The Role of Financial Audit in Detecting and Preventing Fraud: Case study on Insurance Companies in Ethiopia

Author Name : Mr. Taddesse Shifetaw
Author Name: Tiripty Gujral (PhD)
Faculty of Management Studies, Department of Finance
Parul Institute of Management
General Manager, Taddesse Shiferaw Authorized Accounting Firm
Ethiopia, Eastern Africa.

Abstract

Fraud in the financial activities causes tremendous losses to the business world and creates morale problems in the workplace. These losses are serious problems to organizations that need to be managed, controlled and monitored in order to rely on financial statements for making best business decision making. Hence, this study examined the role of financial audit in detecting and preventing fraud with reference to insurance firms in Ethiopia. To achieve the objective of this study, the researcher employed quantitative research approach with explanatory research design. The primary data was collected through self-administrated questionnaire from respondents selected using Simple random a Sampling technique in all 17 insurance firms in Ethiopia. Then, the multiple linear regression model result showed that out of five explanatory variables incorporated in the model, four variables like professional experience, training, certification of auditors and audit fee has positive and statistically significant influence on fraud detection and prevention. On other hand, one remaining variables which is objectivity and independence has positive and statistically insignificant effect on fraud detection and prevention of insurance firms in Ethiopia. Based on findings, the researcher forwarded possible recommendations to insurance firms in Ethiopia to improve professional experience, training, certification of auditors and audit fee more than current status since one unit increase in the variables leads to sound fraud detection and prevention.

Key words: Role of Financial Audit, Fraud Detection and Prevention, Insurance Firms in Ethiopia

1. INTRODUCTION

Fraud causes tremendous losses to the business world and creates morale problems in the workplace. These losses are serious problems to organizations that need to be managed, controlled and monitored in order to rely on financial statements for making best business decision. Hence, financial audit plays significant role in detecting and preventing any mistakes and frauds made by accountants in preparing financial reports of the entities. A weak financial audit cannot detect and prevent errors, omission and frauds exist in the financial statements of the companies but strong financial audit is powerful in detecting and preventing fraud. In this concern, the auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial resources of the organizations appropriately reported or not. Besides, the need to fight fraud has exerted strong pressure for auditors to prevent and detect fraud in financial statements of the clients through advanced skills and automated information technology (Salem, 2012).

Different researchers have conducted their research on same topic in outside part of the world. For example,researchers (Paul et al, 2006; Olaoye and Dada, 2017; Mary J. et al, 2012; Joseph, F et al., 2016; Daniela and Alexandra , 2014; Albeksh, 2017; Carren, 2013; and Stephen et al, 2015) studied the same topicand found out that sound financial audit plays key role in preventing and detecting frauds in the financial staements of the organizations.

This study is different from the prior studies reviewed above by employing inferential statistics (multiple regression model) to identify and analyze the role financial audit indetecting and preventingfraud of financial statements of insurance companies operating inEthiopia which enhances the reliability of the findings more than that of descriptive statistics used in the above studies. Besides, this study will fill the geographical gap of prior studies as far as they have conducted outside Ethiopia and there is also two year time gap to be covered by the current study since the aforementioned studies covered time range of 2006 to 2017.

Concerning studies conducted in Ethiopia the regression result of related of studies includingAdane (2014) and Asmamaw (2018) showed that the five variables which are certification, practical experience, training, audit fee, and independence were significantly influence the auditor's expert performance in fraud detection. This study is similar withstudies of Adane(2014) and Asmamaw, 2018) by incorporating by adoptingvariables the same independent variables model. In other way, there is the time gap because of there is four year time gapfrom Adane (2014) as this study has planned to carriedout in 2019 and the role of finacial audit in detecting and preventing fraud is changed from time to time due to change in technoogy, social, political and economic status from time to time. Besides, as per internet browse of student reseracher, there is no study conducted with exact topic with refrence to insurance companies operating in Ethipia. Hence, the objective of this study is to examine the role of finacial audit in detecting and pervention of fraud in the financial statements of the insurance companies in Ethiopia.

Research objectives

The general objective of this study is to examine the role of financial audit in detecting and preventing a fraud: A case of insurance companies in Ethiopia.In line with the above general objective, the current study addressed the following specific objectives:

a) To examine the impact of financial auditor experience on detecting and preventing a fraud in the financial reports of insurance companies in Ethiopia.
b) To examine the impact of training on detecting and preventing a fraud: in the financial statement of insurances companies
c) To identify the impact of certification of financial auditor firms on detecting and preventing a fraud: with reference to insurance companies operating.
d) To assess the impact of Independence and Objectivity of financial auditors on detecting and preventing a fraud:
e) To identify the influence of size audit fee on financial audit effectiveness in detecting and preventing a fraud:

Research Hypotheses

After comprehensive review of empirical findings, the researcher has developed the following tentative statements to be tested:

H1: Increase in experience of financial auditors has positive and statistically significant influence on Fraud detection

H2: Increase in training of auditors has positive and statistically significant influence on fraud detection

H3: Certification of auditor has positive and statistically significant on Fraud detection

H4: Independency and objectivity has positive and statistically significant effective in fraud detection
H5: Increase in audit fee payments to the audit firm has positive and statistically significant impact on Fraud detection

2. Reviewof Related Literature

2.1 Meaningand Advantages of Auditing:

The word "audit" is a very generic word, it essentially means to examine something thoroughly. But we will be learning about auditing as it relates to accounting and the finance world. So audit meaning is the thorough inspection of the books of accounts of the organization.This involves the examination of vouchers and the verification of various assets of the organization. And the person who carries out such an audit is known as the auditor. The International Federation of Accountants has given the following definition of an audit, "audit is an independent inspection of the financial information of any organization, whether profit-oriented or not profit-oriented, irrespective of its legal form, status or size when such examination is conducted with a view to express an opinion thereof" (Wikipedia, 2019). **2.2 Classificationsaudit**

Audit can also be classified based on time and activity.

Auditing is classified into two: Continuous and Periodical or final audits based on time.

1. Continuous Audit:

This is useful in case of big companies with larger business which have scope for keeping the audit staff busy year round or auditors may attend to auditing at intervals fixed or otherwise, and perform an interim audit. In this case, routine business goes on simultaneously with the audit work.

2. Periodical or Final Auditing:

After the completion of the financial year audit work is undertaken which goes on continuously till its completion. This system is the most satisfying from the auditor's point of view.

Types of Audits Performed based on Activity

A variety of audits are performed in the review of sector programs and resources. These audits include.

Operations audits: These audits examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives

Financial audits: These audits review accounting and financial transactions to determine if commitments, authorizations, and receipt and disbursement of funds are properly and accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets and that adequate process controls exist over the acquisition and use of existing resource (ACCA, 2007).

Compliance audits: These audits determine if entities are complying with applicable laws, regulations, policies and procedures. Examples include federal and state laws, and trustee policies and regulations

Information systems audits: These audits review the internal control environment of automated information processing systems and how people use these systems. The audits usually evaluate system input, processing controls, backup and recovery plans, and system security and computer facilities.

Internal control reviews. These audits focus on the components of the major sectors or business activates, such as payroll and benefits, cash handling, inventory and equipment, physical security, grants and contracts and financial reporting.https://www.toppr.com/guides/accounting-and-auditing/concept-of-auditing/meaning-and-definitions-of-audit/ Accessed on May, 2019

2.3 The role of Financial Audit in preventing and detecting fraud

Fraud and white collar crime have increased considerably over the last ten years, and professionals believe this trend is likely to continue. The cost to business and the public can only be estimated, as many crimes go unreported. However, the statistics we currently have shown the astronomical values associated with fraud. Also, the expansion of computers into businesses may make organizations more vulnerable to fraud and abuse.

