THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FRAUD PREVENTION IN NIGERIA : A PERCEPTUAL VIEW.

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Abstract

This paper critically examined the relationship between corporate governance and fraud prevention in Nigeria. It focused on the relationship between internal audit, audit committee, external audit, board of director's governance mechanisms and fraud prevention. Data were obtained from the administration of questionnaires on academics in management sciences' faculty, chartered accountants, internal auditors, external auditors and stock brokers. The questionnaire instrument employed was subjected to reliability test using the Cronbach's alpha. Descriptive statistics were used to show the dispersion of the distribution. The data elicited were analysed with the help of multiple regression estimation technique .The findings show that internal audit, audit committee, external audit and board of directors have significant negative relationship with fraud prevention. This infers that they are capable of reducing the incidences of fraud in an organization. The study recommends that more emphasis should be shown to encourage entrenchment of an effective internal audit function; effective audit committee; an independent and effective external audit; and an ethically sound and effective board of directors in an organization.

Keywords: NigeriaCorporate governance, Fraud prevention.

1.0.Introduction:

In recent time corporate governance failure have become common occurrences which have been linked to a number of fraud incidences in the world all over. The occurrences did not only elicit public attention but have remained topical issues in various global fora and discourse. Noteworthy are the scandals that brought about sudden demise of some corporate giants like Enron, Arthur Andersen, WorldCom, Kmart, Tyco, Global Crossing , Adelphia to mention but a few. The events were unsavoury and particularly worrisome which jolted the global investing public to unimaginable surprise. Investigations revealed that underlying root causes bother on board of directors' culpability, connivance and negligence of internal and external auditors as well as audit committee paving way for misreporting , fraudulent misrepresentation and mismanagement in corporate entities otherwise known as fraud. These sad occurrences led to inflation of a company's financial result by either over bloating of its revenue or understating costs or deliberate/conscious diversion of its funds to finance personal consumption expenditure or both as the case may be. These are clear cases of corporate governance failure that creates opportunistic avenues to orchestrate fraud. Fraud occurrence has devastating and demeaning effect on a company's integrity and reliability: It can lead to bankruptcy or outright insolvency in the long run if not prevented early enough. An effective corporate governance mechanism such as effective board of directors, audit committee, internal audit function and external audit therefore holds the key to fraud prevention.

Corporate governance means the manner in which organizations are not only regulated but governed. The governance structures clearly indicate how rights and responsibilities within the organization are shared among the diverse stakeholders having a stake in the organizational operations of an entity (Zvavahera and Ndoda (2014). According to Miring'u and Mouria (2011) a well governed entity perform better which is an indication of good corporate governance while Kyerbaah and Biekpe (2006) submit that bad corporate governance leads to collapse of organizations. In particular they infer that bad corporate governance leads to myriads of problems such as unreliable services, mismanagement, pilferage, wastage, red tapes and inefficiency (Kyerbaah and Biekpe, 2006). The interaction of these multiple problems has the capacity to totally extinguish the existence of an organization if taken for granted. Thus, it is extremely important therefore, that a company establishes an effective and enduring corporate governance structure with strict adherence; in that case incidences of fraud in whatever guise are likely to be reduced drastically.

