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## Fraud Management among Small and Medium Enterprises in Lagos, Nigeria

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### **Abstract:**

*Fraud is a debilitating factor that affects business growth and a major problem for many organizations especially SMEs since they have smaller resources to both prevent and recover from a fraud. SMEs have fewer anti-fraud controls hence they are more vulnerable to fraud. In a bid to reduce fraud and manage the risks proactively, SMEs need to identify factors leading to fraudulent behavior. The paper seeks to evaluate fraud management among SMEs. Data was collected from two hundred (200) SME owners using questionnaire, however only 197 questionnaires were viable. The questionnaire was formulated using a five-point Likert scale. It was observed that the major causes of fraud are the weakening of societal values and financial pressure while changes in lifestyles indicate that fraud is being perpetuated. The study concluded that for effective fraud management, SMEs should implement fraud prevention measures such as strengthening societal values (integrity) building strong internal control measures to block the loopholes within the system, training programmes for SME operators and stringent disciplinary actions against erring officers.*

**Keywords:** SMEs, fraud, Fraud Theories, internal controls

### **1. Introduction**

Organizations of all nature and size are not immune to fraud, from SMEs to large corporations, either profit or non-profit oriented organizations (Rahman & Anwar, 2014; Lowers, 2014). Fraud cost the African continent \$5.5 billion in the second half of 2012, with 75% of all fraud cases reported in Nigeria, Kenya, Zimbabwe and South Africa (KPMG, 2013). Fraud is a debilitating factor that affects business growth and continues to be a major problem for many organizations (Albrecht, Albrecht, & Albrecht, 2006). Ernst and Young (2009) defines fraud as an act of deliberate action made by an entity, knowing that such action can result in a possession of unlawful benefits. Jacob (2013) identified fraud red flags as a situation where employees are living beyond their means, experiencing financial hardships, increasingly being secretive about their professional activities, divorce/family problems unusually close association with vendors or customer, irritability, suspiciousness or defensiveness, employee's refusal for advancement/leave. Anwar (2014) asserts that although, there is a dire need to eliminate fraud, there is no ultimate solution to fraud.

#### *1.1. Statement of Problem*

Fraud is a major issue facing companies, governments and organizations. Every year huge sums of money are lost because of fraud (European Federation of Accountants, 2005). Due to lack of sophisticated internal control system, it may be easier to perpetrate fraud in small business compared to large ones (European Federation of Accountants, 2005). Fraud can have devastating effect on small businesses. These organizations typically have smaller resources to both prevent and recover from a fraud, and they often need an increased level of trust in employees due to a lower ability to institute robust anti-fraud controls (ACFE, 2018). Small businesses typically have fewer anti-fraud controls than larger organizations leaving them more vulnerable to fraud (ACFE, 2018). Thanasak (2013) states that before making any efforts to reduce fraud and manage the risks proactively, it is important for the business organizations to identify the factors leading to fraudulent behavior by understanding who are the fraudsters, when and why frauds are committed. The cost of fraud to SMEs is not easy to quantify as many causes are either undetected or unreported. Employees perpetrate most fraud cases (European Federation of Accountants, 2005).

#### *1.2. Objectives of the Study*

The principal objective of this study was to evaluate fraud management among owners of SMEs. Other aims of the study include: examination of the causes of fraud, ascertaining the factors that may indicate that fraud is being perpetrated, determination of what SME owners do when they discover fraud, and examination of Internal Control measures that can be adopted to mitigate or reduce fraud.

