

Assessing The Impact of Effective Internal Controls in Fraud Prevention in Zambian Beverage Companies, A Case of Falls Beverages Zambia Limited

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Abstract

Internal controls encompass policies, procedures, and organizational structures designed to provide reasonable assurance that a company achieves its business objectives and prevents or detects undesired risk events, whether initiated by management concerns or compliance requirements. The study aimed to evaluate how effective internal controls impact fraud prevention, using a survey to collect data from 109 employees, including an internal auditor. Findings revealed that existing internal controls significantly aided in preventing major fraudulent activities and ensuring measures were in place to detect and deter fraud. Over 50% of respondents confirmed effective monitoring and implementation of internal controls capable of uncovering fraudulent behaviors within the company. The study emphasized that fraudulent activities adversely affected company operations and recommended measures such as fostering better management-staff relations, strengthening the audit department, offering incentives for fraud reporting, and implementing stringent controls. In conclusion, improving internal controls was identified as crucial for preventing fraud and safeguarding Falls Beverages from financial losses and resource mismanagement.

Keywords: Internal Controls, Fraud Prevention

Introduction

Internal controls are essential components of good corporate governance, covering all business areas, including operations, finance, marketing, sales, production, and procurement (Chipasha, 2020). These controls ensure orderliness and smooth operations, helping to manage organizational risks. They enhance efficiency and reduce the risk of fraud (Aikins, 2021). Fraud involves the deliberate misrepresentation of facts or withholding information to gain something through deception (Hemming et al., 2013). It encompasses various crimes like identity theft, data threats, and falsified financial reports, with perpetrators continually finding new methods (Altamuro and Beatty, 2010). The introductory part of this study will cover the introduction, problem statement, research justification, research aims, objectives, research questions, hypotheses, scope, contributions, design, methods, data collection and analysis, dissertation layout, and chapter summary.

Asare (2009) defines internal control as a process implemented by an organization's board, management, and employees to ensure reliable and timely information that complies with laws, regulations, and policies (ACFE, 2012). Effective internal controls provide managers with accountability for decisions and actions,

ensuring they meet goals. These systems should also prevent and detect fraud within and outside the organization (Baldock, 2016). Falls Beverages, a Zambian company manufacturing and distributing liquor, faces potential fraud within its operations, which must be addressed to achieve its financial and operational goals (Wömpener, 2014). Fraud includes crimes like identity theft, data threats, and falsified financial reports, with methods constantly evolving (Blackburn et al., 2015). Occupational fraud, where employees misuse company resources for personal gain, is particularly harmful (Cheng and Ma, 2009). Effective internal controls and a strong ethical tone from top management are crucial for fraud prevention and detection, requiring a comprehensive risk assessment process (Clinton et al., 2014).

1.2 Research problem

Commercial entities aim to establish themselves as profitable, ongoing concerns while maximizing value for their shareholders. However, achieving these goals exposes businesses to various risks, including fraud, often committed by employees (COSO, 2013). Fraud involves the deliberate misrepresentation of facts, such as withholding key information or providing false statements, leading to financial losses for personal gain. If not managed by effective internal control systems, fraud can threaten a company's existence (David, 2009). At Falls Beverages, employee fraud is a significant cause of financial loss. Addressing this issue requires implementing robust internal control systems to prevent and detect fraud, thereby protecting the company's resources. Recognizing that fraud is prevalent in all commercial activities, including at Falls Beverages, it became essential to study and assess effective internal controls for fraud prevention. This study aimed to identify solutions to safeguard the company against such fraudulent activities

1.3 Specific Research Objectives

1. To assess if there are prominent cases of fraud taking place at Falls Beverage Zambia Limited.
2. To appreciate how effective current internal controls in place.
3. To also verify if the company has an audit department in place.
4. To assess the impact of existing fraud acts on operational and financial resources performance.

1.4 Research Questions

1. Are there prominent cases of fraud taking place at Falls Beverage Zambia Limited?
2. Are current internal controls in place effective?
3. Does the company have an audit department in place?
4. How is the impact of existing fraud acts on operational and financial resource performance?

2. Literature Review

This second chapter of the research study is crucial for its completion, focusing on reviewing existing literature relevant to the current study. This review encompasses journals, books, articles, and other documented sources on the impact of internal controls in fraud prevention. The researcher examined both conceptual and theoretical frameworks, organizing the review into various themes, and frameworks, and identifying gaps in the literature.

2.1 Definitions

Internal Controls: Defined as processes and procedures used by an organization to oversee and enhance its activities, ensuring objectives are met. This involves establishing controls, policies, and standards to manage operations (Daugherty et al., 2016). Internal controls are applied across all company operations and are implemented by the board of directors, senior management, and relevant personnel to provide reasonable assurance (Prakash et al., 2013).

2.2 Internal Control Framework and Background

2.2.1 Internal Control Framework: A structured guide organizing expected controls within an organization. Companies may use general frameworks like COSO or specific ones (Agapova and McNulty, 2016). Effective internal controls ensure goal achievement, reliable financial reporting, and compliance with laws to mitigate risks.

2.3 Types of Internal Control

2.3.1 Preventive Internal Controls: Proactive measures to deter undesirable events, including duty separation, pre-approval of actions, and access controls like authentication (Clark, 2018; Cargill, 2017).

2.3.2 Corrective Internal Controls: Measures implemented to address errors or irregularities detected, such as disciplinary actions, policy changes, and software updates following root cause investigations. These controls are tailored to the organization's specific risks and flaws identified through risk assessments or audits.

2.4 Detective Internal Controls

Detective internal controls identify errors or problems after they occur, ideally catching issues before they escalate (Furnham and Gunter, 2015). These controls confirm that preventive measures are functioning correctly and provide an opportunity to detect irregularities after the fact (Hallunovi, 2021). Examples include monthly reconciliation of departmental transactions, performance reviews comparing budget projections to actuals, and physical inventory counts.

2.4.1 Fraud

Fraud involves the deliberate misrepresentation of facts, either by withholding crucial information or providing false statements to gain something that wouldn't be available without such deception (Popovich, 2021).

