

**THE ROLE OF AUDITORS IN FRAUD DETECTION PREVENTION AND CONTROL IN THE MANUFACTURING INDUSTRY (A STUDY OF UNILEVER NIGERIA PLC)**

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**Abstract**

*The centre and focused part of this paper, is to look at the roles auditors play in fraud detection, prevention, and control in manufacturing Industry. With the aid of the questionnaire which were distributed in Unilever Nigeria Plc, information were gotten that management had their roles to lay also in eradicating fraud and most importantly, an efficient audit department in an organization could help in fraud detection and also aid external auditors in the detection of fraud. The evaluation of accounting system and operational guardians on periodic basis also minimizes irregularities and fraud. From the hypothesis carried out as tested, it has been confirmed that the effect of fraud in an organization can be prevented and controlled with the help of an efficient audit department in an organization.*

**INTRODUCTION**

The role of auditors in preventing, detecting and control of fraud in the manufacturing industries is very important for an organization that is certain to continue as a going concern.

In the early days, the need for auditors whether internal or external in fraud prevention, detection and control did not arise in business activities. This was because of the nature of ownership and control. Most industries were managed by their owners. One man was responsible for the provision of capital establishment of his business outfit and the management of such business activity.

At that time, the owners were answerable to themselves and no one else. They smile home with all the profit made from such business and or went home alone with losses suffered... (Millirhamp 2000, Pg 90). Essentially, both the ownership and the control were in the hands of the sole proprietories. There was no need for the appointment of an external party to examine the records of such Organizations.

The issue of fraud detection and prevention and control was as a result of the emergence of the partnership type of business and therefore led to the need for auditors in various business Organizations to be able to reduce the effect of fraud.

The business Cycles witnessed a revolutionary change with the coming into force of the organization and to expose those who circumvent laid down instruction to the detriment of business owners that prevention and control be used as a vanguard in the art of auditing through the term of auditors as the controller of the business Organizations.

Ordinarily, fraud prevention, detection and control is a mechanism for overcoming fraudulent practice in an organization or within a system for the purpose of achieving the predetermined and attainable set objectives of a firm.

However, this is important because it will aid management in its decision making process. The likely causes of fraud in an organization includes lack of effective monitoring and controlling mechanism like internal control system, wrong value system, district and Suspicious lack of adequate reward for honesty hi the organizations, lack of transparency and accountability and inadequate technology for preventing, detecting and controlling the activities of the organization.

The internal audit department plays an important role in ensuring that the company keeps and maintains proper books of account which can be relied upon as a basis for the preparation of its financial statements. The department must also ensure that the assets of the company are safeguarded against fraud, wastages, damages and pilferages.

To crown it all, any control or procedure would be meaningless, without the active-Co-operation and participation of the entire workforce. An efficient and productive labour force is therefore necessary too in achieving Co-operate objectives.

In view of this, management should have in place a policy measure which acknowledges and rewards honesty and hard work towards its employees for greater productivity and maximum efficiency.

#### **Study problem**

It is important to note that every research is problem- induced. Most often people have different views as to what role auditors play in organization as regard to fraud detection, prevention and control. Some even say that auditors have no role to play; with the argument that fraud detection, prevention and control are meant to be that of management. After-all it is the duty of management to install and see to the effectiveness of internal controls. These controls if well implemented will take care of fraud detection, prevention and control. However, this study is set to find out;

- I. If at all auditors have any role to play in issues of fraud detection, prevention and control in a manufacturing industry using Unilever Nigeria Plc as a case study.
- II. To what extent are they expected to play such roles?

Management to prevent the occurrence of fraud, errors and other irregularities. It is usually stated that the auditors should be relied upon to cover or detect fraud and irregularities, but that it shall plan its audit in such a way to have a reasonable expectation of discovering material mis-statement in the account.

#### **HISTORY OF UNILEVER NIGERIA PLC**

Unilever Nigeria Plc, was incorporated as level Brothers (West Africa) limited on 11<sup>th</sup> April, 1923 by Lord Leverhulme, but the company's antecedents have to be traced back to his existing trading interests in Nigeria and west Africa generally, and to the fact that he had since the 19<sup>th</sup> century being greatly involved with the soap business in Britain.