In order to combat fraud and white collar crime in businesses, a concerted effort must be exerted by the management of the business, the external auditors, and by all employees of the business. Everyone must realize that fraud is not a victimless crime. The cost of fraud and theft are shared by all through higher costs and lower corporate profits. Through adequate internal controls by management, better working environments for employees, more stringent requirements for external auditors, and codes of ethics for employees, everyone can start to combat frauds and defalcations within corporate America (Farrell et al, 1999).

2.5 Five Types of Frauds

The impact fraud can have on an organization can be monumental. Not only can it have a significant financial impact, but, depending on the type and severity, it can also destroy an organization.Fraud can take many shapes and can impact an organization in many ways not just financially. You should know how and where your company may be vulnerable, and take the proper steps to protect against vulnerabilities. While there are many types of fraud, there are five that can cause the most damage.

1. Financial statement fraud: Although it's less common, financial statement fraud can be the most damaging to a company. Overstating revenue, earnings and assets – along with understating liabilities (or just plain concealing them) – are the most common activities found with this type of fraud.

2. Asset misappropriation: Some of the more common types of fraud fall into the category of asset misappropriation, which closely-held businesses are most susceptible to skimming of cash and cash larceny. This type of asset misappropriation consists of taking cash before it even enters the company's accounting system.It's very hard to uncover because it requires finding evidence of something that hasn't been recorded yet. And, it doesn't require a lot of sophistication to execute, making it a popular choice among those that commit fraud.

Examples of asset misappropriate include, check tampering, accounts receivable skimming, fake billing schemes, payroll schemes, fake or duplicate expense reimbursement schemes, and inventory schemes. Besides, Misuse of company assets: Another common type of asset misappropriation is the misuse of company assets. Not only is it problematic since it's the unauthorized use of company assets, but it can also open up the company to significant liability.

3. Theft of intellectual property and trade secrets: As our world becomes increasingly driven by information and technology, an increase in the theft of intellectual property and trade secrets is on the rise.

4. Healthcare, insurance and banking: Healthcare, insurance and banking are all industries that have billions of dollars flowing through their systems, making them prime targets for this type of fraudulent activity. Health insurance claims, business insurance claims, and fraudulent bankruptcies are all ways individuals commit this type of fraud(Chepkorir, 2013).

5. Consumer fraud: Individuals targeted through cons, bogus telemarketing, email, Ponzi schemes, phishing, ID theft and other schemes, are all victims of consumer fraud. Whether it's an organization system breach or bogus tax returns filed for large refunds, consumer fraud is on the rise. Companies can also be victims of email phishing scams – especially spear phishing, which involves sending targeted, disguised emails that contain malicious links (Larson, 2016).

2.6 Techniques for prevention and detection of fraud

Accounting errors and fraud are common in most businesses, but there is a difference between fraud and misinterpretation of communication or accounting regulations. The role of management in preventing fraud becomes important in the last decades and the importance of financial auditing in curbing corruption is increasingly revealed. There is a strong connection between fraud and corruption, accelerated by electronic systems and modern plat forms.The most recent developments tend to confirm that financial auditing is curbing corruption, due to international accounting and auditing standards at national and regional levels. Thus, a better implementation of accounting standards and high quality of financial audit could prevent errors and fraud in accounting, and reduce corruption, as well.

Errors and mistakes in accounting are common and, most of the time, they are discovered by implementing internal control techniques or auditing procedures. Errors are due to misinterpretation of the accounting regulations or principles and mistakes are, most of the time, human errors. Fraud in accounting is more complex and involves the managers or employees who have access to documents or transactions during the

year. The role of external audit in discovering errors and fraud is important, because fraud is connected to money laundering and corruption. Fraud and bureaucracy are causes of corruption and they could be minimized by implementing the International Accounting Standards and the International Standards of Auditing (Luminița, 2017).

According to(Zamzami, et al.: 2016)showed that the five most effective procedure for fraud detection and prevention are operational audits, internal control review and improvement, cash review reviews, and code of sanctions against suppliers/contractors and ethics officers. These the possible techniques for prevention and detection of fraud are discussed as follows:

i. Operational audits:

Conducted on a regular basis, operational audits by the internal auditor is expected to minimize fraud practices. Besides, (Zamzami, 2015)stated thatperformance audit is also done to assess how the audittee uses the resources effectively and efficiently to meet particular project objectives. Resource management shall include procedures, processes and performance of the human resources involved in the management function.

ii. Internal control review and improvement:
Internal control is mostly taken as one of the possible ways for prevention of fraud practices. Internal control is established to ensure that honesty among the officers involved is well upheld.

iii. Cash reviews:
Given that cash is the most liquid assets and is prone to scams, cash review is held necessary to ensure adequate protection to the cash. Fraud can affect financial statement trends and ratios. Accounts that are manipulated to conceal fraud are likely to reflect unusual financial correlation with other fraud-free accounts.

iv. Ethics officers:
Code of conduct is part of the control environment to prevent and detect fraud. It is basically the results of applied ethical thinking of particular professions, therefore, it should be adjusted to catch up with the latest development of science and technology.

v. Password protection:
The complexity of password refers to inverse relationship on how to make an effective and usable password. As a result, when a password is too complex, the user will write it down, placing the password at risk.
On the other hand, the five least effective of fraud prevention and detection procedures refer to virus protection, financial ratio, firewalls, filtering software, and organizational use of forensic accountants (Zamzami, et. al, 2016).

2.7 The Audit Fraud Triangle

The fraud triangle refers to conditions that are generally present when material misstatements due to fraud occur. It has three sides.
The first side of the fraud triangle represents a pressure or motive to commit the fraudulent act, the second side represents a perceived opportunity, and the third side represents rationalization (Wells, 2011). The following trishaws the

incentives/pressures, opportunities for fraud and attitudes/rationalization for fraud.
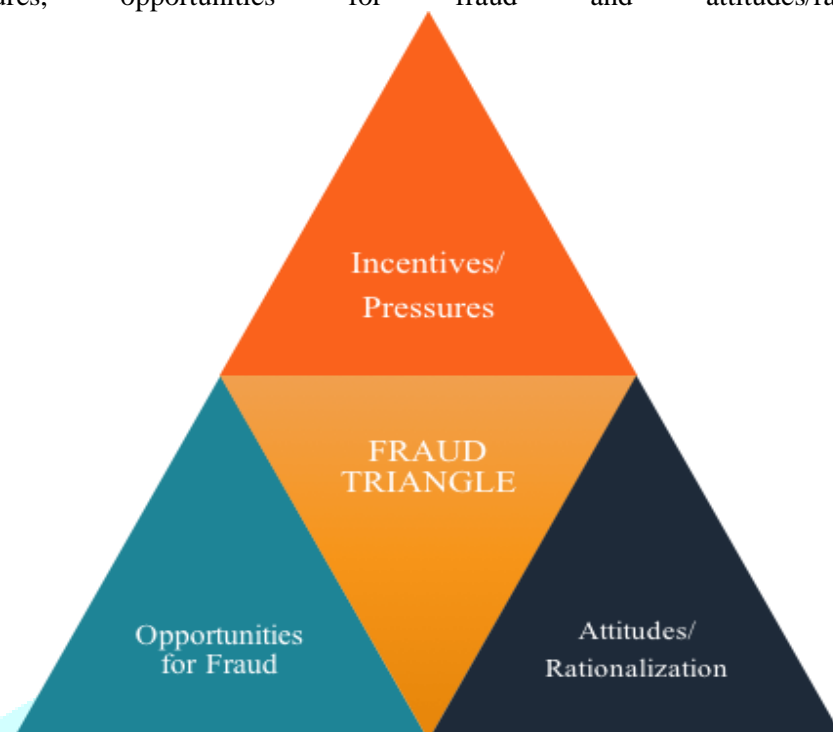
Source: (Wells, J.T., 2011)

Figure 1: The Audit Fraud Triangle

1) Incentives/Pressures:

It is first side of fraud triangle.It is considered as the ***source of heat for the fire***.Generally, refers to companies undergoing excessive pressure to meet analysts' or investors' expectations. Motive can be either financial or non-financial motives. The examples of perceived financial pressures could be personal financial losses, falling sales, inability to compete with other companies, greed, living beyond one's means, personal debt, poor credit, the need to meet short-term credit crises, inability to meet financial forecasts, Stock options and bonuses based on net income, and unexpected financial needs. On other hand, some examples of nonfinancial pressure are also, the need to report results better than actual performance and frustration with work(Chepkorir, 2013).