## 2. Literature Review

### 2.1. Theoretical Framework

#### 2.1.1. Classical Fraud Theory

Two of the most cited theories of fraud are the Fraud Triangle Theory (FTT) of Cressey (1950) and Fraud Diamond Theory (FDT) of Wolfe and Hermanson (2004). The theory of fraud triangle identifies the elements that lead perpetrators to commit fraud (Thanasak, 2016). According to Dorminey et al (2010), the originality of fraud triangle theory dates to the work of Sutherland who coined the term "White collar crime" and Cressey was one of Sutherland's former students. Traditional fraud theory developed by Cressey (1953) explains that there are three key elements that motivates fraud: Pressure, Opportunity and rationalization. Pressure may be induced by financial and nonfinancial factors. Opportunity to act non ethically may rise from the set up of an organization. Also, internal control may be manipulated for fraud. Rationalization, may be borne out of self justification for fraud (Jackson, Holland, Albrecht, & Woolstehulme, 2010). The fraud triangle theory consists of three elements that are necessary for fraud to occur: Perceived pressure, opportunity, and rationalization. While David T. Wolfe and Dana R. Hermanson added the element of capability to Cressey's three elements. (Abdullahi & Mansor, 2015). Wolfe and Hermansson believed that fraud cannot successfully take place unless the fraudster has the capability to have all personal traits and abilities even in the presence of the other three elements. In different research works, Wolfe and Hermanson (2004), Thanasak (2013), Norman and Faizal (2010), Florenz (2012) and Gbegi and Adebisi (2013) all concluded that FDT is an extension of FTT with just the addition of "capability" to the three basic elements of fraud in the FTT.

#### 2.1.2. Elements of Fraud Triangle Theory

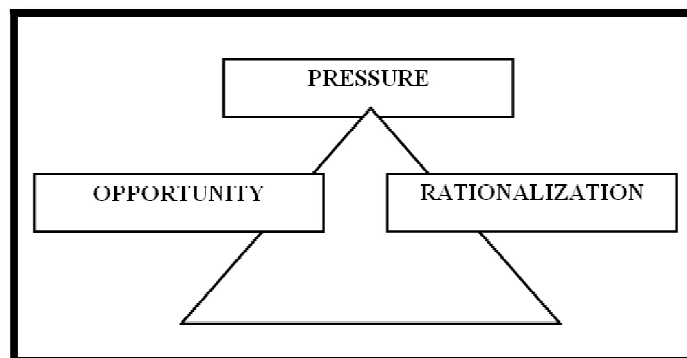


Figure 1: Fraud Triangle  
Source: Cressey (1953)

#### 2.1.3. Perceived Pressure/Incentive/Motive

Everyone that commits fraud must face some type of perceived pressure before committing fraud. Perceived pressure is defined as the motivation that leads the perpetrator to engage in unethical behaviours (Thanasak 2016). Albrecht et. al. (2006) remarked, that the word perceived is important because pressure does not have to be real; if the fraud perpetrators believed that they are pressurized this belief can lead to fraud. Lister (2007) remarks that, pressure has a significant role in committing fraud. Albrecht et. al (2006) noted that specifically, about 95% of all cases of fraud have been influenced by financial pressure.

Fazil, Mohd and Muhammed (2014) while quoting Chen and Elder (2007) identified the following basic categories for pressure namely: Corporate inversion, transgression of obligations, problems, relationship between employees.

#### 2.1.4. Perceived Opportunity

Opportunity that exists in organizations has a major influence on an individual's decision to commit fraud. An employee that perceives a loop hole in the internal control system of an organization, may cease the opportunity to perpetrate fraud. Perceived opportunity is similar to perceived pressure, the perceived opportunity may not be real (Subrananiam, 2008; Zikmund, 2008). Perceived opportunity means people can take advantage of opportunities that is available to them (Kelly and Hartley, 2010)

Cressey (1953) observed that in most cases, the lower the risk of being caught, the more likely it is that fraud will take place.

- According to Ewa and Udoayand (2012) absence or ineffective controls, lack of supervision or inadequate segregation of duties may provide opportunities to commit fraud
- Holtfreter (2004) suggested two mechanisms that organizations can use to prevent fraud. The first is to implement pre-employment screening; the second is to implement mechanisms (internal controls) during the course of employment

### 2.1.5. Rationalization

According to Dorminey et. al. (2010) fraud perpetrators sometimes do not view their actions as unethical; they merely justify their actions as ethical before fraud takes place. Fraud perpetrators must formulate some type of morally acceptable rationalizations before engaging in unethical behavior (Abdullahi, Mansor, & Nuhu, 2015).

According to Cressey (1953) some examples of rationalizations of fraudulent behavior include "I was only borrowing the money", "I was underpaid/my employer had cheated me", "I had to steal to provide for my family". The added element to fraud triangle that makes it fraud diamond is capability.