Unilever Nigeria Plc Started as a soap manufacturing company, and is today one of the oldest surviving manufacturing organizations in Nigeria. After series of mergers/acquisition, the company diversified into manufacturing and marketing of foods, non- soapy detergents and personal care product. These mergers/ Acquisitions brought in Lipton Nigeria limited in 1985, cheesebrough ponds industries limited in 1988. The company changed it's named to Unilever Nigeria Plc in 2001. Unilever Nigeria Plc a public liability company quoted on the Nigerians Stock Exchange (NSE) since 1973 with Nigerians currently having 49% of equity holdings.

The long-term success of this organization stems from the strong relationship with the consumers based on the deep roots in the local cultures and markets creating products that help them to feel, good look good and get more out of life and the total commitment to exceptional standards of performance and productivity. In order to sustain this success, they endeavor to maintain the highest standards of corporate behaviour towards their employees, consumers, customers, communities and operating environment.

The company's brands are household favorites and this is because they are so deeply committed to meet the everyday needs of people everywhere in Nigeria. What is more their deep roots here combined with international experience and support; enable them to consistently develop brands, which raise the quality of life. It is therefore no surprise that one would find that all over Nigeria, people are at home with their brands.

Unilever Nigeria Plc as a company has embarked on a programme of restructuring in a bid to re-energize itself. Code- named the journey to greatness, the vision is re-inventing themselves so that they can deliver Silly on their promises to their consumers, customers and investors. In addition, the company has sharpened Its focus by introducing the vitality mission, which stands to ensure that in all they do, they are adding vitality to life for everyone.

Over the years, Unilever Nigeria Plc has been a socially responsive organization that takes strategic actions for the improvement of the communities and environments in which it operates. The company has provision for assistance in fields of health, education / children welfare and potable water / hygiene as part of its social responsibility programme in the Nigerian communities.

#### **BACKGROUND OF FRAUD**

The history of fraud is an old as the creation. In the holy bible, Jacob fraudulently obtained Isaac's blessings (Genesis 27;-80). This was a fraudulently act as will be seen in the delineation of fraud later.

The issue of fraud is not new thing in Nigeria. In the public service, it is the order of the day. In the private sector, the story is not different. It is only the advanced fraud popularly known as "419" that is of recent development in the country most especially in manufacturing companies.

### **CAUSES OF FRAUD IN THE MANUFACTURING INDUSTRY**

Frauds are committed by people. In manufacturing industry, fraud is commonly committed by managers and supervisors of different departments. We cannot suggest remedies to eliminate fraud in manufacturing industry without looking at the basic causes of fraud.

However, these can be grouped into two classes which are according to Ebhodaghe, 1997 which he named as:

- i. Institutional / internal factors and
- ii. Environmental / external factors

### **INSTITUTIONAL/INTERNAL FACTORS:**

These are factors that influence the individual as a result of internal environment of the organization. This shows the level of greed an individual has to commit fraud. Some of the factors are;

**Poor Management in Terms of Incompetence:** The basic cause of management are lack of planning, that of adequate supervision, poor judgment, inadequate control of effective policies and lack of co-ordination.

**Experience of Staff:** Fraud occurs among staff with little experience and knowledge of office practices. Therefore the experience and knowledge of a staff, the less the like hood the fraud would pass such staff undetected unless with his active support.

**Frustration:** This occurs when the expectations of the employees are not met by the management in terms of promotions or financial rewards. Unfortunately, frustrated employees are their own judges for their expectations are based on the perception for their efforts and contribution to the progress of the organization. These perception are jaundiced and solutions wrong. That notwithstanding they lead employees to commit fraud and "compensate" themselves for what they thought they were due for legitimately fair".

### **ENVIRONMENTAL / EXTERNAL FACTORS:**

These are factors that results from the influence of the environment of the organization. These factors are under the control of the organization's management. Some of the factors are:

**Societal Values:** people are respected in the past for their efforts in various fields of human endeavor.

Nowadays, human efforts are of no value as compared with wealth. People seem to interpret success in life to how wealthy a person is. It can lead to an inordinate urge to get rich quickly. However, low level of poverty prevailing in the society and the accepted value system whereby wealth is glorified irrespective of its sources encourages company fraud.

Misplacement of societal values, the unquestioning attitude of the society towards unusual resources of wealth, the rising societal expectations from staff and the subsequent desire by such staff to live up to such expectations, also contributes to fraud in the manufacturing industry.