2) Opportunities for Fraud:

Opportunityis the second side of the fraud triangle. It is considered as the ***fuel that keeps the fire going*** and he believed even if a person has emotive, he or she cannot perpetrate a fraud without being given an opportunity. The examplesof opportunities that can lead to fraud like high turnover of management in key roles, lack of segregation ofduties, and complex transactions or organizational structures. According to (Dorminey et al. 2012) stated that perceived opportunity is the perception that a control weakness is present, and that the likelihood of being caught is remote. Besides, it leads, Ineffective governance – for example, the Board of Directors is not committed to ethical policies and morals. Significant judgment/estimates are involved in accounting and

3) Potential Problems arising from Attitudes/Rationalization:

Rationalization is the third side of the fraud triangle defined as a justification of fraudulent behavior due to an employee's lack of personal integrity, or other moral reasoning. It is considered as the oxygen that keeps the fire burning. Management is very aggressive, has a risk-taking mentality, and makes highly unrealistic forecasts that need to be met. The ethical tone at the top is poor, which allows perpetrators to rationalize their

actions. Example: according to (Albrecht et al, 2010) some examples of rationalization that executives can use to commit fraud, are; "we need tokeep the stock price high", "all companies use aggressive accounting practices", or "it is for the good of the company"

2. 8 Empirical Literature Review of Related studies

According to (Adane, 2014; Olaoye and Dada, 2017; Albeksh, 2017; Carren, 2013 the factors influencing fraud detection and prevention are classified as certification, practical experience, training, audit fee, independence and objectivity. In current this variables has adpoted as independent variables as they are and fruad detection and prevention as dependent variable: Lets' review one by one by developing the tentative statement that the current study will going test.

i.   *Professional Experience:*

The study conducted by (Muluneh, 2007) revealed that most lack of experience in conducting financial audit has negative influence on effectiveness of audit work that designed to detect and prevent frauds. Followed by (Albeksh, 2017) found out that professional behavior due lack of experience is major factor affecting work performance of external auditors. Besides, study by (Adane, 2014) found out that auditor's experience about area has positive influence on effectiveness of audit work in one hand and fraud detection in other hand. Therefore, the researcher developed the tentative statement as follow:

H1: Increase in experience of financial auditors has positive influence on Fraud detection and prevention

ii.   **Training**

The prior studies conducted by (Albeksh, 2017) and (Muluneh, 2007) revealed that most audit organizations lack awareness about the purpose of getting their books of accounts audited, lack of professionally training) has negative influence on effectiveness of audit work. Besides, (Adane 2014) found out that continuous auditors training about area has positive influence on effectiveness of audit work. Therefore, the researcher has developed the tentative statement as follow:

H2: Increase in training of auditors has positive influence on fraud detection

iii.   **Certification of financial auditor**

As explained by (Adane 2014)in his study on the similar topic auditorcerticification has postive and signfigant relashionship with audit quality (effectiviness) auditors in detecting and preventing fraud exist in the finacial staement of business firms. The finaincial audit activity needs a professional staff that collectively has the necessary qualifications and competencies to conduct the full range of audits required by the mandate. Auditors must comply with minimum education requirements established by their relevant professional organizations and standards. Hence, the first tentative statement has developed by the resaercher as follow:

H3: Certification of auditor has positive and siginfigant influence on Fraud detection and prevention

Independency and objectivity:

Independency and objectivity of auditors allows the audit activity to conduct work and be perceived to conduct work without interference by the entity under audit and independence is a key factor for the internal audit activity to add value but the research identified that internal auditors subject coercion, about a fifth of the internal auditor respondents indicated that they had been subject to coercion (extreme pressure) to change a rating or assessment or to withdraw a finding in an internal audit report, the highest percentage was in Africa, and the lowest was in the united states and Canada. Successful implementation of internal audit tasks means that it must be independent, i.e., company management should in no way influenced by its work, information, conclusions, and evaluations. In other way, objectivity of audit staff or audit firm must have impartial attitudes and avoid any conflict of interest. Objectivity is a key factor for your internal audit activity to add value. Conformance with the IIAs code of ethics objective and/or governance and ethics sensitivity almost all the CAE respondents strongly agreed that objectivity was a key factor for their internal audit activity to add value.

Besides, (Adane wudu, 2014) and (Shewamene, 2014) found out that independenncy and objectivity of audit firm from any outside force while conducting their audit work has positive impact on audit work. So that, the rsearcher has obligerd to construct research hypotehsis as:

H4: *Independency and objectivity of positive has negative effect on Fraud detection and prevention*

5. Audit fee (AF):

The audit activity must have sufficient funding relative to the size of its audit responsibilities. This is an important element should not be left under the control of the organization being audited, because the budget impacts the audit activity's capacity to perform its responsibilities. According to descriptive analysis of the researches conducted by [Albeksh, 2017; Carren, 2013 and Stephen K. et al, 2015] increaze in audit fee payments to the finaniical auditors has positive consequense on effectiviness of audit wrk. Followed by inferational staitsics finding of studies by Adane, 2014) and (Asmamaw, 2018) audit fee has positive and statistically signifigant impact on audit effectiviness of by auditors. Therefore, the student researcher has developed the researcher hypothses as:

H5: *Increase in audit fee payments to the audit firm has positive and statistically significant impact onFraud detection and prevention*
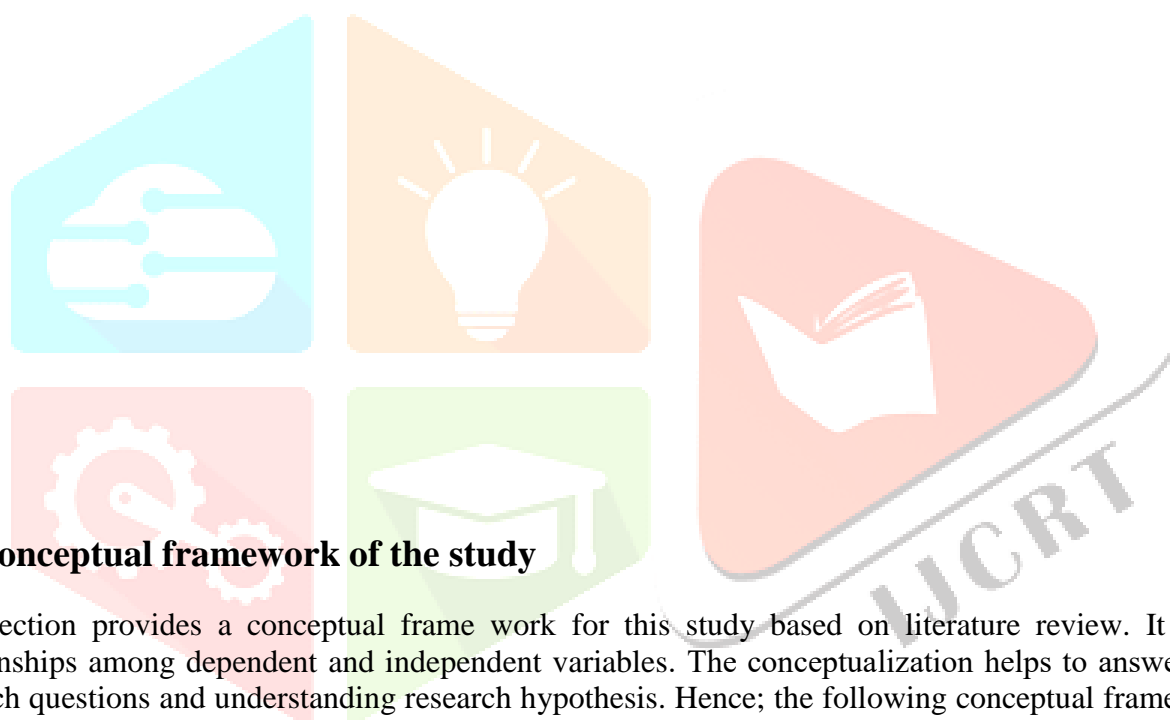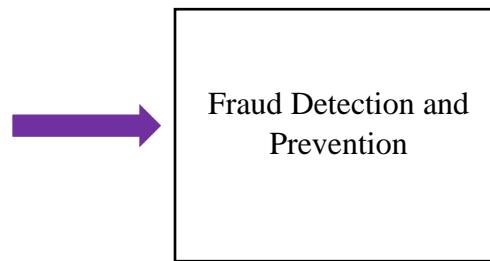
2.9 Conceptual framework of the study

