

Internal Control Mechanism and Fraud Prevention in the Nigerian Public Sector: An Application of the New Fraud Diamond Theory

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Abstract

This study examines internal control mechanism and fraud prevention in the Nigerian public sector using the new fraud diamond theory. It adopted a survey design and made use of primary data while the Spearman Ranked Correlation (ρ) was used to analyze the hypotheses. The findings revealed that corporate governance and job segregation exhibits insignificant influence on fraud prevention while employees' capability and management integrity significantly influence fraud perpetration and prevention in the Nigerian public sector. Its recommends that for the new fraud diamond theory to be effective in Nigeria, the entire criminal justice system should be over haul such as setting stiffer punishment and a time frame for trial of fraud cases, weeding out bad eggs from the judiciary and curtailing the exercise of presidential pardon and plea bargain which are being used as roots to escape justice on fraud cases.

Keywords: *Fraud Prevention, Fraud Diamond, Internal Control, Nigerian Public Sector*

Introduction

Fraud has become a global menace threatening the survival of organizations, governments, nations and the business communities. Fraud is ubiquitous and universal. Any organization is prone to fraud (Ruankaew, 2013) and no nation is immune, although developing countries and their various states suffer the most pains (Okoye & Gbegi, 2013). No organization or institution is exempt from the attack of fraudsters. In Gillentine (2009) cited in Shelton (2013), as at 2009 one in three companies around the world reported they were the victims of business fraud during the past 12 months and 70% of companies suffered from at least one type of fraud in 2013.

Frauds have become so pervasive that external auditors are increasingly being asked to play important role in helping organizations prevent and detect them (Kassem & Higson; 2012). The Association of Certified Fraud Examiners (ACFE) in its 2014 global fraud study and report to the nations on occupational fraud and abuse disclosed that a typical organization loses 5% of its revenue each year to fraud. When this is applied to the 2013 estimated gross world product (GWP) of \$73.87 trillion, it results in a projected potential total global fraud

loss of nearly \$3.7 trillion. The report also revealed that the banking and financial services, the government and manufacturing were the most affected sectors.

According to Anyanwu (1997), the government (public sector) is the biggest consumer, the biggest employer, the biggest borrower and the largest investor. In fact Okoye and Gbegi (2013) asserted that government spending is massive and has always been big business. In the light of these facts, it means that the amount of losses through fraud in the public sector is enormous. The Institute of Internal Auditors (2011) stated that the public sector consist of the governments (Federal, States and Local Governments) and all publicly controlled or publicly funded agencies, enterprises and other entities that deliver public goods and services across the three tiers of government. The public sector is therefore made up of the MDAs (ministries, departments and agencies) and the government business enterprises (GBEs). According to The Federal Government of Nigeria (FGN), (2014), the GBEs in Nigeria include the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), the Power Holding Company of Nigeria (PHCN), the Nigerian Ports Authority (NPA), the National Communication Commission (NCC), the Nigerian National Petroleum Corporation (NNPC) and the Nigerian Maritime Agency and Safety Administration (NIMASA), among others.

The Nigerian public sector is characterised by sharp practices such as the inclusion of ghost (non-existing) workers on the payroll of ministries, extra-ministerial departments and parastatals, embezzlements and setting on fire offices housing sensitive documents (Onuorah & Appah, 2012 and Okwoli, 2004). The huge amount of money that is lost through fraud and financial malpractices in the Nigerian public sector drains the nation's resources with far-reaching negative consequences on growth and development (Bello, 2010). Cases of fraud are so prevalent in the Nigerian public sector that every ministry, department and agency of government could seem to be involved in it one way or the other (Appah & Appiah, 2010).

Karwai (2005), Modugu and Anyaduba (2013), Ojaide (2000), Kasum (2009), Okoye and Akamobi (2009), have all in their separate studies acknowledged that the distressing upsurge in frauds and embezzlement of funds and money laundering activities in Nigeria especially in the public sector is a grave cause for concern. According to a report by Transparency International (2013), out of 177 countries, Nigeria was ranked 33rd most corrupt country in the world. Also, Nigeria was in 144th position in the Group's Corruption Perception Index in year 2013. I recent times, series of allegations were made by two of the former governors of Central Bank of Nigeria (CBN), Charles Soludo and Mallam Sanusi Lamido Sanusi against the former administration led by the former President Goodluck Jonathan on financial mismanagement and lack of proper fiscal governance. Lamido alleged that about \$20 billion of oil revenue was missing while Soludo accused the former minister of finance Dr. Ngozi Okonjo-Iweala for unaccounted #30 trillion (Vanguard, 2015). According to Punch (2015), \$700 million was found in cash in the home of the former Nigeria petroleum minister, Mrs Diaziane Allison-Madueke, yet she was covered up by the immediate past government.

