

**INTERNAL CONTROL SYSTEM AND FRAUD PREVENTION IN THE  
NIGERIAN BANKING SECTOR.**

**BY**

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BENIN CITY.**

**DECEMBER, 2023.**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING  
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AWARD OF BACHELOR OF SCIENCE (B.SC.) DEGREE IN  
ACCOUNTING, UNIVERSITY OF BENIN, BENIN CITY.**

**DECEMBER, 2023.**

## **DECLARATION**

I declare that:

- I. This project is based on a study undertaken by me in Department of Accounting, University of Benin, under supervision of **Ohidoa Toluwa (PhD)**
- II. This work has not been previously submitted for the award of any degree elsewhere.
- III. All ideas and views are products of my personal research and where the views of others have been expressed; they have been duly referenced and acknowledged.
- IV. Any liability arising from this work is be wholly borne by me alone.

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**Date**

## CERTIFICATION

We the undersigned certify that this research work was carried out by **Evresevinise Oghenemarho OHWOVORIOLE** with Matriculation number **MGS1404879** in the Department of Accounting, Faculty of Management Sciences, University of Benin, in partial fulfilment of the award of Bachelor of Science (B.Sc) Degree in Accounting.

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## **DEDICATION**

This body of research is dedicated to Almighty God for providing me with the strength to complete this research work.

## ACKNOWLEDGEMENTS

I wish to express my profound gratitude to God Almighty for seeing me through this phase of life. My special acknowledgement goes to my project supervisor, **Ohidoa Toluwa (PhD)** for his patience and guidance in the course of this research writing. His guidance has help me flourish in this completion, shaping and enriching my understanding.

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## ABSTRACT

*One of the major challenges Nigerian banking industry is facing today is how to curb fraud occurrence. Therefore, the study investigated the effects of internal control system on fraud prevention in Nigerian banking sector. The study emphasis was on the adequate of internal control system in the area of risk management, control supervision, control environment and information management and technology for fraud prevention.*

*To evaluate the effectiveness of the control systems, survey research design was employed. The population of the study consist of the senior staff in the twenty two (22) commercial banks in operations in Nigeria. The instrument used for the study was structured questionnaire. The research questions were answered and the hypotheses generated were tested using statistical package for Social Sciences (SPSS). Findings showed a positive and significant relationship between internal control system and fraud prevention. A positive and significant relationship between risk management, control environment, information management and technology on fraud prevention. However, the study found a positive but non-significant relationship between control supervision and fraud prevention.*

*The study recommended a proactive risk management among banks. Special trainings for senior staff on red flags to fraud occurrence and best approach to handle them. Banks must invest heavily in anti-fraud software and latest hardware gargets that can create awareness of impeding fraud for both staff and customers and build a strong resistance to protect bank database. Nigerian banks must fortify its internal control system to meet the realities of today; this will help to eliminate all loopholes and gaps which arise due to changes in procedures, practices, and technology and government policies that have impacts on banking industry.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

In the recent past, information technology advancements have influenced the banking industry in no small measure. This is becoming almost inseparable in the day-to-day running of banking operations. While this can be seen as a blessing, it appears also that it has exposed banks to high fraud risks considering the spate of bank fraud in recent times. This has created the need for board of directors and management of various banks to be on their toes in fostering adequate internal control mechanisms that can ensure fraud prevention and also put them on the edge of their competitors. No doubt, banking industry is a major player in the economic growth and development of any nation, because they grant credit facilities to customers, give loans to entrepreneurs, and create wealth. Therefore, any major challenge in the banking sector will invariably have ripple effects on other sectors of the economy.

When banks distress, the economy may suffer recession. There are possibilities that there will be no access to credit facilities for production and expansion of firms, factories may close down, workers may be retrenched, foreign direct investment dropped return on investment nosedived, court cases for dissatisfied customers increased (Ewa & Udoayang, 2012). A watertight internal control system in banks to prevent fraud occurrence cannot be underscored, because, the

instrument of operations in banks are currencies. Good internal control system can help to achieve operational and strategic decisions of banks, build public trust, ensure efficient use of resources, and prevent fraudulent practices and reduced litigation issues: hence, an improvement in the socio- economic development of the country.

Today, high volume of complex financial transactions in bank has made it extremely difficult for directors and management to personally supervise the internal control processes, thus, the need to rely heavily on accounting information and financial reports from various units of the banks. These made it germane to review the internal control sufficiency for reliability of these accounting information for overall performance. Ajala, Amada, and Arulogun (2013) asserted that for banks to function effectively and make meaningful impact in the economy, they must be sound, stable and safe. Therefore, there is need for adequate supervision of various stages of operations in banks which range from recording to prime books, double- entries, balancing of accounts and the interpretation of financial statements to guide against fraudulent practices (Kiabel & Akenbor, 2008). Fraud is a threat to any organization's going concern and its public image; it sometimes results in huge financial loss (Enofe, Abilogun, Omoolorun, & Elaih, 2017).

Internal control system encompasses all the various measures designed and effected by board of directors and management to ensure assets are safeguarded,

fraud are prevented, reliability of financial information are enhanced, thereby improving efficiency and effectiveness in firm's operations (Ozten & Kargin 2012). According to the Committee of Sponsoring Organization COSO Report (1998), internal control can be defined as a process, effected by an entity's board of director, management and other persons, designed to provide reasonable assurance regarding the achievement of organizational objectives. COSO report (1998) also highlighted areas organizations can appraise the efficiency of an existing internal control system, such as: the control activities, risk assessment, control environment, monitoring and information communication. In the same vein, the auditing Practice Committee (1991) defined internal control system as the whole system of control, financial and otherwise, engineered by management in order to carry on activities of an enterprise in an orderly, timely and efficient manner and to safeguard the company's assets against fraud. The internal system of an organization is key to fraud prevention, profitability and overall performance (Kantzios & Chondraki, 2016).

Andrew (2018), posited that effective internal control is a critical component to any bank resources management system and fundamental to its operations. It is a structure within an organization which is aimed at stepping up the standard of efficiency and effectiveness in managing financial activities so as to achieve the mission and vision of the entity. All the various departments/units that exist in the banks, such as internal audit, compliance unit, personnel/payroll, operations, customer service, general administration, risk management unit are expected to

have an articulate control system that can expose fraud risks. Lack of internal control can result in deficient operations and make firms vulnerable to fraud risk with grave consequences. The control systems enhance the reliability of financial reporting and conformity with laws and regulation as stated in the Companies and Allied Matters Act (CAMA), 2004 (as amended). A strong internal control system allows banks to foresee potential financial fraud.

Furthermore, Nigerian banking industry experienced a shock in September 15<sup>th</sup> with the withdrawal of deposits to the tune of that was over N1.2 trillion naira belonging to ministries, departments and agencies (MDAs). Consequently, the Federal Government effectively introduced the implementation of Treasury Single account policy. This development caused disruptions in the internal control structures of banks and exposed banks to serious business and liquidity risks (Kanu, 2016). This implies that economy, industrial regulations, government policies and environmental conditions will continue to change. Therefore, proactive and strategic measures are needed to evaluate internal control system in the banks in the face of policy changes and fraud- related activities.

## **1.2 Statement of Research Problem**

Banks may be seen as the mainstay and driver of any economy around the world. Nigeria inclusive. However, the wave of fraud in the Nigerian banking sector appears to be on the rise in recent times following financial regulatory bodies' reports and financial bulletins; according to Nigerian Deposit Insurance

Corporation's (NDIC) annual report (2018), 16, 751 fraud cases were reported by Money Deposit Banks in 2016. However, in 2017, the figure rose to 26, 182 fraud cases. These frauds range from cash fraud, loan fraud, cheques fraud, advanced fee fraud, thefts, securities fraud, wire fraud, internet banking fraud, foreign exchange frauds among others. The value of cash lost in 2016 fraud cases was a whopping a sum of N8.68 billion and the figure skyrocketed to N12.01 billion in 2017 which is 38% increment.

There are concerns as to the high level of involvement of bank staffs in various fraud cases. Bank fraud result in loss of shareholders investments; customers' dissatisfaction; loss of public confidence and increase in the cost of litigation cases to banks. Porosity in information management among the staff may lead to bank fraud. According to Tokede (2017), there is an increase in legal actions by bank customers due to fraud cases they suffer. Tokede further analyzed that 12 commercial banks have spent N1.6 trillion to settle customers' court cases in 2016 and N1.8 trillion was spent in 2015 for same purpose. Fraud is a threat to any business entity, in the fact, a single fraud may sometimes write-off the fortunes of a bank and affect its going concern and overall performance if it goes undetected. Organizations today, must keep their internal control system relevant and current with today's business realities. Business affairs today has changed considerably due to technology incursion in which banks now compete in building latest information technology infrastructure to their operations for better services and performance.

Committee of sponsoring organization of the tread way commission (COSO,1992) reports, generally highlighted areas and organization can measure the efficiency and effectiveness of its internal control system which are: control activities, control environment, risk assessment, communication. However, there are divergent views as to the significance of each of these variables to prevent fraud in an organization. Klynveld, Peat, Marwick and Goerdeler KPMG's (2009) study on fraud prevention, emphasized weakness of these above variables as a major cause of fraud in an organizations. Joseph, Odhiambo and Byaruhanga, (2015) study on fraud, found that a sound organizational procedure is key to fraud prevention, while Enofe et al (2017) claimed that compliance with banking ethics is a panacea to fraud reduction. Etuk (2011) investigated the used of profitability, liquidity, laws and regulations as measures to test the effectiveness of internal control system in financial institutions, findings showed that these variables are significant to internal control system. Also, Muthusi (2017) examined risk assessment, control activities, monitoring, control environment, information and communication to fraud prevention, findings showed, they are significant. Abiola (2013) emphasis was on the significance of control environment to fraud prevention. Findings showed a significant relationship between control environment and fraud prevention.