2.4.2 Causes of Fraud

According to Adeduro (2012), fraud results from various lapses and deficiencies, such as insufficient supervision, which creates opportunities for fraudulent individuals (Heale and Twycross, 2015). The development of new systems can also facilitate fraud due to human greed, the desire for wealth, and socio-economic pressures. Ojo (2012) classifies the causes of fraud into institutional (internal) and environmental (external) factors.

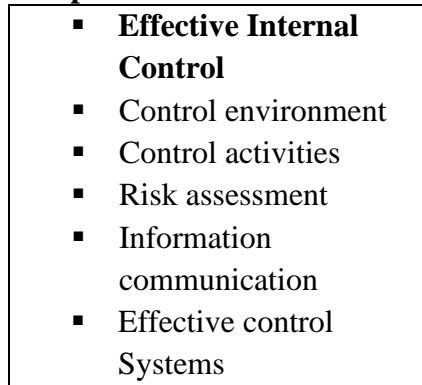
Institutional Factors: These are internal issues within the organization, such as weak accounting and control systems, inadequate supervision, disregard for internal guidelines, poor ICT and database management, ineffective personnel policies, and unfulfilled management promises. Employees may also commit fraud due to general frustration and the lack of enforcement of procedures (Hussein, 2018; Jenny, 2014).

Environmental or Social Factors: These are external influences, including the desire for quick wealth, slow legal processes, economic inequality, job insecurity, peer pressure, and increased financial burdens (Idow, 2009; Ogbunka, 2012).

Measuring the cost of fraud is challenging due to its concealed nature, meaning many cases go unreported. Estimates suggest that organizations lose about 5% of their revenue to fraud. In 2009, for example, the projected total global fraud loss was nearly \$3 trillion, based on data from 1,843 anti-fraud experts (Josephine, 2019). Although precise calculation is impossible, it is clear that the financial impact of occupational fraud is significant, costing companies substantial resources each year (Kasiva, 2012).

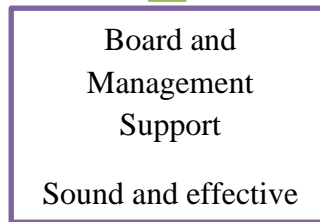
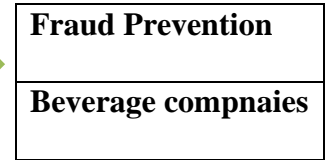
2.5 Conceptual framework

Independent variables



(Author's concept, 2022)

Dependent variables



Intervening variables

2.5 .1Independent Variables

In understanding the control environment, five interconnected components make up an internal control framework: control environment, risk assessment, control activities, information and communication, and monitoring. These are key independent variables that influence fraud prevention (Kuada, 2012).

2.5.2Control Environment

The control environment consists of standards, structures, and processes that provide the foundation for internal controls across the firm. It is established by the board of directors and senior management, who set the tone at the top regarding the importance of internal control and expected standards of conduct (Kultgen, 2011).

2.5.3 Control Activities

Control activities are the policies and procedures ensuring management directives are carried out. These activities include authorization, verifications, approvals, reviews of processes and performance, segregation of duties, and safeguarding of assets. Segregation of duties is a critical aspect of these activities (Lee and Kim, 2013).

2.5.4 Risk Assessments

Risk assessment is the process of identifying and evaluating risks that could harm the organization, leading to analysis and management of these risks. This helps prioritize risk management and develop internal controls to mitigate hazards. Internal audits often assess the likelihood and impact of risks to determine the adequacy of controls (Liberto, 2020; Liu, 2016). Falls Beverage, for example, might assess risks in production, packaging, and distribution to implement appropriate controls (Ljubisavljević and Jovanović, 2011).

2.5.5 Information and Communication

This variable refers to how information is disseminated throughout the organization. Effective communication ensures that all personnel understand their control responsibilities and can act on them. Timely, quality information helps address risks and achieve objectives, with management assigning control responsibilities to key personnel (Mikes and Kaplan, 2013; Mullinger, 2020).

2.5.6 Intervening Variables

2.5.6.1 Board and Management Support

The Board of Directors (BD), elected by shareholders, oversees company management, sets strategy, and

supervises performance. Within the board are committees, including the risk and audit committee, which handle key issues of risk and internal controls. The board and management are crucial in implementing and maintaining effective internal controls through regular independent reviews (Njangiru et al., 2016; Owolabi and Olagunju, 2020).

2.5.7 Sound Policies

Effective internal control systems are vital for managing company risks and achieving business objectives. These systems safeguard shareholders' investments and company assets. Conversely, poor internal control policies can increase the risk of fraud and other severe risks (Pickett, 2011)..

2. 6 Theoretical Framework

An organization requires a system of controls to ensure survival, efficiency, and effectiveness. A robust internal control system includes interconnected elements that support its principles (Rokeya and Muhammad, 2011). Several theories relate to internal controls:

2.6.1 Agency Theory

Explains how internal controls help manage the relationship between agents (management) and principals (owners), ensuring efficient operations and aligning with the principal's interests (Jessy, 2013).

2.6.2 Contingency Theory

States that the effectiveness of organizational decisions depends on internal and external circumstances, advocating flexibility in management approaches (Thalime, 2014).

2.6.3 Stakeholder Theory

Focuses on managing business ethics and relationships with various stakeholders such as creditors, employees, and government agencies. It emphasizes responsible corporate behavior and sustainability through internal controls (Davies, 2012; Milke, 2003; Soiferman, 2011). These theories underscore the importance of internal controls in maintaining organizational integrity and meeting stakeholder expectations.

2.7 Empirical Studies

Effective internal controls require consistent evaluation to eliminate potential weaknesses that could lead to fraud (Tong et al., 2014). Strong internal controls encourage accountability, efficient operations, and compliance with laws and policies, reducing fraud risks (Feng et al., 2015; Bazaz and Hajiha, 2016). Conversely, weak internal controls can facilitate fraud, leading to reduced sales and performance (Lokanan, 2014).

