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INTERNAL CONTROL SYSTEM AS A MEANS OF PREVENTING FRAUD IN FINANCIAL INSTITUTION IN NIGERIA

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Key words: *Financial Institutions, Fraud, Prevention, Internal Control System.*

ABSTRACT

This study was carried out with the aim of appraising internal control as means of preventing fraud. In order to actualize the objectives of the study, various literature and theoretical issues were discussed. The instrument used for the purpose of this research was gathered through primary and secondary sources. The primary source is through questionnaires while the secondary source extracts from textbooks by different authors, journals and other publications. The mass of information generated from the questionnaires was summarized in form of table and analyzed using simple percentage. The researcher administered two hundred (200) questionnaires to respondents, out of which one hundred and sixty (160) were retrieved for the purpose of presenting and analyzing responses to issues raise in the questionnaires. The data collected was analyzed using Z-test statistical tool. The findings from analysis revealed among other things that, lack of a good internal control is a major cause of fraud in financial institution. We therefore recommend that management of every bank should create and establish a standard internal control system, strong enough to stand against the wiles of fraud in order to promote continuity of operations and to ensure the liquidity or solvency and going concern concept of the banks.

1. INTRODUCTION

The world has in recent past witnessed all sort of frauds despite various rules and regulation put in place by diverse regulatory agencies and government of independent nations (Uket & Joseph, 2011), failures of financial institutions and widespread losses over past decades have revealed the importance of internal control system within the formal financial sector worldwide. According to (Hartman, 2013), internal control system is very important to all types of financial institutions and it help to establish procedures for the protection of an organization most valuable assets. Although no system is completely foolproof, but with properly implemented and consistent practice of internal controls, financial institutions can successfully reduce or eliminate fraudulent activity (Anita, 2010). An organization's internal control system is comprised of the control environment, risk assessment, control procedures, monitoring, and information & communication system. It includes all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objectives, ensuring, as far as practicable, the orderly and efficient conduct of their business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The control environment is an organization's overall attitude toward controls. It is the tone at the top. Risk assessment is the process of identifying the risks faced by an organization. Once these risks have been identified then specific control procedures can be designed and implemented to address them. Monitoring is important to ensure that controls are functioning as designed. And Management uses an organization's information and communication system to maintain the system of internal controls.

Every good system of internal control must be able to assist an organization carry on its business in an effective and efficient manner. It must be capable of sustaining credible adherence to management's policies, safeguard its assets, and be able to guarantee complete recording of all its business transactions. A good system must exist to correlate responsibility with authority regarding the whole process of financial reporting and other spheres of the organization's activity (Hamid, 2004). Internal control systems must be effective, particularly in banking organizations where their stock-in-trade is cash. Ineffective internal control systems can result to high financial losses to banking organizations and their customers, the depletion of shareholders' fund, as well as loss of confidence by the public. Problem of frauds and forgeries are endemic and is spreading like Harmattan fire in Nigerian banking industry. Frauds have assumed a frightened scale and are having sophisticated depression on the general economy (Akindele, 2011). To say that the banking sector of Nigerian economy has become a terrain for various appalling corrupt and fraudulent practices, is to say the obvious. Fraud in Nigerian financial institution has lately become a source of embarrassment to the nation as apparent in the seeming attempts of the law enforcement agencies to successfully track down culprits. Although the incidence of fraud is neither limited to the financial institution nor peculiar to Nigeria economy, however the high rate of fraud within the financial institution, calls for urgent attention with a view to finding solutions. Fraud in its effect reduces organizational assets and increases its liabilities. With regards to banking industry, it may engender crises of confidence among the banking public; impede the going concern status of the institution and ultimately lead to institutional failure. (Adeyemo, 2012). The studies therefore focus on internal control system as a means of preventing fraud in financial institutions with special reference to banks in Makurdi, Benue State, Nigeria.

