which funds are utilized. Such events have demanded for audit services intervention thus gaining fast paced precedence. The changing working environment and invention of new tricks by fraudsters has worsen the situation thus fraud is committed undetected. Auditing is a foundation of good public sector governance (Wangui, 2012). Despite audit services, there has been fraudulent activities in the county governments where billions of shillings are unaccounted for. Some of the distinguished cases of fraud includes a case where 24 county governments were unable to account for Sh140 billion that they had received from the National Treasury.

Ekiti (2017) conducted a study on the role of auditors in fraud detection and prevention in Nigeria banks. The study revealed that the verification of financial reports, risk assessment and internal controls determines the effectiveness of auditors on fraud prevention and revealed that the role of auditors need to be improved. Eyisi and Ezuwore (2014) conducted a theoretical study on the roles of forensic auditors in mitigating fraudulent activities, distinction of statutory auditor and forensic auditor, the attributes of a forensic auditor and how corporate governance is influenced by the forensic auditor. The study's findings revealed that improved management accountability of the forensic auditors improves the independence of the external auditor and enables the audit committee members to execute their oversight duties through provision of assurance that corporate governance has been positively influenced by the internal audit report thus combating corporate failure and attracting more investors.

John (2017), Conducted a study to establish the role of forensic accounting in mitigating fraud among parastatals in Kenya. The study established that all parastatals in Kenya has, robust internal controls, proactive fraud audit function and litigation processes have greatly combated fraud. It further concluded that Kenyan parastatals have compliance policies, managements overrides controls and segregation of duties help in fraud mitigation to large extent. Abdi (2017), conducted a research study on the effect of forensic audit services on fraud detection in Kenyan commercial banks and found that there is a negative correlation between fraud detection and investigation services. The study recommended that internal control systems need to be frequently reviewed and updated as fraudsters can learn the weakness in the internal controls. Kimani (2015), conducted a study on the impact of forensic accounting on the mitigation of corporate fraud at the NSE. The study found out

that corporate crimes are reduced when forensic services are used Kyalo, Ngahu & Kalio (2014), conducted a study on the role of fraud prevention on effective financial reporting in the county government of Nakuru and found out that fraud prevention affected effective financial reporting in Nakuru county government.

From the research studies mentioned, none has been conducted on the relationship between audit services and fraud prevention in sub counties in Garissa. This is the basis of this study and it seeks to answer the question: Are audit services useful in fraud prevention in county governments?

1.3 Research Objective

This study has general objective of ascertaining the relationship between audit services and fraud prevention in sub counties in Garissa.

1.4 Value of the Study

The finding of this study is of value to the following users. The study may help the management of county government on ways to prevent frauds and come up with measures to reduce chances of fraud occurring (and/or re-occurring). The county government may therefore make a well-advised choice of whether to (or not to) support the role of internal audit as a measure to prevent fraud and will improve on resource allocation and utilization. The Kenya national audit may use the finding of the study to approve the role of internal audit and quality control in county governments. Foreign and domestic investors can use the findings to make a decision on whether to (or not to) increase the number of investments and even sustain the number of investments that they already have in county

governments of Kenya. The study may also contribute to the existing body of knowledge and assist researchers in understanding the impact of audit services on fraud prevention.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical framework and goes ahead to review the relevant previous literature works that are of significance to this study. The literature review guides the research and helps set a suitable research methodology for the study.

2.2 Theoretical Review

This study is founded on three main theories which include Agency theory, Fraud triangle theory and Fraud diamond theory.

2.2.1 Agency Theory

Agency theory is defined as the relationship between principals (shareholders of the company) and the agents (managers and executives of the company). In this case, the voters are the principals while auditors who act to safeguard the interest of the public are the agents. Jensen and Meckling (1976) stated that shareholders are forced to incur agency cost to monitor and supervise the excesses of management. Auditors are hired to check whether management are conducting the business in the best interest of the owners. According to this theory it is evidenced that principals often want the agents to make decisions and act in their favour (in the favour and interest of the principals) however, agents on the other hand are sometimes tempted to act in favour of their self-interest thus leading to a possible clash in the pursuits if the two parties (Bosse & Phillips, 2016). Agency theory states that the transfer of organization's operation to employees from the shareholders of the business presents a chance for fraud (Onwujiuba, 2014). Shareholders

must ensure that employees work to their advantage with proper incentives (Onwujiuba, 2014). The incentive may include bonuses, paid holidays and medical insurance scheme. Agency theory has faced criticisms due to the overemphasis on the reward matrix and its determination without considering the relevance of the institutional pressures on job performance and fraud motivation (Wanyama, 2012).

From an agency perspective, the importance of audit services stems from the need to align the interests of management with general public in the county in order to reduce agency costs and improve on service delivery. This theory is applicable to the study because it attempts to resolve problems resulting from conflicting levels of interest between the county executives and the general public so that the county functions towards attaining their delegated responsibilities. Agency theory will also enable the county to coordinate resources in an effective and efficient manner so that value for money is realized. Where checks and balances are in place, the management of county governments will ensure that service delivery remains top priority.