This section provides a conceptual frame work for this study based on literature review. It explains the relationships among dependent and independent variables. The conceptualization helps to answer the study's research questions and understanding research hypothesis. Hence; the following conceptual framework will be developed to serve as a road map to analyze the entire study based on work of (Adane, 2014), (Asmamaw,2018) and (Olaoye and Dada, 2017) with more modification. In these model variables such as Experience, Training, Certification, independency and audit fee are independent variables while fraud detection is dependent variable.

Figure 2: The Conceptual frame work of the study

Independent Variables

Dependent Variable

Fraud Detection and Prevention

Source: Own assembly (2020)

- ✓ Experience
- ✓ Training
- ✓ Certification
- ✓ Independency and objectivity
- ✓ Audit Fee

RESEARCH METHODOLOGY

3.2 Research Design and Approach

3.2.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. When the purpose of research is to test a research hypothesis, it is termed as hypothesis-testing research. In the research; the researcher was employed co-relational research design because, the objective of the study is to test fivehypotheses and discussed about the effect of each independent variable on dependent variable (fraud detection and prevention).

3.2.2 Research Approach

There three research approaches. These are quantitative, qualitative and mixed approaches. Quantitative approach is preferable while quantifying the collected data but qualitative approach is best if data is collected through interview. The mixed research approach is the combination of both quantitative and qualitative approaches. In this research, the student researcher has planned to employedquantitative approach to achieve the objective of this study.

3.3. Data Type and Methods of Data Collections

3.3.1 Source of Data

In this research, the researchers used both primary and secondary data. The source of primary data was respondents in insurance companiesinEthiopia. While the secondary data source have been published like journals, books, websites and thesis and unpublished like office annual reports, minuets and other materials related to the study.

3.3.2 Methods of Data Collections

To collect primary data self-administered questionnaireswas developed based on(Olaoye nd Dada, 2017) and (Adane, 2014) with major modification. And secondary data was collected through review of different published and unpublished materials that related to topic.

3.4 Target Population

The target populations of this study are staffs of insurance companies operating in Ethiopia such as branch Managers, Internal Auditor, accountant andfinance officers due to fact that they can provide good information required to prepare the report of this study. The total number of the study populations is 17 (1 Public and 16 Private) insurance companies inEthiopia. With those staffs who directly related to main working process and understand the role financial auditing in fraud detection. Generally from above point of view, the study considered 85 target populations from both public and private insurance firms in Ethiopia.

3.5. Sampling Techniqueand Size

The sample have been drawn from the total population of all insurance companies Managers, internal auditors, finance officers, and staffs who have awareness about auditing. The researcher wasused simple random sampling technique in order to select sample from target population. Accordingly, Sample size is also determined by using scientific formula of (Yamane, 1967) indicated below in order to confirm the above sample size in the table.

$$n = \frac{N}{1+N\,(e)^2}$$

Where: n = sample size
N = population size
e = Precision level or sampling error =0.05
$$n = \frac{85}{1+85*(0.05)^2} = 70$$

Hence, the representative sample size for this study was 70 employees of the insurance companies operating Ethiopia.

3.6 Operational Definition of Variables
Dependent Variable

Fraud Detection and prevention (FDP): Financial audit serves an important role for companies in fraud detection and prevention. Recurring analysis of a company's operations and maintaining rigorous systems of internal controls can prevent and detect various forms of fraud and other accounting irregularities. Audit professionals assist in the design and modification of internal control systems the purpose of fraud detection and prevention. An important part of prevention can be deterrence, and if a company is known to have an active and diligent audit system in place, by reputation alone it may prevent an employee or vendor from attempting a scheme to defraud the company. In this study, it is considered as continuous variable because in its nature as far as financial audit will detection and prevention of financial audit was based on data collected from respondents in the form of five point Likert scale from low probability (1= Strongly Disagree, 2 = Disagree, 3= neutral, 4= Agree and 5= Strongly Agree).

Five Independent Variables

1. **Training (TR):** lack awareness due to absence of continuous professionally training may has negative influence on fraud detection. But, the existence of professional training creates more awareness about work performance of external auditors. So, continuous auditors training about area has positive influence on effectiveness of audit work.

2. *Professional Experience (PE):* It is obvious that more experienced auditors perform audit activity with full confidence and knowledge because more years the auditor done the audit work, more the familiarity of auditors about audit work. In this case, the auditors' knowledge in detecting and preventing fraud will be improved. Hence, it expected that that auditor's experience about area has positive influence on effectiveness of audit work and easily detect fraud. Therefore, the researcher developed the tentative statement as follow:

3. **Independency and objectivity (IOA):** Independency and objectivity allows the audit activity to conduct work without interference. In other way, independence of auditors allows the audit activity to conduct work and be perceived to conduct work without interference by the entity under audit and independence is a key factor for the internal audit activity to add value.

4. **Certification of Auditors (COA):** Staff competence is clearly identified in the literature as another key element of financial audit effectiveness which promotes fraud detection. For auditors to effectively carry out their duties and responsibilities, they need to possess the requisite knowledge, skills and other competencies. The audit activity needs a professional staff that collectively has the necessary qualifications and competencies to conduct the full range of audits required by the mandate. It will be considered as continuous variable in the current study.

5. **Audit Fee (AF)**: the audit activity must have sufficient funding relative to the size of its audit responsibilities. This is an important element should not be left under the control of the organization being audited, because the budget impacts the audit activity's capacity to perform its responsibilities.

3.7 Assumptions of Classical Linear Regression Model

The following diagnostic tests were carried out to ensure that the suits the basic assumption of classical linear model. Among the assumption, the researcher conducted four basic diagnostic tests to check if the data meet the requirement. Normality, Multicollinearity, autocorrelation, and heteroscedasticity tests were undertaken.

- ✓ **Normality:** to check for normality, descriptive statistics will be used. Jarque-Bera test statistical probability, Kurtosis and Skewness of the distribution of the data was examined.
- ✓ **Multicollinearity:** the existence of strong correlation between the independent variables was tested using variables correlation coefficients (CC); condition index (CI) and variance inflation factor (VIF).
- ✓ **Heteroscedasticity:** to avoid the problem of heteroscedasticity of disturbance terms, Breusch-Pagan-Godfrey test was employed in establishing the relationship.
- ✓ **Autocorrelation:** to check if there is a pattern in the errors, the Breusch-Godfrey Serial Correlation LM Test was conducted.