With the above little introduction on the subject matter, it leads us to the problem of the study. In a civilized society, financial institutions are safe havens for hard-earned funds of customers and depositors. The prevalence of fraudulent practices in the Nigerian banking industry has affected the franchise and reputation of many banking organizations over the years. During the period, February 1951 and May 1952, 18 indigenous banks were registered. All of them failed without any exception within a short period. The failure of these indigenous banks was as a result of lack of banking expertise and non-prudent lending policies (Olalusi, 1997). History has it that by 1952, a total of 25 banks closed their doors to depositors in Nigeria with consequent untold hardship for customers. There is a story of a customer of Farmers' Bank Limited who on finding that his bank had closed it doors indefinitely, suffered a heart attack and dropped dead by the bank premises (Abdullahi, 2002). Losses from fraud in the banking industry have remained high, and are likely to increase further as merchant banks converting to commercial banks have limited experience in commercial banking and are vulnerable to operational errors and frauds. These trends and the growth of unsound banks in 2002 were indeed worrisome and made many Nigerians to fear the survival of the industry. Is it that the internal control measures put in place by banks in Nigeria are not effective or the role of managements in ensuring strict compliance to internal control system is below expectation? To what extent does in-effective Internal control systems threaten corporate survival in the Nigerian banking industry? Can corporate survival be ensured by good internal control system? What are the implications of non-compliance by banks with statutory regulations (CAMA'90, BOFIA' 91, the Nigerian Anti-Money Laundering Act of 2022, the Advance Fee Fraud & other fraud related offences Act 2006) and monetary circulars issued by the CBN on their internal control systems and corporate survival? With aforementioned statement of research problem, we can state the objectives of the study.

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1.1 Objectives

The main objective of this study is to examine the internal control system as a means of preventing fraud in financial institutions and specific objectives are as follows:

i. Examine whether lack of good internal control can cause fraud in the financial institution.
ii. Determine if law enforcement agencies successfully track down and prosecute culprits.
iii. Ascertain if good corporate governance influence fraud prevention in Nigerian institutions.

1.2 Hypotheses

H_{o1}: Lack of a good internal control is not a major cause of fraud in financial institution.

H_{o2}: Law enforcement agencies do not successfully track down and prosecute culprits.

H_{o3}: Good corporate governance does not influence fraud prevention in Nigeria financial institution.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of Internal Control System

A system of internal control consists of policies and procedures designed to provide management with reasonable assurance that the company would achieve its goals and objectives. These policies and procedures are often called controls, and collectively they comprise the entity's internal control. Ewa and Udoayang (2012), opine that there are enormous external pressures both in business and social lives of individuals all over the world. In fact, there are disappointments in various relationships be it marriage, friendship or business. Man is insatiable and invents various schemes to defraud the organizations they are working in or transacting business with. Organizations are experiencing business failures most of which are manmade and are avoidable. The world has in recent past witnessed all sorts of frauds despite many rules and regulations put in place by various regulatory agencies and governments of independent nations. Business failures have an economic implication which is disastrous to the economy of nations. Similarly, (Akindele, 2011), contend that, a sound and effective internal control system will not only prevent fraud but will at an early stage detect it. He said that corporate organization can only reduce the occurrence of fraud by ensuring conclusive, satisfactory and comfortable working conditions of staff and also to prepare for the inevitability of the occurrence so as not to lose too much operating time whilst

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dealing with the occurrence. According to him, corporate organizations should also ensure that there is segregation of duties, efficient internal controls, jobs satisfactions and job enrichment. Amudo and Inanga, (2009), buttress that internal control system is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries. A proactive preventive approach to the problem requires a critical evaluation of existing internal control structures in organizations to determine their capacity to ensure that the organization's activities are carried out in accordance with established goals, policies and procedures.

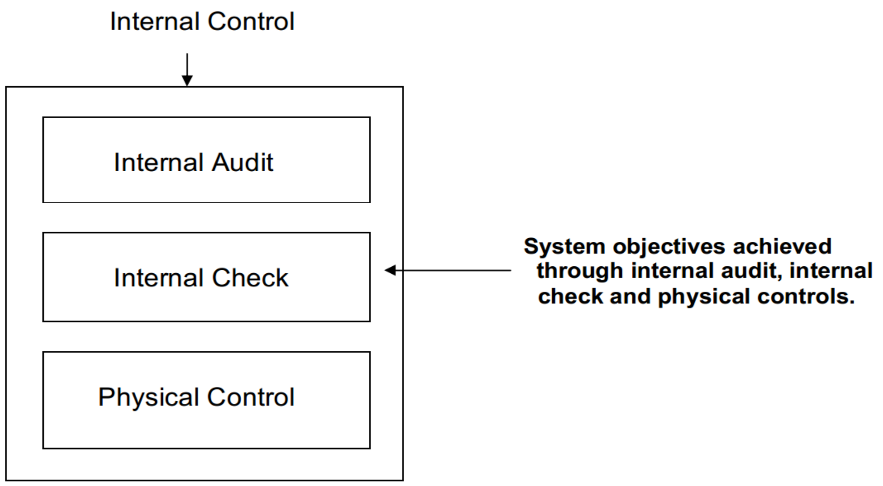
2.1.2 Components of Internal Control System