2.2.2 Fraud Triangle Theory

Fraud triangle theory is based on the assumption by Cressy (1973) which states that the person entrusted to run the affairs of the company can violate the trust bestowed upon them in other words, persons entrusted to manage the affairs of the company can abuse their powers and steal from the organization when they are sure that their problem is non-sharable and can only be cured by financial misappropriation. There are three factors that force persons to commit fraud and these include, opportunity to commit fraud, financial pressure and rationalization hence the fraud triangle theory Pressure is the key factor that

drives employee to commit financial fraud. Desperate situation calls for desperate move thus making them to commit fraud. Financial pressure may arise due to financial problems, drug addiction, greed for wealth, and poor organization structure among other reasons (Schuchter & Levi, 2016). It is always prudent to keep an eye on employees and discuss with them some of the challenges at work place, how to improve and build strong relationship between the management and staff. However, this factor is very difficult to control in entirety however much an organization tries.

Opportunity is the ability and the chance to commit fraud. If an employee finds the opportunity to commit fraud without being detected, then there is likelihood that they will proceed and commit the fraud (Mansor, 2015). When the internal control system is weak and inefficient, lack of policies and poor governance then there is possibility that fraud will be committed and the system will not detect hence need to seal the loopholes. The management can eliminate this factor if they delegate some of the duties and held them accountable should any fraud happen in that docket. The third and most common factor is rationalization. This is where the person who commits that fraud looks for justifications and assumes it is normal to steal (Mansor, 2015). The three factors sum up to the Fraud Triangle Theory. If people entrusted to run the affairs of the county are held responsible, all opportunities to commit fraud are sealed through audit recommendations, staff are sensitized on the impact of fraud and culprits are brought to book then the number of fraud committed will reduce drastically thus, fraud triangle theory will address on how to counter fraud as a result of opportunity, rationalization and the pressure to commit fraud.

2.2.3 Fraud Diamond Theory

Fraud diamond theory is an extension of fraud triangle theory but uses four factors for committing fraud: Incentive, opportunity, rationalization and Capability. Opportunity is the ability to commit fraud while rationalization is where the individual justifies and argue it is worth committing the crime. Incentive means the person has the drive and wants to commit fraud while capacity means traits and skills to hide fraud. According to the Fraud diamond theory, even though fraud occurs due to the pressure, opportunity and rationalization factors, the said fraud is less likely to happen unless there is the fourth factor which is “capability” (Mansor, 2015).

Wolfe & Hermanson (2004) noted that persons with capacity have specific characteristics. First, they hold big position in the organization to commit the fraud, for example chief executive officer. Secondly, the person is aware of the loopholes in the internal control system and his skills and knowledge will allow him to commit the fraud. Thirdly, the individual is sure that the fraud will go undetected and if it is detected he can shift the blame to others and walk free. Finally, the individual can coerce junior staff to conceal the fraudulent activities and may even threaten whoever dares them.

2.3 Determinants of Fraud Prevention

2.3.1 Audit Services

Auditing is an independent examination of, and expression of opinion on the financial statements of an entity by an appointed auditor in pursuant of that appointment and in compliance with any relevant statutory requirement. Audit services includes; procurement, tax, compliance and forensic audit. Audit services are normally rendered by auditors with

professional competence, independent and with the requisite skills to give honest opinion on the true and fair view of financial statement presented by the management. It is not the primary responsibility of auditors to detect and prevent frauds but it is the responsibility of the management to ensure the books of account are properly kept and financial statements are free from errors and fraud. However, the auditor has a responsibility to report fraud in his capacity when doing risk assessment. Auditors are supposed to make professional judgment and produce reports without influence from the management and make recommendations and draft internal weakness letter.

2.3.2 Internal Controls

COSO defined internal control as a process effected by organization's board of directors, Management and other employees with the aim of ensuring; reliability of financial reporting, compliance with the law and efficiency in operations. According to (Klamm & Watson, 2009), ICS has five components which are risk management, control activities monitoring, information and technology. Rutteman Report (1994), in United Kingdom, describes internal control as the entire control systems both financial and non-financial, initiated for the purposes of providing reasonable assurance of efficient and effective operations; Compliance with laws and regulations and Internal financial control. The theory is useful to the study as it states the internal control policies, rules and procedures to be followed in county governments to prevent frauds. Where the internal control environment is weak, rapid growth of the company, inconsistent profit will lead to fraud being committed for management to meet the target (Bell & Carcello, 2000). Salah (2018), conducted a study on the effect of internal control on fraud prevention in manufacturing industries in Nigeria. The study used questionnaire, oral interview and interviews conducted among respondents. The

study found out that inefficient management composition and policies, Lack of segregation of duties, poor supervision and nepotism has created room for fraud and recommended that the management composition and internal controls is sufficient to control fraud. The study further established that manufacturing industries ensured strong internal control system is installed but fraud is successfully committed with the help of insiders.

Leah (2015), Conducted a study to determine the impact of internal controls on the detection and prevention of fraud among the Kenyan commercial banks. The major concern of the study was to establish the reason for increased misappropriation of funds and fraud among the commercial banks in Kenya. The explanatory research design was used for the study and the population of the study was 43 commercial banks in Kenya. The study used primary data and ordinary linear regression model was used while statistical package for social science was also used. The study concluded that there was negative and significant relationship between reconciliation control and level of fraud prevention and detection. The results further indicated that a strong negative association existed between financial governance control and fraud detection and prevention level while there was a positive and significant association between reporting and budget control and fraud detection and prevention level. The study recommends that banks should have strong governance measures such as frequent meetings with members of finance and investment committee and risk management committee.

2.3.3 Corporate Governance

Corporate governance refers to rules that state the relationship between the shareholders, board of directors, management and employees and its influence on how company affairs are handled. Boris & Ana (2012) conducted a study in Croatia that sought determine the

effectiveness of corporate governance on fraud prevention and detection. The study established that the formulation of corporate governance system, based on the establishment of internal control system, code of ethics, responsible and independent work of internal auditors and audit committee, is vital for fraud prevention and detection. Chaoul (2016) conducted a study to determine impact of corporate governance on fraud prevention in Lebanon. The study pointed out that fraudulent activities' reduction could be attained through implementation of compliance mechanisms including good corporate governance.