Statement of the Research Problem

There are plethora of researches in this area of interest (Idowu, 2009; Akani & Oladutire, 2013; Adebayo, 2013 and Idowu & Adedokun, 2013) all with good recommendations, yet there is still a great upsurge of fraud in the Nigerian public sector. Most importantly, theories have been postulated over the years on the causes of fraud and how to investigate, prevent and detect and reduce it. These include the fraud triangle theory

by Cressey (1953), the fraud diamond theory by Wolf and Hermanson (2004) and the new fraud diamond theory by Kranacher et al. (2010) cited in Kassem and Higson (2012) and Gbegi and Adebisi (2013). Giving the fact that theories are means to an end, and are propounded to provide solutions to problems, it is expected that the application of these fraud theories will have impact on mitigating frauds. However, it appears that these theories have not been able to help stem the rising tide of fraudulent practices in the Nigerian public sector given the continuous upsurge of fraud in the country. The continuous rise in fraud and corrupt practices and misappropriation in Nigeria even in the light of the existence of theories on fraud prevention and control motivated this study.

The objective of this study is to ascertain the applicability of fraud theories in instituting internal control mechanisms and preventing fraud in the Nigerian public sector. The specific objectives are to:

- (1) Ascertain the relationship between corporate governance and fraud prevention in the Nigerian public sector;
- (2) Examine the relationship between the capability of an employee and fraud perpetration in the Nigerian public sector;
- (3) Investigate the relationship between management's integrity and fraud prevention in the Nigerian public sector; and
- (4) Assess the relationship between segregation of duties between/among staff and fraud prevention in the Nigerian public sector.

The following null hypotheses were tested in the course of the study;

H₁: There is no significant relationship between corporate governance and fraud prevention in the Nigerian public sector.

H₂: There is no significant relationship between the capacity of an employee and fraud perpetration in the Nigerian public sector

H₃: There is no significant relationship between management's integrity and fraud prevention in the Nigerian public sector.

H₄: There is no significant relationship between segregation of duties among staff and fraud prevention in the Nigerian public sector.

The Concept of Fraud

According to Abdullahi and Mansor (2014), fraud is define as a deceit that involves an intentional distortion of the truth or misrepresentation or concealment of a material fact to take advantage over another so as to enjoy some benefits at the expense of others. In the celebrated case of *Wells V. Zenz* fraud was defined as a generic term which embraces all the multifarious means which human ingenuity can devise and are resorted to by one individual to get any advantage over another (Osisoma, 2013). Adewumi (1986) cited in Owolabi (2010) describes fraud as a conscious premeditated action of a person or group of persons with the intension of altering the truth and or fact for selfish personal monetary gain. Radzinowicz and Wolfgang (1997) classifies fraud together with white-collar crime and defines them as illegal acts characterised by guilt, deceit and concealment and are not dependent upon the application of physical force or violence or threats thereof. In similar terms, Adekanya (1986), Ojigbede (1986) and Sydney (1986) in their definitions agree that fraud involves the use of tricks to distort the truth so as to deprive a person of something, which is his or something to which he might be entitled. Fraud in the Nigerian public sector could be attributed to low wages in civil service, lack

of accountability among public servants, inequality in the distribution of resources, promotion of ethnicity and lack of nationalism and weakness of internal controls in governmental agencies among others (Okoye & Gbegi, 2013; Gbegi & Adebisi, 2015; Bello 2011 and Onuoral & Appah, 2012).

The Association of Certified Fraud Examiners (ACFE) in its 2014 report categorised fraud into three groups. These are: assets misappropriation, financial statement fraud and corruption. Assets misappropriation involves the misuse or theft of an organization's assets such as theft of inventory or cash, false invoicing and payroll fraud. Financial statement fraud results when organizations' financial reports are misstated to give a different state of operating profitability of the organization and its financial position from the true position. Examples are the cases of Enron and WorldCom in the USA. Corruption includes activities like bribery, acceptance of kickbacks, improper use of confidential information, conflict of interest and collusive tendering (Gbegi & Adebisi, 2015).