**Lack of Effective Punishment:** The inefficient and ineffective police investigations and inability / willingness of the police to prosecute fraudsters have made some companies unenthusiastic to report fraud cases to the police. In Nigeria for example if the son of a managing director of a big company is fraud offence, and the case is reported to the police, the managing director or the son due to the influence of the father's status in the society, he would try everything possible to bring him out, without being punished for his offence. At times, even the employee can be removed from office as a result of this.

### **TYPES OF FRAUD**

The nature of fraud in the manufacturing industry has classified fraud to be very difficult. Some authorities prefer to group fraud according to the perpetrator, others such as Adewunmi, Adekamje prefer to classify it based on the method used. These types of fraud can be grouped as follows;

1. **Internal fraud:** This is committed by members of staff.
2. **External Fraud:** This is committed by individual not connected with the company
3. **Mixed Fraud:** This is committed by outsiders in collusion with the company's staffs.

Types of fraud based on methods of perpetration are as follows:

**Over Invoicing for Services to the Company:** Over invoicing of purchases as well as submission of fake and inflated hospital bills from the company's recommended clinics and hospital, over charging of

expenses on services rendered by the machines, transfer drivers, air - conditioners repairs and maintenance are all fraudulent activities. These types of malpractices are usually common in a company where there is gross indiscipline and poor control over operating expenses.

**Clearing Fraud and Forged Cheques with Forged Signature:** This can be forgeries of company staff signature to draw money fraudulently from the company account or forgeries of other employee's signature for fraudulent transfer of funds from one account to another or for fraudulent withdrawal from a company's account.

**Delivery of Goods Fraud:** Transfer of good from one location to another can be affected through depot. The instruction can be changed also to enable the diversion of goods to location not originally intended.

However, fraud can be classified into two types which are errors and irregularities.

Errors are mistakes which are not intended but occur. They include emission of proper entries, inclusion of incorrect entries, erroneous calculations and posting. While irregularities are fraud intentionally perpetrated and may take any of these forms which include deliberate omission of entry, improper calculations and posting, alteration of genuine documents and substitution of fictions documents e.t.c. other types fraud includes:

- Unauthorization of assets fraud
- Robberies
- Open and operating a fraudulent loan account
- Miscellaneous and other types of fraud.

#### **AUDITORS IN RELATION TO FRAUD DETECTION, PREVENTION AND CONTROL**

There is a mis-understanding of the professional role of auditors in relation to fraud detection, prevention and control. Management puts in place a system of internal control, adequate to its circumstances in order to help to ensure the reliability and accuracy of the records and to safeguard the assets.

Section 331 of CAMA requires every company to keep proper accuracy records which will be sufficient to show and explain its transaction such as to disclose with reasonable to enable the directors to ensure that the financial statements prepared from the accounting records complies with the requirement of the law.

From the above, it is primary the responsibility of the directors to keep and maintain proper records, such as to help prevent or fraud.

The auditor of the company for the purpose of keeping records is not regarded as an officer of the company. By section 360 of the act, the duties of the auditor hi relation to the accounts of company is to carry out an investigation such as to enable him to form an opinion as to whether proper accounting records have been kept by the company and the balance sheet and profit and loss account are in agreement with the accounting records.

The auditor is required by the law to report on the result of his investigations. From the above the primary responsibility of the auditors is not to prevent, detect or control fraud.

Traditionally, the role of an auditor is to make a report that the financial statement shows a true and fair view. However, any financial statement which contains mis-statement as a result of fraud cannot show a true and fair view. Hence, it becomes part of the responsibilities of the auditor to detect cases of fraud in the course of his investigations to conform whether the records are correct and the financial statements prepared therefore shows a true and fair view legally, the primary duty of the auditor is to report on the truth and fairness of the financial statement other duties are regarded as secondary (Osita Aguotu, 2002).

This is not to say that auditors do not have a role to play in the control, prevention and detection of fraud.

As a matter of fact, the reports which are being prepared by them that shows their opinion on the financial statement in detecting fraud and so directly or indirectly they a role play in fraud detection, prevention and control.