The Committee of Sponsoring Organizations of the Treadway Commission developed a framework for internal control systems with five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. Studies indicate that effective internal controls help create a control-oriented mindset, ensuring continuous and consistent risk and control management (Weeramantri and Olach, 2009). Sound internal controls benefit firms by safeguarding resources, achieving budgetary goals, and increasing compliance with regulations (Allen et al., 2013).

Fraud is often widespread where internal control systems are weak, leading to undetected fraudulent activities (Zhang and Rich, 2014). Effective internal controls are essential in preventing fraud and enhancing risk management practices (David, 2009). Surveys in Malaysia, for example, showed high rates of economic crimes due to inadequate internal controls, with significant financial losses reported (KPMG, 2009; PWC, 2011).

2.8 Gaps in the Literature

The existing literature generally addresses the impact of sound internal controls on fraud prevention without specifying industries (Lee and Kim, 2013). Additionally, most studies focus on regions like Malaysia, with little attention to Zambia (Ngungu et al., 2016). While the literature confirms that sound internal controls prevent fraud, there is a lack of specific studies in Zambia's beverage industry (Maimbo, 2002). This study aims to address this gap by examining the impact of sound internal controls on fraud prevention in Zambia, specifically at Falls Beverages. The findings contribute to the body of knowledge in this sector.

3. Methodology

Research methodology is a way of explaining how the researcher intends to or their research study. It's a logical, systematic plan to resolve a research problem. This means that a methodology details a researcher's approach to the research to ensure valid and reliable results that address the aims and objectives of the study. It incorporates what data they are going to collect, and where from, and how the same data is collected and analyzed (Bordens and Abbott, 2011). Thus, a research methodology is one of the most important elements of the study as it demonstrates the method through which a study is to be conducted.

3.1 Research Design

A research design is essential for structuring and directing a study to achieve favorable results (Leedy and Ormrod, 2001). This study used a descriptive research design, which is hypothesis-based and defines the primary subject matter. It employs various methods, such as observation, case studies, and surveys, to analyze and drive the outcomes.

3.2 Research approach and method

The study described involves a comprehensive research plan encompassing assumptions, data collection methods, analysis procedures, and outcome interpretation (Lisa, 2008). It utilized a descriptive study approach, focusing on non-manipulative data collection according to Johnson and Onwuegbuzie (2004), emphasizing observational or correlational data. This method was chosen for its naturalistic gathering of information without interference (Lohfeld, 2002), conducted over a one-month cross-sectional study period at Falls Beverages. The study also employed a mixed research method to mitigate individual methodological constraints and provide a holistic perspective (Saunders, 2009).

3.3 Inductive approaches

This method involves drawing general conclusions from specific observations, contrasting with the inductive approach, which moves from general points to specific conclusions (Johnson and Onwuegbuzie, 2004). The inductive approach involves making multiple observations, identifying patterns, generalizing, and inferring explanations or theories (Warssertheil-Smoller, 2016). There is an interplay between inductive and deductive reasoning until a logical conclusion is reached. The reliability of inductive conclusions depends on the completeness of observations (Kothari, 2010). This approach was used in the case-based research at Falls Beverages to conclude the impact of effective internal controls on fraud prevention.

3.4 Sampling frame and sample size

The total estimated workforce for Falls Beverage was 150 countrywide and this was the population that formed the sample frame. The researcher used the Taro Yamane as shown below given the above estimated population to arrive at a sample size. A sample size is several prospective respondents that are representa-

tive of the population's views (Branka and Grant, 2010).

3.8.1 Taro Yamane

$$n = N/1 + Ne^2$$

Taro Yamane is a method of calculating the sample size formulated by Tara Yamane in 1967 to determine the sample size from the targeted population. The Taro Yamane allows inferences and conclusions drawn from the survey to be applied to the complete population from which the same is drawn. Thus, the letters in the fomular represents the following;

n= Sample size

N = Given Population

e = Margin of error of referred to as (0.05)

Thus, the population for this study stood at 150 employees across our branch network and the sample size was as shown below;

$$n = N/1 + N(e)^2, \quad n = 150/1 + 150(0.05)^2 = 150/1.375.$$

Therefore, Sample Size was **109**

3.5 Data collection

This is the process of gathering and measuring quality data on variables of interest in an established systematic manner that ensures one responds to the research questions, evaluates the results as well and tests the hypotheses (Belli, 2008). Data is referred to as various kinds of information formatted in a specific manner. For purposes of this study, the researcher obtained both primary and secondary data. Primary mixed data collection was done through a survey questionnaire, with a Likert scale of 1-5 for quantitative data, structured interviews, and observation for qualitative data forms respectively (Bricki, 2007).

3.6 Data processing and analysis

Data processing and analysis often involve actions and methods performed on data that enable describing facts, detecting patterns, developing explanations, and testing hypotheses. This may include data quality assurance, statistical data analysis, and interpretation of results (Bryman, 2007). The data analysis for this study process included SPSS from the questionnaire, interviews, and observation as tools used for the study (Cameron, 2011). It was important for the researcher to adopt these tools for data collection and subsequent analysis.

3.7 Reliability and Validity of Research Findings

This study focused on assessing the reliability and validity of a Likert Scale questionnaire in social science research. Reliability, measured using Cronbach's Alpha, demonstrated high consistency above 70%, indicating reliable results across repeated uses. On the other hand, validity, which assesses how well study results represent real-world outcomes, was examined through face validity, showing correlations above 60% between variables like age and experience. Moderate correlations, ranging from 0.5 to 0.7, were also observed between variables such as Sex and Education, highlighting a strong relationship within the study.

3.8 generalisability of research findings

Generalisability in research refers to the extent to which the findings of a study can be applied to a wider range of people or situations (Clarke, 2005). If study outcomes are relevant and applicable to various contexts, the study is considered to have good generalisability. The findings of the study conducted at Falls Beverage on the effectiveness of internal controls in preventing fraud demonstrate good generalisability. The study conducted at Falls Beverage regarding internal control effectiveness in fraud prevention shows strong generalisability, indicating its relevance to broader scenarios.