The Concept of Internal Control Mechanism

Olatunji (2009) opines that internal control system consist of plans, methods and measures an organization puts in place to protect its assets, check the accuracy and reliability of its accounting data, enhance operational efficiency and encourage compliance to laid down managerial policies and achieving organisational objectives in general. Olatunji (2009) states that the Institute of Chartered Accountants of Nigeria categorised controls into three major ways, which are: Preventive controls which are controls that predict potential problem before they occur and make adjustments. These controls prevent errors, omission, or fraud from occurring. Examples of preventive controls include segregation of duties, authorisation and authority level. Detective controls are controls specifically designed to detect and report the occurrence of an omission or an error. While corrective controls are designed to minimise the impact of a threat and correct errors, which arise from the problem. According to COSO (2004), internal control is a process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Internal control systems consist of five interrelated components that provide the foundation for fraud detection (COSO, 2004). This are: Control environment, risk assessment, control activities, information & communication and monitoring activities.

According to Shanmugam, Haat and Ali (2012), internal control is designed to address identified business risks that threatens the achievement of organizational objectives and to provide reasonable assurance that organizational assets and records are safeguarded. The authors also state that fraud prevention; embezzlement detection and accurate financial reporting are reasons to justify good internal control practices.

Mohd-Sanusi, Mohamed, Omar and Mohd-Nassir (2015) postulate that strong internal control is a key deterrent of fraud though fraud may still occur even with strong internal control just as weak internal control does not mean that fraud cold be occurring. They further state that when management demonstrates the importance of good internal control within an organization, the risks of fraud can be reduced but poor internal control provides opportunity for fraudsters to commit and conceal fraud. In a survey done by the Association of Certified Fraud Examiners (2012), 35.5% of respondents agreed that lack of internal control contributes to fraud and in a similar study by KPMG (2010), weak internal control is a major factor attributable to fraud.

Theoretical Framework

Since the 1930s, various scholars have made research efforts and have postulated theories aim at unearthing the reasons behind fraudulent activities and how to prevent their occurrence and mitigate their consequences. These theories include.

1. *The White Collar Crime Theory (Sutherland 1939).*

This theory according to Abdullahi and Mansor (2014); was pioneered by Edwin H. Sutherland during a presidential talk to the American Sociological Society in 1939. Prior to Sutherland's work, traditional theories of crime blamed poverty, broken homes and disturbed personalities as sources of crime. But Sutherland in his theory posits that most of the people who commit crime in business setting were far from the poor but are people with happy family background, are well educated, intelligent and affluent and have no mental problems. The introduction of white-collar crime by Sutherland broke new grounds but the theory was heavily criticized from various fronts especially legal experts and social science scholars. To these critics the new theory was conceptually, empirically, methodologically and legally ambiguous.

2. *The Fraud Triangle Theory (Cressey 1953)*

Kassem and Higson (2012) disclose that Donald Cressey first coined the term fraud triangle in 1950. Cressey was troubled to find out why people commit fraud and this motivated him to interview 250 criminals in 5 months. In 1953 Cressey published his work titled ‘‘ Other People’s Money: The Case of Embezzlement’’ where he asserted that three factors are present in every fraud situation and these are: perceived pressure, perceived opportunity and rationalization. Perceived pressure/incentives are those circumstances and personal situations that motivate a person to commit fraud. Perceive opportunity refer to those favourable circumstances and weaknesses in the system such as the absence of strong internal control that makes fraud possible. Rationalization is the moral reasoning, which fraud perpetrators formulate to justify that their unethical behaviour is something other than criminal activities.

Joseph, Albert and Byaruhanga, (2015) posit that breaking the fraud triangle is the key to fraud prevention and detection. This implies that an organization must remove one of the elements of the fraud triangle in order to reduce the likelihood of fraudulent activities. And of the three elements of fraud triangle, opportunity is the element management can exercise control and where fraud prevention can excel. Management can implement strong internal controls, effective supervision and oversight and severely discipline fraud perpetrators in order to prevent fraud. Kassem and Higson (2012) reveal that Cressey’s theory of fraud triangle was widely used by regulators, professionals and academics but it was also highly criticized on the ground that it cannot alone help in explaining fraud because two of the factors- rationalization and pressure cannot be observed while other factors like Capabilities are ignored

3. *Fraud Scale Theory*

Albrecht, Howe and Romney (1984) developed this theory as an alternative to the fraud triangle model. It is similar to the fraud triangle but it uses an element called personal integrity instead of rationalization. The authors argue that unlike rationalization in the fraud triangle, personal integrity can be observed in both an individual’s decision and in the decision making process and which can help in assessing integrity and in determining the likelihood that an individual can commit fraud. The authors define personal integrity as the personal code of ethical behaviour each person adopts.