#### **EXTERNAL AUDITORS IN RELATION TO FRAUD**

An external auditor is a statutory auditor who is normally appointed by shareholders of a particular company and is usually positioned there to work in their interest of the shareholders, so as to decide weather to continue investing in the company or withdraw their investments. The primary duty of prevention detection and control of fraud rest with the management

This arises out of statute and by contract. The directors are managers and act in stewardship capacity for the shareholders. The auditor does not have the responsibility to prevent and detect fraud.

The duty of care and skill expected of the auditor requires that he should obtain relevant, reliable and sufficient evidence that no material fraud has occurred and if they had occurred, that they had been corrected or appropriately disclosed in the financial statements.

#### **INTERNAL AUDITORS IN RELATION TO FRAUD**

The functions of the external auditor are laid down by statute and for practical purpose, and are specified in an engagement letter, there are no precise functions for the internal auditors, since they do not have any statutory responsibilities. Hence the functions of the internal auditors are specified by the management who appointed them more recently by an audit committee where this exists.

The internal auditors are part of the internal control unit and they ensure the supervision on internal regulations and policies of management in order to ensure compliance.

Internal auditor's unit vary in order to suit each particular business and objectives. They assist members of the organization in the effective discharge of their responsibilities. The essential of good internal editors includes;

- i. There should be clear definitions of duties and responsibilities
- ii. There must be qualified professional personnel to commensurate with the duties and responsibilities
- iii. There must be proper procedures for authorization and physical control of records.

#### **ROLE OF AUDITORS IN RELATION TO PREVENTION, DETECTION AND CONTROL OF FRAUD**

Auditors task today is more demanding than ever because it is becoming subject to great risk of liability. To stem the tide of risk and misunderstanding, it is therefore essential that both the client and auditor should be aware of the work which is to undertake.

International Auditing Guideline (TAG) deals with the auditors' responsibility for the detection of material mis-statement resulting from fraud and error when carrying out an audit of financial statements. The responsibility for the prevention and detection of fraud rest with management through the implementation and continued operation of an adequate system of internal control. Such as system reduces but does not eliminate the possibility of fraud or error (Adeleke, 1996).

Fraud prevention, detection and control are management responsibility. This is achieved primarily by demonstrating management integrity and trustworthiness through exemplary behaviour and probity (Olorede, 2004).

In manufacturing industry, auditor's role cannot be over emphasized. Auditor's role has a deferred effect on the organization's members and it reduces the scope of fraud and irregularities. Auditors have following responsibilities with respect to fraud in the manufacturing industry.

- a. They should plan their audit so that they have a reasonable expectation of detecting material mis-statement in the statement of accounting resulting from fraud. Thus, they should endeavor to identify and pay special attention to those activities of the organization or a material mis-statement in the statement of account of the company.
- b. In the Auditors review of internal control, their substantive testing of transaction and their review of published and other statistics, they should be constantly alert to the possibility of fraud and irregularities. They should draw management attention to any weakness in internal control which facilitates fraud and irregularities and to those activities which call for occasional different spot check by management.
- c. They should follow up forth with any indication of fraud coming to their notice from whatever source and whatever the likely amount involved in most cases they will discharge their responsibility by informing the authority and ensuring that they take the necessary actions and they should also study and relevant information circulated by the organization, draw necessary conclusions and take actions as required.

They should draw attention to any step necessary for management to discharge their responsibilities for the prevention, detection and control of fraud, particularly in those areas which are especially sensitive.

It must be emphasized here that the auditors evaluation of the company's internal control system is meant to achieve the following objectives to ensure that

- a) The organization's management maintains adequate books and records.
- b) The organization has the system of internal control over the processing and recording of transactions such that all transaction are recorded correctly both numerically and principles.

- c) The books of accounts can be relied upon to form a reliable basis for the preparation of the accounts of the organization if the internal control system of the organization is efficient and effective, however the auditor does not need to vouch every transaction recorded in the books. This is more economical and effective because only by examining, the system can have the evidence that all the transactions are recorded.

**PRESENTATION OF DATA.**

**Table 1: Corruption is the cause of fraud**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
Agree	48	60%
Disagree	32	40%
<b>Total</b>	<b>80</b>	<b>100%</b>

The table above shows that 60% of the respondents agrees that corruption is the cause of fraud while 40% disagrees with it.