1.1. Problem Statement

In Nigeria the spate of corporate governance failure and fraudulent activities in the last two decade involving top management of high profiled companies (such as Onwuka Interbiz, Peak Merchant Bank; Savanah Bank, Oceanic Bank, Intercontinental Bank, BankPHB, Afribank, Spring Bank, Concord Group Lion of Africa Insurance, Societe Generale Bank Nigeria, Mtel, HITV, Asaba textile mills, Delta Glass, Kaduna Textile Mills, Nigeria Airways Cadbury Plc) in key sectors of the economy is a regular feature in the news media and conferences manifesting in different unique forms. These occurrences have become a serious concern to government, market regulators, investors and other stakeholders. The need to stem the tide has been the underlying approximate denominator of the varied opinions that have been expressed. Different discussion fora held across (Lagos State, River State, Federal Capital Abuja, Kaduna States) the country were all in a bid to clearly understand the nexus between corporate governance and fraud with the ultimate objective of providing enduring recipe to further halt the rising cases of fraud arising from corporate governance failure related to board of directors involvement, negligence, inefficiency and connivance of audit committee members, internal audit function and external audit. The robust debates in these fora provided the much needed intellectual marriage of ideas to re-awaken and entrench the culture of effective corporate governance to strengthen board of directors, audit committee, internal audit function and external audit in the country's business environment. These noble ideas informed the need for the establishment of corporate governance codes at some point in the country. For instance the Nigerian Securities and Exchange Commission issued the Code of Best Practices on Corporate Governance in 2003 which was subsequently replaced by another code in 2011.The Central Bank of Nigeria (CBN) issued a code of corporate governance for banks in post consolidation in 2006. In 2009, the Nigerian Insurance Commission (NAICOM) equally issued a code of corporate governance for the insurance industry. In 2011 as part of the process to adopt the International Financial Reporting Standards, the Federal Government set up the Financial Reporting Council which replaced the National Accounting Standard Board (NASB) to manage the adoption process with the aim also to improve corporate financial reporting practice in Nigeria. These efforts apart, the legal framework of the Companies and Allied Matters Act (CAMA) 1990 which replaced the Companies Act of 1968 also regulates corporate organizations conduct in the country.

One then wonders that despite the concerted efforts put together by government and its regulatory agencies to ensure good corporate governance is entrenched in organizations operating in the country, fraudulent practices even at board of directors level are on the increase. For instance the disclosures in Lever Brothers Nigeria (now Unilever), Cadbury Nigeria Plc and Evans Medicals Plc where the company's record did not support inventory balances in the financial statements shows the brazenly huge magnitude of accounting fraud and corporate governance abuses. This has led to questions being raised as to what are the problems. Does it mean that top management of corporations do not comply with corporate governance codes? Could it be that market regulators have failed in their duty to ensure that codes of corporate governance are complied with? Is it that a company's management deliberately institute weak corporate governance mechanisms to aid their fraudulent practices?

However, the common underlying factor in an effective corporate governance definition is that it assures safeguards of policies, rules, processes and procedures in an entity by directing and controlling of management activities on good business sagacity, objectivity, accountability and integrity. Thus, if this is what corporate governance truly stands for then one cannot but reasonably conclude that it could prevent fraud. Thus given recent accounting frauds in Nigeria companies and elsewhere in the world and the paucity of studies that addressed corporate governance and fraud issues in Nigeria, this paper is concerned with examining the issue of corporate governance and fraud prevention in Nigeria. The motivation is that majority of the available studies in Nigeria focused on corporate governance and firm performance and a few theoretically attended to fraud. This obviously suggests a research gap as such this paper seeks to examine the components of corporate governance mechanisms and how each of them contributes to fraud prevention. In this regard the specific objectives of the paper are stated as follows:

i. To determine the link between board of directors responsibility and fraud prevention
ii. To assess the link between external auditor (s) performance and fraud prevention
iii. To explore the relationship between audit committee responsibility and fraud prevention
iv. To ascertain the relationship between internal audit function and fraud prevention

In pursuit of these objectives, the study stated the following hypotheses in null form:

Ho_1: There is no significant relationship between board of directors' effectiveness and fraud prevention.

Ho_2: There is no significant relationship between external auditor's effectiveness and fraud prevention.

Ho_3: There is no significant relationship between audit committee effectiveness and fraud prevention.

Ho_4: There is no significant relationship between effective Internal audit function and fraud prevention.

The results obtained from this study hopes to resolve the problem of fraud incidences in the country by contributing to the literature of what an effective board of directors, audit committee, internal audit function and external auditor can do to significantly improve corporate governance and fraud prevention. It will also provide important contributions to Nigerian Security and Exchange Commission, Central bank of Nigeria, and Nigerian Insurance Commission (NAICOM) views on the need to increase the roles/responsibilities of board of directors, audit committee, internal audit function and external auditor to strengthen corporate governance in the country.

