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Effect of internal control system on fraud prevention among deposit money banks in Kwara State, Nigeria

Oni Ayodele Samuel [1], Ishola Oluwatosin Pelumi [2], Oyedepo Odunayo Fasilat [3]
[1, 3] Department of Accountancy, School of Business and Management Studies, Federal Polytechnic Offa, Offa, Nigeria
[2] Lumex Consultancy Firm, Ilorin, Kwara State, Nigeria

Corresponding Author: **Oni Ayodele Samuel**

Abstract
Internal control is a censorious component of bank management and bedrock for the safe and sound operation of deposit money banks and it helps them to achieve long-term profitability targets and maintain reliable financial and managerial reporting. Despite the implementation of internal control measures in Nigerian banks, lack of proper evaluation mechanism of procedures and policies has led to increased fraud in banks. Hence, the study examine the effect of internal control system on fraud prevention among deposit money banks in Kwara state Nigeria. Specifically, the study examine the effect of internal control components on fraud prevention of deposit money banks and the impact of internal auditors 'involvements in risk management. The target population covered the whole deposit money banks in Kwara state. The study targeted all the 17 quoted banks in Nigeria located in Kwara state and purposive random sampling was used defined the sample frame as the researcher aimed to use one respondents in senior management, middle level management or members of the internal control departments in each bank. The study employed primary data obtained through well-structured questionnaire given to the personnel in senior and middle level management as well as the internal audit department. Descriptive statistics and ordered logit regression was used to achieve the objectives of the study. The study revealed that, there is a significant relationship between internal control system and fraud prevention of deposit money banks in Nigeria with p-value of 0.0023 at 1%, 5% and 10% level of significance. The study therefore concludes that internal control components and risk management improve fraud prevention in Nigeria deposit money banks. The study recommends that deposit money banks should put in place stronger control measures through more frequent meetings among the members of the risk management committee and also finance and investment committee.

Keywords: Internal control component, Fraud, Deposit Money Banks

Introduction

Internal control is a procedure or policy put in place by management to safeguard assets, promote accountability, increase efficiency, and prevent fraudulent practices. It has become of primary importance today in Nigeria banks; the reason being that the control system in any organization is a steeple for an efficient accounting system. The need for internal control systems in the organization, especially banks cannot be subverted, due to the fact that banking sector, which has a decisive role in the economic development of a nation, is now being characterized by macro-economic instability, slow growth in economic activities, delinquency and the risk of fraud.

Fraud is a significant reason for setting up internal control system. It has become an unfortunate staple in Nigeria's international reputation. Fraud is really gulping into the Nigeria banking system and that any bank with a weak internal control system is dangerously exposed to bank fraud (Abiola and Oyewole, 2013) [1].

A system of internal control is a critical component of bank management and a foundation for the safe and sound operation of banking organization. A system of strong internal control can help to ensure that the goals and objectives of a banking organization are been met so that the bank will achieve long-term profitability targets and maintain reliable financial and managerial reporting (Kumuthinidevi, 2016). According to Adebiyi (2017) [2], internal control is not only internal check and internal audit, but the whole system of controls, financial and otherwise, established by the management, in order to carry on the business of the company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its record.

Well founded internal control system which is always evolving requires a continuous check and re-checking of day to day activities of the business in order to ensure the correctness and fairness of the accounting records and to detect and expose any deviation when it has occurred. Having realized the prominence of internal control system, various gauge have been put into place to enhance the pertinence of the services by the use of right tools, techniques, right people and insight to suppress and detect fraudulent activities and to ensure that the pertinence of internal control system are worthwhile.

From background discussions it was unveiled that many financial institutions in Nigeria have put in place internal control system (control environment, risk assessment, information and communication and monitoring) to enhance efficiency and minimize cases of fraud. In spite of all these efforts, Nigeria is one of the countries that has been worst hit by fraud with a survey ranking it seventeenth in the world among those with highest levels of economic crime (Gibendi, 2017). Literatures has shown that feeble ethical practices, management policies and integrity issues (control environment), lack of proper evaluation mechanisms of procedures and policies (monitoring), poor risk assessment and lack of proper ways of receiving, disseminating and acting on information (information and communication) has led to increased embezzlement in financial institutions in the country. It is these provocation that necessitated the need for this study.