**Table 2: Poor condition is the cause of fraud in the Organization**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
Agree	29	36%
Disagree	51	64%
<b>Total</b>	<b>80</b>	<b>100%</b>

From the table above, 16 shows that there is disagreement that poor working condition is not the cause of fraud in the Organization. This is so because 36% of the respondents agreed that poor working Condition is the cause of fraud in the Organization while 64% disagreed with it.

**Table 3: the weakness of internal control system is the cause of fraud.**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
Agree	64	80%
Disagree	16	20%
<b>Total</b>	<b>80</b>	<b>100%</b>

The table above shows that 80% of the respondents strongly agrees with the question which says that the weakness of international Control system is the cause of fraud while 20% disagrees with the question.

**Table 4: The growth and survival of an organization is strongly affected by the occurrence of fraud.**

Responses	No of Respondents	Percentage
Agree	14	55%
Disagree	36	45%
<b>Total</b>	<b>80</b>	<b>100%</b>

From the, table above, one can say that the there is not a Strong Support to the fact that the growth and survival of an organization regard as to the occurrence of fraud, since the above data is affected by fraud seriously. This is because 55% of the respondents agrees with it while 45% of the respondents disagrees with it also.

**Table 5: Management is responsible for the prevention, detection and Control of fraud in an organization.**

Responses	No of Respondents	Percentage
Agree	48	60%
Disagree	32	40%
<b>Total</b>	<b>80</b>	<b>100%</b>

From the table, it can be observed that the responsibility for fraud prevention does not rest on management alone but on the entire Staffs. This is so because 60% of the respondents agreed that management are responsible for the prevention, detection and Control of fraud in an organization, while 40% disagreed.

**Table 6: Auditors are responsible for the detection, prevention and control of fraud in an organization.**

Responses	No of Respondents	Percentage
Agree	60	75%
Disagree	20	25%
<b>Total</b>	<b>80</b>	<b>100%</b>

The table has shown that auditors help the organization in the detection, prevention and control of fraud. This is so because 75% of respondents agreed that auditors are responsible for the detection, prevention and control of fraud in an organization while 25% of the respondents disagreed.

**Table 7: Effective and efficient internal Control System helps to prevent and Control fraud in an organization**

Responses	No of Respondents	Percentage
Agree	60	75%

Disagree	20	25%
<b>Total</b>	<b>80</b>	<b>100%</b>

From the above table, it is believed that with an effective and efficient internal control System, fraud can be prevented and controlled. This is because 75% of the respondents agreed that effective and efficient internal control system helps to prevent and control fraud in an organization while 25% of the respondents disagreed.

**Table 8: Segregation of duties in organization will help prevent the occurrence of fraud.**

Responses	No of Respondents	Percentage
Agree	64	80%
Disagree	16	20%
<b>Total</b>	<b>80</b>	<b>100%</b>

From the table above, it is obvious that the Segregation of duties will help prevent the occurrence of fraud because 80% of the respondents agreed that Segregation of duties in an organization will help prevent the occurrence of fraud while 20% of the respondents disagreed.

**Table 9: Independence of auditors makes them to function effectively.**

Responses	No of Respondents	Percentage
<b>Agree</b>	<b>41</b>	<b>51%</b>
<b>Disagree</b>	<b>39</b>	<b>49%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

From the above table, it can be observed that the respondents which comprises of 51% agreed that independent of auditors makes them to function effectively while 49% of the respondents disagreed.

**Table 10: Top Management Support of auditors helps them to function effectively**

Responses	No of Respondents	Percentage
Agree	36	45%
Disagree	44	55%
<b>Total</b>	<b>80</b>	<b>100%</b>

The table above shows that 45% of the respondents agreed that top management support of auditors helps them to function effectively while 55% disagreed, This means that auditors do not need the Support of top management to function effectively.

**Table 11: Proper accounting records helps auditors to give the true position of an organization**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
Agree	69	86%
Disagree	11	14%
<b>Total</b>	<b>SO</b>	<b>100%</b>

From the table, it was confirmed that 86% of the respondents agreed that proper accounting records by management helps auditors to give the true position of an organization while 14% if the respondents disagreed.

**Table 12: Auditors determine whether resources are being used to proper effect.**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
<b>Agree</b>	<b>72</b>	<b>90%</b>
<b>Disagree</b>	<b>8</b>	<b>10%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

From the table above, 90% of the respondents agreed that auditors help to determine whether resources are being put to effective use while 10% of the respondents disagreed.