The rest of the paper is organized as follows: Section 2 deals with literature review .Section 3 focuses on methodology; section 4 outlines data presentation and analysis; section 5 takes on the discussion of findings while section 6 dwells on the conclusion and recommendation

2.0. The concept of corporate governance

The importance of good corporate governance has received significant public and regulatory attention and attracted the attention of scholars on a broad scale over the last three decades, even though these issues have long existed (Okpara, 2011). According to Staciokas and Rupsys (2005) the elements of corporate governance include the audit committee, external auditor, internal audit, and board of directors. These elements in the corporate governance system according to ECIIA (2005) are responsible for the smooth functioning of the business. In this regard, to secure the operations of good corporate governance of a company, there must be cooperation between the various components of the system of corporate governance, internal auditors, executive management, financial management, board of directors, shareholders and external auditors (ECIIA, 2005). This is particularly important because the responsibility for the prevention and detection of fraud, according to the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) (2009) as clearly stated in the International Standard on Auditing (ISA 240) rests with those charged with corporate governance and management of the entity.

2.1. The concept of fraud

The concept of fraud is generic in nature occurring in different forms depending on the available opportunistic circumstance. According to Ajayi (2003) it is a menace whose potential impact is devastating to any business, economy, security and social and economic well being of a people. It is a dishonest activity involving the extraction of value from a business either directly or indirectly, regardless of whether the perpetrator benefits personally from his or her action (KPMG, 2004). It is an intentional act by one or more individuals among management and those charged with governance, employees or third parties, who use deception to obtain an unjust or illegal advantage (AUS, 2010). It is also seen as a deliberate misrepresentation that bring about a form of monetary losses either to an individual or a body corporate (Mobile Wise Geek, 2011). According to Anyanwu (1993), accounting fraud or corporate fraud involves falsifying accounting records and information which bothers on sales or cost records in order to boost sales figures or net profit of an organization. Corporate fraud according to Arokiasamu and Cristal (2009) is illegal and subjects the organization and its executive to civil lawsuits. Company's officials engage in fraud to reverse losses or to ensure that they are able to meet earnings expectations of shareholders or members of the public (Enofe, Omagbon, & Ehigiator, 2015).

2.2. Theoretical Framework

Given the fact that, the focus of this study is on relationship between corporate governance and fraud prevention, the relation will be examined within the context of agency theoretical framework (Demsky, 2003).The theory explores the conflicts of interests problems, arising among different actors of the firms where in particular there is separation between ownership and management (evidence of different corporate governance systems); a situation that can arise which can create benefit of information asymmetry to achieve their personal aims (Dey, 2008). As such we argue that where the agency problems is high and there is existence of weak corporate governance in the firm, seeming conflicts among the main stakeholders of a firm, fraudulent behaviour will arise in some of the actors who can take advantage of information asymmetry and gain personal benefits from them. Thus, the issue of fraud in an organization is as a result of high agency problems and conflicts of interests unresolved in a company.

2.3. The relationship between corporate governance and fraud.

Ramaswamy (2005) opines that poor corporate governance and accounting failure is one of the reasons why fraud cases emerge. As a result poor corporate governance will lead to the ability of certain individual or a group of people with the same interest to act upon it to commit fraudulent activities in the company. Loebbecke, Eining and Willingham (1998) argue that the probability of material financial statement misstatement due to fraud is a function of three factors. These factors according to them are the degree to which those in authority in an entity have reason to commit management fraud; the degree to which conditions allow management fraud to be committed, and the extent to which those in authority have an attitude or set of ethical values that would facilitate their commission of fraud. Swartz and Watkins (2003) maintain that the worst incidences of fraud are committed by insiders, among whom are those top executives that are assigned to manage and control their organizations, as fraud is a crucial control problem that cannot be alleviated without effective corporate governance.

The diminishing effect and potency of fraud on firms' reputation and existence cannot be overemphasized. This is why researchers are finding some ways to prevent frauds and analyse the factors that are related to them, in order to implement preventive actions and mechanisms to avoid, or at least reduce, the possibility of the fraud occurrence (Albrecht, Albrecht & Dolan, 2007). In this regard a large part of the literature has started to focus attention on the relationship between some mechanisms of corporate governance and fraud occurrence (Young, 2001).This is of particular interest considering the role of corporate governance mechanisms in solving governance problems and exercising a control function over the different actors of the firm (Dey, 2008).

2.4. Empirical Review

2.4.1.Audit Committee and Fraud Prevention.