It remains a subject of controversy among scholars whether all the variables highlighted in COSO (1992) report is significant to fraud prevention and if they can discover with reasonable promptness financial fraud, manipulations, forgery,

internet banking fraud, thefts, wired fraud among others, considering the heavy technology incursion in the banking industry today. Also, the rising trend of fraud cases in Nigerian banking industry in recent past is alarming. This puts to question the effectiveness of their internal control systems for fraud prevention. Therefore, there is need to re-appraise the adequacies and sufficiency of the internal control systems indexes aforementioned, and this is the crux of this study.

Against these backdrop, the following research questions were raised.

- i. What is the effect of risk assessments on fraud prevention in Nigerian banks?
- ii. What is the impact of control supervision on fraud prevention in Nigeria banks?
- iii. What is the effect of control environment on fraud prevention in Nigerian banks?
- iv. What is the impact of information management & technology on fraud prevention in Nigerian banks?

### **1.3 Objective of the study**

The broad objectives of this study is to examine internal control system and fraud prevention in Nigerian banking sector. The specific objectives are to.

- i. establish the effect of risk assessment on fraud prevention in Nigeria banks:

- ii. evaluate the impact of control supervision on fraud prevention in Nigerian banks,
  - iii. assess the effect of control environment on fraud prevention in Nigerian banks; and
4. ascertain the impact of information management & technology on fraud prevention in Nigerian banks.

#### **1.4 Research Hypotheses**

The hypotheses of this study are specified in null forms as shown below:

- i. There is no significant relationship between risk assessment and fraud prevention in Nigerian banks.
- ii. There is no significant relationship between control supervision and fraud prevention in Nigerian banks;
- iii. There is no significant relationship between control environment and fraud prevention in Nigerian banks;
- iv. There is no significant relationship between information management & technology and fraud prevention in Nigerian banks.

#### **1.5 Scope of the study**

The study concentrates on the Nigerian money deposit banks only. The choice of money deposit banks is premised on its alarming fraud occurrence in recent

times. The study focuses on internal control system and fraud prevention in Nigerian banks. Internal control system in their study comprises variables such as: risk assessment, control supervision, control environment and information management and technology. While fraud prevention represents the dependent variable. The research work covers the twenty-two (22) commercial banks in operations in Nigeria. The time frame for the study shall be 2023.

### **1.6 Significance of the Study**

The research work is relevant because all other sectors of economy virtually rely on the financial sector. This study is a model for accessing the inadequacies in the existing internal control structure in Nigerian banking sector. The outcome of this study will help management to understand how to proactively identify, monitor and manage potential fraud risk which banks are exposed to, thereby reducing the incidence of fraud and ultimately attained the goals of the organization. Also, policy makers in the financial industry can re-examine the control policies and legislations of banks and best ways to designed and operate a strategic internal control system that will mitigate fraud and enhanced operational efficiency in the system, furthermore, shareholders can build more confidence in the industry. It will also enhanced the efficiency and productivity of managers and better implementation processes. The study, will add to exiting literature on internal control system

and fraud prevention which will serve as a reference point to other scholars and researchers.

### **1.7 Limitation of the Study**

Due to the nature of bank job and operations, it took longer time to retrieve the administered questionnaire. Excuses of time factor to answer the questions coupled with misplacement of the questionnaire were encountered, however, these did not impair on the outcome of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents the comprehensive literature on the subject matter and it reviewed what different scholars and authors have written on internal controls system and fraud prevention in the banking sector. The theories examined guided the framework of this study. This chapter also reviewed the relationships between variables of the study which are fraud prevention as a dependent variable while risk assessment, control environment, control supervision and information management and technology as major components of independent variables. Previous works of scholars and researchers were reviewed on this subject matter. This helps to harvest the opinions, ideas and knowledge already established in this area of study, it will also focus on how the variables are related to each other.

#### **2.1 Conceptual Framework**

##### **2.1.1 Concept of Fraud in the Banking Sector**

Fraud can be described as a generic term and embraces all multifarious means which human ingenuity can devise, which is resorted to by an individual to get advantage over another in false representation (Okafor, 2004). In the same vein, (Anyanwu, 1997). Posited that fraud is an act or course of deception,

deliberately practiced to gain unlawful or unfair advantage, at the detriment of another. The EFCC Act (2004) made attempt to capture all the various financial fraud and crime by defining it as a violent, criminal and illicit activities committed with the objective of earning wealth illegally, in a manner that violate existing legislation and these include any form of fraud which are money laundering, embezzlement, bribery, looting payroll fraud among others. One keep wondering what motivate fraud in man? While some believe is greed and lack of self-discipline, others have a different opinion, according to Zimbeldan and Albrechi (2012), the tripod that provoke fraud in man are pressure, opportunity and rationalization, however, the work of Seetharaman, Sentivemurugam, and Periyaganam (2004), submitted that fraud influence is based on factors such as age, gender, position, educational background and motive for collusion. Indeed, fraud has had severe negative consequences in public sector in Nigeria.

Fraud is an illegal act and deceit, employed by an entity to take advantage of another. Association of Certified Fraud Examiner ACFE (2007) defined fraud as any intentional or deliberate act to deprive another of property or money by deceptive means. ACFE (2017) claimed that, fraud cost 55 of every entity annual revenue; therefore, there is need for appropriate prevention. Fraud prevention can literarily mean every action aimed at reducing or eradicating illicit or unwholesome acts. It also imply every action or step taken by management and board of directors with the aim of eradicating or reducing to

the barest minimum financial irregularities and improprieties in the banking operations. It can also mean efforts to stop or keep from occurring or to hinder a person from executing a fraudulent act.

Holmes, Langford, Welch, and Welch, (2002) study on fraud prevention, found that where top management firmly supports the full operations of internal control system, perpetrating fraud will unlikely to occur. Holtfreter, (2004), claimed that eliminating fraud triangle component is the key to fraud prevention. This implies that when one of the three elements (opportunity, pressure and rationalization) that influences fraud occurrence is removed, then there is less likelihood of fraudulent activities. Therefore, for banks to operate effectively and contribute to nation's economic growth and development, it must be financially stable with sound accounting system occasioned by internal control mechanism (Olatunji, 2009). Audit committee also has a role to play in fraud prevention by monitoring the financial reporting processes, inspecting internal audit and reporting findings to the board of directors. And to also see that appropriate risk areas are identified for fraud prevention. Internal auditor s and external auditors can also play a vital role in prevention of fraud. They can provide assurance in area of proactive risk identification and follow-up actions to address control weaknesses. In some situations, it may be necessary for an organization to look beyond the internal and external auditor and seek for experts who are fraud specialists such as forensic auditors,

since they have special training and experience in fraud prevention, deterrence, investigation, and detection (Efosa, 2016).

Furthermore, confidential hotline can be a channel of passing relevant information; this should be part of organizational ethical culture, compliance, and fraud prevention program which must not be abused. When fraud or financial improprieties are discovered, forensic auditor may be engaged to provide the depth of skills necessary to conduct a fraud investigation. When fraud occurs, or there is preponderance of evidence from auditor's investigation to believe that fraud has occurred, the audit committee is responsible for ensuring sanctions to serve as deterrence. In addition to the above, other fraud prevention program that banks must put in place and follow religiously are background checks on every prospective employees, create fraud awareness programs to every staff from top to bottom, implement anti-fraud policies and program. All these go a long way to prevent fraud occurrence. Ramamoorti (2007) argued that it is important to understand the psychology of fraud behaviour in human, in other to identify ways to prevent it. Karwai (2002) reported that it is very difficult to identify the causes of fraud. It involves complex web of conspiracy and deception. According to Cressey and Martin (2002), there are three factors that must be present before any fraud can occur; they are pressure, rationalization and opportunity.

### **2.1.2 Internal Control System in the Banking Sector**

Internal controls are procedures or measures designed and effected by the management for better performance of an organization. For banks to have a good financial outlook that will ensure short and long time obligations are met at the right time, guarantee adequate working capital and increase their turnover, then, internal control system cannot be over emphasized. Management must maintain a system to control that will ensure proper utilization of financial resources.

According to Brewer and Williams (2004), since organizations have expanded beyond the control of the owners, there is need for proper control measures to regulate the activities of the firm and guaranteed the interest of the business owners. As firm grows, the need to regulate the agents running the business becomes crucial because of conflicts of interest. Internal control system running the business becomes crucial because of conflicts of interest; internal control system is a fundamental component to the survival of any organization. Section 331 of the companies and Allied matters Act (CAMA, 2004) as amended states that every company (bank) shall cause accounting records to be kept; and the accounting records shall be sufficient to show and explain the transactions of the company (bank) and shall disclose with reasonable accuracy, at any time, the financial position of the company (Etuk, 2011).