Idowu, Eferakeya, Felix & Theresa (2016), conducted a study on the association between corporate governance and fraud prevention in Nigeria. The data was collected using questionnaires from academics in management science faculty, internal auditors and external auditors and chartered accountants. Descriptive statistics was used to determine the dispersion of the distribution. The study concluded that internal audit, external audit, audit committee and board of directors' have significant negative association with fraud prevention.

2.3.4 Accounting Standards

Accounting standard refers to principles, procedures and policies that define the basis of preparation of financial statements. Accounting standard ensures transparency and uniformity in financial reporting. The management is at discretion to employ the accounting principle to use but it is normally abused when it is not used consistently. The management, for instance, may use different policy for the valuation of different assets with the aim of either increasing or decreasing expenses to report predefined profits. There has been several cases of financial statement fraud and false impression of an organization

financial strength when in real sense there is misrepresentation, omission and misstatement of financial data

Jones Michael (2015), conducted a study on the impact of accounting scandals and creative accounting and found out that accounting scandals occur as a result of failure to adhere to rule and regulations and recommended Government/accounting professionals to come up with new rules on how to prevent accounting scandals and creative accountings.

2.3.5 Independence of Auditor

Auditor is an independent person appointed to conduct examination of the books of account to give an opinion on whether the books of accounts presented by the management portrays true and fair view of the financial statements as at the reporting date. ICPAK has set guidelines on how the auditor is supposed to conduct himself during the audit assignments which includes, professional competence, integrity, confidentiality and objectivity in making informed decisions. Sometimes, the management may decide to jeopardize the auditor's opinion and compromise his report to favor them. The auditor is required to be straight forward and bold enough to report on his findings together with recommendations to the audit committee. If the auditor is not independent of the management, then the report will be compromised and factitious to reply upon it by the shareholders and users of financial statement.

Ali (2017), conducted a study on the effect of internal audit on financial performance of microfinance in Kenya and recommended that micro finance institutions should be sensitized on the importance of internal audit independence to improve on financial reports. Egbunike and Okafor (2017), did a study to determine the association between

audit firm attributes and bank failures in Nigeria. The descriptive research survey was employed in the study. Chartered accountants were used as the population for the study. The study examined auditor's independence, competence of audit team on the quality of firm audit reports. The results reveal that the independence of the auditor have an impact on the quality of auditors' report. The study recommends that the role of an auditor needs to be viewed as a professional expert as opposed to being a watchdog.

2.4 Empirical Review

This section outlines both international and local studies conducted on the relationship between Audit services and Fraud and prevention. Ekiti (2017) conducted a study on the role of auditors in fraud detection and prevention in Nigeria banks. The study engaged survey design in questionnaire was administered on selected banks in South west Nigeria which found out that the role of auditors on fraud prevention cannot be exaggerated even with the generality of fraud incidences in the current times. The study revealed that the verification of financial reports, risk assessment and internal controls determines the effectiveness of auditors on fraud prevention and revealed that the role of auditors need to be improved. The study further recommends that auditors should increase their scope of work on the efficiency of banks internal control system, risk assessment and system audit as this will enhance fraud detection and prevention.

Eyisi and Ezuwore (2014) conducted a theoretical study on the roles of forensic auditors in mitigating fraudulent activities, distinction of statutory auditor and forensic auditor, the attributes of a forensic auditor and how corporate governance is influenced by the forensic auditor. The study's findings revealed that improved management accountability of the

forensic auditors improves the independence of the external auditor and enables the audit committee members to execute their oversight duties through provision of assurance that corporate governance has been positively influenced by the internal audit report thus combating corporate failure and attracting more investors.

A study by Modugu and Anyaduba (2013) looked into the impact of financial fraud and forensic accounting in Nigeria. The study adopted a survey design methodology and a sample size of 143 constituting management staff, accountants, stakeholders and practicing auditors. Data analysis was conducted through a binomial test and the findings revealed that most stakeholders agree that forensic accounting is crucial in fraud control, internal control quality and financial reporting.

Imoniana, Formigoni and Antunes (2013) undertook an analysis on the attributes of forensic accounting services undertaken Brazilian accounting firms. The exploratory design was employed for this study. The study concluded that auditors have failed in detecting fraud as they are more trained to detect frauds rather than focusing more on the traditional safeguard of assets and segregation of duties.

Njanike, Dube and Mashayanye (2009), adopted a questionnaire split into three sections which are personal, detection and investigation steps tailored to collect information on the status quo of forensic auditing and the available solutions. The sample of the study constituted thirty forensic auditors from four audit firms, four building societies and thirteen commercial banks in Zimbabwe. The results revealed that forensic audit departments experience many challenges such as lack of technical knowhow, lack of materials resources, unclear recognition of profession and interference from management.

John (2017), Conducted a study to establish the role of forensic accounting in mitigating fraud among parastatals in Kenya. The data was collected using semi structured questionnaires. The data collected data was coded and keyed into SPSS and data presented using descriptive statistics such as frequencies and percentages. The association between forensic accounting and fraud mitigation amongst Kenyan parastatals was established using descriptive statistics. The study concludes that all the Kenyan parastatals has robust internal controls, proactive fraud audit function and litigation processes which greatly combat fraud. The further revealed that Kenyan parastatals have compliance policies, managements overrides controls and segregation of duties help in fraud mitigation to large extent.