Owens-Jackson, Diana and Sandra [2009] in their study assert that the likelihood of fraudulent financial reporting, given a totally independent audit committee is inversely related to the level of managerial ownership and the number of audit committee meetings. The study of Alzoubi and Selamat (2012) revealed that audit committees' financial expertise increase their monitoring capability and in turn increases the quality of financial reporting. Law (2011) concludes from empirical investigation that comprehensive and effective monitoring by the audit committee reduces the likelihood of fraudulent financial reporting at an early stage. Wan., Wan, & Roshayani, (2014) study indicates that audit committee effectiveness has negative significant influence to the likelihood of fraudulent financial reporting. This means that audit committee effectiveness has decreased the likelihood of fraudulent financial reporting in organizations. Huang and Thiruvadi (2010) study of the relationship between audit committee characteristics (such as the number of audit committee meetings, the number of audit committee members and the number of audit committee financial experts) and fraud, using a sample of 218 firms from S&PSmallCap600 with a December 31, 2003 fiscal year-end find that, the frequency of audit committee meeting is not associated with fraud prevention; Number of audit committee members does not significantly affect fraud prevention and Financial expertise of audit committee is significantly associated with fraud prevention. In Harrast and Mason-Olsen [2007] study, they indicate that audit committees help deter management fraud and enhance the integrity of financial reporting. In another dimension, the study of Mustafa and Meier [2006] show that the percentage of independent members in audit committees and the average tenure of audit committee members are significantly and negatively related to the incidence of misappropriation of assets in publicly held companies in both the random and the matched models while the number of audit committee meetings is not significant.

2.4.2. Internal Audit and Fraud Prevention

Internal audit is one of the two important tools of internal controls system, while internal checks are the other tool (IIA, 2009). An effective system of internal control in securing responsible corporate governance was however, recognized by the Cadbury Committee in 1992. According to CFACG (1992) in its report notes that an effective internal control system is an essential part of the efficient management of a company", and it further recommended that directors report, in their company's annual report, on the effectiveness of their company's system of internal control while the auditors should report on the directors' statement. Internal checks are another strand of the stretch of the internal control mechanism.

According to Coram, Ferguson & Moroney, (2008) internal checks are those routine day to day administrative controls which ensure that the work of one person is complementary to that of another person, thus, the work of one person is independently proved by that of another person in the normal course of work. As such, no single person or group of persons in a firm would carry out a transaction from origination to completion without the involvement of others (Tunji, 2013). This structure according to Stringer and Carey (2002) indicate the many traditional accounting controls usually found in an entity (e.g. multiple layers of authorization, crosschecking, supervision and segregation of duties).

Abbott, Parker, & Peter (2012) argued that internal audit departments have a critical role in fraud prevention and play the most important role in uncovering or limiting asset misappropriation and corruption schemes. As an addition, Herdman (2002) argue that effective internal auditing is “crucial to the success of a company in stemming fraud and abuse, and in the preparation of accurate financial statements. As the responsibility of the internal audit department is to make regular reviews on the internal control system and ensure that effective and efficient operations are performed, the internal audit function is able to prevent fraudulent financial reporting in an organization by examining and assessing the sufficiency of their internal controls (Harden, 2010).

Tunji (2013) investigated the role of the existence and effectiveness of internal control system on fraud elimination and the accuracy and reliability of records in Nigerian banks. The study concluded that only the existence of effective internal system has a positive effect on fraud reduction. Josiah, Adediran & Akpeti (2012) found that there is a significant relationship between fraud detection and audit of financial statements. In the organizations surveyed, there have been cases of fraud due to poor management, lack of internal auditors, and inefficient control system. Wan., Wan, & Roshayani, (2014) study indicate that internal audit effectiveness has negative significant influence on the likelihood of fraudulent financial reporting. These results indicate that internal audit function have improved their roles and responsibilities in enhancing the overall corporate governance effectiveness

2.4.3. Board of Directors and Fraud Prevention

The overall importance of active and committed board participation in fraud risk management process cannot be overstated .An effective corporate governance processes are no doubt the real foundation of fraud risk management in any entity. In the words of Alzoubi and Selamat (2012) the board of directors is an important catalyst. They are responsible in setting organizational goals and strategies as well as aligning them with the shareholders' interest. In the context of financial information, they are responsible for the transparency and credibility of the financial statement. The Institute of Internal Auditors (2008) opines that dedicated and observable fraud risk oversight activities by the board does not only set the stage for an internal antifraud culture, but also serve to increase confidence among various stakeholders and to enhance the ethical reputation of the organization. Andi, (2011) argues that Board of directors' proactive involvement in fraud risk management initiatives has the added benefit of serving as a strong deterrent to management of fraud by heightening the perception of detection. Increasing the perception that potential fraudsters will be caught is among the most effective deterrence mechanisms available. Consequently, an active board oversight, in itself, is a crucial mechanism for preventing potentially devastating fraud occurrences.