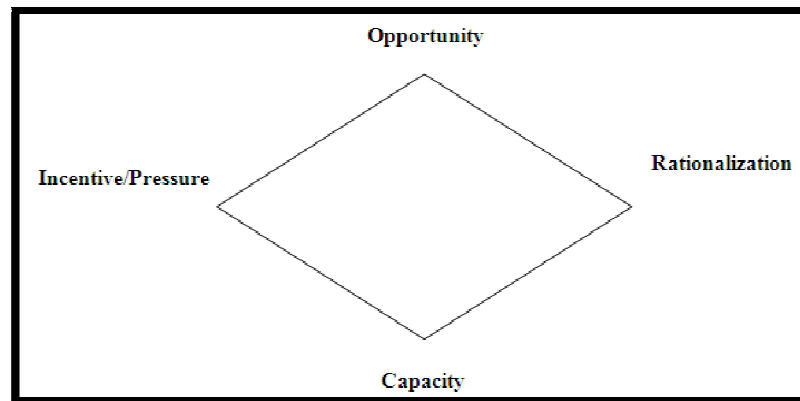


Figure 2: The Fraud Diamond  
Source: Wolfe and Hermanson (2004)

### 2.1.6. Capability

It is a situation where a fraudster thinks he/she has the capability to turn a fraudulent opportunity into reality (Abdullahi, Mansor, & Nuhu, 2015). Mackevicious and Giriunas (2013) observed that not every person who possessed motivation, opportunities and realization may commit fraud due to the lack of the capability to carry out or to conceal it.

### 2.2. Importance of SMEs

Definitions of SMEs can be based on number of employees, capital, investment, product or service turnover, networth, sales volume, range of markets, or amount and type of energy used in production (Buyukcban & Unkaya, 2016)

### 2.3. Definition and Types of Fraud

The word fraud is a generic term used to describe any deliberate act to deceive or mislead another person, causing harm or injury (Razae, 2002). According to Dycks et al (2013) fraud entails concealment, nondisclosure and misrepresentation. Researchers often divide fraud into two main categories: financial statement and occupational fraud. Financial statement fraud is typically carried out by unethical corporate executives attempting to make the company appear more profitable than it actually is while occupational fraud is carried out by employees at any level of the organization. When occupational fraud takes place, money or other assets are stolen from the organization. When financial statement fraud takes place, money or other assets are manipulated on behalf of the organization.

The Association of Certified Fraud Examiners (ACFE, 2008) defines occupational fraud as "the use of one's occupation for personal enrichment through the deliberate resources or assets" (Jackson, Holland, Albrecht, & Woolstehulme, 2010). Occupational fraud risk pertains to the issue where employees knowingly abuse a business entity's resources for self-aggrandizement purposes and include irregularities performed such as asset misappropriation, corruption and financial statement fraud (Steckel, 2011; Milyutina, 2013). According to the Institute of Chartered Accountants of England and Wales (ICAEW) 2001, fraud is generally defined in the law as an intentional misrepresentation of material existing fact made by one person to another with knowledge of its falsity and for the purpose of inducing the other person to act, and upon which the other person relies with resulting injury or damage. Fraud may also be made by an omission or purposeful failure to state material facts, which non disclosure makes other statements misleading. ACFE classified corporate fraud into three categories namely: fraudulent financial statements, misappropriation of assets and corruption (Jackson, Holland, Albrecht, & Woolstehulme, 2010).

Fraudulent financial statements involve intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets and can be accomplished in various ways including embezzling receipts, stealing assets, or causing an entity to pay for goods or services that have not been received. Misappropriation of assets may be accompanied by false or misleading records or documents possibly created by side tracking controls. Corruption schemes involve the employees use of his or her influence in business transactions in a way that violates his or her duty to the employer for the purpose of obtaining a benefit for him or herself or someone else (ACFE, 2010).

<b>Bologna and Lindquist</b>	<b>Albrechet and Albrecht</b>	<b>Singleton and Singleton</b>	<b>KPMG</b>
Internal Fraud against organization External Fraud against organization Fraud for organization	Employee Misappropriation Management Fraud Investment Fraud Suppliers Fraud Clients Fraud Other Fraud Types	Tort or criminal liability Fraud Fraud for or against the organization Internal or external fraud Management or non-management Fraud	Employee Fraud Suppliers Fraud Clients Fraud Informatics Fraud Misadministration Medical and insurance Fraud Financial Statement Fraud

*Table 1: Fraud Classification*

*Source: Survey of Clustering Based Financial Fraud Detection Research Sabau, A. S. (2012)*

#### 2.4. Main causes of SME Fraud

The main causes of fraud are pressure, opportunity and rationalization (Wells,2005). Wells (2005) submitted that if all three of these elements are present, it is highly possible that an individual will commit fraud.