**Table 13: Auditors helps to ensure that management are in line with the rules and regulations.**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
Agree	56	70%
Disagree	24	30%
<b>Total</b>	<b>80</b>	<b>100%</b>

From the table above, 70% of the respondents agreed that auditors helps to ensure that management are in line with the rules and regulations while 30% of the respondents disagreed.

**Table 14: External Auditors make use of internal auditors report.**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
<b>Agree</b>	<b>47</b>	<b>59%</b>
<b>Disagree</b>	<b>33</b>	<b>41%</b>

<b>Total</b>	<b>80</b>	<b>100%</b>
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From the table above, it is confirmed that 59% of the respondents agreed that external auditors can make use of internal auditors report, based on how efficient they are, while 41% of the respondents disagreed.

**Table 15: When the internal audit of an organization is strong, then there is an efficient control system.**

<b>Responses</b>	<b>No of Respondents</b>	<b>Percentage</b>
<b>Agree</b>	<b>28</b>	<b>35%</b>
<b>Disagree</b>	<b>52</b>	<b>65%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

From the table above, there is no doubt that a strong internal audit of an organization is not a sign of an efficient control system. This is because 35% of the respondents agreed while 65% of the respondents disagreed that when the internal audit of an organization is strong, then there is an efficient control system.

#### TEST OF HYPOTHESIS

A test of hypothesis is a rule that specifies for each possible set of value of observation, whether to accept or reject the null hypothesis.

The hypotheses Stated hi Chapter One are tested in this Section using the chi-square test. There are two (2) hypothesis Statements in the study that would be tested and interpreted differently. The hypothesis will be tested in line with the following procedures.

1. Re-statement of hypothesis
2. Statement of the level of Significance
3. Formula for testing Statistics
1. Computation of test Statistics and comparism of Calculated value with the table of chi-square.
2. Statement of acceptance of rejection of the hypothesis.

#### HYPOTHESIS ONE:

**H<sub>0</sub>:** The incidence of fraud cannot be reduced in an organization by auditors.

**H<sub>1</sub>:** The incidence of fraud can be reduced in an organization by auditors.

Level of Significant is 5% = 0.05

Using the formula  $X^2 = \sum \frac{(F_o - F_e)^2}{F_e}$

Where  $X^2$  = Value of chi-square

F<sub>o</sub> = Observed frequencies

F<sub>e</sub> = Expected frequencies

<b>Option 6</b>	<b>F<sub>o</sub></b>	<b>F<sub>e</sub></b>	<b>F<sub>o</sub>-F<sub>e</sub></b>	<b>(F<sub>o</sub>-F<sub>e</sub>)<sup>2</sup></b>	<b><math>\frac{(F_o - F_e)^2}{F_e}</math></b>
Agree	60	40	20	400	10.00
Disagreed	20	40	-20	400	10.00
<b>X<sup>2</sup></b>					<b>20.00</b>

Degree of freedom = (R-1) (C-1)  
 (2-1) (2-1)  
 (1) (1) = 1 at 0.05  
 Table value = 3.84

**DECISION**

From the table above, the calculated value of chi-square (X ) is greater than its table value (20.00> 3.84).

We therefore reject the null hypothesis and accept the alternative which states the incidence of fraud can be reduced in an organization by auditors.

**HYPOTHESIS TWO**

**H<sub>0</sub>:** Effective and efficient internal control system does not serve as a preventive measure against fraud.

**H<sub>1</sub>:** Fraud can be prevented by an effective and efficient internal control system.

Level of Significant is 5% = 0.05

Using the formula  $X^2 = \sum \frac{(Fo - Fe)^2}{Fe}$

Fe

Where X = Value of chi- square  
 Fo = Observed frequencies  
 Fe = Expected frequencies

Option 6	Fo	Fe	Fo-Fe	(Fo-Fe) <sup>2</sup>	$\frac{(Fo-Fe)^2}{Fe}$
Agree	60	40	20	400	10.00
Disagreed	20	40	-20	400	10.00
<b>X<sup>2</sup></b>					<b>20.00</b>

Degree of freedom = (R-1) (C-1)  
 (2-1) (2-1)  
 (1) (1) = at 0.05  
 Table value = 3.84

**DECISION**

From the above, the calculated value of the chi- square (X ) is greater than its table value (20.00>3.84).