Beasley (1996) analyzed the relationship between financial frauds and board composition and finds higher percentages of outside directors for no-fraud firms, compared to fraud ones. In a similar vein, Uzun, Szewczyk and Varma (2004) study find that board composition and structure of a board's oversight committee are correlated with the fraud occurrence. In the study of Beasley, Carcello, Hermanson & Lapides (2000) they find a positive correlation between corporate governance mechanisms' differences and frauds in different industries. Faber (2005) links fraud occurrences with the board of directors and audit committee characteristics. The study of Dechow, Sloan and Sweeney (1996) actually connect frauds with board of directors' features while Peng and Roell (2006), Erickson, Hanlon and., Maydew

(2006) in their respective studies established an association between fraud occurrences in an entity with the executive compensation system. Wan, Wan, and Roshayani, (2014) study reveals that independent non-executive directors' effectiveness has negative significant influence on the likelihood of fraudulent financial reporting

2.4.4 .External Auditor and Fraud Prevention

Okaro and Okafor (2013) perceive external audit as a formal and independent review of an institution's financial statements, records, transactions and operations and is usually performed by professional accountants who attest to the true and fair view of the statements presented by the client organization. External auditor also examines the internal control systems of their clients and issue management letters accordingly. The external auditor has an important role to play in the fight against fraud and allied malpractices in the banking sector. By virtue of duty, the external auditor is supposed to serve as watchman on behalf of the management, shareholders, customers and government (Zachariah, Musa, & Ibrahim, 2012)

3.0 Methodology

The study adopted the survey research design approach. This research design was adopted because it was considered appropriate as primary data are required. The primary data used were collected with the administration of a well structured questionnaire. The questionnaires were distributed to a sample of 150 respondents. The respondents were made up of 30 academics in Faculty of Management Sciences, 30 chartered accountants, 30 internal auditors, 30 external auditors and 30 stock brokers. The stratification of the respondents was done to effectively elicit information from different persons with different background in the society who are conversant and have good knowledge of the issue of corporate governance mechanisms and fraud prevention in organizations. The respondents opinions were measured using a 5 point modified likert-scale with strongly agree -5, Agree-4, Uncertain-3, Disagree-2 and Strongly disagree-1.These rank orderings were used to logically reflect quantitatively the thinking and perceptions of the respondents for purposes of analysis.

Descriptive statistics were employed to show the data distribution in terms of sample mean and standard deviation. For analytical purposes, the study employed the multiple ordinary least square estimation technique to test the hypotheses. The technique was chosen because it is applicable when trying to establish relationships between two or more variables and according to Murray, (2013) it is used to determine the relationship between the dependent variable and independent variables.

3.1. Model Specification

The following models 1-4 were specified and later collapsed into one main model as shown in model 5 below.

i. Fraud prevention (FP) =f (board of directors (BOD)…………………………..(1)

ii. Fraud prevention (FP) =f (external auditor (EA)………………………………(2)

iii. Fraud prevention (FP) =f (audit committee (AC)……………………………..(3)

iv. raud prevention (FP) =f (internal audit

function (IAF)……………………..(4)
v. Fraud prevention= f (board of directors, external auditor, audit committee, internal audit function)………………………….(5)
Model 5 is further put in a more generic econometric specification as:
vi..$FP=a_1 - a_2BOD- a_3EA- a_4AC- a_5IA+ E$……………………………………. (6)
Where: FP= fraud prevention a_1 =intercept of the model equation;
a_2= coefficient of board of directors, a_3= coefficient of external auditor;
a_4= coefficient of audit committee, a_5= coefficient of internal audit;
E= captures other variables not included in the model.