4. Presentation of Findings and Analysis

This section follows the collection and systematic analysis of data to address research hypotheses, using participant responses (Branka and Grant, 2010). It focuses on presenting and analyzing primary data gathered through a survey employing both open and closed-ended questionnaires to achieve a comprehensive understanding (Caroline, 2010). Components include an introduction, respondent profiles, analysis of findings from each instrument, and evaluations of validity and reliability.

4.1 Profiles of Respondents

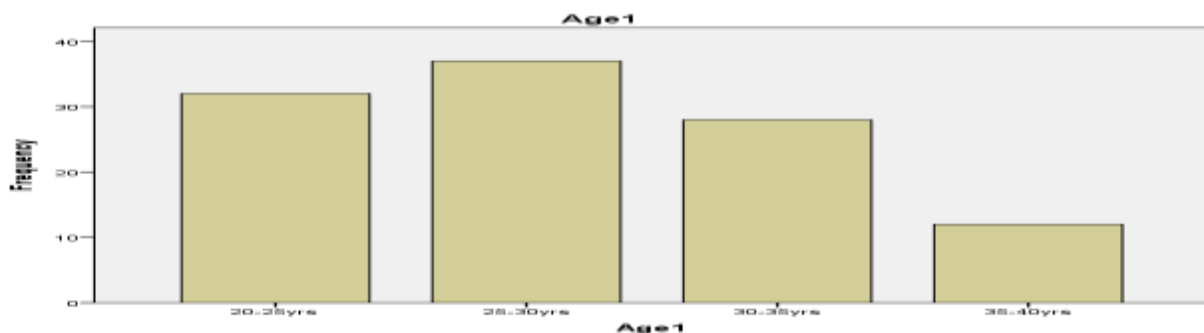
4.1.2 Age

Statistics		
Age1		
N	Valid	109
	Missing	0

The total number of respondents as can be seen from the above statistics were 109 and all the sample respondents participated fully. The study sought to assess the age group that provided the highest level of participation in the study. **Age1**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25yrs	32	29.4	29.4	29.4
	25-30yrs	37	33.9	33.9	63.3
	30-35yrs	28	25.7	25.7	89.0
	35-40yrs	12	11.0	11.0	100.0
	Total	109	100.0	100.0	

Given the above statistics, it clearly shows that the majority of participants were 37 who belonged to the age group between 25-30 years, followed by 32 participants in the age group between 20-25yrs. The lowest being 12 and in the age group between 35-40yrs respectively.



The Bar chart equally supports the above statistics showing the highest and lowest bar in the sequence.

4.1.2 Sex of Respondents

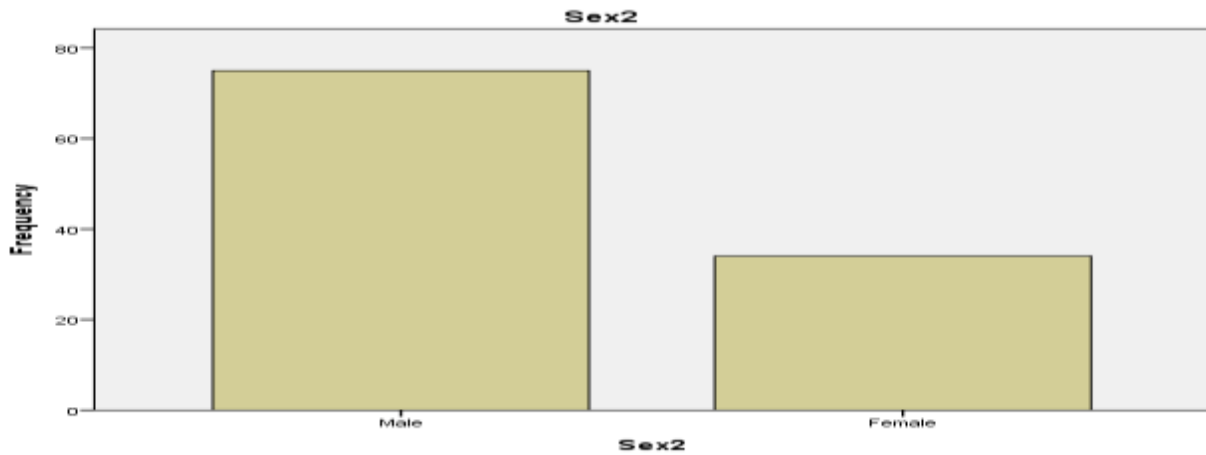
Statistics		
Sex2		
N	Valid	109

Missing	0
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The study sought to assess the gender or sex rate of participants in the study from the total of 109.

Sex2					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	75	68.8	68.8	68.8
	Female	34	31.2	31.2	100.0
	Total	109	100.0	100.0	

The findings indicate that the majority of participants were males amounting to 75 out of the total 109, thereby leaving the 34 female participants in the study. This represents a clear situation at Falls Beverages of more men and women in the production and distribution of the company’s goods. Thus, the results show the highest rate of male participation.



The Bar Chart above equally affirms the outcome of the study of participants’ gender or sex