4. *Fraud Diamond Theory (Wolfe and Hermanson 2004)*

In their article first published in CPA magazine in December 2004, title “The Fraud Diamond: Considering the four elements of fraud”, David Wolfe and Dana Hermanson incorporate a fourth element, capability, into the fraud triangle and transforming it into the fraud diamond. They state that opportunity opens the doorway to fraud, and incentive (or pressure) and rationalization can draw a person toward it. But the person must have the capability to recognize the open doorway as an opportunity and to take advantage of it by walking through not just once, but time and time again (Wolfe & Hermanson; 2004 and Rudewicz, 2011)

5. *The New Fraud Diamond Theory*

Gbegi and Adebisi (2013) criticized the fraud triangle and the fraud diamond theories on the ground that the two sides of the fraud triangle and fraud diamond (incentive/pressure and rationalization) cannot be observed. Secondly, some important factors like national value system and corporate governance are ignored. Borrowing from the MICE model of Kranacher et al., (2010) as cited in Kassem and Higson (2012), the new fraud diamond theory by Gbegi and Adebisi (2013) expands the motivation of fraud perpetrators, which is one of the sides in the fraud diamond and identified it with the acronym: NAVSMICE; that stands for NAVS- National Value System; M - Money; I-Ideology; C - Coercion; and E - Ego. The authors opine that the Nigerian society places little or no premium on honesty, integrity and good character. Wealthy people are recognized, honoured and celebrated without any question about the source of their wealth. The new fraud diamond model also incorporates the Fraud Scale theory of Albrecht, Howe and Romney (1984) through the inclusion of personal integrity instead of rationalization, which can be observed through a person’s decision as well as the decision-making process. The model further suggests corporate governance as the lock to all the factors that cause fraud to take place in Nigeria. Corporate governance entails the nature and extent of accountability of people in the organizations; the principle and value that guides an organization in the conduct of its day-to-day activities and how stakeholders interrelate with one another (Anandarajah, 2001). According to Okoye (2001), good corporate governance is the missing link in Nigeria, which is an index of fraud occurrence.

The paper is anchored on the new fraud diamond theory of Adebisi and Gbegi (2013). It believes that it is important to consider all the fraud models to be able to have a better understanding why fraud occurs. Therefore, all other fraud models should be regarded as an extension to Wolfe and Hermanson Fraud Diamond Theory (2004) and should be integrated in one model that includes motivation, opportunity, personal integrity, rationalization, capabilities and corporate governance. With this New Fraud Diamond Model, forensic accountants and auditors will consider all the necessary factors contributing to the occurrence of fraud. This should help them in effectively investigating and assessing fraud risk. Below is the new fraud diamond theory:



Source: Gbegi and Adebisi (2013)

Methodology

This study adopted a survey research design and made use of primary data. The population consist of all staff in ministry of finance both federal and states in Nigeria. Due to the large number of staff of this ministry, this study considered a sample size of one hundred (100) staff across Edo and Delta states. These staffs constitute the target audience and were randomly selected. The research instrument used was the questionnaire and was designed in a Likert-scale format to enable the researchers scale/measure the strength of responses elicited from the various respondents. A total of 100 hundred (100) copies of questionnaires were administered and seventy-two (72) which represents 72% were retrieved. The Spearman Ranked Correlation (ρ) was used to analyze the data. The choice of this statistical tool is that it helps reveal if the aforementioned independent variables do determine fraud prevention, the relationship and its strength. The decision rule is to accept the null hypotheses if the significant criterion is greater than 0.05, otherwise the alternate hypotheses are accepted (significant criterion less than 0.05).

Data Presentation

The data for the study is presented below;

Table 1: Categorization

Question Number	Senior Staff	%	Junior Staff	%	Total
1	71	98.6	1	1.4	72

Source: Researchers Compilation 2015.

The result above revealed that 98.6% of the respondents were senior staff while 1.4% were junior staff.

Table 2: Education Qualification

Question Number	B.Sc	%	Postgraduate Degree	%	Total
2	22	30.6	50	69.4	72

Source: Researchers Compilation 2015.

On education qualification, 30.6% of the respondents had B.Sc degree while 69.4% had postgraduate qualification.