3.2. A priori Expectation

Given the roles of board of directors, external auditor, audit committee, internal audit function in the overall corporate governance architecture in relation to fraud prevention as found in the literature, the study puts forward some a priori expectations. According to Enofe, Omagbon, & Ehigiator (2015) a priori expectation is defined as a theoretical statement set to establish what the probable result of any analysis would be. In this regard we anticipate that corporate governance mechanisms and fraud prevention will be negatively related. In other words the coefficients of a_2-a_5 should be lesser than zero. Thus mathematically it is represented as a_2-$a_5 < 0$.

3.3. Reliability Test Results

In order to ensure that the questionnaire measures what it is expected to measure in relation to the variables considered by the study the Cronbach's Alpha was used. According to Nunnally (1978), a Cronbach's alpha value of 0.7 and more is considered sufficient and reliable. As a rule of thumb, a proposed psychometric instrument should only be used if it has an alpha (á) value of 0.8 or higher obtained on a substantial sample. (Wikipedia). Using the rule of thumb, the Cronbach's alpha obtained for each of the variables tested were all above .80 (80%) as shown below which indicate that the questionnaire instrument is reliable and has internal consistency as such it was used to elicit data from the sample elements of the study.

variables		Items
Internal audit	.891	3
Audit committee	.896	3
External audit	.864	3
Board of Directors	.887	3
Fraud incidences	.858	

Source: SPSS OUTPUT, 2016

4.0. Data Presentation and Analysis

From the 150 questionnaires administered 135 was retrieved and out of that only 120 was found to be usable because all the relevant questions for analysis were completely filled. This shows a usable response rate of eighty percent (80%)..

On data presentation the study observed that the responses to the question that mere existence of an internal audit function is not likely to prevent incidences of fraud, has eighty two percent (82%) of respondents that disagreed, ten percent (10%) undecided and eight percent (8%) agreed . On the question relating to implementation of internal audit procedures, standards and processes do not prevent fraud incidences? Eighty two percent (82%) of the respondents disagreed, twelve percent (12%) undecided and six percent (6%) agreed. Pertaining to the question that internal audit effectiveness has the capacity to prevent fraud. Eighty one percent (81%) of the respondents disagreed, eleven percent (11%) were undecided while eight percent (8%) disagreed.

Considering the question that existence of audit committee in an organization is not likely to prevent fraud, eighty three percent (83%) of the respondents disagreed, eight percent (8%) were undecided while nine percent (9%) agreed . The responses to the question that the implementation of Audit committee reports does not assist in fraud prevention, eight two percent (82%) of the respondents disagreed, nine percent (9%) were undecided while nine percent (9%) agreed . The responses to whether effectiveness of audit committee is likely to prevent incidences of fraud in an organization, seventy five percent (75%) of the respondents agreed, fifteen percent were undecided while ten percent (10%) disagreed

In terms of the question that the existence of external audit in an organization is not likely to prevent fraud, ninety two percent (92%) of the respondents disagreed, five percent (5%) were undecided and three percent (3%) agreed. Concerning whether implementation of external audit report is not likely to prevent fraud? Eighty percent (80%) of the respondents disagreed, twelve percent (12%) were undecided while eight percent (8%) agreed. On the question whether the effectiveness of audit committee is likely to prevent incidences of fraud in an organization, seven percent (7%) of the respondents disagreed, thirteen percent (13%) were undecided while eighty percent (80%) agreed.

The responses to whether existence of board of directors in a firm is not likely to prevent fraud, eighty two percent (82%) of the respondents disagreed; ten percent (10%) were undecided while eight percent (8%) agreed. On the question that the implementation of board of directors'corporate governance structure is not likely to prevent fraud, seventy six percent (76%) of the respondents disagreed, eight percent (8%) were undecided while sixteen percent (16%) agreed. On whether effectiveness of Board of directors in ensuring adherences to governance procedures and processes is more likely to prevent fraud in an organization, eight percent (8%) of the respondents disagreed, nine percent (9%) were undecided while eighty three percent (83%) agreed.

On whether fraud incidences in firms can manifest in terms of misappropriation of assets, eighty one percent (81%) of the respondents disagreed, eight percent (8%) were undecided while eleven percent (11%) agreed. Whether fraud incidences in firms can happen in form of financial statement fraud, eighty three percent (83%) of the respondents disagreed, four percent (4%) were undecided while seventeen percent (17%) agreed. On the question that fraud incidences in firms can occur in the form of outright theft, sixty seven percent (67%) of the respondents disagreed, fourteen percent (14%) were undecided while twenty nine percent (29 %) agreed.