The objective of the study is to evaluate the effect of internal control system on fraud prevention among deposit money banks located in Kwara State, Nigeria. The specific objectives are to:

1. Evaluate the effect of internal control components on fraud prevention (FP) of deposit money banks in Kwara State.
2. Examine the impact of internal auditors' involvement in risk management and fraud prevention (FP) of deposit money banks in Kwara state.

There are many studies which stress the necessity and importance of internal control system in the banking system. A deficient internal control system often causes an inability to detect fraudulent activities and a decrease in the performance of the bank. Internal auditors' involvement in risk management is a shirk area by the previous studies which is very important and hence constitute the research gap which this current study duly considered.

The study examines the effect of internal control system on fraud detection and prevention in deposit money banks in Kwara State, Nigeria and Kwara State was chosen because only few studies has been carried out on internal control system in Kwara State.

Literature review

Internal control system

The Committee of Sponsoring Organization (COSO) defined the internal control as a process, effected by the entity's board of directors, management and other personnel designed to provide reasonable assurance regarding achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations" (COSO,2010). This definition points to the fact that internal controls create a foundation of amount of work to be carried out by the professionals charged with the function, as they are expected to ensure the precaution of the organization's funds, ensure that there is efficient and effective management of assets and that financial statements are accurate at all time. Though internal controls system cannot completely remove all errors and irregularities, it is expected that they can alert management to potential problems, which can be controlled before they escalate to big problems (Campbell and Harther, 2010) [8].

Internal control encompasses the plan of an organization and all of the coordinated methods and measures adopted within it, to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and adherence to prescribed managerial policies.

ICAN (2006) categorized controls into three major classifications as follows:

Preventive controls: These are controls that predict potential problems before they occur and make adjustments. They also prevent an error, omission or malicious act from occurring. Examples of preventive controls includes: using well-designed documents to prevent errors.

Detective Control: These controls are designed to detect and report the occurrence of an omission, an error or a malicious act. An example of detective controls includes; duplicate checking of calculations.

Corrective Control: These control helps to minimize the impact of threat, identify the cause of a problem, correct errors arising from the problem. They also correct problems discovered by detective controls and modify the problem. Examples of corrective controls are: contingency planning, back up procedures and rerun procedures.

Objectives and components of internal control system

The report of the Committee of Sponsoring Organization of the tread way commission (COSO, 2013) said that an internal control system is effective if the board of directors and the managers understand clearly the objectives of their organization, the financial statements are prepared and presented reliably and the laws and the regulations are being complied. There are three categories of Objectives, which allow organizations to focus on differing aspects of internal control:

a. Operations; this refers to the effectiveness and efficiency of the organizations operations, including operations and financial performance goals and safeguarding assets against loss.
b. Reporting; this relate to internal and external financial and non-financial reporting and may incorporate reliability, timeliness, transparency and additional terms as set forth by regulators, recognized standard setters, or the entity's policies.
c. Compliances; it relates to adherence to laws and procedures to which the entity is subject.

The committee also stated five components of the internal control systems which should be evaluated to consider the effectiveness of internal control system. More so, in identifying and assessing the risks of material misstatement through understanding the entity and its environment, auditors need to understand an entity's internal controls. To assist this process, it identifies five components of an internal

control system, which are: control environment, risk assessment, information and communication, control activities and monitoring.

According to the COSO (2011) Internal Control - Integrated framework, the following factors represent the control environment fully; Management's principles and operating cycle, Management's designating of authority and responsibility, Management's organization and development of its people, Intention and direction provided by the governing body and Principles of integrity, ethical values and proficiencies of the entity's personnel.

Risk Assessment involves identification and analysis of pertinent risks to achievement of an entity's objectives that forms the basis for determining how the risk is mollified. With reference to the COSO (2011) framework on internal control, Risk assessment is a systematic process for integrating professional judgment about probable adverse conditions and events, and assessing the likelihood of possible financial and non-financial losses resulting from their occurrence.

Control Activities are the policies and procedures that help ensure management's directives are carried out and the necessary actions taken to address risks to entity's objectives, COSO (2011). Control activities occur at all levels and functions of the entity. It involves approvals, authorizations, verifications, and reconciliations, review of operating performance, security of assets and division of duties.