3.8. Model Specification

Fraud detection and prevention is a dependent variable that measured on continuous scale base based on five point Likert scale and measured through multiple linear regression model. This is followed by independent variables such as experience, training, and certification of Auditors, independency & objectivity and Audit Fee.

For this data the multiple linear regression model was used and expressed as follow:

$$FDP = \beta_0 + \beta_1*EX + \beta_2*TR + \beta_3*COA + \beta_4*IOA + \beta_5*AF + \mu$$

FDP = Fraud detection and prevention	TR=Training
β_0 = Constant Term	COA=Certification of Auditors
β_1, β_2, β_3, β_4 & β_5 refers to coefficients of independent variables	IOA= lack of Independency & objectivity
	AF=AuditFee
Ex= Experience	

3.9. Methods of data Analysis

After accomplishment of data collection procedure, it should have classified as per each variable, the qualitative data has been coded to be measured quantitatively. In this research, data has been analyzed by using descriptive statistics such as maximum and minimum values, average, correlation, frequency, percentage, variance and standard deviation and inferential statistics (multiple regression model) through SPSS version 21.0 in order to get the reliable finding.

4.2 Test of Questionnaire
4.3.1 Reliability Test

To measure the consistency of the questionnaire particularly the Likert-type scale the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. The test of reliability is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results. Reliable measuring instrument does contribute to validity, but a reliable instrument need not be a valid instrument. If the quality of reliability is satisfied by an instrument, then while using it we can be confident that the transient and situational factors are not interfering the data and the data collected before making regression analysis is reliable. In current research, the researcher employed Cronbach's Alpha (α) which is the most common measure of scale reliability and a value greater than 0.7 is very acceptable. This has tested as follow:

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
0.938	32

Source: personal survey, 2020

This indicates that all the variables under consideration accounts above the scientifically accepted threshold, therefore the study are reliable under this circumstance. compared with the minimum value of alpha 0.70 advocated by Cronbach's (1951), then the responses generated for all of the variables 'used in this research were reliable enough for data analysis. This implies that the data incorporated in SPSS is reliable.

4.3.2 Validity Test

The validity of the questionnaire was determined through face, content and constructs validity. First, the question was framed in such a manner that it was easily understood and exactly conveyed its sense and purpose to the respondents. Moreover, the draft questionnaire was given to academic staff to view it in the light of the research objectives, its relevance, the adequacy of the questionnaire items, and question coverage.

4. Results
4.1. Introduction

This chapter deals with analysis of the data that was collected through structured questionnaire from sampled internal auditors in 17 insurance companies operating in Ethiopia. To this end, the researcher distributed seventy (70) questionnaires. Out of the 70 questionnaires distributed, sixty seven (67) questionnaires were correctly filled and returned back. This implies that the response rate of the research was ninety five point seventy one percent (95.71%) which indicates almost all respondents were participated in the process of data collection. Then, the analysis of the data was based on the questionnaires collected using SPSS version 16.0.

4. 4 Summary of Descriptive Statistics
Table 2 Summary of Descriptive Statistics for all Variables incorporated in the model.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
FDP	67	1.00	5.00	2.8507	1.18390
EX	67	1.00	5.00	2.7164	1.31202
TR	67	1.00	5.00	3.2388	1.33813
COA	67	1.00	5.00	2.7313	1.14920
IOA	67	1.00	5.00	2.9888	.79850
AF	67	1.00	5.00	2.9104	.94918

Sources: Survey data, 2019

Fraud detection (FDP) was the dependent variable of this study. The maximum of all variables is 5 and a minimum of all variables 1. The mean value of fraud detection and prevention is 2.8507 with standard deviation of 1.18390. Also the mean and standard devietion value of other variables is experience 2.7164 and SD of 1.31202, training 3.2388 and SD 1.33813, certification of auditors 2.7313 with SD 1.14920, lack of Independency & objectivity 2.9888 with 0.79850 and audit fee 2.9104 with SD 0.94918 respectively. This implies that insurance companies need to optimize the role financial audit in detection and preventionto maximum since mean value is very low.

4.5 Pearson correlation matrix for dependent and independent variables

Correlation analysis measures the relationship between two items. The resulting value (called the "correlation coefficient) shows if changes in one item will result in changes in the other item. Correlation is a way to index the degree to which two or more variables are associated with. The correlation matrix for this study was computed as follow:

Table 3: Pearson correlation matrix for dependent and independent variables

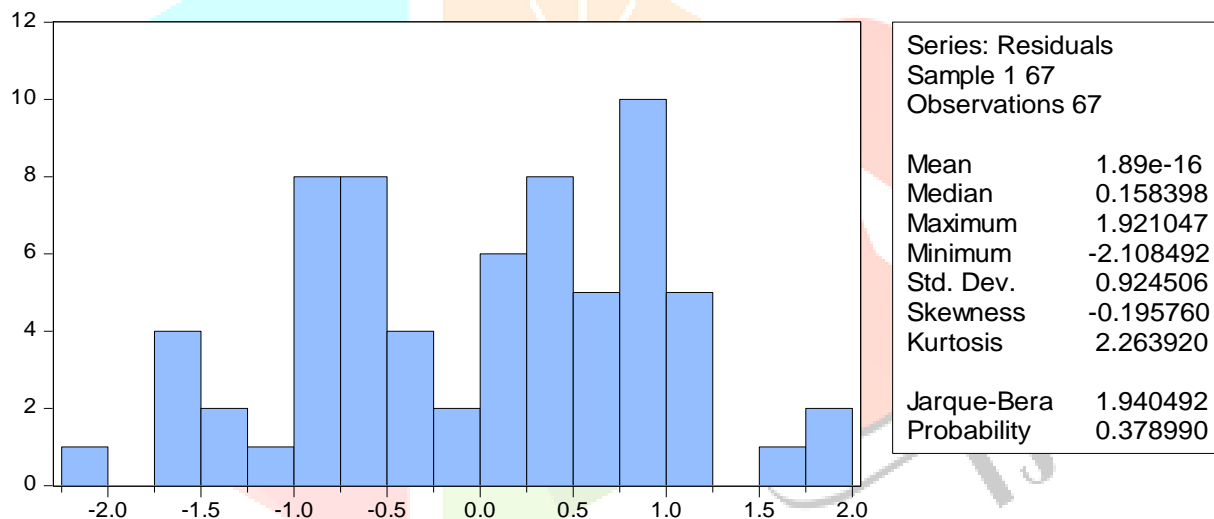| Variables	FDP	EX	TR	COA	IOA	AF
FDP	1	.314**	.157	.282*	.012	.352**
EX	.314**	1	-.505**	-.081	.035	.356**
TR	.157	-.505**	1	.230	-.225	-.054
COA	.282*	-.081	.230	1	.013	-.314**
IOA	.012	.035	-.225	.013	1	-.124
AF	.352**	.356**	-.054	-.314**	-.124	1
**Correlation is significant at 1 % significance level, * Correlation is significant at 5 significance level (two tailed).						

Source: Survey data, 2020

The table 4.3 shows the relationship between dependent variable (Fraud detection and prevention (FDP) and independent variables with coefficient of correlation 1 indicates that each variable is perfectly correlated with each other. The result shows that, experience and audit fee were positively correlated and at 1% significance level (as P<0.01). Followed byaudit certification which is positively correlated and at 5% significance level (as P<0.05).   Whereas, followed by training and objectivity of financial audit are positively correlated but statistically insignificant respectively.