Opportunity refers to a situation where a loophole in a system is exploited by someone to carry out and conceal a fraudulent act (Camerer, 2006). According to Rossouw and Van Vuuren (2004), three actions are required to constitute an opportunity for fraud namely:

- The person must be in a position of power or must have access to people in positions of trust in an organization.
- The person must understand the control system of the organization as this gives him or her the ability to beat it.
- The person must have access to the assets of the business opportunities often result from the lack of adequate internal controls that typifies many SMEs (Romney & Steinbart, 2003)

Rationalization is the justification of fraudster for fraud (Vivian& Venter, 2008) e.g. everybody is doing it, will do it just once, I am being underpaid, what I am doing will not hurt the system et al.

- Internal stakeholders, like employees, and managers are frequently the main perpetrators of fraudulent activities (Motale, 2006).

An act of fraud typically involves not only the commission of the scheme itself, but also efforts to conceal the misdeeds. According to ACFE report (2018) top 8 concealment methods used by fraudsters are: creation of fraudulent physical documents, altered physical documents, creation of fraudulent transactions in the accounting system, alternation of electronic documents or files, destruction of physical document, creation of fraudulent journal entries.

According to European Federation of Accountants, 2005, fraud thrives under the following.

- Inadequate segregation of duties or independent checks
- Lack of mandatory vacations for employees performing key control over automated records
- Inadequate oversight of senior management expenditure
- Inadequate job applicant screening
- Inadequate management supervision of employees responsible for assets
- Inadequate record keeping
- Inadequate system of authorization and approval of transactions
- Lack of complete timely reconciliation of assets
- Inadequate management understanding of information technology
- Lack of timely and appropriate documentation of transaction

According to Siwangaza, Smit, Bruwer, & Ukpere, 2014 the following are circumstances under which fraud may thrive:

- Lack of effective supervision mechanisms
- Neglect of internal control by management
- Unauthorized transactions
- Inadequate use of resources
- Problems within the enterprise environment
- Distortion of accounting information and poor management
- Limited funding and limited resources
- Unusual transactions
- Intentional disregard of controls
- Collusion

Financial pressures	Work-related pressures	Other pressures
Greed High levels of personal debt Living beyond one's means Inadequate income Bad investments The need to support addictive behaviour, e.g. drug and alcohol abuse or gambling	Unfair remuneration: real or perceived Lack of promotion No recognition of performance Unethical practices by management itself Lack of job stability Over-aggressive bonus plans	Ambition or need for power or control Low self-esteem Family or peer pressure Emotional instability No fear of retribution or enjoying the challenge of "beating the system" Disintegration of social values

Table 2: Pressures That Can Lead to Fraudulent Activities

Source: *Fraud an SMME Perspective by Suzette Viviers and Danie Venter (2008)*

Adapted from *Romney and Steinbart (2003:280)* and *Minnaar-Van Veijeren (2005:1)*

### 2.5. Effect of Fraud on SMEs

The consequences of fraud are extremely destructive to both small business owners and employees, deceitful business practices affect all stakeholders of the organization including community, vendors, customers and others (Jackson, Holland, Albrecht, & Woolstehulme, 2010). The effect of occupational fraud is greater on SMEs compared to big businesses (Jackson, Holland, Albrecht, & Woolstehulme, 2010). Employee's theft is a serious threat to the success of small business, which often have a meagre profit (Moorthy, Seetharaman, Somasundaram, & Gopalan, 2009). KPMG (2013) asserted that financial loss is the ultimate result of fraud to any organization. Fraudulent activities have a significant impact on businesses (Omar, 2012).

Organizations of all nature and size are not immune to fraud, from SMEs to large corporations, either profit or non-profit oriented organizations (Rahman & Anwar, 2014; Lowers, 2014)

Fraud is assumed to be more severe on small companies than larger one (Bierstaker, Brody, & Pacini, 2006; CIMA, 2008). Losses at small companies can be hundred (100) times greater than that of larger companies, on the basis of per employee (Bierstaker et al, 2006; CIMA, 2008).