Various studies in the literature have discussed extensively what are believed to be components of internal control systems. Woolf (1985), for instance, identifies the following three essential components of internal control systems:

i. Internal Audit
ii. Internal Check, and
iii. Physical Controls

This suggest that the overall objective of achieving good internal control system is obtainable through (a) regular and effective internal audit (b) provision of good internal checks or simply the use of checks and balances in all functions and operations; and (c) the use of physical measures such as lucks and safes where necessary to guarantee the safeguard of assets. Fig. 1 is used to depict the relationship between internal control, internal audit, internal check and physical controls.

Figure 1 Composition of Internal Control System



Source: *Damagum*

To ensure effectiveness of internal control systems, the following elements have to be provided for (Damagum, 2003):

i. Proper documentation and classification
ii. Recording of transactions
iii. Restrictions of access to resources and records Proper Documentation and classification:

Adopting from the work of (Dandago, 2003), which his work contends that the following are the types of control that are to be put in place in any organization both public or private to make the organization strong. I therefore put together to have the acronym as PAPAMOSSA-B which stands for:

P	=	Physical Control
A	=	Authorization and Approval
P	=	Personnel Control
A	=	Arithmetical and Accounting Control
M	=	Management Control
O	=	Organizational Control
S	=	Segregation of Duties
S	=	Supervision Control
A	=	Acknowledgement Control
B	=	Budgetary Control

A. Physical Control

This is about custody of assets and it involves procedures and security measures designed to ensure that access to assets (both current and fixed) is limited to authorize persons only. This control is specifically important in the case of valuable, portable, exchangeable or desirable assets.

B. Authorization and Approval

This requires that all transactions should be authorized or approved by an appropriate person. The maximum amount of expenditure to be incurred by officers and bodies/committees at various levels should be clearly spelt- out

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C. Personnel Control

Procedures should be designed to ensure that personnel operating a system are competent and motivated to carry out tasks assigned to them. The recruitment system must give premium to skills, qualification and competence.

D. Arithmetical and Accounting Control

This control requires that an effective bookkeeping and accounting system needs to be put in place.

E. Management Control

These are controls exercised by the management, which are outside the day-to-day activities of the organization. Cost and management accounting systems, auditing systems, etc.

F. Organizational Control

Every organization should have an organization chart, which should adequately define and allocate responsibilities; each function specified by the chart must be under a specific person who is to be seen as the responsible officer. When authorities are delegated, responsibilities must be clearly specified.

G. Supervision Control

There should be an upward reporting and downward supervision. The span of control should be clearly defined for effective supervision.

H. Segregation of Duties

This is a general term, which means separation of duties. Duties normally segregated are those of custody, recording, authorization/approval and execution.

I. Acknowledgement Control

For every transaction need to be acknowledge by those that are in position to do so because there were a lot of manipulation due to long transaction circle, with minimum transparency and general lack of confidence in the system.

J. Budgetary Control

In resource allocation, due diligence and budget discipline and budgetary controls must be emphasized.

2.1.4 Characteristics of a Good Internal Control System

The system controls are integrative the whole system being more than the parts. Controls are sustained through the financial process by the use of control accounts and/or through the other mediums, which could relate to physical restriction of access to the organization's assets or liabilities (Owoh, 2003). Internal controls could be a creation of management by its own accounting personnel, or through the use of external consultants or external auditors who may be required to act as financial and administrative advisers. Every system of internal control must be able to assist the organization carry on its business in an effective and efficient manner, it must be capable of sustaining credible adherence to management's polices, safeguard its assets, and be able to guarantee complete recording of all transactions. In doing this, the transactions thus recorded must have the potency of substantial reliability. A good system must exist to correlate responsibility with authority regarding the whole process of financial reporting and other spheres of the organization's activity. For effectiveness and efficiency, there must be a well-defined concept of the organization.