Table3: Professional Qualification

Question Number	ACA	%	ACCA	%	Others	%	Total
3	33	45.8	-	-	39	54.2	72

Source: Researchers Compilation 2015.

On professional qualification, 45.8% of the respondents had ACA while 54.2% had other professional qualification.

Table 4: Years of Experience

Question Number	0-5 Years	%	6-10 Years	%	Above 10 Years	%	Total
4	-	-	15	20.8	57	79.2	72

Source: Researchers Compilation 2015.

Table 4 revealed that 20.8% of the respondents had 6-10 years working experience while 79.2% had working experience above 10 years.

Table 5: Questions relating to internal control and fraud proxies and their descriptive statistics

Quest. No.	S A	%	A	%	U	%	D	%	SD	%	Mean	S.D	Max	Min
5	4	5.5	65	90.3	3	4.2	-	-	-	-	1.99	0.314	3	1
6	8	11.1	64	88.9	-	-	-	-	-	-	1.89	0.316	2	1
7	-	-	7	9.7	14	19.4	46	63.9	5	6.9	3.68	0.747	5	2
8	5	6.9	66	91.7	-	-	1	1.4	-	-	1.96	0.354	4	1
9	-	-	1	1.4	14	19.4	56	77.8	1	1.4	3.79	0.473	5	2
10	6	8.3	62	86.1	4	5.6	-	-	-	-	1.97	0.374	3	1
11	4	5.6	62	86.1	6	8.3	-	-	-	-	2.03	0.374	3	1
12	1	1.4	68	94.4	3	4.2	-	-	-	-	2.03	0.236	3	1
13	1	1.4	68	94.4	3	4.2	-	-	-	-	2.03	0.236	3	1

Source: Researchers Compilation 2015.

Given question 5 in table 5 above, cumulative percentage of 95.8 went for both strongly agreed and agreed which indicates that the occurrence of fraud in the Nigerian public sector is as a result of ineffective preventive mechanism. The descriptive statistics revealed: Mean= 1.99, STD=.314 which is low and it suggest that Q5 exhibits a considerable clustering around the average, Max. = 3 and Min. = 1. Question 6 reveals that a cumulative percentage of 100 went for both strongly agreed and agreed which indicates that the continuous upsurge in financial mismanagement in the Nigerian public sector suggests that corporate governance put in place are being override. The descriptive statistics showed: Mean= 1.89, STD= .316 which is low and it suggest that Q6 exhibits a considerable clustering around the average, Max. = 2 and Min. = 1. Summing up the percentage of respondents for disagreed and strongly disagreed in question 7, it shows 70.8 of the respondents negates the assertion that in the Nigerian context, the prevention of fraudulent practices in the Nigerian public sector has no relationship with corporate governance. The descriptive statistics result: Mean= 3.68, STD= .747 which is low and it suggest that Q7 exhibits a considerable clustering around the average, Max. = 5 and Min. = 2. In question 8, the result showed that cumulative percentage of 98.6 of the respondents went for both strongly agreed and agreed which indicates that the capacity to commit fraud in the Nigerian public sector is related to the knowledge gained in the course of his job.

The descriptive statistics exhibited: mean= 1.96, STD= .354 which is low and it suggest that Q8 exhibits a considerable clustering around the average, Max. = 4 and Min. = 1. Question 9 above indicates that a cumulative percentage of 79.2 of the respondents went for both disagreed and strongly disagreed which negates the assertion that fraud prevention in the

Nigerian public sector has no relationship with employees training on sensitive job areas. The descriptive statistics exhibited: Mean= 3.79, STD= .473 which is low and it suggest that Q9 exhibits a considerable clustering around the average, Max. = 5 and Min. = 2. Given the cumulative percentage of 94.4 in question 10, it indicates that the respondents are in agreement with the assertion irrespective of control mechanism in place, there is a relationship between management integrity and fraud prevention in the Nigerian public sector. Descriptive result is: Mean= 1.97, STD= .374 which is low and it suggest that Q10 exhibits a considerable clustering around the average, Max. = 3 and Min. = 1. A cumulative percentage of 91.7 of the respondents in question 11 posit the effectiveness of an internal control system in combating fraud is attributed to management's integrity. Descriptive result is: Mean= 2.03, STD= .374 which is low and it suggest that Q11 exhibits a considerable clustering around the average, Max. = 3 and Min. = 1. Question 12 above indicates a high level of agreement (95.8 per cent) with the assertion that job segregation among staff help combat fraud in the Nigerian public sector. The descriptive result exhibited: Mean= 2.03, STD= .236 which is low and it suggest that Q12 exhibits a considerable clustering around the average, Max. = 3 and Min. = 1. From question 13 above, a cumulative percentage of 95.8 of the respondents were in agreement job rotation in the Nigerian public sector helps in fraud prevention. The descriptive result exhibited: Mean= 2.03, STD= 0.236 which is low and it suggest that Q13 exhibits a considerable clustering around the average, Max. = 3 and Min. = 1.