Information and Communication involves identification, capturing and communicating important information to the organization effectively (COSO, 2011). Both upward and downward communication channels should be established in the information and communication system. This enables the employees to easily perceive the management's expectations and the management to have a logical understanding of the employees' interest.

Monitoring Activities involve a series of actions that compels the quality of the internal control system's performance over time. Monitoring assesses and seeks to mitigate the risks that internal controls within an organization will not provide reasonable assurance that the operational, reporting and legal/regulatory objectives are met, COSO (2011).

Internal control and its roles in Banks

A well-structured internal control is a censorious element of bank management and a bedrock for the safe and sound operation of banking organizations. A system of strong internal controls can help to ensure that the goals and objectives of a banking organisation will be met, that the bank will achieve long-term profitability targets, and maintain reliable financial and managerial reporting. Internal control can also help to ensure that the bank will conform to laws and regulations as well as strategies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the bank's reputation. The role of internal control is to help the banks achieve specific goals or objectives (Graham, 2015). COSO Framework's role is to drive internal controls and to allow the understanding of these goals using improved banks performance and governance.

The main objective of internal control system for banks is to constantly track the affinity of all banking applications with international auditing standards, banking laws, regulations and rules to solve problems that may arise where necessary. In addition to this, with an effective internal control system, erroneous, fraudulent transactions and irregularities are less likely to happen in the banking sector (Ozten and Kargın, 2012).

A properly designed and constantly enforced system of operational and financial internal control helps a bank's board of directors and management safeguard the bank's resources, produce reliable financial reports, and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

Fraud

Hornby (2000) [12] defines fraud as an act or an instance of deceiving people in order to make money or obtain goods illegally.

Primarily, fraud can be classified into two, which includes: (i) Management fraud and (ii) Employee fraud.

Management fraud is sometimes called fraudulent financial reporting. It is usually committed by the management staff of an organization, which includes directors, general managers and managing directors. The classes of victims of management frauds are investors and creditors and the instrument of perpetration is financial statement. The essentiality of management fraud most times is to entice more shareholders to invest in the organization.

Employee fraud: These are frauds that are executed by the employees of the organization. Robertson (1996) defines it as the use of fraudulent means to take money or other property from an employer. It usually involves deception of some kind, like false documents, lying, exceeding authority, or violating an employer's policy, embezzlement of company's funds. Employee fraud is more likely to be encountered where internal controls are weak.

Determinants of unethical practices in the banking industry

Gbegi and Adebisi (2015) [10] gave account of thirty three types of bank frauds in the banking sector. These includes theft, authorized lending, mail transfer, computer frauds, fake payments, robbery, embezzlement, defalcations, forgeries, substitution, suppressions, payment against unclear effects, lending to ghost borrowers, kite flying and cross firing, unofficial borrowing, foreign exchange malpractice, impersonation, over involving, manipulation of vouchers, fictitious accounts, over and under valuation of properties, false declaration of cash shortages, falsification of status reports, duplication of cheque books, interception of clearing cheques, teeming and lading, and others.

The above several types of unethical practices in banks, serve as ultimatum to the success of many banks. If appropriate preventive and detective measures are not put into place, it could steer to total failure of financial institutions mostly banks in Nigeria.

Causes of Bank Frauds

There are many identified causes of fraud in banks. They differ from institutional to economic, social, psychological, legal, and even infrastructural causes. The precipitate causes of frauds globally as provided by Adebiyi (2017) [2] comprises the following: i) Availability of opportunities to prolong frauds and forgeries; ii) Human greed, cupidity, insecurity; iii) Poverty; iv) Predominate inappropriate social values, moral and spiritual depravity; v) escalating

unemployment; vi) intensify financial burden on individuals; vii) Misapplied intelligence; viii) Job insecurity; ix) Social misconception ; x) Societal supposition; xi) Incompetent training of personnel; xii) Detrimental comparison; xiii) Revenge; xiv) Peer group pressure; xv) Non adherence to ethical standards; xvi) Leadership by bad example; xvii) Poor recruitment policies; xviii) Frustration of staff; ixx) Increasing and changing sophisticated in technological equipment; xx) Inadequate training of manpower; xxi) Societal indiscipline ; xxii) Risk on fraudsters may be low ; xxiii) Absence of effective machinery that guarantee severe punishment for fraudsters and forgers; xxiv) Weak management control, monitoring and supervision and xxv) Feeble internal control system of the bank. Actually, there are many causes of bank frauds, but feeble internal control system stands as a major cause of frauds in banks. Therefore, it is appropriate that suitable, structured and effective internal control system should be in place in every bank in order to reduce this mishap called FRAUD.