2.1.5 Characteristics of an Effective Internal Control System

Owoh, (2003), contends that effective internal control system that should be able to prevent and detect fraud must possess the following characteristics:

(i). Character of Human Resources,

(ii). Time-compliant,

(iii). Reliability of Control Mechanism

(iv). Measurability of Internal Controls Variables and

(v). Structure Based Accounting System

2.1.6 The Effects of Weak Internal Control System

Weak or ineffective internal control system as argues by (Owoh, 2003), lead to the falsification of financial information, concealing fraud and defalcations. The bank's downfall was brought about by its trader- Nick Leeson- who committed the Bank to highly speculative derivative transactions. In its investigation of Baring's collapse, the Bank of England attributed Leeson's unauthorized trading activities to the absence of effective internal controls. A satisfactory level of internal control could have mitigated such an opportunity. Basel Committee Report as reported by (Collins, 2000), describes the following lessons that can be learned from internal control failures in a banking organization.

a. Management Oversight and the Control Culture,
b. Risk Assessment,
c. Control Activities

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2.1.7 Concept of Fraud

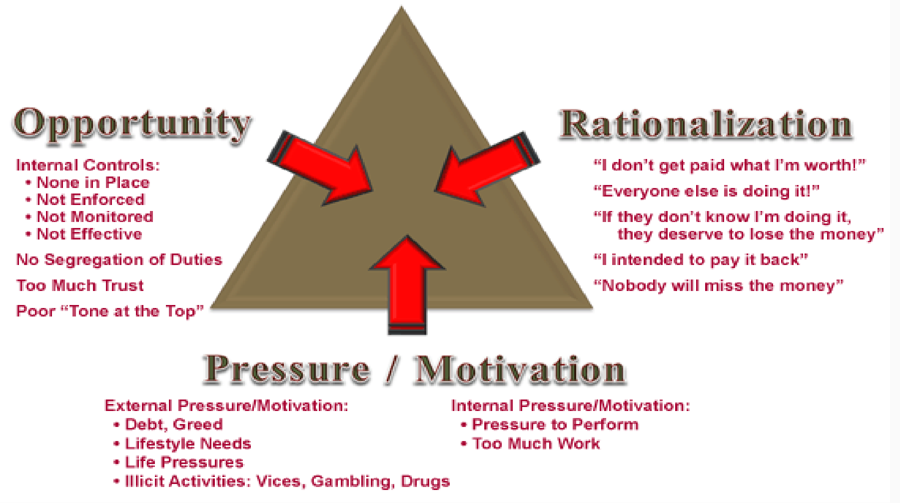
Fraud has grown rapidly over the last few years, and there is a growing trend for large organizations to consider hiring professionals such as forensic accountants to reduce the pressure and potential of occupational, financial frauds. ACFE, (2014), and Sutherland, (2008), occupational fraud is the process of using one's occupation or responsibility to satisfy his personal interest by enriching himself through the deliberate abuse of power. Abuse of power by the fraud perpetrators includes deliberate mismanagement, and misrepresentation of organizational resources (fixed and current assets). Regardless of the type or nature of the sectors, various category of financial crime and other types of occupational are taking place such as swindles and employee trust violations (ACFE, 2010; Kiragu, Wanjau, Gekara, and Kanali, 2013). Manurung and Hadian, (2013), fraud can be defined as: “Any act, expression, omission, or concealment calculated to deceive another to his or her disadvantage, specifically, a misrepresentation or concealment with reference to some fact material to a transaction that is made with knowledge of its falsity. And or in reckless disregard of its truth or falsity and worth the intent to deceive another and that is reasonably relied on by the other who is injured thereby.

2.1.8 The Fraud Triangle Theory (FTT)

To appreciate the similarities and differences between FTT and FDT, it is important to begin with Cressey’s FTT (1950). In1950, Donald Cressey, a criminologist, started the study of fraud by arguing that there must be a reason behind everything people do. Questions such as why people commit fraud led him to focus his research on what drives people to violate trust? He interviewed 250 criminals in a period of 5 months whose behavior met two criteria: (i) initially, people are accepting responsibilities of trust in good faith, and (ii) circumstances make them violate the trust. He relates that three factors (pressure, opportunity, and rationalization) must be present for an offense to take place. Cressey further states the following: “Trust violators, when they conceive of themselves as having a financial problem that is non-shareable and have knowledge or awareness that this problem can be secretly resolved by a violation of the position of financial trust. Also, they are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property” (Crassey, 1953).