Abdi (2017) conducted a research study on the effect of forensic audit services on fraud detection among Kenyan commercial banks. The descriptive research design was adopted for the study. The population of the study included all 43 licensed commercial banks by Central Bank of Kenya. Both secondary and primary data were used for the study. Structured questionnaire was used to collect primary data while secondary data was obtained from banks' annual reports for a period of five years from 2012-2016. Data collected was coded by use of both descriptive and inferential statistic methods through SPSS. The findings of the study found that there is a negative correlation between fraud detection and investigation services. The study concluded that the most common types of fraud occurring in commercial banks included; theft of cash fraud, payroll fraud and procurement fraud. This study presents both conceptual and contextual research gap because it focuses on forensic audit services and commercial banks in Kenya. This study

intends to focus on other audit services and their effects on fraud prevention in sub counties in Garrisa.

Kimani (2015), conducted a study on the effect of forensic accounting on corporate crime combating in the Nairobi security exchange. The study employed descriptive research design and used primary data. Questionnaires were used to collect data and SPSS was used to analyse the data in form of frequencies, table, percentage and diagram. The study found out that corporate crimes are minimized when forensic services are employed. The study recommended that internal control systems need to be frequently reviewed and updated as fraudsters can learn the weakness in the internal controls.

Onyango (2014), Conducted a study on the effect of internal controls on performance of county governments in Kenya. Descriptive design was used while questionnaire was used to collect data from a population of 47 county staff. The respondents were employees working in the finance department. The study established that internal audits were absent in county governments and the Auditor General was advised to improve financial resources' management and noted that there was no clear separation of roles among workers and employees work were not counter checked. The study recommends that top management should carry employee evaluation to motivate and achieve desired goals and leaders should be exposed to international arena to learn. The study further recommends that county government should embrace ICT to improve on service delivery and generate reports online.

Muysa (2014), conducted a study to determine the role of internal control system in the collection of revenue by county governments in Kenya. The study employed both

qualitative and quantitative approaches. Questionnaires were used to collect data among 47 respondents and data was analyzed and findings revealed that for internal control to work, the five components of control environment, control activities, risk assessment, information and communication and monitoring must be present. The study further indicated that weak internal control and lack of proper communication have created room for fraud, embezzlement of revenue collected and loss of revenue. The study concluded that there is significant relationship between internal controls and revenue collection in county governments in Kenya.

2.5 Conceptual Framework

Conceptual Framework shows pictorial relationship between Independent and dependent variables of the study. The independent variable of this study is audit services while dependent variable is fraud prevention.

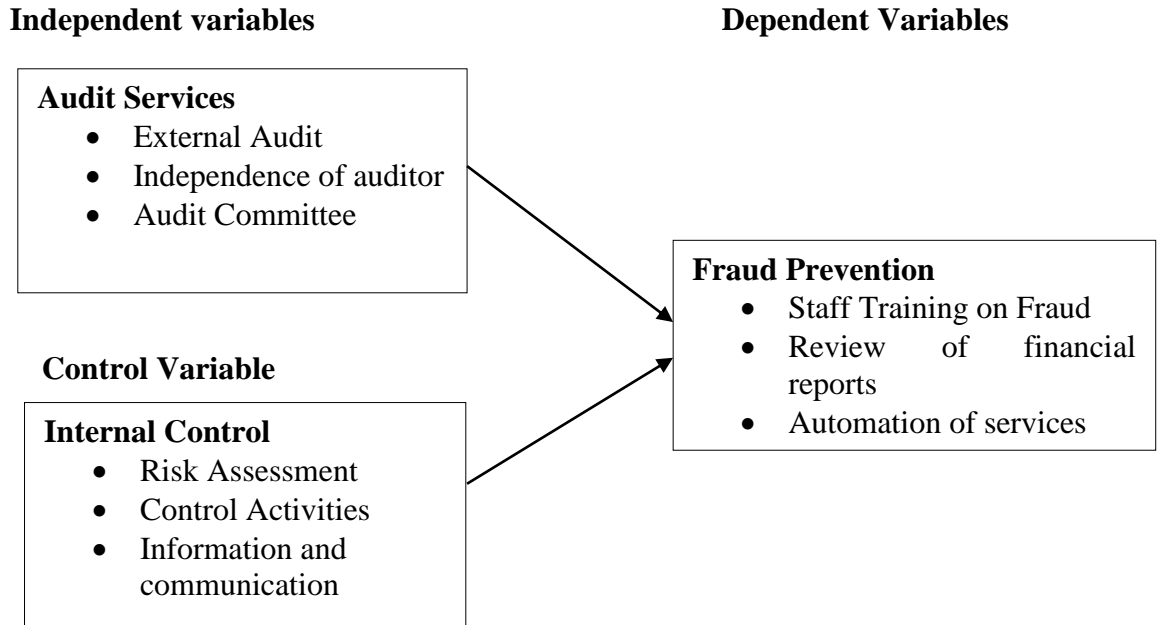


Figure 2.1: conceptual framework

Source: Researcher, (2018)

2.6 Summary of Literature Review

Several studies have been conducted on the relationship between audit services and fraud prevention. Kyalo, Ngahu and Kalio (2014), conducted a study on the role of fraud prevention on effective financial reporting in the county government of Nakuru. The study's conclusion was 106 accountants, finance officers, procurement and auditors in the county government of Nakuru. Structured questionnaires were used to collect data, descriptive statistics that included Pearson's correlation to analyze the data. The study concluded that the prevention of fraud affected effective financial reporting in the county government of Nakuru. The study further showed that this effect is evidenced by the strong positive association between fraud policy and effective financial reporting in Nakuru.

county government. The study recommends that fraud policy should be enhanced in order to improve effective financial reporting in the county government of Nakuru.