4.1.3 Education Level of Respondents

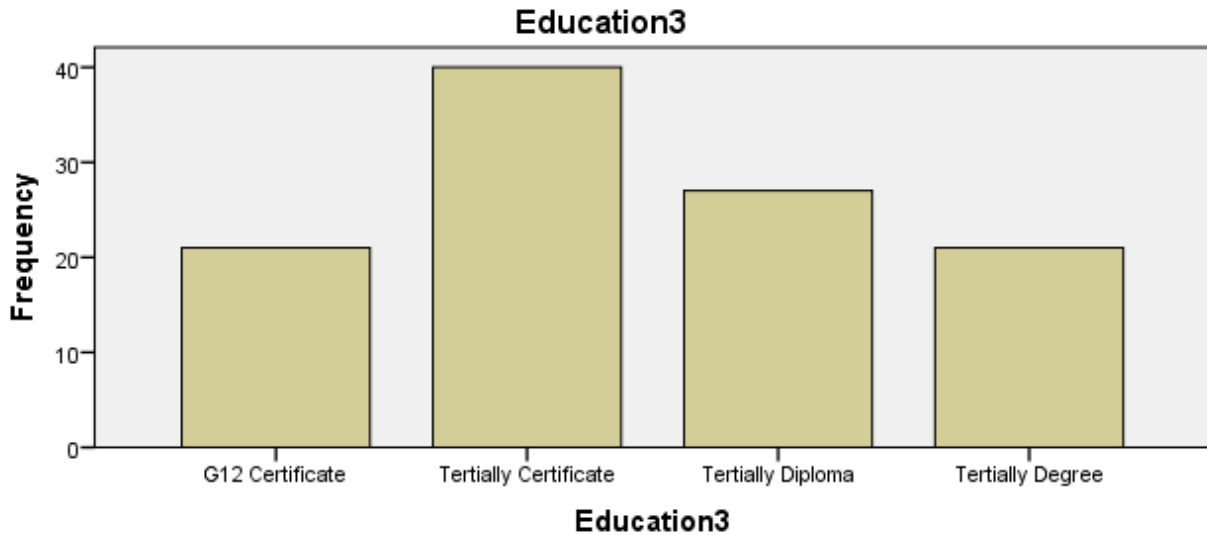
Education Statistics		
Education3		
N	Valid	109
	Missing	0

The study sought to measure the literacy levels of participants in the study and the results are shown below.

Education3					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	G12 Certificate	21	19.3	19.3	19.3
	Tertiary Certificate	40	36.7	36.7	56.0
	Tertiary Diploma	27	24.8	24.8	80.7
	Tertiary Degree	21	19.3	19.3	100.0

	Total	109	100.0	100.0	
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The above findings or results show that the majority of participants amounting to 40 held a tertiary certificate educational level. This group was followed by those who held a Diploma level of education and the lowest represents those who held a degree amounting to 21 participants.



The above Bar Chart equally affirms the statistical results from the statistical table.

4.1.4 Work Experience of Respondents

Work Experience Statistics		
Experience4		
N	Valid	109
	Missing	0

The above table relates to the work experience for all the respondents. Thus, the study sought to measure the period of work for the highest participants as well as the lowest participants and the results are shown below;

Experience4					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5yrs	35	32.1	32.1	32.1
	5-10yrs	32	29.4	29.4	61.5
	10-15yrs	29	26.6	26.6	88.1
	Above 15yrs	13	11.9	11.9	100.0
	Total	109	100.0	100.0	

Given the above analysis, the findings indicate that the highest number of participants were either new or at least with few years of work experience in the range between 0-5yrs amounting to 35. This group was followed by 32 who held between 5-10 years of work experience and the lowest being 13 who worked above 15 years.



The above Bar chart equally confirms or affirms the results as collaborative.

4.2 Assessment of findings and analysis for each instrument

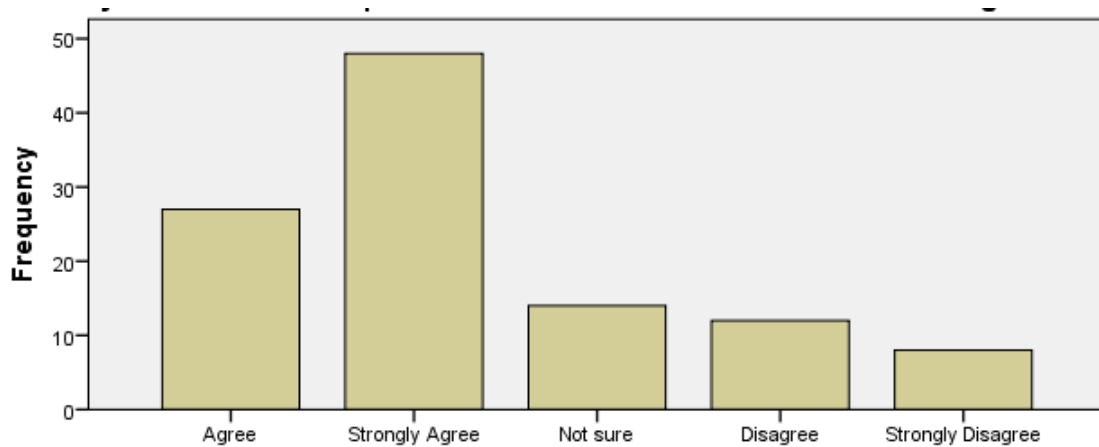
4.2.1 Prominent fraud cases

Statistics		
Do you think there are prominent cases of fraud acts at Falls Beverages?		
N	Valid	109
	Missing	0

The study sought to answer the question, as to whether there were prominent fraud cases at Falls Beverages, and below were the findings.

Do you think there are prominent cases of fraud acts at Falls Beverages?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	27	24.8	24.8	24.8
	Strongly Agree	48	44.0	44.0	68.8
	Not sure	14	12.8	12.8	81.7
	Disagree	12	11.0	11.0	92.7
	Strongly Disagree	8	7.3	7.3	100.0
	Total	109	100.0	100.0	

The results statistically show that 48 participants representing 44% strongly agreed that there was a prominent case of fraud acts in the company. This was followed by 27 participants representing 25% of the total participants in affirmation of the majority’s view. On the other hand, 14 participants representing 13% were not sure. However, 8 participants representing 7.4% strongly disagreed.



The findings in the statistical table collaborated with the outcome shown in the above Bar Chart above.