4.7 Assessment of Multiple linear Regression Assumptions

Normality Test

The Classical Linear Regression Model assumes that the error term is normally distributed with the mean of error being zero as positive error will offset the negative error. According to (Brooks, 2008) and (Gujarati, 2009), in order to conduct single or joint hypothesis tests about the model parameter, the normality assumption the errors are normally distributed must be fulfilled.In this study, the normality of the data was checked with the popular Jarque-Bera test statistic. If the residuals are normally distributed, the Jarque-Bera statistic would not be significant at 5 percent significant level meaning disturbance to be normally distributed around the mean. This means that the *p*-value given at the bottom of the normality test screens should be bigger than 0.05. Jarque-Bera also formalized this by testing the residuals for normality and testing whether the coefficient of skewedness and kurtosis are close to zero and three respectively.

Figure 3: Normality Test using E-views

Series: Residuals	
Sample 1 67	
Observations 67	
Mean	1.89e-16
Median	0.158398
Maximum	1.921047
Minimum	-2.108492
Std. Dev.	0.924506
Skewness	-0.195760
Kurtosis	2.263920
Jarque-Bera	1.940492
Probability	0.378990

Source: Survey data, 2020

The normality test result of FDP model in figure 4.1 above shows that, the histogram was bell-shaped followed by the Jarque-Bera statistic would not be significant at 5 percent significant level meaning disturbance to be normally distributed around the mean. This means that the *p*-value given at the bottom of the normality test screens should be bigger than 0.05and the researcher concluded that there is no normality problem on the data used for this study.

. Test of Heteroscedasticity Test

Among the OLS assumptions one of the diagnostic tests conducted in this study is heteroscedasticity test. This theoretically expressed as by Brooks (2008) assumed that the variance of the errors is constant. In the classical linear regression model, one of the basic assumptions is Homoscedasticity assumption that states as the probability distribution of the disturbance term remains same for all observations. That is the variance of each of disturbance term is the same for all values of the explanatory variable. However, if the disturbance terms do not have the same variance, this condition of non-constant variance or non-homogeneity of variance is known as heteroscedasticity. Accordingly, in order to detect the heteroscedasticity problems, Breusch-Pagan test was utilized in this study. This test states that if the p-value is significant at 99 confidence interval, the data has

Heteroscedasticity problem, whereas if the value is insignificant (greater than 0.01), the data has no Heteroscedasticity problem.

Table 4 Heteroscedasticity test for FDP Model

Heteroscedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.493653	Prob. F(5,61)	0.7797
Obs*R-squared	2.605614	Prob. Chi-Square(5)	0.7605
Scaled explained SS	1.364928	Prob. Chi-Square(5)	0.9281

Source: Survey data, 2020

Accordingly, table 4 above shows that, all three cases that means the F-statistic, Obs*R-squared, and Scaled explained SS tests give the same conclusion that there was no significant evidence for the presence of Heteroscedasticity in FDP model. Since the p-values in all of the cases were above 0.05 level of significance.

Test of Multicollinearity

An implicit assumption that is made when using the panel least square estimation method is that the independent variables are not correlated with one another. If there is no relationship between the explanatory variables, they would be said to be orthogonal to one another. If the explanatory variables were orthogonal to one another, adding or removing a variable from a regression equation would not cause the values of the coefficients on the other variables to change. If an independent variable is an exact linear combination of the other independent variables, then we say the model suffers from perfect Collinearity, and it cannot be estimated by OLS (Brooks, 2008).As shown in the Collinearity table 5, the tolerance levels for all variables are greater than 0.10 and the VIF value are less than 10. This indicates that there were no Multicollinearity problems that alter the analysis of the findings; rather it leads to the acceptance of R-value, tolerance and VIF values.

Table 5 Collinearity Statistics

Variables	Collinearity statistics	
	Tolerance	VIF
EX	.614	1.627
TR	.636	1.573
COA	.827	1.209
IOA	.928	1.078
AF	.739	1.353

Source: Survey data, 2020

Test of Autocorrelation

Data were assessed to ensure that the autocorrelation is not a threat for the use of OLS for analysis. This assumption can be tested with the Durbin-Watson test which test for serial correlation between errors and the value closer to 2 or more are acceptable (Field, 2009) and the Durbin-Watson statistics value are close to 2 or more suggests that there is no autocorrelation among error terms. Accordingly, the Durbin-Watson statistics value of 2.112indicates that autocorrelation is not a threat for the use of OLS in this study.

Table **6: Breusch-Godfrey Serial Correlation LM Test.**

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.222446	Prob. F(2,59)	0.8012
Obs*R-squared	0.501435	Prob. Chi-Square(2)	0.7782

Source: Survey data, 2020

As it can be seen from the above tables Breusch-Godfrey Serial Correlation LM Test of Serial correlation that computed from E-views 9 results the P-value of both F-statistic and Chi-Square for FDP model were (0.8012) and (0.7782) respectively, which were greater than the significance level of 5 percent. As described on

appendix-2 and table 6 below, in other way the Durbin-Watson statistics value are 2.026 is more than 2 suggests that there is no autocorrelation among error terms. Therefore, it can be concluded that, the covariance between residuals is zero and absence of serial correlation problem was found conclusively from the LM tests.

4.4   The Regression Results (Inferential Statistics)

Before, processing the regression analysis, the researcher assessed all OLS assumptions. In this section the researcher interoperated the model and discussed the finding in comparison with empirical studies reviewed by student researcher.

Table 7. Regression Results (FDP) through SPSS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-1.696	.884		-1.918	.060	-3.464	.072		
	EX	.326	.115	.361	2.830	.006	.096	.556	.614	1.627
	TR	.267	.111	.301	2.403	.019	.045	.488	.636	1.573
	COA	.366	.113	.355	3.231	.002	.139	.592	.827	1.209
	IOA	.159	.154	.107	1.034	.305	-.149	.467	.928	1.078
	AF	.455	.145	.365	3.135	.003	.165	.745	.739	1.353
a. Dependent Variable: FDP, R=0.625a, R2 = 0. 390, Adj. R2= 0.340, Std. Error of the Estimate = 0 .96165, Durbin-Watson (d) = 2.112, F-statistic = 7.807, P-value = 0.000, ANOVA with (p-value of 0.000										

Source: Survey data, 2020

Fitted model:

$$FDP = -1.696 + 0.326*EX + 0.267*TR + 0.366*COA + 0.159*IOA + 0.455*AF + \mu$$

First of all, the F-statistic (7.807) which is positive and more than zero and p-value of 0.0000 for both model summary and ANOVA tablewhich is used to test the overall significance of the model was presented and indicates the reliability and validity of the model at 1 percent level of significance. This tells us that the model as a whole is statistically significant.

The multiple linear regression result of was presented in table 7above. R2 was measured the goodness off it of theexplanatory variables in explaining the variations in fraud detection of insurance firms in Ethiopia. As shown in the table above, adjusted R2 of the model was 34% percent. The result indicates that 34 percent variation in the dependent variable was explained by the explanatory variables in the model. That means the explanatory variables (such as, professional experience (PE), training (TR), Independence and objectivity of Internal Audit (IOA), Competence of Internal Auditors (COA) and Audit Fee (AF) are jointly explain about 34percent of the variation in the fraud detection and prevention (FDP) of the audit firms. The remaining 69.13 percent of the variation in the fraud detection is explained by other variables which are not included in the model. According to (Peterson, 2016)A high R-square or adjusted R- Square of above 60%(0.60) is required for studies in the 'pure natural science' field because the behavior of molecules and/or particles can be reasonably predicted to some degree of accuracy in science research; while an R-square or adjusted R- Square as low as 10% is generally accepted for studies in the field of arts, humanities and social sciences because human behavior cannot be accurately predicted, therefore, a low R-square is often not a problem in studies in the arts, humanities and social science field.

The coefficients of variables such as professional experience (PE) 0.326, training (TR) 0.267 Certification of auditors (COA) 0.366, independency and objectivity (IOA) 0.159, and   Audit Fee (AF) 0.455 indicates that one percent in the variables percent increases 32.6, 26.7, 36.6, 15.9, 45.5the probability of fraud detection and prevention respectively.