There are various perspectives to the definition of internal control system. It is defined as a set of security measures designed by management for operational control of an organization in order to ensure safeguard of both tangible and intangible assets, prevent occurrence of errors and other irregularities (Nwaiwu & Peters, 2014). According to CIMA (2006), internal control is the whole system of controls established in an organization to enhance reasonable assurance of efficient operations, compliance with the laws and regulations, and decrease the risk of potential losses. Adequate internal control mechanism guarantees accountability of organization resources and help in achieving strategic goals and objectives. According to Matata (2015), internal control system is primarily designed to prevent fraud and other financial leakages of a firm, therefore, the control framework should be practical and its implementation must not exceed the advantages of setting it up. The paper classified control system into two which are preventive control and detective control.

COSO (1992) report was established with an initiative to curb all corporate fraud especially among private sector organizations. It developed a generally accepted internal control system assessment variables, which are: control environment, risk assessment, control activities, monitoring and communication. And in accessing adequacies or otherwise of internal control system of a firm, any of these component can be used as a basis. Magara (2013) posited that, the major role of internal control system is to help an

organization achieve its mission, vision, efficient operations, quality products and services. Internal control framework model refers to the whole control systems both financial and non-financial, designed and effected by the board of directors and management in order to carry on the business of an enterprise in an orderly manner and prevent fraud (Okozie 1999). A sound internal control measures is able to foster earnings and performance of an organizations by reducing the level of frauds, error and losses.

Furthermore, Sarens ad De Beelds (2006) asserted that the setting up of checks and balances in form of control within an organization enables management to reduce potential losses and wastage of resources.

According to Nwoke (1988), without efficient internal control system, a business entity cannot succeed. Corns (1971), asserted that internal control measures are important for the following reasons: protect innocent people from suspicion. Mercer (2015), opined that, no matter how strong an internal control systems, shortcomings to exist. The efficiency and effectiveness of controls system will be limited by human judgmental decisions made under pressure based on the information at hand. According to Lannoye (1999), achieving a strong internal control in an organization may likely be limited by the realities of human judgement. The limited time lag in making financial decisions sometimes with incomplete information. May impede the achievement of organizational objectives, hence, internal control system

becomes ineffective. Appiah, Gyamerah, and Nartey (2014), identify institution as a major factor for effectiveness of internal control system. It further described it as fluidity of the system's internal interaction and how rooted the system is in the company processes. It stressed that board of director dictates the vibrancy and effectiveness of any internal control system.

According to Adhiambo and Memba (2012), the commercial banks financial performance is revealed by the level of revenue growth, assets base and customer satisfaction level. According to Klynveld, Peat, Marwick and goerdeler (KPMG (2010) survey, there was a drop in the customer satisfaction index by 6.35%, 4.64%, and 3.39% for Guaranty Trust Bank Zenith Bank and Access Bank respectively when compared with 2009 rating. This gives a signal that Nigerian banking system needs improvement in services delivery and is also a pointed to gradual collapse of the internal control system. Today, banks are looking for various ways to reduce their operational cost and increased their profitability, a robust internal control system is key. Another survey conducted by KPMG (2012), reveals that internal control mechanism is one of the appropriate measures to operational cost reduction, fraud prevention and profit maximization of a firm. These control are structured in such a way to safeguards the assets of the bank. The control system encompasses all the various aspects of the banking services with complex transactions and the use of technological infrastructures in this modern time, there is need for a strategic internal control system to prevent fraud occurrence

and guaranteed financial performance of banks. Jensen (2003), opined that internal controls should provide an independent assessment of the quality of managerial performance in carrying out assigned responsibilities.

### **2.1.3 Risk assessment and Fraud Prevention in the Banking Sector**

Perhaps, fraud is the most fatal of all the various risks confronting the banking sector, because, going through media, the magnitude of cash Nigerian banks loss to fraudsters on yearly basis is alarming, despite the fact that not all these fraud cases are made public because of negative image of the bank concerned. These are happening even with the presence of various internal control systems banks are implementing in their day to day financial operations. Risk is a natural phenomenon in business and everyday life. In the process of providing financial services to clients, banks encounter different kind of risks such as fraud risk, legal risk, financial risk, credit risk. According to Crowe (2009), risk is the condition that increases the chances of gaining or losing uncertain potential events which could influence the success of financial institutions. Longman dictionary (1984), defined risk as possibility of loss, damage, peril or injury, therefore, risk is inevitable in any business environment.

Chandra (2002), asserted that risk is a natural phenomenon that every individual and organization have to cope with. The study stress further that it is difficult to eradicate, however, it can be mitigated through risk assessment techniques. A better risk management led to fraud prevention and performance of a firm. Putra

(2015) viewed fraud risk as probability that some unfavorable event will occur that will have an adverse effects' on the financial position or the cash flow streams of an organization. According to Saarens and De Beelde (2006), risk management is now been perceived as a new means of strategic business management, that link business strategies to daily risks and optimize the risks to realize value. Risk management is a composition of resources, procedures, behaviour and actions that is adapted to a specific organization, which enables managers to keep risks at a minimum level. Good risk management practices must identify, evaluate and be able to mitigate. When a fraud risk is identified, there is need to evaluate its frequency and the potential loss to the organization, the management must gather reliable information to determine the quantum of the risk and the better way to control it. Proactive risk management process should be able to produce data of the frequency of loss, maximum possible loss, and probability distribution of loss, graphic representation and standard deviation of loss.

Potential risks may impede the achievement of organization's objectives, and if not controlled, there is possibility the organization might fail, therefore, resources must be mobilized to create a proactive controls system to address these risk s. management must not allowed risk to run haywire without abating (Putra, 2015). To put a strong internal controls system in place, it require huge cost. Enterprise Risk Management (ERM), is a framework developed by COSO in 2014, for the purpose of addressing risk related issues in a firm. According to Rittenberg and

Schwieger (2005), the ERM is a combination of internal control framework, objective setting, risk response and identification of events. The purpose of setting up objectives for an organization cannot be underscore, because it forms the basis for risk assessment. Risk assessment is an examination of relevant risks confronting a business in accomplishing its objectives. This is a subset of internal control system and fundamental to fraud prevention and firm performance. A robust internal control system must have a window for risk assessment. The onus is on management to design an approach for effective risk management and control activities that can mitigate fraud risk, thus, internal control system enhanced a reliable financial reporting, prevent fraud, guarantee efficient and effective of operations, monitoring adherence to the laws and regulations.

Banks appear to be taking risks without proper internal control mechanisms to keep the risk under a reasonable control, hence, huge financial loss and underperforming loans, which is posing serious threat to its overall success. Ceboenoyam and Strahan (2004), conducted a study on risk management in banks. Findings revealed that banks with proactive risk management practice have higher credit availability. And the more credit availability a firm has, the more opportunity to increase profit and productive assets. Schroek (2002) explained the importance role that sound risk management practices plays in maximizing firm value and it has a long term competitive advantage. The critical factor for success and survival of any firm is based on its efficiency in risk management is a process of responding to any identifiable business risk in the cause of operations. An

entity risk assessment process must identify all relevant risks to the preparation of the financial statement for auditors to form opinion of “true and fair view’ of the financial position of a firm.

Ondieki (2013) investigated a study on the effects of internal audit on financial performance of commercial banks in Nigeria. Findings revealed that internal controls should be structured such that fraudulent practices are whistle blown or made difficult to occur. Though, internal control audits provide assurance and control measures but they do not necessarily detect fraud. The study related internal controls audit function to management plans and procedures which are used to meet the organization goals and objectives. Magara (2013) examined the effect of internal controls of savings and Credit cooperative Societies in Kenya and their efficiency. The result showed a strong positive correlation with the dependent variable. This confirmed that without the pressure of strong internal controls within the institutions, there will be abysmal performance with a risk of fraud. Furthermore, Muio (2012) investigated the influence of internal control systems on fraud risk of private hospital in Kenya. A descriptive research design was adopted. Findings indicated that monitoring has the highest influence on financial performance.

#### **2.1.4 Control Supervision and Fraud Prevention in the Banking Sector**

According to Donhi (2006) the nature of banking operations is geared towards greater secrecy and non-disclosures of vital information when compared with

other sector, hence the need for strict supervision. More so, their instrument of operations is currencies. Therefore, the calls for a robust internal control system, in banking sector for prudent management of resources and fraud prevention. The resources are limited and relatively scarce, therefore, efficient and effective monitoring of the process of utilization of human and materials resources is key (Gupta, 1999). Rezaee (2002) averred that through internal control systems, commercial banks can prevent fraud, minimized loss of resources, enhance reliable financial reports and compliance with laws and regulations. The quality of internal control systems effected by management should be monitored over a period of time for performance. According to Etuk (2011), an adequate supervision of internal control reduces risk of fraud, errors and other financial irregularities.

Adequate supervision of control systems contributes immensely to accuracy and reliability of financial reporting. Forensic auditor, management, internal auditors, external auditors play major roles in this monitoring of operations. Bank operations have been built around technological infrastructure, flow charts of transaction process, procedural and accounting manuals among others, therefore, adequate supervision of financial transaction from the start to be completion of the transaction which is done by internal auditors to determine any financial irregularities.

According to Olatunji (2009), accounting manuals is a roadmap which contains statement of objectives, policies and procedures approved by management. Also, specific control objective for each departmental until should be approved and monitored by the authority. Appropriate procedures should also be designed by the management to accomplish it. Control objectives such as completeness, authorization, validity, accuracy, classification must be followed religiously. All these monitoring will have an impact in curbing financial manipulations and improprieties and enhanced performance of the banking sector. According to COSO (1992) reports, control supervision includes periodic appraisal of both the internal and external environment. Continuous evaluation can be done by reviewing information needs, procedures, systems and control effectiveness of a firm and learn from the outcomes. Control supervision is a hard work because it involves inspection, investigating checking and examining of financial activities.