Fraud is extremely destructive for small businesses, given that it accounts for a considerable proportion of failures (Jackson et al, 2010). Regardless of the size, Gupta and Gupta (2015) assert that fraud leads to the untimely closure of businesses and destroys investor confidence. Bierstaker et al; (2006) note that fraud can cause harm to external relationships with various stakeholders, reduction of employee morale, tarnish organizations reputation, hinder the effectiveness of organizational branding.

### 2.6. Fraud Detection

All SME owners should have fraud detection and prevention strategies. There should be openness, honesty, and appropriate behavior. There should be zero tolerance for fraud. Many measures can be taken to detect fraud. This includes: access controls, security equipment, CCTV, Whistle-blowing, internal and external auditing (Shanmugam, Haat, & Ali, 2012). Fraud are detected through tip, internal audit, management review, by accident, account reconciliation, document examination, external audit, surveillance /monitoring, notified by law enforcement, IT controls and confession (ACFE, 2018).

### 2.7. Prevention of Fraud and Internal Control Measures

Organizations should focus on prevention and deterrence to eliminate or reduce the opportunity of fraud from occurring (Omar, 2012). Fraud prevention should be the responsibility of the entire organization (Omar, 2012). Communication is vital in fraud prevention (Shanmugam, Haat, & Ali, 2012). Rahman and Anwar (2014) suggest the following fraud prevention strategies; Fraud policy, Telephone hotlines, Employee reference check, Exit interview, Fraud vulnerable review, Password protection, Digital analysis, continuous auditing, Discovery sampling.

Knowledge of why and how fraud occurs is the first step of stopping it (Anofe, Izevbogie, & Oiwo, 2015). It is less expensive and more effective to prevent fraud from happening than to detect it after occurrence (Abdullahi & Mansor, 2015). Usually, by the time the fraud is discovered, the money is unrecoverable or the chance to recover the full amount of the loss is very slim (Abdullahi & Mansor, 2015).

As found out in previous studies effective internal control in SMEs have resulted in business success and it is also a vital step in reducing employee theft (Hayes, 1995; Synder, Broome, Zimmerman, 1989). Strong internal control system strengthens enterprise governance, allows management objectives to be achieved and mitigates the risk of fraud by increasing employee perception of detection (Peterson & Zikmund, 2004). Normally, control is the main task of executives either owners or managers and these controls is important as part of internal control SMEs performance (Shanmugam, Haat, & Ali, 2012). Effective internal controls are important no matter how small the company for many compelling reasons. Fraud prevention, embezzlement detection, and accurate financials are all reasons to justify for good internal control practices. (Peterson & Zikmund, 2004). Internal control can only provide reasonable, not absolute, assurance that the objectives of SMEs will be met (Doyle, Ge, & McVay, 2007).

Background check should be conducted for an intended employee as part of measures to limit fraud (Shanmugam, Haat, & Ali, 2012).

According to Jackson, Holland, Albrecht, & Woolstehulme, (2010), the following specific steps are important for prevention of fraud:

- Hiring of honest individuals by conducting background checks and reference checks on all potential hires.
- Establishment of a code of ethic.
- SME owners should be good example to employees in terms of honesty and integrity.
- Establishment of a system of internal control within the organization.
- Prompt bank deposit of cash receipts
- Usage of numbered receipts for payments
- Locking cash and cheque books in a secured area
- Regular audit of firm's books by a third party.

According to Sengur, (2012), fraud prevention measures can be categorized into three with 14 principles. These are described as follows:

#### 2.7.1. Creating a Culture of Honesty and High Ethics

- Setting a tone at the top: Organization's leadership must lead by example. SME owners and managers must set example of integrity and honesty for other employees to follow.