4.5 Hypothesis Testing (Discussion)

Before summarizing the research findings, it is necessary to test if the tentative guess approved by regression analysis. So, let us discus each variables incorporated in the model one by one as follow:

Regarding to the competency of professional experience of auditors with coefficient of regression of competency of internal audit staff, [β=0.326] is positive and statistically insignificant with p-value (0.0061 <1%) level of significance. Therefore, hypothesis H1 stated as "professional experience of has positive and significant impact on fraud detection" is accepted. This finding is consistent with that of (Adane 2014) and (Albeksh, 2017) who found positive significant relationship between fraud detection and professional experience. This indicates increase in improved in professional experience of audit team in the organization has positive influence on fraud detection and prevention.

The result of this study shows that training program with standardized coefficient of regression [β=0.267] has positive and statistically significant since (p-value of 0.019 < 0.05) level of significances. Hence, hypothesis H2 stated as "training program to auditors has positive and significant impact on organizational performance "is accepted. This finding is consistent the finding of other studies results, (Adane 2014) found out that continuous auditors training about area has positive and significant influence on effectiveness of audit work in fraud detection. The regression result of the model regarding training program was also clearly evidenced that there is statistically insignificant and positive relationship between training and fraud detection in insurance firms operating in Ethiopia as far as the sign is positive. This implies that more training programs for auditors contributes to the effectiveness of a financial audit in detecting and preventing fraud.

The result of this study concerning certification of auditors shows coefficient of regression [β=0.366] has positive and statistically significant since (p-value of 0.002 < 0.01) level of significance. Hence, hypothesis H3 stated as "certification of auditors has positive and significant impact on fraud detection and prevention "is accepted. This finding is consistent with finding of other studies results (Shewamene; 2014) and (Adane, 2014) who found out the positive and significant relationship between certification and fraud detection in their study areas. The regression result of the model indicates certification and fraud detection are interrelated.

With regards to objectivity and independence of auditors with coefficient of regression of [β=-0.159] is positive and statistically insignificant with p-value (0.305>5% and 10%) level of significances. Therefore, hypothesis H4 stated as "independent and objective audit has positive and significant impact on the fraud detection" is not accepted. This indicates that decreasing in objectivity and independence financial audit in the organization has negative influence on fraud detection the organization since it leads to the ineffective resource allocation due to poor control over entity's resources.

.

Last but not least, audit fee (AF), the coefficient of regression model [β=0.455] has positive and significant at 0.01, 0.05 and 0.1 level of significances since p-value (0.003< 0.01, level of significance. Therefore, the hypothesis H6 stated, "there is positive relationship between fraud detection & audit fee "is accepted. Accordingly, the pervious study done by [Albeksh, 2017; Adane, 2014; Asmamaw, 2018; Carren, 2013 and Stephen K. et al, 2015] also, confirmed that increase in audit fee payments to the financial auditors has positive consequenceon effectiveness of audit work. This implies that objectivity of internal audit staff have negative influence on the fraud detection and prevention activities in the firm.

5. Conclusion

Conclusion is the process of making generalization based on findings of sample to total population. Therefore, the findings revealed from this study were generalized to all insurance firms in Ethiopia as follow: In this paper, the researcher explores the role of financial audit in detecting and preventing fraud with reference insurance companies operating in Ethiopia. By keeping this objective in mind, the researcher collected the primary data through self-administrated or (structured) questionnaire. By using SPSS 20.0 the analysis of both descriptive and inferential statistics has been done.

Based on the findings from the descriptive analysis, the researchers had concluded that insurance firms were averagely generating fraud detection and prevention. Based on the findings from the regression analysis of the model, the researchers concluded that the fraud detection was best explained by the explanatory variables included in the model.

The conclusion that can be drawn from the findings in the first hypothesis is that hypothesis H1 stated as "professional experience of has positive and significant impact on fraud detection" is accepted. This indicates increase in one unit improved in professional experience of audit team in the organization has positive influence on fraud detection and prevention. The conclusion that can be drawn from the findings in the first hypothesis is that hypothesis.

The consolation that can be drawn from hypothesis H2 stated as "training program to auditors has positive and significant impact on organizational performance "is accepted. The regression result of the model regarding training program was also clearly evidenced that there is statistically insignificant and positive relationship between training and fraud detection in insurance firms operating in Ethiopia as far as the sign is positive. This implies that more training programs for auditors contributes to the effectiveness of a financial audit in detecting and preventing fraud.

The concussion that can draw from H3 that stated as "certification of auditors has positive and significant impact on fraud detection and prevention "is accepted. This finding is implies that one unit increase in certification of auditor enables fraud detection and prevention in insurance companies.

The conclusion that can be drawn from the findings in the first hypothesis is that hypothesis H4 stated as independence and objective audit has positive and in significant effect on fraud detection "is accepted.; which means increase in the value of independence and objective of financial audit leads to an decease in probability of fraud detection of insurance firms in Ethiopia. Additionally, the findings of the fifth hypothesis are that stated, as hypothesis H5 stated as "H5 that stated as "audit fee has positive and significant effect on fraud detection "is accepted. The regression result of the model with regarding management support clearly evidenced that one unit increase the probability of the variable audit fee causes increase in probability of fraud detection of financial audit in insurance firms of Ethiopia.

5. Direction for the Future Research

❖ Since any study cannot be free from limitations, accordingly there are some limitations in current study. Eventually, it focused only on the role of financial audit in fraud detection and prevention of insurance firms operating in Ethiopia. So, the findings of this study may be difficult to generalize about all private firms and government organizations in the nation and at international level. Hence, this study can be improved if it will be done at other regions, nations by comparing the role of financial audit in fraud detection of public sector and private sector by increasing sampling size than this one. The explanatory variables incorporated in the model have only explained 34% of the model. The remaining 66% of changes in the fraud detection and prevention was explained by other explanatory variables that not included in the model. The other researcher should incorporate more variables to improve adjusted R^2 with the same topic at the same study area. Other auditors can also consider the role of all types of audits on fraud detection and prevention with business firms and public organizations at national level.

References

Adane wudu. (2014). *Auditor responsibility and fraud detection: In Ethiopian private audit firms A Thesis Submitted to the Department of Accounting and Finance Presented in Partial Fulfillment of the Requirements for the Degree of Master of Science (Account.* Addis Ababa: Adane wudu .

Albeksh, H. M. (2017). factors affecting the independence of the external auditor within the auditing profession: Available at: www.researchpublish.com . *International Journal of Management and Commerce Innovations*, 680-689.

Albrecht, C.; Turnbull, C.; Zhang, Y.; Skousen, C. J.,. (2010). The relationship between South Korean chaebols. *Managerial Auditing Journal. Vol. 33 (3). Retrieved from: www.emerald.com Accessed*.

Asmamaw Fasika. (2018). *Factors Affecting Perceptions of Private Audit Quality: The Case of Amhara Region A Research for the Partial Fulfillment of the Requirements for the Degree of Master of Accounting and Auditing 1-65.* BAHIR DAR.

Bank World. (2007). *"Reports on Observance of Standards and Codes Ethiopia" November 2007.* Bank World.

Bunget., O.-C. (2009, January 21). *The role of _nancial auditor in detecting and reporting fraud and error. .* Retrieved from My ideas: https://ideas.repec.org/p/pra/mprapa/12888.html

Bright hub. (2019). https://www.brighthub.com/office/finance/articles/81471.asx

Carren, C. (2013). *Factors Influencing Auditor's Independence and Accountability: A Case Study of Ktda Affiliated Tea Factories in Bomet and Kericho County, Kenya. A Research Project Submitted To School Of Business and Economics In Partial Fulfillment For.* Bomet and Kericho .

Creswell, R. (2014). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches. USA: SAGE Publications.