The frequency of supervising of specific control objective will primarily depend on risk assessment. Internal control shortcoming ought to be reported as matters of seriousness to top management and those culpable in the laxity are sanctions to serve as deterrent to others. Etuk (2011) examined the adequacy of internal control systems in five Nigerian banks. The study found that banks internal control system have provided reasonable assurance in the area of operational efficiency and effectiveness. However, the study inspects some controls measures and discovered inadequacies, which caused high rate of loan defaults and slackness in loan collateral. The study also observed a rise in level of frauds being

reported by the regulatory body and concluded that there were failures in the internal control mechanisms of the Nigerian banks. Wanjohi (2013), asserted that supervision as a subset of internal control system is fundamental to fraud prevention. The paper addressed three questions that must be answered: what happened? Why it happened? What to do as correction? This control system is designed to implement the strategic objectives of an organization and its progress. Organization should be planed such that one department should not be responsible for handling all stages of transaction, there must be division of labour. Amudo and Inanga (2009) posited that a deficient control system is the one that ignores how internal control components can be evaluated.

Mary, Alert and Byaruhanga (2014), asserted that supervision activities entails all physical verification of assets which include security of asset locations, strict authorization for accessing company computer program and data, regular counting of stocks and comparison with figures in the accounting books. Frauds or errors may be prevented using this control. According to Williams (1999), stealing of assets of an organization could take the form of shoplifting accessories, software, and theft of raw materials use for production, when these are prevented, organization performs better, supervision in its practical sense entails regular inspection of activities and control of personnel while carrying out their duties. However, the frequency of supervision depends on risks assessment. For supervision to be effective, all employees need to be abreast of the organizations' objectives, risk tolerance and their responsibilities. Therefore, management

should concentrate its supervision efforts on internal control system and organization achievement (Joseph, Albert, & Byaruhanga, 2015).

### **2.1.5 Control Environment and Fraud Prevention in the Banking Sector**

The influence of organizations' environment on fraud cannot be underscored. Employee attitude towards honesty is determined by organization work climate (Greenberg, 2002). Whittington and Pany (2001), defined control environment as controls that influences the consciousness of the people. The paper stressed that control environment is an integral part of operationalization of organization culture and practice. The attitude of management set the tone for internal control system that will or event fraud occurrence and enhance banks performance. Weakness of the "tone at the top" is the bane of almost all the bank distress experienced in recent times. According to Abiola, (2013), control environment deals with the ethical values, integrity of policy makers, interpersonal relationship, and structure of the organization, audit committees, the history, discipline and culture imbibed in an organization.

Management laxity in the area of cultural values in an organization can cause major financial loss within the banks. Inability to carry out a strong line management supervisions due to over familiarity and maintain a high level of integrity is a great challenge nowadays. Also, board of trustees, management, and audit committee must set the "tone at the top" by creating a culture of honesty, high ethical standards and establish controls to prevent deter and detect fraud.

When these standards are in place and religiously practice, opportunity of committee fraud can be reduced substantially. Furthermore, the audit committee must be fully aware of the three critical factors that aid occurrence of fraud which are: pressure, opportunity and rationalization while designing their internal control system for greater efficiency.

The actions and dealings of the board of directors and management must emphasize the importance of internal control system, because attitudes and actions affect the integrity and ethics of banks control culture (Basle, 1998). In any control environment, competency of personnel must be determined, regular comparison of financial records to prevent and detect fraud with thorough supervision of every bit of operations must be in place. According to Eze (1992), personnel of an organization are central to the workings of any internal control system. Any problem with personnel, could led a sabotage of the system. If incompetent staffs are engaged to ma accounting system and control tasks, they will be prone to technical errors, which may give a leeway to opportunist to defraud the organization. When unqualified staffs are employed in an organization, the best designed internal control system with not work and there will be much financial leakages which has a grave consequences on the overall performance of and organization. Therefore, management qualification for each job designation in an organization should reflect in the degree of responsibility associated with the position. Employee responsibilities must be articulated before engagement.

Management must set the criteria in the area of experience, character, intelligence, capacity, and passion and thorough screening process must be undertaken for effective internal control system (Etuk, 2011). Therefore, a successful internal control system largely depends on honesty, reliability and competent personnel. Cohen (2002), conducted a study on control environments using a survey of auditors. The findings revealed that “tone at the top” and its influence on behaviour of the employee is the major element for effective control system. According to Olatunji (2009), control environment start with boards and management, they set the tone through policies, integrity, and effective governance. Where there is laxity in the tone, shape practices and fraudulent financial reporting may occur COSO (1992) reports, emphasized management integrity, ethical values as effective tool of internal control system in any organization. Efficiency does not come with just documentation of code of conduct but religious adherence from top to bottom employees without contempt.

According to COSO (1992) reports, documentation practice of organization should be well designed and pre-numbered for every financial transactions and operations, which helps for control and review purpose. Any missing document create a missing number. This practice mitigate likelihood of fraud and safeguard the assets of organization. Source documents should be well structured to enhance the collection of all vital information with respect to any transaction. Book-keeping system should be designed such that transactions going through the data processing system will be easier to trace in the eventuality of fraud occurrence

through audit trial. Control environment is a fundamental component's of any internal control system because it provides discipline and structure to the firm. An empirical study of Valentine, Godkin and Lucero (2002), explained that a significant relationship was found between ethical value and employee organizational commitment, Kizirian and Leese (2004) study on information systems and audit engagements, revealed that ethical tone of the audit clients and management has a significant impact on the strength of security controls.

### **2.1.6 Information Management & Technology and Fraud Prevention**

Information is the life wire of any business, therefore it must be well managed to guarantee the going concern of the business. There must be proper procedures to follow in information management between staff to staff and staff to customer. The use of technology during information process is assumed to prevent fraud. Now that banks keep investing heavily in information process is assumed to prevent fraud. Now that bank keep investing heavily in information technology to ease operations and for better services to client to this competitive banking environment. Information technology has brought unparalleled increase in knowledge, electronic business and paperless transactions are now made possible (Akihihero, 2013). This has redefined the methods of doing business for many organizations and also appear to have exposed the banking sector to more fraud risk. No doubt, the introduction of electronic channels to banking operations seems to help curbs the problem of inefficiency in banks and increased customer

satisfaction. However, it appears to have also increases drastically the incidence of fraud the banking sector based of available statistics.

The incessant financial fraud in the banking sector which is resulting to bad corporate image and age financial fraud in the banking serious concerns. Onuorah and Appah, (2012) claimed that the widespread of frauds in various sectors of the economy including banking have made traditional of frauds. The frequent fraud occurrence in Nigeria banking sector maybe a signal of deficiencies in the information management system. Modern day fraud involves a complex web of deceptive information and conspiracy that most times mask the actual cause of the fraud which internal auditors may not see. This calls for greater mechanisms to fortify the existing internal control system to combat this menace. More so, information technology is developing at a very fast pace and business organizations are quick to adapt these new software to fortify their various control systems for efficient and better performance, however, many of these organization are not quick to adapt security measures and stringent policies to protect these software platforms and database from being backed or manipulation by fraudsters (Chariri, 2009).

The preventive measures such as the rules and regulations seems not to be religiously followed in may Nigerian banks, hence not effective, though, they might be efficient. This implementation must go beyond more establishments of routine internal controls in area of policies and procedures to strict enforcements.

There must be controls that are back up by actions and legal implications if erred so as to serve as deterrent to others. Therefore, the integrity of the management and bank managers are sacrosanct. The bank database must be watertight against hackers, virus and other cyber threats.

According to Sieber (1986), the problem of computer fraud are bound to intensify in the near future, the increasing computerization particularly in the area of information relating to administration of deposit money, balancing accounts, keeping inventories, electronic funds transaction system, electronic mail system, and other interactive video text system will lead to increase in the occurrence of fraud and loss of fund if not well managed. To this end, Park (2014) revealed that South Korea based firm has further developed software solutions which can curb these fraudulent practices and they are currently in use in different part of the world be insurance firms and other financial institutions. These solution is built basically for data management and digging deep to unravel fraud in its different dimensions. These are EnCase software, Final Data software, Hash value software among others. They are dependable software that can help unraveled high technological fraud information is any financial institution. The software can recover deleted data. Files, e-mails from the system and guide or how to block financial leakages. It cans also performance Microsoft access recovery functions ultimately to unraveled fraud.

According to Mukoro, Faboyede, and Eziamaka (2014), internal auditors are only responsible for reviewing financial transaction to detect errors, mistakes and reporting to management but only report fraud cases when accidentally discovered if they feel necessary, (Okunbor and Obaretin (2010) posited that the spates of bank fraud in recent time give a source of worry and required more sophisticated approach from prevention to detection. According to Chairri (2009), the only way to ensure a better performance of the financial institution is by providing information beyond the minimum requirement set by laws and regulations for management to work with in reinforcing the internal control system against fraud.

## **2.2 Review of Theories**

Theories have been formulated with regards to internal control system and fraud prevention in organizations, some of which are discussed below. However the theory to anchor this research work will be agency theory.