- Establishing corporate code of conduct: A code of conduct is a policy or procedure that is specifically set up to reduce unethical behavior (Schnatterly, 2003).
- This code of conduct must be frequently communicated.
- Taking consistent actions in response to an alleged fraud: A person is likely to behave unethically if the perceived consequences will not be punished (Carpenter, 2005). Therefore, fraudulent act should not be condoned but punished (Krummeck, 2000).
- Fraudulent training for employees and management: All employees should participate in fraud awareness programs. Fraud awareness training enhances the consciousness of employees and helps to prevent fraud
- Conducting background investigations on individuals being considered for employment: According to Biegelman (2006), companies should conduct background investigations on potential employee in order to minimize the chances of employee with low levels of honesty.
- Creating a positive work place environment: Valued employees are not likely to steal from the companies where they work. A good working environment can promote ethical behavior among employees (Coenen, 2008)

#### 2.7.2. Evaluating Antifraud Processes and Controls

- Identifying and measuring fraud risks: it is the primary responsibility of management to establish and monitor all aspects of a company's fraud risk assessment and prevention activities.
- Implementing and monitoring appropriate preventive and detective internal controls: There is need for the organization to identify the processes, controls, and other procedures that are needed to mitigate the identified risks.
- Making changes to the entity's activities and process in order to reduce or eliminate fraud risk

#### 2.7.3. Developing an Appropriate Oversight Process

- Effective audit committee
- Management effectiveness in overseeing activities
- External Audit
- Internal Audit
- Certified fraud examiners in internal audit team or in external audit team.

Omar (2012) affirms that understanding the root cause of fraud and the use of effective fraud prevention methods is vital in reducing financial fraud incidences.

Internal control is a system put in place in organization by its management / owners for an effective control of financial and other resources of the organization to ensure effective and efficient operation as it concerns the realization of the organization goals (Simeon & Ifeanyichukwu, 2018). Cascarino & Van Esch (2007) define the term internal control as process which is developed by relevant stakeholders, within a business, with the main intention to provide reasonable assurance regarding the achievement of three objectives, namely the safeguarding of assets, the integrity and reliability of financial and operational information and compliance with rule and regulations.

In any entity, an effective internal control system must comprise all vital and necessary procedures to safeguard all assets from theft, waste etc; assess and promote compliance with the entity's policies, encourage accurate reliable accounting records or information, effective and efficient operations in the different departments existing within the entity. Segregation of duties is important in the internal control system of any organization (Edori & Ogaluzor, 2018).

### **3. Measuring Instrument**

The population of this study is comprised of SMEs operators in Lagos State, Nigeria. The SMEs operators were targeted because they are the decision makers who can provide the needed information for this study. Judgmental sampling technique was used to collect data from the respondents. The measuring Instrument used for this study was from Fraud: An SMME Perspective by Suzette Viviers and Danie Venter (2008) as adopted from "The 2005 KPMG Africa Fraud and Misconduct Survey questionnaire. Section A contains Corporate Information: Gender, educational qualification, industry/sector, brief description of products/services, numbers of employees et al., while Section B contains: Causes of Fraud, indicators that fraud is being perpetrated, actions taken upon the discovery of fraud, Ethical policy implementation

and internal control measures. All the items in Section B were arranged on a five-point Likert Scale of Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree respectively.

#### 4. Results

Data was collected from two hundred (200) SME owners, however only 197 questionnaires were viable. The questionnaire was formulated using a five-point Likert scale ranging from Strongly Agree (5) to Strongly Disagree (1) and respondents were asked to indicate their level of agreement for each statement on fraud management by SMEs.

Characteristic	Frequency	Percentage
Industry		
Agriculture	3	1.5%
Art	9	4.6%
Beauty & Grooming	16	8.1%
Consulting	3	105%
Education	5	2.5%
Engineering	6	3.0%
Event	7	3.6%
Fashion	8	4.1%
Finance	3	1.5%
Healthcare	11	5.6%
Hospitality	14	7.1%
IT	11	5.6%
Manufacturing	13	6.6%
Power	2	1.0%
Telecom	5	2.5%
Trading	77	39.1%
Others	4	2.0%
Number of Distinct Products		
1 – 5	132	67.0%
6 – 10	34	17.3%
>10	31	15.7%
Number of Employees		
1 – 5	184	93.4%
6 – 10	7	3.6%
>10	6	3.0%
Legal Status		
Enterprise	115	58.4%
Limited	82	41.6%
Date of Commencement		
Before 2004	3	1.5%
2004 – 2008	23	11.7%
2009 – 2013	87	44.2%
2014 – 2018	84	42.6%
Total	197	100%