Effects of fraud on Nigerian Banks

Fraud is perhaps the most catastrophic of all the risks confronting banks. The enormity of bank frauds in Nigeria can be inferred from its value, volume and actual loss. A good number of banks' frauds never get reported to the appropriate authorities, rather they are concealed partly because of the personalities involved or because of concern over the negative image/effect that disclosure may cause if information is exposed to the banking public. The banks' customers may lose their confidence in the bank and this could cause a hitch in the growth of the bank. Fraud leads to loss of money, which belong to either the bank or customers. Such losses may be absorbed by the profits generated during the trading period and thus reduces the amount of profit, which would have been available for distribution to shareholders. Losses from fraud which are incorporated into equity capital of the bank threatens the bank's financial health and limit its ability to extend loans and advances for profitable operations. In extreme cases rampant and large incidents of fraud could lead to a bank's failure.

Fraud can increase the operating cost of a bank because of the added cost of installing the necessary machinery for its prevention, detection and protection of assets. Moreover, dedicating valuable time to safeguarding its asset from fraudulent personnel distracts management. Overall, this unproductive diversion of resources always reduces outputs and low profits which in turn could retard the growth of the bank.

It also leads to a declining effect on the asset quality of banks. The problem is more threatening when compounded by insider loan abuses. Indeed, the first generation of liquidated banks by Nigeria Deposit Insurance Corporation (NDIC) was largely a consequence of frauds perpetrated through insider loan abuses. If this problem is not adequately handled, it could lead to distress and bank failures.

Fraud prevention

Fraud has been existing throughout history and has taken many different magnitude. Bank fraud has increased with advent of the banking industry, and has been aided by the technological innovations and the extensive use of the Internet. According to the fraud triangle (Josiah, Idogel and Godwin, 2017) [13] for fraud to materialize the three components which are pressure, rationalization and opportunity should be present. Bank employees have proficiency of the systems, confidential information and technological advancement which can easily enable them to perpetrate fraud. According to Abiola and Oyewole (2013) [1], fundamental obligation for the detection and prevention of inaccuracies and irregularities is vested with management. This obligations arises out of a legitimate duty of care by directors and managers and also they both act in stewardship capacity as it relates to the property entrusted to them by the shareholders or other owners. Tunji (2013) equally said that the obligation for the prevention and detection of fraud and inaccuracies, within an enterprise, is vested with the management. This obligation is discharged by management, through the formation of an appropriate system of internal controls, including internal check and internal audit.

It is therefore, obvious that the management of any banking organization is totally responsible for the prevention and detection of fraud, majorly by the establishment of an adequate, efficient and effective internal control system.

Theoretical Framework

The Fraud Triangle Theory

The fraud triangle theory emanated from Donald Cressey's hypothesis: "Trusted persons can easily breach trust when they conceive of themselves as having a financial hurdle which is non-shareable, are aware this hurdle can be secretly resolved by breaching the position of financial trust, and are able to apply to their own conduct in that situation which enable them to remodel their perceptions of themselves as trusted persons with their notion of themselves as users of the entrusted funds or property" (Akelelo, 2012).

This theory was propounded by Cressey in 1973. Fraud triangle theory pinpoint factors that lead offenders to commit fraud. Fraud triangle theory identify three major factors that are present in any fraud circumstance: (a) perceived pressure, (b) opportunity, and (c) rationalization. Fraud cannot happen in truancy of the aforesaid factors and the gravity of the fraud will depend on the strength of the above factors. The factors are explained below under each heading.

Perceived pressure for committing fraud in financial institutions

Pressure in case of fraud can be likened to the rationale, that is, what in one's life that steer one to perpetrate fraud. Pressure sometimes presume personal situations that initiate a demand for more money; such situations might include vices like drug use, gambling and merely life events like a spouse losing a job. Subsequently, pressure arises from problems on the job; unrealistic performance targets may provide the motive to perpetrate fraud**.** Motivators can also be non-financial like high pressure for good results at work or a need to cover up someone's poor act. Obsessions such as gambling and drugs may also lead someone to perpetrate fraud (Alhassan, 2018) [5].