Ezejiolor, Nwakoby & Okoye (2016), conducted a study to examine the effect of forensic accounting in mitigating fraudulent activities create good corporate governance practices in the banking sector of Nigeria. Survey method was employed while data was collected by means of questionnaire. The study revealed that forensic accounting is an appropriate instrument for solving financial crimes and necessitated in ensuring corporate governance in corporate organization. The study recommended the use of forensic accounting in reducing fraudulent activities so as to safeguard good corporate governance in financial sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter present methods applied by researchers in conducting the study. It outlines the following sections; research design, the study's population, data collection and analysis.

3.2 Research Design

This research adopted descriptive design to establish the effect of audit services on fraud prevention in county governments. The design was appropriate since it describes what, when, where and how of a phenomenon (Cooper and Schindler 2006). Kothari (2004) defined research design as a course of action of conditions for get-together and examination of data in a way that normal to join criticalness to the investigation dissuade economy in procedures.

3.3 Population of the study

Mugenda and Mugenda (2003), target population refers to the total element which the research findings are generalized. The population of the study consisted of the head office and 6 sub counties. Some of the departments that cut across like Human resource, administration and procurement were also be targeted in study.

3.4 Data Collection

This research employed primary data where questionnaires were used to collect primary data while county reports and Kenya National Audit report were used to gather secondary data. Six questionnaires were given to each head of sub county departments and were

measured on likert scale. Data was collected for a period of five years covering from 2013 to 2017.

3.5 Data Analysis

Data analysis is a method used to clean data collected from the field and arranging it in a way that is clear to the objective of the study. The data was coded and SPSS was used to analyze the data. Simple regression analysis in the form of $Y=a+ bX+ e$ was used for easy understanding.

3.5.1 Diagnostic Test

To safeguard the data from biasness and that variables were not related to the other, the study conducted multi collinearity tests (Maddala & Lohari, 2009). Auto correlation tests was conducted to be determined the degree of similarities between time series data and lagged version of data over time intervals since time series was used over the period of study.

3.5.2 Analytical Model

In order to establish the relationship between independent and dependent variables, the study employed multiple regression analysis. The study utilized the following model;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \alpha$$

Y=Fraud prevention (Measured on likert scale)

X1= Audit Services (Measured on likert scale)

X2= Internal Control (Measured on likert scale)

While β_1 , β_2 , are coefficients of determination and α is the error term

α = Error term

3.5.3 Test of significance

The study tested the significance of the model in explaining the relationship between audits services and fraud prevention in county governments. The study level of confidence test was at 95% and 5% significant level.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents detailed analysis of the collected data through the questionnaires. The questionnaires were sorted and coded through of excel and SPSS. The collected Data was summarized and presented in forms of percentages, pie charts, tables and figures. The data was collected from, accounts, auditing, finance, procurement, ICT and human resource departments, in sub counties in Garissa.

4.2 Data presentation

4.2.1 Response rate

As presented in figure 4:1 below, the study targeted 42 employees in Garissa sub counties, from which data was collected. Data obtained and analyzed was from 37 respondents who represented 88% of the target population while 5 respondents who represented 12% did not answer the questionnaire as required. From the analysis more than 50% of the respondents were able to answer the questionnaire as required, therefore adequate for reporting (Mugenda & Mugenda, 1999).

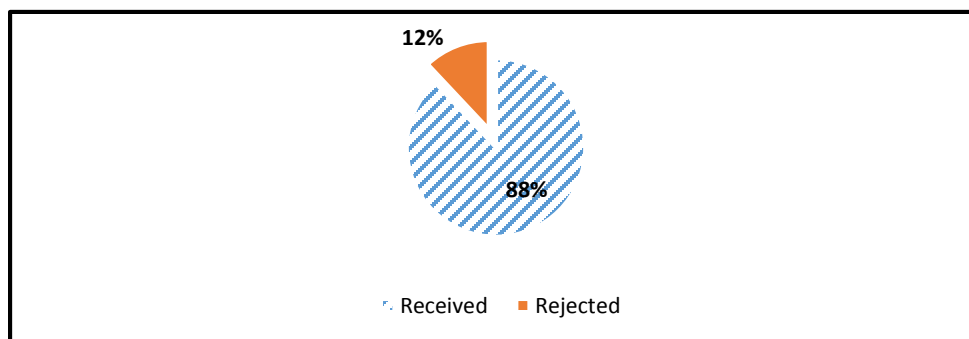


Figure 4:1 Response rate

4.2.2 Level of education

The study asked the respondent to indicate their level of education as presented in figure 4:2, the findings indicated that 30%of the respondent were masters’ degree holders, 65% of the respondent had bachelor’s degree, while 5% of the respondents were diploma holders. From the findings it is clear the respondent were qualified to answer the questionnaires thus indicating they understood the variables understudy.