### **2.2.1 Agency Theory**

The theory by Jensen and Meckling (1976), focused on resolving conflict of interest that may arise on the ownership of business entity. When business begins to thrive, it creates opportunity for expansion and recruitment of additional managers, and employees. The owners of the business begins to lose grip of absolute control of the whole process and will now be faced with the challenge of

handing over the business to trusted hands whose interest maybe at variance with the business and their owners. The theory delineates the relationship that exists between the owner of the business (principal) and their managers (agent). The managers are contracted to control and run the organization on behalf of the owners while the principal provide the capital for the business, thus assuming a level of risk. The principal expects the agent who gets paid for his job to protect the interest of the business and the owners, but in reality, that may not be the case.

According to Eisenhardt (1988). Human being is rational in their thinking, with an instinct of self –interest, and they are risk averse. The agency problem is all about internal control issues to bridge the gap of interest between the owners and their managers. It is concerned with the creation of an environment that is conducive for internal control system to thrive. Because managers are stewards, they are responsible to design procedures to follow and hold people accountable for their actions. The agents are privy to more information as an insider than the principal who are outsiders, therefore control supervision is key. Information asymmetry exist in organization, this make the owners of the firm invest more on information with which to regulate the agents performance (akluan & Demsetz, 1972). Sometimes, the principal aligned itself with the agent interest through the use of cash or non-cash remuneration strategies. According to Jensen (2003), internal control plays an important role in maintaining the alignment between the principal and their agents. Also, Bushman, Indjejikinu and Smith (1996) claimed that many

organizations have chosen stock options as a means of aligning principal and agent's interests.

Agency theory controls how organization manages their risks. The internal control framework of COSO (1992) reports, affirmed that control environment play a key role in reducing the risk. The control environment entails the board of directors, management philosophy, organization culture, executive commitment, honesty, integrity and ethical values. Fama and Jensen (1983) claimed that board of director roles in relation to agency theory cannot be underscored. It provides control supervision over the managers, who are hired to make operating decisions in running the organization while also overseen the principal's interest. Board should be monitoring mechanisms while internal auditors should check the financial activities of the firm against errors, mistakes, and irregularities. The external auditor is to examine the compliance of the organization the statutory laws and regulations for reliability of financial reporting. Both internal and external auditors are not statutorily charged with findings or investigating fraud in an organization, however, fraud to exist and a preventive measure must be in place. When fraud occurs in organizations, a fortune of the shareholders capital may be loss, public image of the bank is at risk, shareholders are dissatisfied; hence, an agency issue arises. This may eventually result to litigation which is costly and time wasting for any bank.

### **2.2.2 The Fraud Triangle Theory**

Cressey (1950) propounded this theory of fraud triangle. The scholar argued that there must be reasons why people commit fraud or what drive people to violate trust. Two hundred and fifty (250) criminals were interviewed within a period of five months. Findings from this study show that three factors (perceived pressure, opportunity, and rationalization) must be present before a fraud can be perpetrated. Perceived pressure can be referred to as those factors that lead an entity to unethical behaviors. Perpetrator of any fraud always faces some level of perceived pressure before they commit unethical act (Abdullahi & Mansor, 2015). The pressure can either be financial or non-financial in nature, though, financial pressure is most common. Lister (2007) defined pressure to commit fraud as “the source of heat for the fire”. Also, the second element that aids occurrence of fraud is opportunity. This is created by weak internal control system. According to Kelly and Hartley (2010), the concept of opportunity suggests that people usually take advantage of circumstances that present themselves to them.

Rae and Subramanian (2008) defined the concept of opportunity as the ability and power of an employee or non-employee to spot the weaknesses of a system and take advantage of it to perpetrate fraudulent activities. Rationalization which is the third element of fraud triangle happened when perpetrator of fraud justifies himself for engaging in unethical behavior, due to lack of personal integrity, or moral reasoning (Rae & Subramanian 2008). The feeling of justification or

excuses by an entity that his/her actions cannot be term criminal is rationalization. Cressey (1950) claimed that it is impossible to read the mind-set of a fraudster. The management must tailored the design of their internal control system in such a way that it will mitigate these three elements of fraud.

### **2.2.3 Stakeholders' Theory**

This theory was propounded by Freeman (1984). It gives a robust insight to conceptualization of an ideal organization. According to freeman (1984), stakeholder is any individual or group of people who are affected by the accomplishment of an organizational goals. Stakeholders include the shareholders, employees, customers, vendor, government, general public, managers among others. Shareholders are major stakeholders in the banking sector because they provide the capital to run the business, therefore, their interest and right to participate in decision making process cannot be over-emphasized. Managers are to manage the resources of organization for the benefit of the shareholders. This theory is centered on active management in business environment, corporate social responsibility, and promotion of shared interests for business strategy development. All these create room for divergence of interest; hence stakeholders' theory could help in management of potential conflicts that may arise. The theory further addressed the business ethics which affects moral and value system in an organization.

### **2.3 Review of Prior Empirical Studies**

Studies have been carried out in many countries around the world which centred on effects of internal systems and fraud prevention. For instance, Abiola (2013) investigated the influence of internal control system on fraud detection in Nigeria. Findings showed a significant relationship between internal control system and fraud detection. The study also revealed that proper and well-designed employee training techniques enhance fraud detection and prevention. In Egypt, Abu-Musa (2006) investigated the adequacies of internal control system and information technology and finding shows a strong internal controls mechanism among Egyptian banks, however, the study recommends an improvement in the security control in the industry.

Olatunji (2009), examined the impact of internal control in banking sector and discovered that, lack of effective control system is the bane of bank fraud. It recommends that every banks should create a standard internal control of banks. Amudo and Inanga (2009), examined the essential components of internal control system which include control environment, control activities, risk assessment, monitoring , communication and findings reveals that for effective measurement of internal control system these aforementioned components must be present.

Also, Magara (2013) endeavor to examine the effect of internal controls on the financial performance of Savings and Credit Cooperative Societies. Findings from the study shows that, without the presence of strong internal control within an

institution, there will be poor performance, with the risk of eventual collapse. Adeyemo, (2012), studied fraud in Nigerian banks. The paper highlighted the deep – seated causes of fraud, aftermaths and probable remedies. Findings shows that, to have fraud free banking sector, temptation to commit fraud must be removed and deterrent must be in place. In Kenya, a study conducted by Kakucha (2009), examined the effectiveness of internal control system on small business in Nairobi. Finding of the study revealed deficiencies in internal control measures. It therefore recommends enlightenment to small business operators on what constitute effective internal control system.

Mwachiro (2013) examined the impact of internal controls in operation of Kenya Revenue Authority with a view to know if internal controls can enhance increase in government revenue. Variables used were, risk assessment, control activities, control environment, monitoring information and communication. Descriptive research design was employed. The study established that weak internal controls especially poor ethical value encourage fraud and embezzlement. The study therefore recommends overhaul of internal controls for efficient revenue collection. Ondieki (2013) conducted a study on the effects of internal audit of financial performance of commercial banks. The variables used for the study were: control environment, risk assessment, control activities and monitoring. The findings of the study shows that a well implemented internal control can truncate fraudulent activities in banks and enhanced overall profitability.

Ewa and Udoayan (2012) examined the impact of internal control design on bank's ability to investigate and staff fraud, staff lifestyle and fraud detection. Study revealed that, strong internal control is deterrence to staff fraudulent practices, hence, a limit to succeed in any planned fraud.

Weak control mechanisms expose the system to fraud. The paper averred a need to have a proactive internal control mechanism in order to curb fraud. An assessment of the factors that influence the internal controls system for good corporate governance in financial institutions in developing economies was conducted by Njanike, Mutengezanwa, and gombarume (2011), the research study assessed how lack of internal controls system affected good corporate governance. Findings revealed that failure to effectively implement internal controls measures contributed significantly to the poor corporate governance. It therefore, recommend an efficient internal control system.

Furthermore, Beasley (1996), found some inconsistent results in relation to internal control system and the likelihood of fraud. However, the author asserted that internal control system effectiveness was found to reduce the possibility of fraud. The study of Sharma (2004) in South Africa, found a negative relationship between a proportion of independent director and the likelihood of fraud, while a positive relation was found between the duality of chair of board and the chief executive officer and likelihood of fraud.

## **2.4 Summary of Literature Review**

The gamut of the literature reviewed emphasized the impact of internal control on fraud prevention in the Nigerian banking sector. This chapter underscores the need for banks to have strong and effective internal control system so as to prevent fraud and increase profit maximization. From the studies reviewed, it was found that sound internal control system is capable of preventing fraud and safeguarding the assets of an organization. Furthermore, findings from most of the literature reviewed show that variables such as control environment, risk assessment, control activities and communication were used as measure of internal control system. The literature reviewed elucidate relevant theories such as agency theory, stakeholders theory and the fraud triangle theory in relations to the variables and the relationship between them, and it was discovered that all the theories can drive and impacted on the study. Previous works of scholars and researchers were summarized. These there were the divergent opinions, ideas and knowledge already established in this area of study. It will also focused on how the variables are related to each other.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter discussed the approaches and procedural plan to be used for this study. It highlighted research design, population of the study, sample size, sampling technique, data collection instrument, method of data analysis, model specification.

#### **3.2 Research Design**

This study used a survey research method to gather information aimed at examining the impact of internal control system on fraud prevention in Nigerian banking sector. This method was adopted because a survey is the process of gathering information for statistical analysis to benefit a group of individuals. Babbies, (2002), described research design as an arrangement and procedure utilized for solving research problems.

#### **3.3 Population of the Study**

The population of this study was Twenty two (22) commercial banks in operations in Nigeria (CBN, 2017).