The three elements of fraud summarized by Cressey (1953) are commonly presented in a diagram shown in Figure 2. The top element of the diagram represents the pressure or motive to commit the fraudulent act while the two elements at the bottom are perceived opportunity and rationalization (Wells, 2013 in Rasha and Andrew, 2012). Over the years, the fraud proposition has become well-known as the FTT.

Figure 2. Fraud Triangle



Source: Cressey (1953)

2.1.9 The Fraud Diamond Theory (FDT)

The FDT was first presented by (Wolfe and Hermanson, 2004). It is viewed as an expanded version of the FTT. Figure 3 shows the diagram for FDT. In this theory, an element named capability has been added to the three initial fraud components of the FTT. Wolfe and Hermanson (2004) argued that although perceived pressure might coexist with an opportunity and a rationalization, it is unlikely for fraud to take place unless the fourth element (i.e., capability) is also present. In other words, the potential perpetrator must have the skills and ability to commit fraud.

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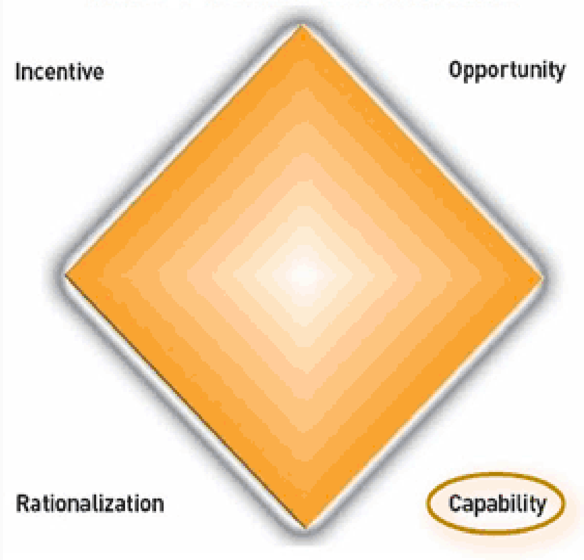
Figure 3.The Fraud Diamond



Source: Wolfe and Hermanson (2004)

The Fraud Diamond, a newer theory of fraud proposed by David T. Wolfe and Dana R. Hermanson, asserts that the fraudster's capability must also be considered. The fraudster, it is said, must have the required traits (e.g., greed, weakness of character, excessive pride, dishonesty, etc.) and abilities (e.g., knowledge of processes and controls) to actually commit the fraud. It can be argued, however, that traits are components of pressure and that abilities are opportunity factors.

2.1.10 The Fraud Scale (FS)

In the early 1980's, Albrecht and two others conducted a study regarding the motivating factors for fraud by interviewing internal auditors that had experienced fraud within their organizations (Albrecht, Howe, & Romney, 1984). The study was published in the book entitled,

Deterring Fraud: The Internal Auditor's Perspective. Albrecht, (1984), took the concept of these three elements a step further by creating what he termed the fraud scale to help determine the level of fraud risk in different situations. The fraud scale is shown below in Figure 4.

FIGURE 4: THE FRAUD SCALE

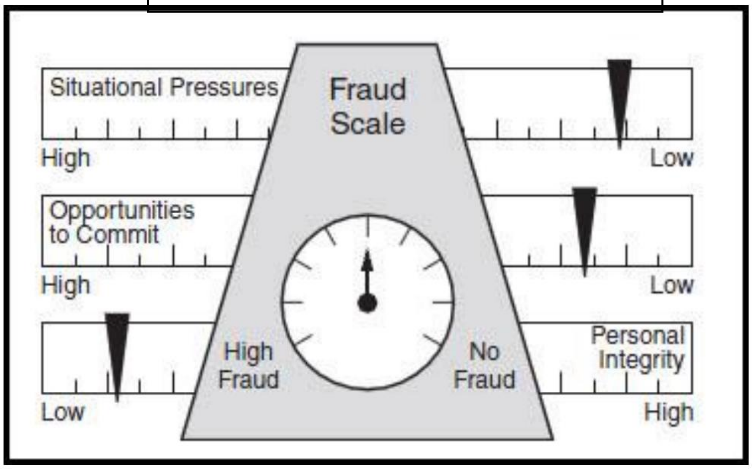


Figure 4: The fraud scale. This figure illustrates the fraud scale created by Steve Albrecht to help determine fraud risk levels (Kranacher, Riley, Wells, 2011). The fraud scale helps determine the likelihood of fraud by rating each of the three elements of fraud on a scale of low to high. When situational pressures and opportunity are high and personal integrity is low, then fraud is much more likely to occur than when integrity is high and opportunity and pressure is low.