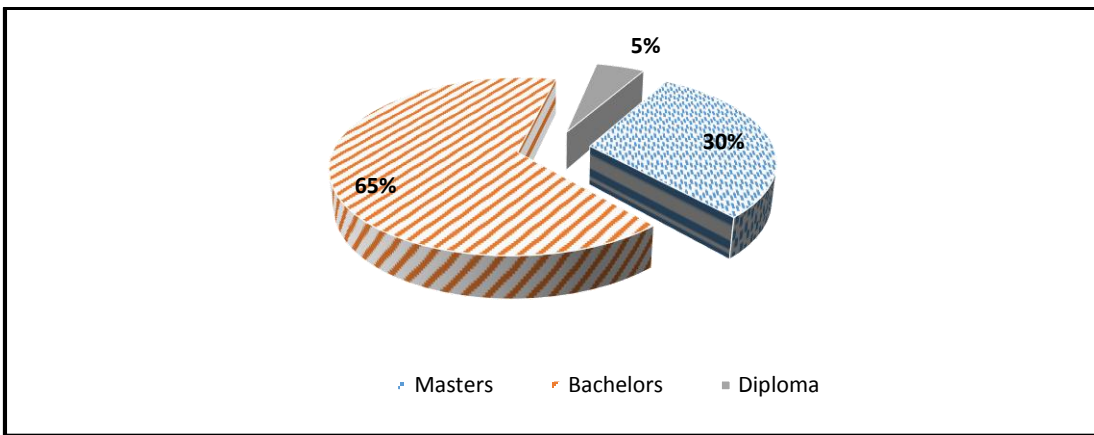


Figure 4.2: Level of education

4.2.3 Departments

As shown in figure 4:3, the respondent was asked to indicate the department they work in, from the findings, majority of the respondent 56% are deployed in the accounts department, 19% procurement, 11% audit, 8% human resource, 3% ICT and administration respectively.

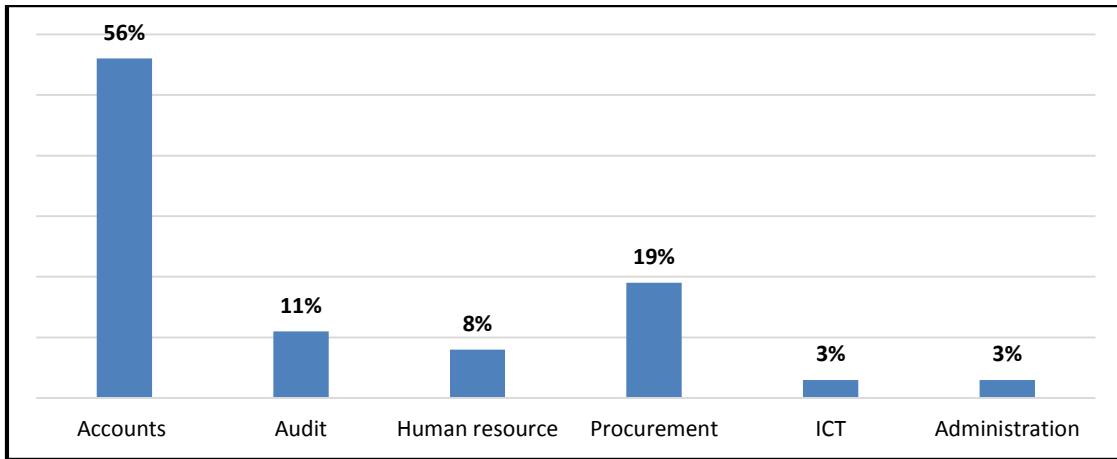


Figure 4:3 county departments

4.2.4 Audit services

The respondents were asked to indicate if they agree or disagree with the following statement, the findings are shown in table 4.1.

Table 4:1 Audit services

	N	Minimum	Maximum	Mean	Std. Deviation
County government engages the service of external auditors from national government	37	1.00	5.00	4.5135	.86992
Auditors are appointed based on their qualifications and competence	37	2.00	5.00	4.1892	.90792
Auditors are independent of county management	37	1.00	5.00	3.1081	1.54171
County government engage the service of auditors to detect and prevent fraud	37	1.00	5.00	3.4054	1.48061
The recommendation of auditors are addressed and followed	37	1.00	5.00	2.3243	1.58209
There is audit committee in place	37	1.00	5.00	2.5676	1.48213
Valid N	37				

The study asked if county government engages the service of external auditors, as indicated above the response was 4.5 mean, signifying the majority of the respondents strongly agreed with the statement. Further the study queried if auditors are appointed based on their qualification, the response was 4.2 mean, denoting they were in agreement with the statement. In addition, the respondents were asked .to indicate if auditors are independent of sub counties management, this was denoted by 3.1 mean indicating they slightly disagreed with the statement. The study sought to establish if sub counties engage the services of auditors, this shown by 3.4 mean, indicating a slight disagreement. Lastly the study asked if the sub counties have audit committees in place and if the recommendations of the auditors are followed, the findings were 2.3 mean and 2.5 mean respectively, this translated to disagreement with the statements. In conclusion it was evident the sub counties are aware of the importance of audit services in preventing fraud. However, the county government does not have an internal audit committee in place and therefore the internal audit department reports to the management, rendering the internal audit unit ineffective. This is contrary to the Public Finance Management Act, (2012).

4.2.5 Internal controls

The study sought to establish if internal controls are in place, the findings are shown in table 4.2.