### **3.4 Sample Size and Sampling Techniques**

Ten (10) banks were selected as sample size using simple random sampling techniques. This was determined by 50% of the total population figure to show a true representation of the population, which gives eleven (11) banks. However, the researcher dropped one bank due to its financial crisis at that point in time which led to revocation of its license by Central Bank of Nigeria and change of name and management. Furthermore, forty (40) copies of questionnaire were administered to six (6) selected departments in each of the ten(10) selected banks, which are audit & compliance unit, operations unit, risk management units, customers care unit, loan and investment unit, information technology unit. The selected banks were: Access Bank Plc., First Bank Plc. Zenith Plc. United Bank for Africa, Guaranty Trust Bank Plc. Wema Bank, Eco Bank Plc. Diamond Bank Plc. Keystone Bank.

### **3.5 Data Collection Instrument**

The instrument used for data collection for the study was structured questionnaire modified from the study of Muthusi (2017). This was based on 4 likert scale of strongly agree (SD), Agree (A), disagree (D), and strongly disagree (SD) (see Appendix IV). The questionnaire were administered at the head office of the selected banks in Lagos State, Nigeria.

### **3.6 Validity**

The instrument for data collection for this study was subjected to content validity by given it to research experts and lecturers in the department of Accounting, department Banking and Finance and Department of Business Administration of the University of Benin for useful criticism and corrections. Their comments were incorporated into the instrument.

### **3.7 Reliability of Instrument**

The internal consistency of the instrument was determined using Cronbach Alpha; Twenty (20) bank staff were selected. Their responses to the instrument were collected and analyzed using statistical package for social science (SPSS) to arrive at alpha value of 0.750 (see appendix IV). Cronbach alpha coefficient of scale stipulated a standard of above 0.70 for reliability test. This shows that the internal consistency of the instrument was good, hence, reliable.

### **3.8 Method of Data Analysis**

Data collected for this study was analyzed using binary probit regression analysis to test the hypothesis of the study.

### **3.9 Model Specification**

The model adopted for this study, was based on the study of Joseph, Albert and Byaruhanga (2015) that examined the effects of internal control on fraud

detection and prevention in district treasuries in Kenya. Which is:  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \xi$

Where; Y = fraud prevention and detention (Dependent variable),  $\alpha$  = the constant term,  $X_1$  = Information and communication,  $X_2$  = Risk Management,  $X_3$  = Monitoring,  $X_4$  = Control Environment,  $X_5$  = Control activities,  $\xi$  = Error term.

The above model was modified as:  $FPIN = \alpha + \beta_1 RIA + \beta_2 CSP + \beta_3 COE + \beta_4 IMT + \xi$

Where: FP = Fraud prevention (Dependent variable) which is binary variable of which one (1) means there are fraud prevention mechanism and zero (0) means otherwise.

RIA = Risk Assessment

CSP = Control Environment

IMT = Information Management & Technology

$\xi$  = Error term

$\beta_0$  = intercept of the relationship

In the appriori expectations, is we presumptively expected that  $\beta_1 - \beta_4 > 0$  which presupposes that there will be a positive relationship between the dependent variable and the independent variables

## . CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter presents data interpretation and discussions of findings to draw relationship between variables. The information from the respondents were converted to excel spread sheet which was later used in analyzing the hypothesis for the study.

#### 4.2 Respondents Personal Data

This section presents the personal profile of respondents which are: educational qualifications, professional qualifications, working experience in the bank and the departments they belong.

These are presented and analyzed below:

##### 4.2.1 Administration of Questionnaires

Sex	Questionnaire distributed	Questionnaire Collected
Male		141
Female		180
Total	400	321

**(Source: Field survey, 2023)**

Table 4.2.1 above shows that four hundred (400) copies of the questionnaire were distributed to the selected departments in the banks. However, 321

questionnaires were collected. This was due to excuses of no time to spare, some were not properly ticked, and some were misplaced.

#### 4.2.2 Educational Qualifications of Respondents

<b>Qualification</b>	<b>No</b>	<b>%</b>
BSC. Or Equivalent	213	66
Above BSC	108	44
Total	321	100

**(Source: Field survey, 2023)**

The analysis in table 4.22 above shows that the respondents have educational background to carry out their assigned responsibilities. While 66% have Bachelor of Science degrees, 44% affirmed to hold more than first degree.

#### 4.2.3 Professional Qualification of Respondents

<b>Qualification</b>	<b>No</b>	<b>%</b>
ACA/ANAN	112	35
Others	209	65
Total	321	100

**(Source: Field survey, 2023)**

Table 4.2.3 shows that 35 percent have acquired necessary professional qualification, thereby enhancing their technical know-how in the accounting field. Therefore, the objective assessment of the respondents on internal control system in banks can be relied upon.

#### 4.2.4 Experience in the Bank

#### .2.3 Professional Qualification of Respondents

Years of experience	Number of respondent	Percentage
1-4	101	31%
5-8	141	44%
Above 9	79	25%
Total	321	100

(Source: Field survey, 2023)

Table 4.2.4 above shows that a cumulative of 69% of the respondents have 5 years and above of cognate experience in banking industry. This goes to confirm that the questionnaire were duly completed by experienced staffs of the banks. While only 31% of the respondents have not less than 1 to 4 years banking experience.

#### Frequency Distribution Table on Fraud Prevention Variable Reviewed

	Frequency	Percent
No	43	13.4
Yes	278	86.6
Total	321	100.0

(Source: Field survey, 2023)

The table 1 above gives the percentage responses of the various respondents. From the table above, it was observed that 13.4% of the respondent emphatically said no to the fact that documented code of conduct and ethical value for all employees exist in bank. The remaining 86.5% gave a positive responds Yes. This therefore indicates that on the average, documented code of conduct and ethical value for all employees exit in banks.

**Table 2. Control to identifying red flags of fraud exist**

	<b>Frequency</b>	<b>Percent</b>
No	83	25.9
Yes	238	74.1
Total	321	100.0

**(Source: Field survey, 2023)**

This table 2 above shows the percentage response of respondent as regards appropriate control measures to identify red flags for fraud occurrence and periodic fraud risks assessments in banks.

It was observed from the table, that 25.9% of the respondents said no to the above assertion while the remaining 74.1% response from respondent answered. Yes.

This therefore indicates that on the average, appropriate control measures to identify red flags for fraud occurrence and periodic fraud risks assessments exist in banks.

**Table 3. Physical Controls of Company assets exist**

	<b>Frequency</b>	<b>Percent</b>
No	88	27.4
Yes	233	72.6
Total	321	100.0

**(Source: Field survey, 2023)**

The table 3 above shows the percentage response of respondent regarding the question of physical controls to identify potential fraud, including access to records, files and corporate assets exist. From the table above, it was observed that 27.4% of the respondents said ‘No’ and the remaining 72.6% answered Yes to the question. This therefore indicates that on the average, physical controls to identify potential fraud, including access to records, files and corporate assets exist in banks.

**Table 4. Electronic Surveillance hotlines and anti-fraud software exist**

	Frequency	Percent
No	95	29.6
Yes	226	70.4
Total	321	100.0

(Source: Field survey, 2023)

This table 5 above indicates that detailed background checks on intending employee against criminality and fraud, and assessment of competency for all employees exist. This is due to the fact that from the result in the table, it was observed that 43.9% of the responses were No while the remaining 56.1% indicated yes.

#### 4.3 The Effect of Risk Assessment on Fraud Prevention

Risk Assessment				
Periodic and departmental risk fraud assessment are in place	105(32.7%)	163(50.8%)	41(12.8%)	12(3.7%)
Management has mechanisms for mitigating critical risks against loss	90(28.05)	178(55.5%)	41(12.8%)	12(3.7%)
Banks risks are frequently reported to management for early solutions in order to prevent loss	77(24.0%)	187(58.3%)	36(11.2%)	21(6.5%)
Management regularly identify and evaluate risks hindering attainment of goals when planning new products	85(26.5%)	185(57.6%)	39(12.1%)	12(3.7%)
Management involves audit personnel and other internal control experts in the risk assessment process.	97(30.2%)	163(50.8%)	52(16,2%)	9(2.8%)

The result in the table analysis captures the question of periodic risk assessment including inherent fraud risk responses. The total responses of individuals that disagreed stood at 12.8%, while 3.7% strongly disagreed, 50.8% agreed and 32.7% strongly agreed. The table above also gives a description of the responses of respondents to the question on management mechanisms to mitigating critical risks that may lead to huge banks loss. From the table, it could be observed that 3.7% strongly disagreed with the above assertion while 12.8% disagreed, 55.5% agreed and the remaining 28.0% strongly agreed. On the statement of bank risks are frequently reported to management for early solutions in order to prevent huge loss. 58.3% agreed to this statement while 11.2% disagreed. Also, the respondents agreed by 57.6% to the assertion that management regularly identify risk hindering attainment of bank goals and objective and evaluate risks when planning new products, while only 12.1% disagreed. Furthermore, management involves audit personnel and other internal control experts in the risk assessment process, 50.8% agreed to this statement while 16.2% disagreed. From the table above, the percentage of respondent that either disagreed or strongly disagreed shows that there are still loopholes in the management of bank risk, therefore, management need to address this weak areas almost immediately to mitigate the occurrence of fraud, especially internet banking fraud. There is need to introduce fraud risk experts like a forensic auditors whose major task is to unravel fraud and its likelihood especially in a very complex transactions. Staffs must be put on alert as to the traces or signs to show that fraud is about to occur.