Opportunity for committing fraud

The Opportunity to commit fraud is feasible when employees have access to assets and information that allows them to both perpetrate and cover up fraud. Employees are given access to records and valuables in the ordinary course of their jobs. Regrettably, that access allows people to perpetrate fraud. Over the recent years, managers have become responsible for a wider range of employees and functions. This has led to more access for them, as well as more control over functional

areas of companies. Access must be limited to only those systems, information, and assets that are truly obligatory for an employee to complete his or her job, opportunity is created by weak internal controls, poor management and/or through use of one's position and influence. Failure to create adequate policies to detect fraudulent activity also increases the opportunities for fraud to materialize.

Rationalization of committing fraud in financial institutions

There are two facet to rationalization: (1) the fraudster must conclude that the benefits to be realized from a fraudulent activity supersede the possibility for detection. (2)The fraudster needs to substantiate the fraud. Justification can be related to job dissatisfaction or perceived entitlement, or a current intent to make the victim whole sometime in the future, or saving one's family, possessions or status. Rationalization is discernable by observation of the fraudster's comments or attitudes.

Fraud diamond model

Wolfe and Hermason (2004) presented the fraud diamond model where they introduced another view on element contributing or leading to fraud. The model adds another variable "capabilities" to the three factors in the theory of fraud triangle theory. Wolfe and Hermason (2004) proposed that although perceived pressure might coincide with an opportunity and rationalization, it is unlikely for fraud to occur unless the fourth factor that is, capability is also present. In other words, the prospective executor of crime must have the expertise and ability to perpetrate the fraud. Several frauds would not have materialized without the right person with right capabilities implementing the fraud. They suggested four observation traits for perpetrating fraud.

- Authoritative position or function within the organization.
- Capacity to understand and exploit accounting systems and internal control.
- Confidence that he/she will not be detected, or if caught, he/she will get out of it easily.
- Capability to deal with the stress created within and otherwise good person when he or she commits bad act.

Management must keep in mind that basis to commit fraud can either be personal pressure, employment pressure, or external pressure and each of these types of pressure can also occur because of financial and non-financial pressure (Gbegi & Adebisi, 2015) [10]. Therefore, the four observation factors are important in the internal control system assessment for effective fraud prevention in DMBs.

Empirical Review

Olatunji (2009) examined the impact of internal control system in banking sector and find out that lack of an effective internal control system is the major cause of bank frauds in Nigeria. The study concluded that the management of every bank should develop and initiate a standard internal control system, strong enough to stand against the perpetration of fraud in order to promote continuity of operations and to ensure the liquidity, solvency and going concern concept of the bank.

Wanyama (2012) [17] investigated the effectiveness of fraud response strategies adopted by co-operative bank of Kenya limited and concluded that ineffective strategies cannot adequately control fraud.

Akelelo (2012) carried out research on fraud in the banking industry in Kenya including those in Meru County found that fraud is still rife in the country. However in her study she did not focus on how ICS can be used to control fraud in deposit taking financial institution. Thus this study examine ways ICS (control environment, risk assessment, information and communication and monitoring) can be used as means to control fraud in deposit taking financial institutions area of study being Imenti North Sub-County.

Ajala, Amuda and Arulogun (2013) analysed the evaluation of internal control system as a preventive measure of fraud in Nigerian banking sector. Data was sourced from five commercial banks audited and published financial statements and were analyzed with the use of product moment correlation coefficient and regression analysis. The study find out that internal control system has significantly prevented and suppress frauds in Nigerian banks. The study concluded that bad corporate governance was responsible for inappropriate designing of internal control system which could have led to poor corporate performance of Nigerian banks.

Tunji (2013) [16]**,** in his research on effectiveness of ICS as remedy for distress in banking industry in

Nigeria noted that collapse of internal controls system in any organization will lead to the failure or foundering of the organization.