Table 4:2 Internal controls

	N	Minimum	Maximum	Mean	Std. Deviation
Policies and procedures for approvals and authorization of transactions are clearly defined	37	1.00	5.00	4.3784	.75834
Line of authority and responsibility has been established to ensure compliance with policies and procedures	37	1.00	5.00	4.2162	1.05765
Management is committed to strictly adhere to policies and procedures	37	1.00	5.00	3.4054	1.48061
Procedures for conducting and assessing risk is clearly outlined in the policies and procedures.	37	2.00	5.00	4.0270	.79884
The channel of information sharing and communication is established	37	1.00	5.00	3.8649	1.05836
Valid N	37				

The respondents were asked if policies and procedures for approval and authorization transactions are clearly defined, the findings established a mean 4.3 this indicated the respondents strongly agree with the statement. The study queried whether line of authority and responsibility has been established to ensure compliance with the policies and procedures, the findings indicate a 4.2 mean, signifying respondents strongly agreed with the statement. Further the study sought to determine whether management is committed to strictly adhere to policies and procedures, this is portrayed by 3.4 mean that denotes the respondents slightly disagreed with the statement. In addition, the study asked the sub

counties have a procedure for conducting and assessing risk is clearly outlined in the policies and procedures, as shown above the findings were 4.00 mean indicating the respondents agreed with the statement. Finally, the study inquired whether the channels of information sharing and communication are in place, this was represented by 3.86 mean, denoting the respondents were in agreement with the statement. However, in conclusion the finding has revealed that the county government has internal control system in place but the management is reluctant to adhere to policies and procedures as stipulated.

4.2.6 Fraud prevention

The study inquired if the sub counties have fraud prevention mechanism in place, the findings are presented in table 4.3.

Table 4:3 Fraud prevention

	N	Minimum	Maximum	Mean	Std. Deviation
Review of financial reports is done before and after it is shared with stakeholders	37	1.00	5.00	3.7568	1.14031
Staff are trained on fraud prevention mechanism and anti-fraud policies are in place	37	1.00	5.00	3.4595	1.34566
County services are automated	37	1.00	5.00	2.8649	1.60143
Valid N	37				

As indicated in table 4.3 above the study asked if the organization reviews its financial reports before and after it is shared with stakeholders, the findings was 3.75 mean, indicating majority of the respondent strongly agreed with the statement. Further the study asked the respondent if the organization’s staff are trained on fraud prevention mechanism

and antifraud policies are in place, the findings show a 3.45 mean, indicating the respondent were in agreement with the statement. Finally, the study asked if county services are automated, the findings denoted 2.86 mean, indicating the respondent disagreed with the statement. Despite the fact that the county government has fraud prevention mechanism, it was established that the sub counties lag behind in automation of services thus creating room for fraud activities to thrive.

4.2.7 Correlation analysis

The study conducted correlation analysis to establish the relationship between the Independent and the dependent variables. Correlation is measured by (r) which ranges from -1.0 to 1.0. When r is close to zero there is no relation between the variable and when (r) is negative and close to -1 it means that the movement in one variable would cause a reduction on the other. The analysis is shown in table 4.4.

Table 4:4 Correlation analysis

		Audit services	Internal controls	Fraud prevention
Audit services	Pearson Correlation	1	-.053	.505**
	Sig. (1-tailed)		.377	.001
	N	37	37	37
Internal controls	Pearson Correlation	-.053	1	-.315*
	Sig. (1-tailed)	.377		.029
	N	37	37	37
Fraud prevention	Pearson Correlation	.505**	-.315*	1
	Sig. (1-tailed)	.001	.029	
	N	37	37	37

As shown in table 4.4 audit services has the strongest positive influence on fraud prevention with (R = 0.505, P < 0.05) implying the relationship is statistically significant. Further the findings show internal controls has a negative correlation on the fraud

prevention with (R= -0.315, P-Value =0.029), implying a decrease in internal controls is associated with an increase in the level of fraud.

4.2.9 Linear regression analysis

Table 4:5 linear regression model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581 ^a	.338	.299	.75455

The study conducted a coefficient correlation(R) and coefficient of determination (R²). Coefficient determination (R²) was (33.8%) and adjusted (R) square of (29. 9%).This means that audit services and internal controls explain the variation in fraud prevention as used to test the significant of the model with P-value < 0.05.

Table 4:6 Anova (Analysis of variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.886	2	4.943	8.682	.001 ^b
	Residual	19.358	34	.569		
	Total	29.243	36			

As indicated in table 4.6, the F critical 8.682 and a P-value < 0.05 this translates a significant between the variables. This indicates the model was significant in predicting independent and the dependent variables.

Table 4:7 Coefficient correlation

The study conducted a multiple coefficient correlation, the findings are presented below,

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.067	1.045		3.893	.000
1 Audit services	.475	.136	.489	3.502	.001
Internal controls	-.389	.188	-.289	-2.069	.046

Coefficient determination explains the extent to which changes in the dependent variable can be explained by changes in the independent variable or the percentage variation in the dependent variable (fraud prevention) which is explained by audit services and internal controls. Multiple regression analysis was conducted to establish the relationship Fraud prevention and audit services. As per the SPSS generated table, the equation

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \alpha$$

$$Y = 4.067 + 0.475 X_1 - 0.389 X_2 + \alpha$$

According to the regression analysis established taking all factors constant (Audit services and internal controls) Fraud prevention was 4.067. This model assisted in testing relationship between the variables. The analyzed data shows that taking independent variable at zero a unit increase in audit services will reduce fraud cases by 0.475 and a unit decrease in internal control will increase fraud case by 0.389. According to the findings all the variables are statistically significant with p-value < 0.05.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The objective of the study was to establish the relationship between audit services and fraud prevention in sub counties in Garissa. Primary data was collected from, accounts, auditing, finance, procurement, ICT and human resource departments, in sub counties in Garissa. This chapter discusses the summary of the research findings based on the study objective, conclusions, recommendations, limitations of the study and suggestions for further studies.