Hypotheses Testing

The spearman ranked correlation result in table 6 above form the basis for hypotheses testing.

Corporate Governance and Fraud Prevention

The results show that corporate governance exhibits an insignificant weak (.139) negative relationship on fraud prevention in the Nigerian public sector. Based on the statistically insignificant criterion ($0.024 > 0.05$), we accept the null hypothesis (H_1) that there is no significant relationship between corporate governance and fraud prevention in the Nigerian public sector. This unexpected result could be attributed to the continuous upsurge of financial mismanagement in the Nigerian public sector irrespective of corporate governance mechanism in place. This suggests that corporate governance mechanism is being overridden, thus, its ineffectiveness in fraud prevention.

Employees Capability and Fraud Perpetration

The result indicates that employees' capacity has a weak (.005) negative significant relationship on fraud perpetration in the Nigerian public sector. Given the statistically significant criterion ($.0002 < 0.05$), we reject the null hypothesis (H_2) that there is no significant relationship between employees' capacity and fraud perpetration in the Nigerian public sector. Given that experienced employees could undermine internal control system in place, there should be regular review in order to continuously block all loopholes that could lead to fraud perpetration.

Management Integrity and Fraud Prevention

The results indicate that managements' integrity exhibits a weak (.003) negative and significant relationship on fraud prevention in the Nigerian public sector. Given the statistically significant criterion ($.003 < 0.05$), we reject the null hypothesis (H_3) that there is no significant relationship between managements' integrity and fraud prevention in the Nigerian public sector. This suggests that irrespective of corporate governance in place, in the absence of staff integrity, such control measure will be overridden.

Job Segregation and Fraud Prevention

The results show that job segregation has a weak (.005) positive and insignificant relationship on fraud prevention in the Nigerian public sector. Given the statistically insignificant criterion (.965>0.05), we accept the null hypothesis (H_4) that there is no significant relationship between segregation of duties among/between staff and fraud prevention in the Nigerian public sector. Where there is collusion among employees, job segregation becomes meaningless.

Conclusion

The findings from the study reveal that employee capability and staff integrity exhibit significant relationship with fraud perpetration and prevention respectively although the strength of such relationship differs. However, corporate governance and job segregation did not exhibit significant influence on fraud prevention. In recent times, fraud in the Nigerian public sector has become a phenomenon, which needs a drastic resolution in order not to cripple the economy. Given the impact fraudulent practices have on the economy; all hands must be on deck towards ensuring that loopholes in the internal control system are minimized. Therefore, it is expected that sound and effective internal control system will go a long way in ensuring that fraud is not only prevented, but also detected at an early stage. However, this has not been the case as there has been plethora of corrupt practices in the Nigerian public sector in recent times. This suggests that fraud theories have not been adequately applied in preventing fraud. In the light of this, this study made some useful recommendations that could further strengthens the usefulness of these theories of fraud.

Recommendations

- (1) Fraud perpetrators in Nigeria should be made to face stiff sanctions in proportion to the severity of the fraud committed. This study suggests that fraud convicts in Nigeria should be sentenced to terms of imprisonment ranging from 5 to 20 years with no option of fine, depending on the gravity of offence in addition to full restitution of the amount stolen.
- (2). There should be a time frame within which fraudsters should be prosecuted. The practice in which prosecution of thieves and corrupt politicians is done endlessly while the culprits enjoy their illicit wealth should be discouraged
- (3). The constitutional provision of ‘‘presidential pardon’’ should be expunge from the constitution because experience has shown that previous culprits of financial mismanagement have always resorted to presidential pardon as a way of redeeming their image and freedom.
- (4). The entire criminal justice system in Nigeria should be over haul to ensure that criminals have their due rewards. For example, the practice of plea bargain, which is being abused and used as a root to escape justice by fraudsters, should be stopped. Also bad eggs in the judiciary like corrupt judges and judicial officers who connive with fraudsters and their lawyers to escape requisite punishment should be weeded out of the system.

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