4.1. Descriptive statistics of responses of respondents on statements used to test the hypotheses.

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Internal audit	120	3.00	15.00	7.7833	2.76589
Audit committee	120	3.00			
External audit	120	3.00	15.00	7.6500	2.85989
Board of directors	120	3.00	15.00	7.6417	2.52981
Incidences of fraud			15.00	7.8083	2.78138
Valid N (list wise)	120 120	3.00	15.00	7.9083	2.15951

Source: SPSS output, 2016

In Table 4.1 above, the computed means of the variables of corporate governance and fraud were all above 7. The responses to board of director's questions have the highest mean of 7.8083 amongst the corporate governance mechanisms. The import of these values suggest that majority of the respondents are clearly of the view that corporate governance mechanisms are very important when the issue of prevention of fraud is to be considered. The mean value of the incidences of fraud was 7.9083 which are high which suggests the likelihood level of the existence of fraud in organizations. The minimum values for all the variables were 3 while the maximum values were 15. The standard deviations show the deviation of the observations in each of the variables from their respective means. Audit committee has the highest standard deviation of 2.85989 from the mean while incidences of fraud have the lowest standard deviation of 2.15951 from the mean.

4.2. Multiple Regression Test Results

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.163	.132		8.818	.000
	Internal audit(IA)	-.382	.148	.556	-2.579	.017
	Audit committee(AC)	-.271	.100	.174	-2.706	.012
	External audit(EA)	-.163	.070	.203	-2.329	.027
	Board of directors(BOD)	-.466	.137	1.117	-3.410	.001
	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	1	.935[a]	.874	.869	.41940	2.333

a. Dependent Variable: Existence of fraud
Source: SPSS Output, 2016.

The multiple regression results in Table 4.2 above indicate the established relationship existing between the corporate governance mechanisms of internal audit, audit committee, external audit board of directors and fraud.

First, the regression equation established that a negative relationship exist between internal audit and fraud prevention by the coefficient sign of -0.382.This confirms the negative a priori expectation posited in the study. The relationship is significant based on the absolute t-value of 2.579 .The implication is that a unit change in internal audit function will reduce fraud to the extent of 38.2 percent. The finding is in agreement with the results of Wan. Wan, & Roshayani (2014) that internal audit effectiveness has negative significant relationship with the likelihood of fraud but at variance with that of Tunji (2013) who concluded the effective internal audit has a positive effect on fraud prevention.

Secondly, a negative relationship exists between audit committee and fraud prevention as shown by the coefficient of -.271. The outcome confirms the negative a priori expectation posited in the study. The relationship is statistically significant given an absolute t-value of -2.706 .The implication is that a unit change in audit committee duties will reduce fraud by 27.1 percent. The finding agrees with the results of Wan. Wan, & Roshayani, (2014) Mustafa and Meier (2006) and Law (2011) who found that a significant negative relationship exist between audit committee effectiveness and. fraud prevention.

Thirdly, a negative relationship was established between external audit and fraud prevention given the coefficient of -.163. This outcome clearly confirms the negative a priori expectation posited in the study. The established relationship is statistically significant based on the absolute t-value of 2.329.This infer that a unit change in external audit assignment will bring about 16.3 percent reduction in fraud. This finding is in tandem with the results of Zachariah, Musa, & Ibrahim, (2012) that found a significant negative relationship between external audit effectiveness and fraud prevention.

Lastly, a negative relationship was also established between board of directors and fraud prevention. This confirms the negative a priori expectation posited in the study The relationship established is statistically significant given the absolute t- value of 3.410.The implication is that a unit change in board of directors duties is capable of reducing fraud by 46.6 percent. This finding agrees with the results of Wan. Wan, & Roshayani, (2014) and Andi, (2011) that a significant negative relationship exist between board of directors effectiveness and fraud prevention .However the findings is at variance with the results of Beasley, Carcello, Hermanson & Lapides (2000)who found a positive relationship between board of directors effectiveness and fraud prevention.