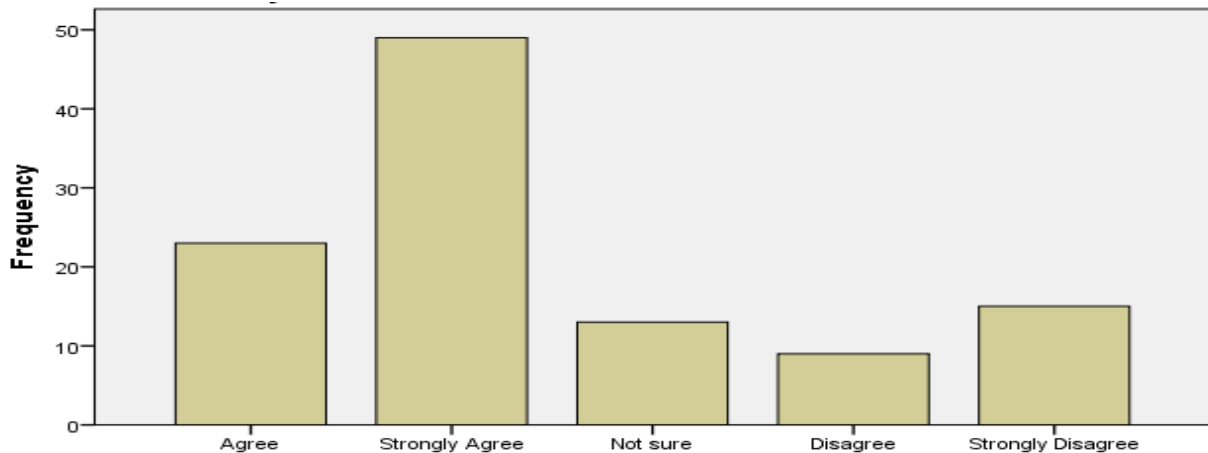
4.2.2 Effective Internal Controls

Statistics		
Do you think current internal controls are effective?		
N	Valid	109
	Missing	0

The study sought to respond to the question above and from the total of 109 respondents, the results were as shown below.

Do you think current internal controls are effective?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	23	21.1	21.1	21.1
	Strongly Agree	49	45.0	45.0	66.1
	Not sure	13	11.9	11.9	78.0
	Disagree	9	8.3	8.3	86.2
	Strongly Disagree	15	13.8	13.8	100.0
	Total	109	100.0	100.0	

The study found that 45% of participants strongly agreed that the current internal controls were effective, with an additional 21% agreeing with this assessment. Effective internal controls are crucial for protecting resources and fostering business growth, as highlighted in the findings (Boaz, 2010). Overall, the respondent felt that existing internal controls were effective.



The Bar Chart equally affirms the statistical results and as can be seen above, the findings are collaborating.

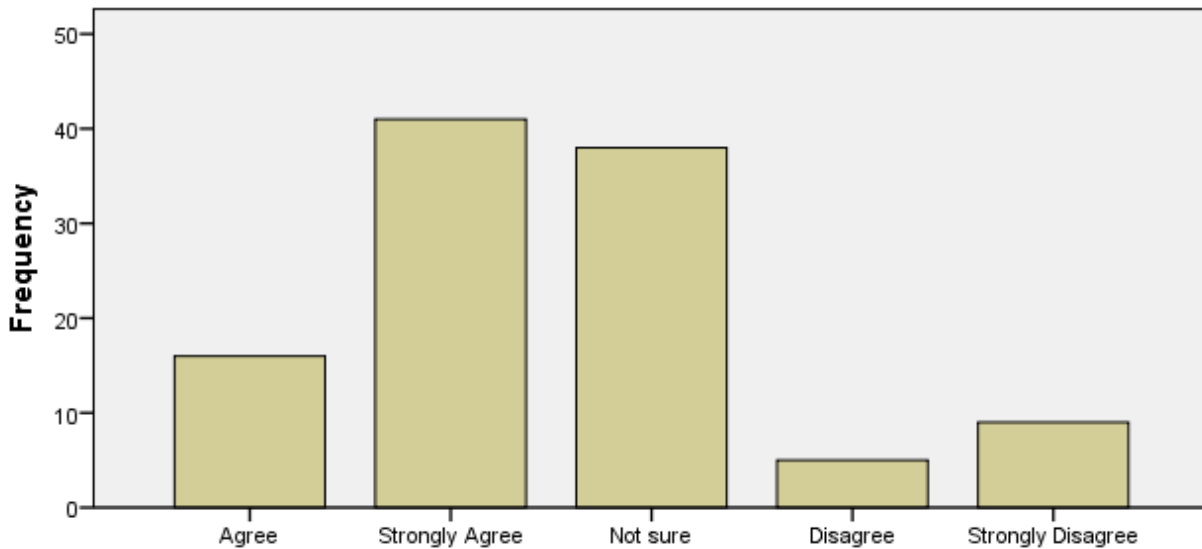
4.2.3 Audit Department

Statistics		
Does this company have an audit department?		
N	Valid	109
	Missing	0

The study equally sought to ascertain if the company had an audit department which is an integral part of corporate governance of which internal controls is the department’s key performance indicator for the business.

Does this company have an audit department?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	16	14.7	14.7	14.7
	Strongly Agree	41	37.6	37.6	52.3
	Not sure	38	34.9	34.9	87.2
	Disagree	5	4.6	4.6	91.7
	Strongly Disagree	9	8.3	8.3	100.0
	Total	109	100.0	100.0	

The study showed that 38% of participants strongly agreed on the presence of the audit department, while 35% were unsure, and 8.3% strongly disagreed. This uncertainty and skepticism were justified by questions about why fraud incidents occurred despite the audit department's role in recommending controls. The study concluded that while the audit department reviews and recommends controls, it is ultimately the responsibility of operational departments to implement and monitor these controls effectively, with audits verifying their efficacy as set by management (Kirkwood, 2011).



However, the results even in the Bar Chart indicate a similar position as those in the statistical table/presentation above. The highest bar represents those participants who strongly agreed to the presence of the audit department.