Table 3: Characteristics of Entrepreneurs

The table above shows the characteristics of the SME owners. The entrepreneurs were seen to operate in various sectors of the economy with Trading taking the lead at 39.1%, followed by the Beauty and Grooming industry (8.1%), Hospitality industry (7.1%), Manufacturing industry (6.6%), Information Technology (5.6%), Health (5.6%), Art (4.6%), Fashion (4.1%), Events industry (3.6%), Education (2.5%), Telecommunication (2.5%), Finance (1.5%), Consulting (1.5%), Agriculture (1.5%), Power (1.0%) and others (2.0%). Majority of the entrepreneurs (67%) had one to five distinct products or services, 17.3% had six to ten products or services while 15.7% had more than ten distinct products or services. Majority of the entrepreneurs (93.4%) also had between one to five employees, while 3.6% had between six to ten employees and only 3% had more than ten employees.

More than half of the SMEs (58.4%) were registered as business names while 41.6% were limited liability companies. When asked the year they commenced their businesses, only 1.5% started before 2004, 11.7% started within the years 2004 to 2008, 44.2% started within the years 2009 to 2013 and 42.6% started within the years 2014 and 2018.

S/N	Variable	Mean	Std Deviation
1	The weakening of society's values	4.08	0.68
2	Sophistication of criminals	3.66	0.91
3	Financial pressure	4.01	0.80
4	Loopholes within the system	3.31	1.34

*Table 4: Causes of Fraud*

The respondents were asked to rank their level of agreement to statements relating to causes of fraud. Results from analysis of their responses showed positive means ranging from 3.31 to 4.08 with standard deviation between 0.68 and 1.34. The statement "The weakening of society's values" had the highest mean (4.08) followed by "Financial pressure" (4.01); while the statement "Loopholes within the system" had the least mean (3.31).

S/N	Variable	Mean	Std Deviation
1	Lifestyle changes	4.23	0.91
2	Financial pressure	3.86	0.92
3	Long working hours	3.40	1.20

*Table 5: Factors That May Indicate That Fraud Is Being Perpetuated*

The respondents were asked to rank their level of agreement to statements on factors that may indicate perpetuation of fraud. Results from analysis of their responses showed positive means ranging from 3.40 to 4.23 with standard deviation between 0.91 and 1.20. The statement "Lifestyle changes" had the highest mean (4.08) while the statement "Financial pressure" had the least mean (3.86).

S/N	Variable	Mean	Std Deviation
1	Conduct an internal investigation	4.14	0.88
2	Set an example e.g. disciplining an offender and communicating it to others	4.00	0.81
3	Disciplinary hearing	4.05	0.89
4	Immediate dismissal	3.92	0.99
5	Report to the law enforcement agency	4.66	0.68
6	Take civil action for recovering losses	3.81	1.05
7	File an insurance claim	3.55	1.05
8	Negotiated settlement	2.56	1.06
9	Keep it quiet	1.88	1.23

*Table 6: Actions Taken upon Discovery of Fraud*

The respondents were asked to rank their level of agreement to statements relating to actions taken upon discovery of fraud. Results from analysis of their responses showed means ranging from 1.88 to 4.66 with standard deviation between 0.68 and 1.23. The statement "Report to the law enforcement agency" had the highest mean (4.66) followed by "Conduct an internal investigation" (4.14) while "Keep it quiet" (1.88) and "Negotiated settlement" (2.56) had the least means.

S/N	Variable	Mean	Std Deviation
1	Ethics policy implementation	3.54	1.06
2	Internal control measures	3.53	0.90

*Table 7: Ethics Policy Implementation and Internal Control Measures*

The respondents were asked to rank their level of agreement to statements relating to Ethics policy implementation and internal control measures. Results from analysis of their responses showed positive means ranging from 3.53 to 3.54 with standard deviation between 0.90 and 1.06.

## 5. Discussion and Conclusion

A major cause of fraud as identified by the respondents as the "weak societal values" while financial pressure was also found to be other factor that indicates fraud. Factors that indicate that fraud is being perpetuated is changes in lifestyles. Common action taken on discovery of fraud was to report to law enforcement agency after which internal investigation is conducted. The study concluded that for effective fraud management by SMEs, they should implement fraud prevention measures such as strengthening societal values (integrity) building strong internal control measures to block the loopholes within the system, training programmes for SMEs operators and stringent disciplinary actions against erring officers.



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