Chepkorir. (2013). *Factors Influencing Auditor's Independence And Account-ability, A Case Study of KTDA Affiliated Tea Factories In BOMET and KERICHO County, KENYA. a research project submitted to school of business and economics in partial fulfillmen.* Nirobi.

Churyk, N. T., Lee C. C. and Clinton B. D. . (2008). Can we detect fraud earlier, Vol. 90, Iss. 4. *Journal of Strategic Finance,*, 21-29.

Daniela Petraşcua,, Alexandra Tieanub. (2014). The Role of Internal Audit in Fraud Prevention and Detection. . *21st International Economic Conference 16-17 . Available online at www.sciencedirect.com* (pp. 489- 497). Sibiu, Romania: Procedia Economics and Finance 16 (2014) 489 – 497.

Dorminey, J.; Fleming, A.; Kranacher, M.; and Riley, R. (2012). The evolution of fraud theory. Issues in. *Issues in Accounting Education* , 555-579.

Dr. Joseph, F. Adebisi,. Matthew, Yoko, V. Emmanuel. (2016). , The Impact of Forensic Accounting in Fraud Detection and Prevention: Evidence from Nigerian Public Sector. . *International Journal of Business Marketing and Management (IJBMM)*, 34-41.

Faiz Zamzami, Nabella Duta Nusa, Rudi Prasetya Timur. (2016). The Effectiveness of Fraud Prevention and Detection Methods at Universities in Indonesia International Journal of Economics and Financial Issues, 66-69. Special Issue for "Asia International Conferen. *Special Issue for "Asia International Conference (AIC 2015), 5-6 December 2015, Universiti Teknologi Malaysia, Kuala Lumpur, Malaysia"* (pp. 66-69). Yogyakarta,: International Journal of Economics and Financial Issues.

Farrell, B. R. (1999.). "The Role of the Auditor in the Prevention and Detection of Business Fraud: SAS No. 82." . [Online]. Available: http://www.westerncriminology.org/documents/WCR/v02n1/farrell/far. *Western Criminology Review* .

Farrell, Barbara R. and Joseph R. Franco. (1999.). "The Role of the Auditor in the Prevention and Detection of Business Fraud: SAS No. 82." . *Western Criminology Review 2/1. [Online]. Available: http://www.westerncriminology.org/documents/WCR/v02n1/farrell/far*.

Fleur C. Khalil, Rita G. Yammine . (2019). Impact of Audit Quality on Earnings Management: Case of Lebanon. *International Journal of Advanced Trends in Computer Science and Engineering*, 35-41.

Hoi, C. K., Robin, A. and Tessoni, D. . (2009). Sarbanes-Oxley: are audit committees up to the task?, Vol. 22, No. 3, . *Managerial Auditing Journal*, 255-267.

IIA. (2009). *Global Technology Audit Guide (GTAG). Fraud Prevention and Detection in an Automated World. WWW.theiia.org.* Altamonte Springs, USA: IIA.

IIA. (2017). *(IIA, 2017) Global Perspectives and Insights: Internal Audit and External Audit Distinctive Roles in Organizational Governance. 1-8 .* Lake Mary, Fla., USA: IIA

Investopedia. (2019). htto://www.investopedia.com/terms/g/gaap.asp accessed on July 31, 2019.

John Christian Langli and Tobias Svanström . (2013). Audits of private firms. Working Paper. *Centre for Corporate Governance Research*, 1-40.

John Christian Langli and Tobias Svanström. (2013). . *Audits of private firms. Working Paper.* Norway: The Centre for Corporate Governance Research (CCGR).

Karekezi Jean Claude and Butera Edison. 2018. Credit Risk Management and Loan Performance: A Case of Umurenge SACCOS in Kigali City, Rwanda. International Journal of Recent Innovations in Academic Research, 2(8): 131-146.

Lajos Zagera, Sanja Sever Malisa, Ana Novaka*. (2016). The Role and Responsibility of Auditors in Prevention and Detection of Fraudulent Financial Reporting. . *3rd GLOBAL CONFERENCE on BUSINESS, ECONOMICS, MANAGEMENT and TOURISM,* (pp. 26-28). Rome: Procedia Economics and Finance 39 (2016) 693 – 700.

Lakshman, N. (2009). *Nine Chharged in Hyderabad in Satyam Fraud", Business Week, April 7th.*

Larson, E. (2016, May 20). *https://beenegarter.com/5-types-fraud/ Accessed on July 7, 2019 posted by May 20, 2016 name of website 56 Grandville Ave SW, Suite 100, Grand Rapids, MI 49503 © 2019 Copyright. All rights reserved.* Retrieved from beene crater: https://beenegarter.com/5-types-fraud

Lukas Beyashe. (2008). *Challenges Faced by Ethiopian Federal Government Auditors: the Case of the Office of the Federal Auditor General: A research project paper submitted for the partial fulfillment of M.Sc. Degree in Accounting and Finance.* Addis Ababa.

Luminița Ionescu. (2017). Errors And Fraud In Accounting. The Role Of External Audit In Fighting Corruption. . *Annals of Spiru Haret University. Economics series.*, 29-36.

Mary Josiah, A. A. (2012). a Evaluation of roles of auditors in the fraud detection and investigation in Nigerian industries. *American Journal of Social And Management serce* , 49-59.

Muluneh Beyene. (2007). *"Auditors Professional Responsibilities and Legal Liability with Regard to Private Auditors in Ethiopia": For the Fulfillment of M.Sc Program in Accounting and Finance, Addis Ababa University, School of Gr.* Addis Ababa: Muluneh Beyene .

OFAG. (2010). *,Office of the Federal Auditor General establishment (Amendment) Proclamation No.669/2010, 11th May, 2010. .* Addis Ababa: OFAG.

Olaoye Clement Olatunji and Dada Raphael Adekola. (2017). Olaoye Clement Olatunji Dada Raphael Adekola ment .2017.The Roles of Auditors in Fraud Detection and Prevention in Nigeria Deposit Money Banks: Evidence from Southwest. *European Scientific Journal.* , 290 -306.

Paul Coram, C. F. (2014, May 22). *The Importance of Internal Audit in Fraud Detection.* . Retrieved from Researchgate: https://www.researchgate.net/publication/253527357

Salem, D. M. (2012). an Overview of Research on Auditor's Responsibility to Detect Fraud on Financial Statements. . *The Journal of Global Business Management* , 218-229.

Stephen K. Asare , Arnie Wright & Mark F. Zimbelman. (2015). Challenges Facing Auditors in Detecting Financial Statement Fraud: Insights from Fraud Investigations . *Journal of Forensic and Investigative Accounting* , 63-112.

Sun, P. and Zhang, Y. (2006). Is there penalty for crime: corporate scandal and management turnover in China, paper presented at the European Financial Management (EFA) conference, Zurich, June, available at: http://ssrn.com/abstract ¼ 891096. *European Financial Management (EFA) conference, .* Zurich,.

Titus, M., Muturl, W., & Kabiru, J. . (2014). Factors affecting external auditors" independence in discharging their responsibilities: A study of medium level auditing firms in Nairobi. . *International Journal of Business & Law Research*, 22-35.

Wells, J.T. . (2011). *Corporate Fraud Handbook: Prevention and Detection, 3rd Edition. .* New Jersey: Hoboken .

Zamzami, F. (2015). *Audit Internal: Konsep dan Praktek, Cetakan Pertama. .* Yogyakarta: : Penerbit Gamapress.

Zergaw Chemeda . (2016). *The Assessment of Quality External Audit Services: Evidence from Grades 'A' Private Audit Firms of Ethiopia. A Project Paper Submitted to the Department of Accounting and Finance in Partial Fulfillment of the Requirements for the De.* Addis Ababa: Zergaw Chemeda

wikipedia. (2019). https://en.wikipedia.org/wiki/Financial audit June 3, 2019).