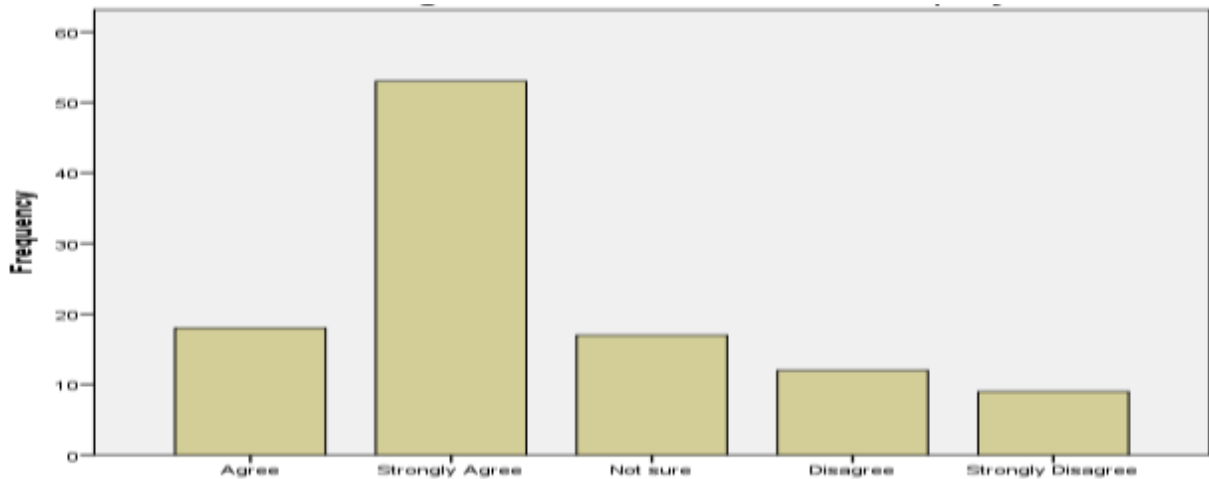
4.2.4 Existence of Fraud Acts

Statistics		
Are there existing records of fraud acts in this company?		
N	Valid	109
	Missing	0

Under the question of the existence of fraud, the research sought to ascertain if there were an existence of fraud within the company, and the findings are shown in the table below.

Are there existing records of fraud acts in this company?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	18	16.5	16.5	16.5
	Strongly Agree	53	48.6	48.6	65.1
	Not sure	17	15.6	15.6	80.7
	Disagree	12	11.0	11.0	91.7
	Strongly Disagree	9	8.3	8.3	100.0
	Total	109	100.0	100.0	

The findings indicate that a significant majority, 49% of respondents, strongly believed that there were instances of fraud within the company. This was supported by 17% who affirmed this view, while 16% were unsure, and only 8% strongly disagreed. These results suggest a widespread perception among respondents that fraud exists as a risk within the company. The observation underscores the need for increased awareness and education about fraud risks to mitigate its potential impact.



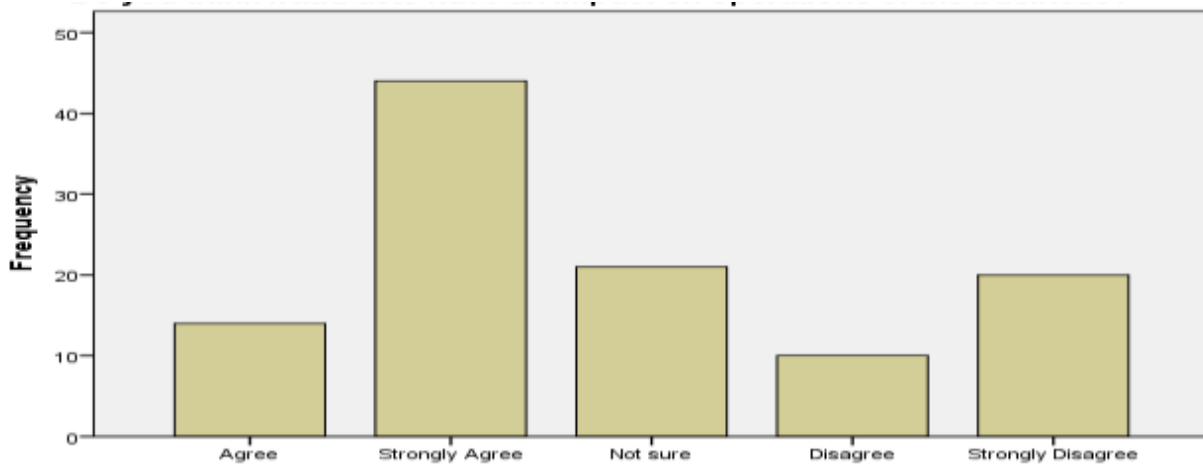
The above Bar Chart equally affirms the results as presented in the statistical table.

4.2.5 Operational Impact

Statistics		
Do you think fraud acts have an impact on operations of the business?		
N	Valid	109
	Missing	0

Do you think fraud acts have an impact on operations of the business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	14	12.8	12.8	12.8
	Strongly Agree	44	40.4	40.4	53.2
	Not sure	21	19.3	19.3	72.5
	Disagree	10	9.2	9.2	81.7
	Strongly Disagree	20	18.3	18.3	100.0
	Total	109	100.0	100.0	

The study aimed to determine the perceived impact of fraud on business operations. The findings reveal that a substantial majority, 40% of participants, strongly agreed that fraud acts hurt business operations. This sentiment was supported by 13% who agreed, while 19% were uncertain. Conversely, 9% disagreed, which was the smallest percentage, alongside another 19% of the total respondents. These results highlight a prevalent belief among participants that fraud has significantly adverse effects on business operations, emphasizing the importance of addressing and mitigating its impact.



Equally, the Bar Chart shows that the results were collaborating.