#### 4.4 The influence of control supervision on fraud prevention

<b>CONTROL SUPERVISION</b>				
Periodic reviews and independent appraisal of implemented internal controls measures in all units are conducted	39(12.1%)	116(36.2%)	129(40.3%)	37(11.4%)
Management style of control are adequate to unravel unusual transaction activities in the banking operations	30(9.25)	120(37.5%)	126(39.2%)	42(14.1%)
Bank has a credit committee to oversee the control of loan facilities to customers and give periodic report to management	34(10,5%)	113(35.1%)	138(43.0%)	39(12.2%)
Adequate security and collateral conditions for granting loans and advances are in place.	29(9.0%)	101(31.4%)	138(43.1%)	53(16.5%)
Requests of financial dealings from clients are thoroughly scrutinized before execution to prevent fraud	33(10.3%)	118(36.3%)	147(45.4%)	26(8.0%)

In the above table, 36.2% agreed to periodic review and independent appraisal of implemented internal controls measures in all units are conducted, while 40.3% respondent disagreed. Management styles of control are adequate to unravel unusual transaction activities in the banking operations, 37.5% agreed while 39.2% disagreed. 35.1% agreed with this assertion that bank has a credit committee to oversee the control of loan facilities to customers and give periodic report to management, while 43.2% disagreed. Also, the assertion that adequate security and collateral for granting loans and advances are in place, 31.4% respondents agreed to that while 43.1% respondent disagreed. The requests of

financial dealings from clients thoroughly scrutinized before execution to prevent fraud has 36.3% respondents agreed to it while 45.4% respondents disagreed.

#### 4.5 The Effect of Control Environment on Fraud Prevention

<b>CONTROL ENVIRONMENTS</b>				
Management monitors compliance with policies and procedures and report non-compliance areas to board.	87(27.1%)	176(54.8%)	42(13.1%)	16(5.0%)
Periodic audits for compliance with codes of conduct and ethical culture exist.	90(28.0%)	181(56.4%)	39(12.1%)	11(3.4%)
Policies regarding the importance of internal control systems are regularly communicated to all employees	109(34.0%)	152(47.4%)	45(14.0%)	15(4.7%)
There are proper segregation of duties among staff to the extent that the work of one person is checked by the other so as to prevent error and fraud.	119(37.1%)	157(48.9%)	28(8.7%)	17(5.35)
Appropriate measures are in place to discipline staffs or managers that err to serve as deterrent to others	100(31.25)	163(50.8%)	46(14.3%)	12(3.7%)

In the above table, the statement that management monitors compliance with policies and procedures and report no-compliance areas to board of director had 54.8% agreed but 13.1% disagreed. On periodic audits for compliance with codes of conduct and ethical value, 56.4% agreed to this assertion while 12.1% disagreed. Moreover, the assertion that policies regarding the importance of internal control systems are regularly communicated to all employees had 47.4% respondents that agree with that while 14.0% disagreed. 48.9% agreed to the statement that there is proper segregation of duties among staff to the extent that the work of one person is checked by the other so as to prevent error and fraud,

while 8.7% disagreed. The question on appropriate measures are in place to discipline staffs or managers that error to serve as deterrent to others had 50.8% agreed respondents and 14.3% disagreed. Management must re-examine the code of conduct and banks ethics to be sure it meet up with the realities of time. Tone at the top is key and a good signal to members of staff that is not business as usual.

#### 4.6 The effect of information Management & Technology on Fraud Prevention

<b>CONTROL ENVIRONMENTS</b>				
Bank staffs are familiar with the information management & policies in their banks	99(30.8%)	166(51.7%)	46(14.3%)	10(3.1%)
There is effective information management system to the extent that fraud practices can be revealed	94(29.3%)	179(55.8%)	34(10.6%)	14(4.4%)
Sanctions are in place for staffs link to any internet or computer related frauds	94(29.3%)	176(54.8%)	39(12.1%)	12(3.75)
Periodic review of policies on cybercrime & security access to Sensitive and financial database exist	85(26.5%)	196(61.1%)	30(9.3%)	10(3.1%)
There is regular upgraded of information technology software and anti-fraud software	93(29.0%)	186(57.95)	32(10.0%)	10(3.1%)

In the above table, it was revealed that bank staff are familiar with information management and technology policies in place in the bank was a statement that 51.7% agreed with, while 14.3% disagreed. There is effective information management system to the extent that it can prevent fraud practices in banks had 55.8% respondents agreed, while 10.6% disagreed. 54.8% agreed that sanctions are in place for staff link to any internet or computer related frauds while 12.1%

disagreed. Periodic review of policies on security access to sensitive and financial database exist in banks had 61.1% respondents agreed to this statement while 9.3% disagreed. Also, regular upgraded of information technology software and anti-fraud alert software had 57.9% respondent agreed while 10.0% disagreed. These revealed that management should be more proactive information management and deploy more anti-fraud software so that it will be difficult for fraudster both staff and outsiders to hack to the bank information database. Looking at the disagreed and strongly disagreed percentages, on the average it could be 15%, which is still high while considering an industry where the instrument of operation and dealings are currencies. More efforts must be put in place in the area of policy statement on information management and technology, so that sensitive bank information and technology does not exposed to just any staff, especially those who are Justin the entry level.

#### 4.7 Descriptive Statistics Table

	FP	TCS	RM	CS	CE	IT
Mean	0.866044	3.096417	3.070405	3.081620	3.101402	3.107165
Median	1.000000	3.000000	3.000000	3.000000	3.200000	3.200000
Maximum	1.000000	4.000000	4.000000	4.000000	4.000000	4.000000
Minimum	0.000000	1.800000	2.000000	2.000000	2.200000	2.200000
Std. Dev.	0.341137	0.323836	0.349146	0.326255	0.348398	0.348898
Skewness	2.149370	0.294382	0.180555	0.066798	0.160327	0.030182
Kurtosis	5.619793	3.630773	3.174412	3.028835	2.688249	2.870378
Jarque-Bera	338.9557	9.957929	2.150959	0.249837	2.675100	0.273464

Probability	0.000000	0.006881	0.031134	0.882569	0.022488	0.042204
Sum	278.0000	993.9500	985.6000	989.2000	995.5500	997.4000
Sum Sq. Dev.	37.23988	33.55838	39.000885	34.06156	38.84187	38.95352
Observations	321	321	321	321	321	321

(Source: Researcher Compilation, 2023).

Where:

FP = Fraud prevention

ICS = International Control System

RA = Risk Assessment

CS = Control Supervision

CE = Control Environment

IM = Information Management

The table above gives the result of the descriptive statistics conducted on the variables. From the result it was observed that fraud prevention was found to have a mean value of 0.86. This implies that some banks engaged in actions or steps aimed at eradicating or reducing to the barest minimum financial irregularities in the banking sector. It was found to have standard deviation which stood at a value of 0.34 and a Jarque Bera statistics which measure the normality of the distribution which had a value of 338.9 with an associate probability value of 0.00.

The second variable which is internal control system stood at a mean value of 3.09. The standard deviation value stood at 0.32 and Jarque Bera statistics

measuring the normality of the distribution stood at value of 9.95 with a probability value of 0.00 which was less than the critical value of 55 therefore indicating that the variables are normally distributed.

The third variable which is risk assessment was found to have a mean value of 3.07 with a standard deviation value of 0.34 and a Jarque Bera statistics measuring 2.15 with a probability value that was less than the critical 5% critical value implying that the variable is normally distributed.

The fourth variable which is control supervision was found to have a mean value of 3.08 with a standard deviation which measures the spread of the distribution stood a value of 0.32. The probability value of the Jarque Bera statistics was found to be less than the critical 5% value therefore indicating that the variables is normally distributed and the possibility of an outlier in the data set does not exist.

Control environment was found to have means of 3.10. The standard deviation measuring the spread of the distribution stood at a 0.34, the Jarque statistic measuring the normality of the distribution reveal a value of 2.67.

The last variable which is information management was found to have a mean value of 3.10 with a standard deviation of 0.34. While the Jarque Bera statistics was found to have a value of 0.27

#### **4.8 Correlation Results**

Covariance Analysis: Ordinary

Date: 10/9/23 Time: 22:35

Sample: 1 321

Included observations: 321

<b>Correlation t-Statistic probability</b>	<b>FP</b>	<b>ICS</b>	<b>RA</b>	<b>CS</b>	<b>CE</b>	<b>IT</b>
FP	1.000000 ----- -----					
ICS	0.012844 0.229419 0.387	1.000000 ----- -----				
RA	0.121410 2,184604 0.0296	0.059174 1.058729 0.2905	1.000000 ----- -----			
CS	0.036772 9.657220 0.6115	0.155990 2.820594 0.0051	0.042670 0.762810 0.4461	1.000000 ----- -----		
CE	0.025249 0.451105 0.0422	0.077599 1.390159 0.1654	0.027959 0.499562 0.6177	0.167521 3.034901 0.0026	1.000000 ----- -----	
IM	0.031719 0.566812 0.0172	0.020280 0.362290 0.7174	0.126678 2.280922 0.0232	0.138152 2.491372 0.0132	0.017013 0.303910 0.7614	1.000000 ----- -----

From the correlation table above, it is evidence that fraud prevention has a positive and significant relationship with internal control system having a t-value of 0.229419, and a p-value of 0.0387 at 5% level of significance.