5.2 Summary of findings

According to the findings, it was established that sub counties are aware of audit services and majority of respondents agreed that audit services are important to minimize fraud. However, the county government does not have an internal audit committee in place and therefore the internal audit department reports to the management, rendering the internal audit unit ineffective. Abdi (2017), examined the impact of forensic audit services in fraud detection, the findings were application of audit services reduces financial statement fraud. John (2017), examined the role of forensic accounting in mitigating fraud among parastatals in Kenya, the study established, robust internal controls, proactive fraud audit function and litigation processes are essential to combat fraud.

The study revealed that the county government has internal control system in place but the management is reluctant to adhere to policies and procedures. Mwachiro (2013)

investigated effects of internal controls on revenue collection, the findings were in agreement with this study that management should adhere to the stipulated policies and procedures for internal controls. Seidu (2017) examined the influence of internal controls on fraud detection, the findings support this study that management should be ready and willing to implement the entire internal control system in totality.

5.3 Conclusions

The study concludes that audit services and internal controls are essential in reducing fraud cases among the county governments. It can be established that sub counties are likely to identify the occurrence of fraud by applying audit services and strengthening internal controls. The effect of fraudulent activities is a major setback on the development programmes for county governments because it reduces investors' confidence, poor infrastructures, poor health services and increases unemployment level

5.4 Recommendations

The study makes on the following recommendations about the relationship between audit services and fraud prevention. The county government should ensure that audit committee is in place as opposed to micro managing internal audit department employees. The county government should adhere to public finance management Act (2012) so as to ensure separation of power and clear approvals procedures are strictly followed. In quest to curb the increasing level of fraud, the county government should automate its services to meet its financial target.

The county governments should ensure the recommendations of auditors are fully addressed and implemented. It should also ensure the internal control system is working

efficiently and effectively to seal loop holes that may create fraudulent activities to take place. The county government should update and continuously review the internal control system to fight fraudulent activities. Since external auditors are not on the ground and the fact that fraud cannot be fully prevented by audit services, this study recommends that external auditors to make frequent visit to Garissa county to minimize fraud.

5.5 Limitations of the study

Some employees were not willing to fill the questionnaire because fraud prevention is a sensitive issue. Some employees were prohibited by the policies of the county government hence declined to share information. The accuracy of the study is limited to the honesty of the respondent. The researcher could not establish the truth in the section on whether line of authority and responsibility has been established to ensure compliance with policies and procedures portrays the correct picture on the ground.

The study did not consider other variables that may affect the use of audit services. They include; independence of the auditor, audit fee, and corporate governance structure in place. Due to technological advancement, fraud environment is perceived dynamic and therefore, the study may not reveal the frequency of fraud in sub counties and the relationship between audit services and fraud prevention.

5.6 Suggestions for further studies

The study concentrated on the relationship between audit services and fraud prevention in sub counties in Garissa. Therefore, another study should focus on the relationship between audit services and fraud prevention in another county with a bigger sample size

The study focused on internal controls systems only, another study can concentrate on the qualification, composition and structure of county boards.

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APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

Introduction

I am a master student at the University of Nairobi currently pursuing a degree in master of science in finance (Finance and Accounting). I therefore request for your information by filling the questionnaire below. I would like to assure you that any information shared here will be for research purposes and will not be used against you in any way. Your participation will be highly appreciated.

Instructions

Please read the instructions given and answer the questions as appropriately as possible. It is advisable you answer or fill in each section as provided. Make an attempt to answer every question fully and correctly

SECTION A: GENERAL INFORMATION

1. What is the name of your County?.....
2. How many employees are there in the county government?

Less than 500 employees []

501-1000 employees []

1001-1500 employees []

1501-2000 employees []

More than 2001 employees []

3. What is your highest Academic level?

A) Certificate []

B) Diploma []

C) Degree []

- D) Masters []
 E) PhD []

SECTION B: AUDIT SERVICES

Please tick the following statement on likert scale ranging from strongly disagree to strongly agree

Where 1=Strongly disagree 2= Disagree 3=Not sure 4=Strongly agree 5=Agree

Audit Services	1	2	3	4	5
county government engages the service of external auditors from national government					
Auditors are appointed based on their qualifications and competence					
Auditors are independent of county management					
County government engage the service of auditors to detect and prevent fraud					
The recommendation of auditors are addressed and followed					
There is audit committee in place					

SECTION C: INTERNAL CONTROLS

INTERNAL CONTROLS	1	2	3	4	5
Policies and procedures for approvals and authorization of transactions are clearly defined					
Line of authority and responsibility has been established to ensure compliance with policies and procedures					
Management is committed to strictly adhere to policies and procedures					
Procedures for conducting and assessing risk is clearly outlined in the policies and procedures.					
The channel of information sharing and communication is established					

SECTION D: FRAUD PREVENTION

FRAUD PREVENTION	1	2	3	4	5
Review of financial reports is done before and after it is shared with stakeholders					
Staff are trained on fraud prevention mechanism and anti-fraud policies are in place					
County services are automated					

APPENDIX II: DATA COLLECTION FORM

SUB COUNTY NAME	YEAR	AUDIT SERVICES	INTERNAL CONTROLS	FRAUD PREVENTION
1.	2013			
	2014			
	2015			
	2016			
	2017			

APPENDIX III: LIST OF SUB COUNTIES IN GARISSA COUNTY.

1. Garissa Township
 2. Balambala
 3. Ijara
 4. Dadaab
 5. Lagdera
 6. Fafi
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