Bayyoud and Sayyad (2015) studied the impact of internal control and risk management on Banks in Palestine. The study identify the impact of new banking reformations and rules on the risk assessment, identification and reduction in banks. They find out that overall internal control and risk management systems in Palestine have positively affected the Banks in terms of quantitative as well as qualitative performance.

Asiligwa, G.R (2017) [6] examined the effect of internal controls on the financial performance of commercial Banks in Kenya. The study used the 43 commercial Banks in Kenya. Primary data was collected using an analytical questionnaire. The findings revealed that the Banking system appreciates a strong financial performance partly because of implementing and maintaining effective internal controls.

Alhassan, H. (2018) [5]. Investigated fraud detection and internal control measures in Deposit Money Banks (DMBs) in Nigeria. The study used both primary and secondary data. Regression analysis was used to analysis the data. The findings reveals that internal control measures have dissentious effect on fraud detection and prevention.

Methodology

The study adopted cross-sectional survey research design. According to Cooper and Schindler, (2014), this kind of research design is adopted when the researcher is apprehensive in finding out the research problem identified with categorical issues to be responded to by the respondents. The population of the study covered the whole deposit money banks in Kwara state. Purposive random sampling used defined the sample frame as the researcher aimed to use one

respondents in senior management, middle level management or members of the internal control units in each bank. Primary source of data was used to provide background information for this study which was obtained using well-structured questionnaire given to the personnel in senior and middle level management and the internal audit units. Both descriptive and inferential statistical techniques were used to analyze the data obtained via self-administered questionnaires. Percentages and frequencies were used for descriptive statistical analysis. However, ordered logit regression analysis was employed for inferential statistical analysis.

Model specification

The study adopted the model of Asiligwa (2017) [6] which was stated as follows:

Fraud Prevention=*f (internal control components)* i

FP=*f* (CE, RA, IC, MT) ……………………………………ii

Econometrically, it was stated as:

$FP= ao+a_1CE+a_2RA+a_3IC+ a_4MT+\mu$ ……………….......iii

Where:

FP=Fraud Prevention
CE= Control Environment
RA= Risk Assessment
IC= Information and Communication
MT = Monitoring
μ is the error term

The study modified the equation as follows:

FP=*f* (CE, RA, IC, MT, CA, IARM ……………….....….iv

Econometrically, it was stated as:

$FP_i= ao+a_1CE_i+a_2RA_i +a_3IC_i +a_4MT_i +a_5CA_i +a_6IARM_i$ …v

Where:

FP= Fraud Prevention
CE= Control Environment
RA= Risk Assessment
IC= Information and Communication
MT=Monitoring
CA= Control Activities
IATC= Internal Auditor's involvement in Risk Management
μ is the error term

Data analysis and discussion of findings

Table 1: Questionnaire Descriptive Analysis

Questionnaire	Frequency	Percentage
Returned	89	89%
Not Returned	11	11%
Total	100	100%

Source: Field Work, 2020

Table 1 shows that out of 100 copies of questionnaire administered to various banks' officials, 89 copies of questionnaire were fully filled and returned which represent 89% while the remaining 11 copies of questionnaire which represent 11% were not returned to the researcher.

Table 2: Respondents' Years of Experience in the Organization

Years of experience	Frequency	Percentage
Below 5 years	24	27%
6-10 years	55	62%
11 years and above	10	11%
Total	89	100%

Source: Field Work, 2020

Table 2 shows the years of experience of the sampled respondents. 24 respondents representing 27% of the total respondents have below five year(s) working experience in the bank, 55 respondents representing 62% of the total respondents have between 6 to 10 years of experience in the banking sector, while 10 respondents representing 11% of the total respondents have eleven years and above of working experience in the bank. The results of the survey shows that the respondents have the essential experience to provide the required answers to the questionnaire.

Table 3: Category of Respondents

Variables	Frequency	Percentage
Branch Manager	14	16%
Operational Manager	21	24%
Internal Control Officer	17	19%
Cash Officer	17	19%
Teller	20	22%
Total	89	100%

Source: Field Work, 2020

Table 3 showed the data obtained, 14(16%) of the respondents are branch managers, 21(24%) are operational managers, 17(19%) are internal control officers, 17(19%) are cash officers while 20(22%) are tellers.