The correlation table showed that fraud prevention has a positive and significant relationship with risk management having a t-value of 2.184604, and a p-value of 0.0296 at 5% level of significance.

However, the correlation table, showed that fraud prevention has a positive but non-significant relationship with control supervision having a t-value of 0;657220 and a p-value of 0.6115 R 5% level of significance.

The correlation table also showed that fraud prevention has a positive and significant relationship with control environment having a t-value of 0451105 and p-value of 0.0422 at 5% level of significance.

#### 4.9 Regression Results

Dependent Variable: FP  
 Method: ML – Binary Probit (Quadratic Hill Climbing)  
 Date: 10/09/23 Time: 22:29  
 Sample: 1 321  
 Included observations: 321  
 Convergence achieved after 5 iterations  
 Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-statistic	Prob.
C	1.260247	1.689030	0.746137	0.4556
ICS	0.628340	0.285792	0.414076	0.0488
RA	0.546459	0.257634	2.121067	0.0339
CS	0.175213	0.286311	0.611967	0.5606
CE	0.514143	0.258919	1.402223	0.0175
IT	0.639239	0.261995	2.269111	0.0278

McFadden R-squared	0.591777	Mean dependent var	0.866044
S.D. Dependent var.	0.341137	S.E. of regression	0.340954
LR statistic	5.506303	Avg. log likelihood	0.385262
Prob. (LR. Statistic)	0.357255		
Obs with Dep=0	43	Total obs	321
Obs with Dep=1	278		

The regression results above revealed that fraud prevention (FP) has positive and significant relationship with internal control system (ICS), having z-value of 0.414076 and p-value of 0.0488 at 5% level of significance. This support the study of Abiola (2013) who also found a positive relationship between internal control system and fraud prevention. The table also demonstrates that fraud prevention (FP) has positive and significant relationship with Risk Management (RM) having z-value of 2.121067 and p-value of 0.0339 at 5% level of significance. This corroborate the findings of Joseph, et al, (2015) who found that effective risk management will or event fraud occurrence which ultimately will promote growth, profitability and going concern of the banks. However, findings show that fraud prevention (FP) also has a positive and significant relationship with Control Environment (CE) having a z-value of 1.402223 and p-value of 0.0175 at 5% level of significance. This finding corroborate with the study of Rezaee (2002) and Enofe, et al. 92017) who claimed that control environment of banks can prevent fraud, minimized loss of resources, enhance reliable financial reports and compliance with laws and regulations. The regression table also shows that Fraud prevention (FP) has a positive and significant relationship with information Management & technology (IMT) having a z-value of 2.269111 and p-value of 0.0278 at 5% level of significance.

Furthermore, on the bases of individual coefficient from the above result, it can be observed that internal control system exhibited a positive relationship with dependent variable (fraud prevention) as reveled by the positive value of

coefficient, it indicates that there is 62% chances that ICS can impact on the level of fraud prevention. Risk management was found to exhibited a positive relationship with dependent variable (fraud prevention) as depicted by the positive value of coefficient. It indicates that there is 54% chance that risk management can impact on the level of fraud prevention. Control Supervision was found to exhibited a positive relationship with dependent variable (fraud prevention) as depicted by the positive value of coefficient. It indicates that there is 17% chances that Control Supervision can impact on the level of fraud prevention). As show by the positive value of coefficient. It indicates that there is 5% changes that control environment can impact on the level of fraud prevention. Information management & technology was found to exhibited a positive relationship with dependent variable (fraud prevention) as depicted by the positive value of coefficient. It indicates that there is 63% chances that information management & technology can impact on the level of fraud prevention. From the table below also, it can be observed that the model has 0.59% chance (probability) of predicting the outcome of the dependent variables as revealed by the Mc Fadden R2 value of 0.59. It was also observed that the LR statistics value of 5.5 was above the rule of thumb value which is two 2. This therefore indicates that the model is statistically significant.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This section presents the summary of findings of the study as shown section four. It also present the conclusions arising from the study and recommendations, which could draw inference on the impact of internal control system and fraud prevention in the Nigerian banking industry.

#### **5.1 Summary of Findings**

The main purpose of this research is to consider internal control system and fraud prevention in the Nigerian banking industry. The objective, significance, scope of the study were discussed in chapter one, relevant literature was reviewed in chapter two. This findings also justify the theoretical framework which is agency upon which this research work is based. In order to achieve the objective of the study, relevant data needed were gathered from various respondents through questionnaire. The data were subsequently analyzed in chapter four. Based on the hypothesis tested, the following findings emerged:

1. Internal control system has a positive and significant impact on fraud prevention in the Nigerian banking industry.
2. Risk assessment has a positive and significant impact on fraud prevention in the Nigerian banking industry

3. Control supervision has a positive but non-significant impact on fraud prevention in the Nigerian banking industry.
4. Control environment has a positive and significant impact on fraud prevention in the Nigerian banking industry.
5. Information management and technology has a positive and significant impact on fraud prevention in the Nigerian banking industry.

## **5.2 Conclusion and Recommendation**

### **2.5.1 Conclusion**

This research paper was set out to examine the impact of internal control system on fraud prevention in Nigeria banking sector. The following conclusion drawn as a result of the research work carried out. Internal control is a potent tool to checkmate fraud in the bank, therefore, there is need for more improvement in control policies review by management in order to curb all dimensions of fraud occurrence and severe punishments must be meted to any staff that err. This will serve as deterrent to others. Furthermore, access to sensitive business information among banks staff must be well management by individual who has proved themselves over the years to be loyal, dependable and reliable. Control system audit must be strengthened among banks to prevent fraud risks. There is still weak control system of financial entries, documentation and authorizations among banks. Anti-fraud software and hardware are yet to be optimized in banking

operations to mitigate fraudulent practices. Therefore, more investment need to go to procurement of anti-fraud software and hardware.

### **5.2.2 Recommendation**

The following recommendations were made;

Internal control system in Nigeria banks needs to be fortified to meet the business realities of today, this will help to eliminate all loopholes and gaps which often arises due to changes in procedures, practices, technology and government policies that have impacts on banking industry.

Banks should have a proactive fraud risk assessment program, so as to guide against any avoidable loss of customers money. When fraud risk is identified, there is need to evaluate it's frequently and the potential loss to the organization, then, management must gather reliable information to determine the quantum of the risk and the better way to control it. Proactive risk management involves ability of a process to produce data of frequency of loss, maximum possible loss, and probability distribution of loss, graphic representation and standard deviation of loss.

Information management and technology of banks must be well managed and secure through the introduction of stringent rules, guidelines, and procedures for all staffs in order to control all information usage. There must be a clandestine way of handling banks sensitive information so that some staffs do not take advantage of it to defraud the bank its customers. Nigerian banks must invest

heavily in anti-fraud software and latest hardware gadgets that can create awareness of impending fraud or fraud alert and build a strong protection around the bank database. Staffs must be constantly trained and retrained on policies, strategies and legal implication of fraudulent practices.

### **5.2.3 Recommendation for Further Research**

The study used survey method for data collection. Future researchers could explore this area of study using other data collection techniques. It can also investigate the workings of internal control system to preventing fraud in other sector of the economy. Also, more variables can be include that were not present during the cause of the study.

### **5.3 Contribution to Knowledge**

The study has contributed to knowledge in the following ways;

Management of banks must redesign their internal control framework such that it can accommodate the daily gaps being created through new technological development which banks are always quick to implement for better services.

The study advocates for employment of forensic experts with cognitive years of experience to support the auditing department in various banks. These expert must be seasoned in fraud detection and prevention. Their main responsibility will be analyzed on regular basis financial transactions with the aim of checking for

shenanigan and other likelihood of fraud and blow the whistle to management of immediate investigation and prosecution.

Management should always involve their experience staff in policies formulation and designing of internal control system for fraud prevention.

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## APPENDIX

### INTERNAL CONTROL SYSTEM AND FRAUD PREVENTION IN THE NIGERIAN BANKING SECTOR

#### QUESTIONNAIRE

I am a postgraduate students' of the department of Accounting, University of Benin. I am carrying out a research on the effects of internal system on fraud prevention in the Nigerian banking sector. May I request for 5 minutes of your time to fill this questionnaire and your honest opinions and responses to the questions will be deeply appreciated. Your responses will be treated with utmost confidentiality and for research purpose only.

Thank you

#### Section A: Bio-Data of Respondents

*Instruction:* tick (X) as appropriate

##### A. Educational qualifications

Bachelor of Science Degree or Equivalent [  ]

Above BSc. [  ]

##### B. Professional Qualification

ACA/ANAN [  ]

Others [  ]

C. Year of Experience in the banking industry

1yr- 4yrs [    ]

5yrs-8yrs [    ]

Above 9yrs [    ]

**SECTION B**

Table 1: Instruction: Tick (X) as appropriate

S/N	Fraud prevention	Yes	No
1.	Documented code of conduct and ethics values for all employees exist in your bank		
2.	Adequate control to identifying red flags for fraud occurrence exist		
3.	Physical controls such as strict restriction to sensitive files and company assets exist		
4.	Electronic surveillance, hotlines and anti-fraud gadgets for fraud prevention exist		
5.	Detailed background checks on intending employee against criminality and in competent for all employees exist.		

**Section C**

**Instruction:** Tick (X) as appropriate. SA = Strongly Agree, A= Agree, D=

Disagree, SD = strongly agree.