We therefore reject the null hypothesis and accept the alternative which states that fraud can be prevented by an effective and efficient internal control system.

**DISCUSSION OF FINDINGS**

From the collection and analysis of data, the following are a summary of the findings

- Corruption is the main cause of fraud
- Poor working condition dose not lead to fraud
- The weakness of internal control system leads to fraud
- The growth and survival of an organization is strongly affected by the occurrence of fraud
- The responsibility of fraud detection does not only rest with the management alone
- Auditors help in detecting and preventing fraud in an organization
- An efficient effective internal Control system can help in the detection, prevention and control of fraud.
- The segregation of duties helps to prevent the occurrence of fraud
- The independence of auditors helps them to function effectively
- The support of top management is not need by auditors for them to function effectively,
- Proper accounting records by management helps auditors to give the true position of an organization

- Auditors help to determine whether resources are being put to effective use.
- Auditors' helps to ensure that management are in line with the rules and regulations.
- External auditors make use of internal auditors report, based on how effective they are.  
A strong internal audit department hi an organization is not a sign of an efficient system of control.

In fraud detection, the plans, polices and procedures of the organization needs to be consistent with the corporate objectives of the organization.

A critical review shows that internal auditors, when being analyzed by the external auditor's evaluation of the quality of work done, determinants of their reliance decision, the extent and nature of their work relied on the external auditors and other aspect of the internal audit departments helps to place a great check on the issue of fraud in an organization. Therefore, this means that the perception of the external auditors on work done by the internal auditors determines how efficient and effective the internal auditors are and if they can be proven to be efficient, this means that the burden of work to be done by the external auditors has been reduced. The external auditors' assessment of the effectiveness of internal audit department and the extent of it reliance will depend on the following:

- The degree of independence of internal auditors
- The qualification and experience of staff employed in the internal audit department
- Evidence available and review of the work done by the internal auditor
- The scope, extent, direction and the finishing of the test made by the internal auditor
- The external to which management takes action based on the report of the internal audit function.

For the manufacturing industries operational system to be fraud free, the entire company staff has to be individually responsible and such responsibility has to be directed to the general goal. A good system of internal control is an important management tool to ensure the adequacy of accounting records as a means of safeguarding assets and compliance with management policies.

Also, some staff lacks the basic skill and experience required for their various operations and as a result such staff may be mis-informed on the proper ways of doing things and this could be very detrimental to the organization.

## **CONCLUSION**

An attempt has been made in this research to take an overview of the role of auditors in the prevention, detection and control of fraud in the manufacturing industry. Unfortunately, the issue of fraud has been increasing in number in the country. This is a level that by itself is sufficient to worry an young upcoming investors such as we are witnessing presently in Nigeria. It is therefore imperative for the manufacturing industry to be free considering the fact that there is an increasing awareness on the part of the Nigerian populace on the importance of the manufacturing industry in the socioeconomic development of the country for the contribution to our socio-economic development to be meaningful., there is a need for all of us the government, religious, organization, trade union, employers of labour and manufacturing employees to contribute efforts to fight vigorously the war against fraud in our manufacturing industry in particular and our society at large and not leaving it in the hands of auditors alone.

## **RECOMMENDATION**

The effectiveness of all the derives put in place for the detection, prevention and control of fraud in the manufacturing industry depends on the availability of efficient, skillful, credible and intelligent crop of staff. Personal are no doubt of available assets to any profit oriented organization: efforts should be made by management to ensure this resource personnel are put into optimum use.

There are many other area of future research from the issues explored in this study and among them are:

The independence of auditors, whether internal or external should be critically reviewed and various polices should be put in place so as to ensure that auditors carry out their duties effectively and efficiently.

The effectiveness of internal audit within organization should be examined further in different ways.

Most prior research has merely concentrate on perceptions from external auditors in this area without trying to measure tangible benefits from internal function, even though to a great extent they have their own roles to play in fraud detection, prevention and control.

Auditors responsibilities for fraud detection has clearly increased in recent years, therefore there should be polices put in place, to improve auditors abilities in this area.

It has been proven that reasonable incentives to staff have helped to reduce the incidence of their involvement in fraud.

Rewards should also form part of the company's to encourage staff and those who have helped to frustrate fraud attempt.

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