4.3 Assessment of Validity

Descriptive Statistics			
	Mean	Std. Deviation	N
Sex2	1.31	.465	109
Education3	2.44	1.013	109

The summary provides statistical measures for two variables from a study: Sex2 and Education3. Sex2, likely representing gender with a mean of 1.31 and standard deviation of 0.465 across 109 participants, suggests a predominantly male sample. Education3, possibly indicating educational attainment, shows a mean of 2.44 and a standard deviation of 1.013, also based on 109 participants, indicating a moderate spread in educational levels. The mention of the Pearson correlation coefficient (r) highlights its role in assessing the strength and direction of linear relationships between variables, crucial for understanding how well the study's findings may generalize beyond its specific sample to broader populations. This statistical approach underpins the study's validity in extrapolating findings to similar demographics outside its immediate scope

Correlations			
		Sex2	Education3
Sex2	Pearson Correlation	1	.197*
	Sig. (2-tailed)		.040
	N	109	109
Education3	Pearson Correlation	.607*	1
	Sig. (2-tailed)	.050	
	N	109	109

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis reveals two key findings: Firstly, the correlation of Sex2 with itself unsurprisingly yields a coefficient of 1, indicating perfect correlation as expected. No significance value is provided for

this internal correlation. Secondly, the correlation between Sex2 (likely representing gender) and Education3 (likely measuring educational level) yields a Pearson coefficient of 0.607. This positive correlation suggests a moderate to strong relationship between gender and educational attainment within the sample of 109 participants. The significance level of 0.050 indicates that this relationship is statistically significant at the 0.05 level (2-tailed), suggesting it is unlikely to be due to random chance. These results suggest that gender may play a role in influencing educational achievement among the study participants.

4.4 Assessment of Reliability

Reliability refers to how consistently a method measures something, if the same results are consistently achieved by using the same methods under the same circumstances, then the measurement is considered reliable. In this study, the survey questionnaire was tested specifically for its Likert scale consistency. The findings are shown below

Case Processing Summary			
		N	%
Cases	Valid	109	100.0
	Excluded ^a	0	.0
	Total	109	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.75	.82	5

The results indicate that Cronbach's Alpha coefficients are 0.75 for raw item scores and 0.82 when standardized, based on a scale consisting of 5 items. These coefficients suggest good to excellent internal consistency reliability for the items in the study. A Cronbach's Alpha above 0.7 generally indicates that the items in the scale are sufficiently correlated to reliably measure the same underlying construct. Therefore, these results suggest that the items in this scale demonstrate strong internal consistency, enhancing the reliability of the research findings based on this measurement instrument.

Item Statistics			
	Mean	Std. Deviation	N
Do you think there are prominent cases of fraud acts at Falls Beverages?	3.04	1.509	109
Do you think current internal controls are effective?	2.41	1.416	109
Does this company have an audit department?	2.58	1.074	109

Are there existing records of fraud acts in this company?	2.64	.986	109
Do you think fraud acts have an impact on operations of the business?	3.18	1.285	109

4.5 Narrative Analysis

Based on the quantitative data and interviews, it was evident that the company faced significant instances of fraud, primarily involving individuals responsible for safeguarding its resources (Veenman et al., 2013). The study also noted the effective implementation of both detective and protective internal controls within the company's operations. Central to these controls was the Audit department, which played a crucial role in reviewing and recommending robust internal processes (Hajiha and Bazaz, 2016). The research findings underscored the detrimental impact of fraud on business operations, highlighting its role in depleting company resources and undermining revenue growth.

5.0 Discussions

The above outcome of the study has serious operational, managerial, and financial implications as discussed below;

5.1 Operational implications

Fraud poses a constant threat to financial resources, resulting in substantial annual losses for shareholders across various companies. Effective corporate governance plays a crucial role in mitigating this risk, as emphasized by Lokanan (2014). Falls Beverages must implement rigorous and ongoing efforts to protect itself from significant fraud incidents, given that fraud risk is a type of operational risk. Operational risks, outlined by Takano et al. (2014), stem from deficiencies in internal processes or systems, misconduct, human error, and external events, all of which can impact the company's financial stability and resilience

5.2 Managerial Implications

Fraud management involves evaluating the vulnerability of companies, institutions, or organizations to fraudulent activities, disloyalty, or breaches of trust in financial dealings, according to Nishizaki (2014). Management bears the responsibility of fostering a zero-tolerance environment towards fraud by identifying potential risks and implementing measures to detect, prevent, and swiftly address it. Chong (2013) underscores the crucial role of effective internal controls supported by management in conserving resources, generating shareholder value, and facilitating business expansion.

5.3 Financial implications

Measuring the financial impact of fraud presents a significant challenge for institutions due to its often concealed nature, as noted by Simser (2014). The true cost of fraud remains difficult to quantify, given many cases go undetected or unreported, leading to escalating expenses. Nevertheless, fraud is recognized as a costly and pervasive issue akin to a destructive pandemic of white-collar crime. Companies incur substantial costs both in preventing these crimes and managing their aftermath, highlighting the necessity of robust investment in fraud prevention measures. Effective internal controls, as emphasized by Rich and Zhang (2014), play a crucial role in mitigating fraud risks within organizations.

5.4 Recommendations

The following are some of the recommendations that the study recommended about effective internal controls in fraud prevention;

1. There should be a cordial relationship between the lower staff and management.
2. Reinforce the internal audit department with highly qualified staff.

3. Management should provide incentive packages in place to prevent employees from engaging in fraud acts
4. Reward fraud reporting and at the same time increase punitive measures against actors.
5. Provide self-evaluation of the business's internal controls and provide adequate supporting documentation.

5.5 Limitations of the study and directions for future research

The study's limitations include its cross-sectional nature limited to a three-month timeframe, prompting a recommendation for future research to adopt a longitudinal approach for more extended engagement with respondents (PWC, 2011). Additionally, the study focused exclusively on Falls Beverages, overlooking broader insights that could be gained from examining multiple beverage companies or diverse sectors. Wangerin (2013) emphasized that fraud is not confined to Falls Beverages or the beverage industry alone, but rather spans various companies and sectors, resulting in significant financial losses. Future studies are encouraged to adopt a multisectoral approach to gain a comprehensive understanding beyond beverage companies

5.6 Conclusions

In conclusion, the study noted that based on the summary of the main findings of this study, the conclusion drawn was that management improves internal controls that would ensure fraud prevention which has been rendering Falls Beverages vulnerable to fraud actors as well as resource embezzlement (Skaife et al, 2013).

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