The model summary as shown in Table 4.2 above indicate that the R^2 is 87.4% which shows that the independent variables (board of directors, external auditor, audit committee and internal audit function) were able to explain the changes in the dependent variable (fraud prevention) to the extent of 87.4 percent. The remaining 12.6 percent is accounted for by other factors not considered in the study. The Adjusted R squared is 86.9% very close to R^2, which shows that the estimation model was a good fit. The Durbin-Watson value is 2.333 greater than 2. By the rule of thumb when the Durbin-Watson value is greater than 2, it means there is no serial auto correlation with the error term. In this study there was no serial correlation of the error term

4.3 Anova Statistical Results of the Corporate Governance and Fraud Prevention.

Model			df		F	Sig.
1	Regression	139.764	4	34.941	198.649	.000[a]
	Residual	20.228	115	.176		
	Total	159.992	119			

a. Predictors: (Constant), board of directors, external audit, audit committee, internal audit
b. Dependent Variable: existence of fraud
Source: SPSS Output, 2016

Note: df= degree of freedom; F=f-test statistics; Sig =Significant value
The Anova results in Table 4.3 above clearly indicate the robustness of the model. It is used to further test the relationship between corporate governance and fraud prevention. With an f-value of 198.649 and a p-value of .000 less than 5%, it shows that there is a significant relation between corporate governance and fraud prevention.

4.4.Policy Implications:

The findings of the study have policy implications. Thus regulatory agencies and policy makers in the business world are hereby reminded of how effective corporate governance mechanisms'(Board of Directors, Audit Committee, Internal Audit function and External Auditor.) can significantly help in preventing fraud in organizations .In this regard, regulatory agencies and policy makers in different sectors of the economy, should as a matter of priority think about developing robust new codes of corporate governance mechanisms in the rapidly changing business environment, emphasizing more specified roles, responsibilities, capacity development and enhancement to guarantee effectiveness and independence of Board of Directors, Audit Committee members, Internal Audit function and External Auditor. These mechanisms should be made to champion corporate ethics by increasing their monitoring and overseeing duties of overall risk of the entity. Policy development should be directed to strengthen accountability framework, roles, responsibility, experience, education, training and financial expertise of board of directors, audit committees', internal audit function, and external auditor is expedient. In addition such new codes of corporate governance mechanisms should also have legal backing in the laws of the country so that any form of breach can appropriately be dealt with within the ambit of the law by prosecution and sentencing to act as deterrent for fraud perpetrators' in organizations . This is imperative as the corporate governance code in Nigeria does not have real legal sanctions relating to board of directors' liabilities, audit committee liabilities, internal auditor liabilities and external auditors liabilities. More importantly, there is no uniform code of corporate governance across different sectors in the country. A proper unified policy framework that anticipates and addresses these deficiencies is inevitable.

5.0. Conclusion and Recommendation

The findings of the study are particularly of great significance because they further re-emphasize the importance of effective corporate governance mechanisms in the prevention of fraud incidences. In effect it shows that effective internal audit function, audit committee; external auditor and board of directors are critical governance mechanisms of considerable immense benefits which ought to strengthened in an organization if there is strong desire to prevent fraud. The inference of the paper is not iron cast because some reported fraud cases in organizations are committed by directors while others with the active connivance of audit committee members, internal and external auditors. The point being stressed by the paper is that, in an ideal situation these corporate governance components examined should as a matter of fact contribute towards reduction of fraud. The study makes significant contributions by providing additional evidence in the literature that documents that a significant negative relationship exist between effective corporate governance mechanisms'(Board of Directors, Audit Committee, Internal Audit function and External Auditor.) and fraud prevention.

Consequently, the study recommends that more emphasis should be shown not only to entrench but to make more effective and independent, internal audit function, audit committee, external auditor and board of directors in organizations. Emphasis should be in improving their experience, knowledge, financial expertise, enhanced monitoring and supervision of enterprise overall risk. Thus regulatory agencies in different sectors and market are expected to develop new codes of corporate governance with specific recognition of these mechanisms and ensure strict supervision and corporate enterprise compliance with the codes . Where instances of non-adherence are detected appropriate sanctions be applied. New Legislations should be enacted that spells out specific stiff penalties on fraudulent activities in the corporate business world particularly on directors behaviour. There should be regulations to strengthen ethical background and integrity of board of directors. More responsibility and powers should be given to audit committee while its independence and that of the external auditor should be strengthen The modification and adoption of the Sarbanes-Oxley Act in the United States to suit our Nigeria environment will be a right step in the right direction.

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