2.2 Empirical Review

Ifarajimi and Audu (2022) investigated the effect of internal control systems on financial fraud within the Nigerian banking sector. Their research methodology was Exploratory study using secondary data, Multiple regression model was used to analyzed that data. The key findings were staff control measures demonstrated a positive correlation with fraud prevention efforts in Nigerian banks. However, the effect of staff control on actual fraud occurrences was not statistically significant. This apparent contradiction in the results warrants further explanation: While staff control measures may contribute to an environment conducive to fraud prevention, they alone may not be sufficient to significantly reduce fraud incidents. The lack of statistical significance suggests that other factors beyond staff control might play more crucial roles in determining fraud occurrences. Based on these findings, the authors concluded that staff control measures, despite showing promise in fraud prevention, do not have a substantial effect on reducing fraud in the Nigerian banking industry when considered in isolation. The researchers advocate for the implementation of comprehensive staff control measures, with a specific focus on: Attracting high-quality human resources to the banking sector, developing retention strategies for valuable employees and implementing these measures as part of a broader fraud prevention strategy. The authors posit that these actions, while not sufficient on their own, could contribute to a more robust fraud prevention framework within the Nigerian banking industry. It's worth noting that their study's findings seem to contrast with some other research in the field, which often emphasizes the importance of staff controls in fraud prevention. This discrepancy could be due to various factors such as the specific context of the Nigerian banking sector, the study's methodology, or other variables not captured in their research.

Kehinde *et al*. (2016) conducted research on fraud prevention and internal control mechanisms within Nigerian banks. The study employed a mixed-methods approach and utilized regression analysis to examine the collected data. Their findings revealed that while internal control systems are inherently effective in combating fraud, employee adherence to these controls is inconsistent. Based on these results, the authors proposed two key recommendations: Continuation and potential expansion of the Central Bank of Nigeria's cashless policy to minimize cash transactions, thereby reducing opportunities for fraud and enhanced education and engagement initiatives for bank employees to increase their understanding of and commitment to internal control measures, with the aim of strengthening fraud prevention efforts across the Nigerian banking sector.

Modugu and Anyaduba, (2013), examine forensic accounting and financial fraud in Nigeria. Specifically, the study examined if there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in financial fraud control, financial reporting and internal control quality. The survey design was used in the study with a sample size of 143 consisting of accountants, management staffs, practicing auditors and shareholders. The findings of the study indicate that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality.

Ewa and Udoayang (2012), examine the impact of internal control design on banks' ability to investigate staff fraud and staff life style and fraud detection in Nigeria. The study revealed that internal control design influences staff attitude towards fraud, that a strong internal control mechanism is deterrence to staff fraud while a weak internal control mechanism exposes the system to fraud and creates opportunity for staff to commit fraud. That most Nigerian banks do not pay serious attention to the life style of their staff members and that most staff members are of the view that effective and efficient Internal control design could detect employee fraud schemes in the banking sector. The study concluded that effective and efficient internal control system is necessary to stem the malaise in the banking sector.

Onuorah and Ebimobowei, (2012), examines the effect of forensic accounting services on fraud detection in Nigerian banks. The result reveals that the application of forensic accounting services affects the level of fraudulent activities of banks. On the basis of this finding, the paper concludes that forensic accounting services provide banks with the necessary tools to deter fraudulent activities.

3. MATERIAL AND METHOD

For the purpose of this study, survey research design was adopted. The survey research design involves the use of questionnaires which was personally administered to the respondents by the researcher. The survey research design was adopted in this study over other methods because of its originality. The population of this study is made up of the entire financial institutions/commercial banks quoted in the Nigeria Stock Exchange. And the sample size of this study consists of two hundred (200) respondents comprises of management and non-management staff of Zenith Bank Plc and Union Bank Plc in Makurdi, Benue State. Primary data were obtained through a structured questionnaire to elicit responses from respondents to meet the requirements of this research. The data for the foregoing study were obtained from primary source only. The primary data was the major source which comprised of questionnaires which were administered to the respondents. The research instrument for this study is the 5-scales likert-type questionnaire. The data obtained for this study is presented in tabular form and analyzed by the use of simple percentage to enhance quick and easy understanding. In testing the stated hypotheses in introduction section of this study, Z-test statistical tool is used.