Table 4: Ordered logit estimates for Fraud Prevention (FP)

Variables	Coefficient (dy/dx)	Std Error	Z-stat	Prob
Control Environment	2.9801	41.544	0.0717	0.0904*
Risk Assessment	3.2699	0.4154	7.8716	0.0000***
Information and Communication	0.4701	0.2223	2.1147	0.0081***
Monitoring	0.1859	0.0861	2.1591	0.0016***
Control Activities	0.3726	0.1364	2.7316	0.0255**
Internal Auditors' Involvement in Risk Management	0.0904	0.0251	3.6015	0.0207**
Pseudo R^2	0.3878			
LR-chi2	41.73			
Prob (chi2)	0.0023			

Source: Field Work, 2020

Notes: *,** and *** denotes statistically significant at 1%, 5% and 10% significance level respectively.

Table 4 presents the ordered logit regression result for the investigation of the effect of internal control system on fraud prevention among deposit money banks, ordered logit regression was estimated with fraud prevention (FP) as the dependent variable and control environment (CE), risk assessment (RA), information and communication (IC), monitoring (MT), control activities (CA) and internal auditors' involvement in risk management (IARM) as the independent variable. The result shows that all the independent variables are positively related to fraud prevention. This means, the better the implementation of these variables, the more likelihood of high fraud prevention rate in deposit money banks. The result also indicates that all the independent variables (CE, RA, IC, MT, CA, and IARM) are statistically significant at 10%, CA and IARM at 5% while RA, IC and MT at 1% level of significant at 10% CA and IARM at 5% error of the coefficients of the variables 2.9801, 3.2699, 0.4701, 0.1859, 0.3726, 0.0904. Coefficient of a variable is said to be significant if the standard error is less than half of the value of the coefficient.

The pseudo R^2 in the ordered logit regression models does not capture the extent of variation in dependent variable explained by the independent variables. Therefore, the pseudo R^2 is not used as a measure of fitness of the model as does in ordinary least square models. The fitness statistic used in these models is the Log Ratio (LR) chi-square statistics reported along with the coefficient estimates in table 4. A model is acknowledged to have a good fit when the P-value of the LR statistics is less than the traditional levels (1%, 5% and 10%) of significance used in social and management sciences. Contrarily, the fitness of the model is said to be bad. The Log Ratio statistics of the ordered logit regression models presented in table 4 is 41.73 with P-value 0.0023. This shows that all the models have a good fit and their results are valid and plausible for tenable policy inferences.

Discussion and Findings

In viewing the variables individually, Internal Control System (control environment, information and communication, risk assessment and monitoring) showed both positive and significant relationship with banks fraud prevention. This denote that the control measures taken by the management of banks will be effective in the prevention of fraud. This is in consistence with the findings of; Asiligwa (2017) [6]; Bayyouud and Sayyad (2015); Tunji (2013) [16]; Olatunji (2009) [14].

Furthermore, these findings conform to the theory of fraud triangle which stems from the idea that the opportunity to commit fraud in the bank is characterized by employees' access to assets and information that present them with double edge of committing and concealing fraud. If the banks environments are managed through proper monitoring, banks risk are assessed at interval and internal auditors are involved in risk management, the risk of errors would be curtailed thereby reducing the possibility of banks fraud.

Conclusions and Recommendations

Fraud in the banking sector is now becoming a universal phenomenon. It general impose hardship on banks owners, customers and their family members, as most bank failures are identified with large scale frauds. The prevention and detection are basically the duty of the management, through the formulation of an effective and efficiency internal control system. From the findings, the study also concluded that internal control system (control environment, risk assessment, information and communication, control activities and monitoring) have impact on fraud prevention among deposit money banks in Kwara State, Nigeria. The following recommendations are made based on the findings of the study:

1. Management should always ensure that, risks are effectively assessed, managed and laws and regulations are stringently complied with.
2. The study recommends that deposit money banks should put in place stronger control measures through more persistent meetings among the members of the risk management committee and also finance and investment committee.
3. Proper cash monitoring should be carried out on regular basis since cash remained the most sensitive asset to theft.

The study also recommends that the management of banks seal all outlet that may create opportunities for undermining of internal control systems by putting in place tight fraud handling policies; put in place policies on lifestyle audits, report all employee related frauds to relevant investigative authorities and take a pro-active and aggressive risk assessment approach.

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