The Z-test is carried out at 0.05 (5%) level significance. And The formula is stated below:

$$Z = \frac{x - npo}{\sqrt{npo\,(1-po)}}$$

Where:

Z = Symbol used to denote Z-test

x = Number of positive responses received

n = Number of responses analyzed

po = Critical value of the level of significance

The level of significance used in this test is 5% or 0.05

Decision rule: If the calculated value of Z is greater than Z, at table value, we reject the null hypothesis and accept the alternative hypothesis.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

Research, generally is meant to generate data for analysis and this results in a large volume of statistical information which is mostly in its raw state. In order to use data for the objective of a research, they have to be reduced to manageable dimensions. This, among other things, is what this section seeks to achieve. This involves the use of tables to analyze the responses of respondents and their respective percentages. Out of two hundred (200) questionnaires administered only 160 were retrieved from the respondents.

4.1 Test of Hypothesis

The Binomial (Z) test was used to test the claims made by the researcher in this study. In this research work, three (3) hypotheses were formulated which are now being tested with the use of the Z-test statistical technique.

4.1.1 Hypothesis One

H_0: Lack of a good internal control is not a major cause of fraud in financial institution.

Table 1: Analysis of Respondents

RESPONSES	NUMBER	PERCENTAGE (%)
Agreed strongly	54	31
Agreed slightly	58	34
Undecided	12	9
Disagree slightly	28	20
Disagree strongly	8	6
Total	**160**	**100**

Source: Field survey, 2024

Using Binomial P, the null hypothesis (Ho) as regarding the above table is tested using one tail test as follows:

Ho: $P \leq 0.05$

Hi: $P > 0.05$

Z cal is computed using

$$Z = \frac{x - npo}{\sqrt{npo\,(1 - po)}}$$

$$Z = \frac{112 - 160\ x\ 0.05}{\sqrt{160\ x 0.5(1 - 0.05)}}$$

$$Z = \frac{112 - 8}{\sqrt{8x\ 0.95}}$$

$$Z = \frac{104}{\sqrt{7.6}}$$

$$Z = \frac{104}{2.756}$$

$$\therefore\ ZCal = 37.73 \cong 38$$

Decision: Since Z cal is 37.73 is greater than Z value at 5% which is 32.73, we accept the alternative hypothesis which states that lack of a good internal control is a major cause of fraud in financial institution.

4.1.2 Hypothesis Two

H_0: Law enforcement agencies do not successfully track down and prosecute culprits.

Table 2: Analysis of Respondents

	No	%
Agreed strongly	76	48
Agreed slightly	44	26
Undecided	12	8
Disagree slightly	20	12
Disagree strongly	8	6
Total	**160**	**100**

Source: Field Study, 2024.

However, using the Binomial P, the null hypothesis (Ho) as regards the above table is tested using one tail test as follows.

Ho: $P \leq 0.05$

Hi: $P > 0.05$

Z cal is computed using

$$Z = \frac{x - npo}{\sqrt{npo\,(1 - po)}}$$

$$Z = \frac{120 - 160\,x\;0.05}{\sqrt{160\,x\,0.05(1 - 0.05)}}$$

$$Z = \frac{120 - 8}{\sqrt{8x0.095}}$$

$$Z = \frac{112}{\sqrt{7.6}}$$

$$Z = \frac{112}{2.757}$$

$$\therefore\ ZCal = 40.6$$
$$\cong 41.$$

Decision: Since Z-cal is 40.6 is greater than Z value at 5% which is 35.6, we accept the alternative hypothesis which state that law enforcement agencies does not successfully track down and prosecute culprits.

4.1.3 Hypothesis Three

H_0: Good corporate governance does not influence fraud prevention in Nigeria financial institution.

Table 3: Analysis of Respondents

	No	%
Agreed strongly	76	48
Agreed slightly	44	26
Undecided	12	8
Disagree slightly	20	12
Disagree strongly	8	6
Total	**160**	**100**

Source: Field Study, 2024.

However, using the Binomial P, the null hypothesis (Ho) as regards the above table is tested using one tail test as follows.

Ho: $P \leq 0.05$

Hi: $P > 0.05$

Zcal is computed using

$$Z = \frac{x - npo}{\sqrt{npo\,(1 - po)}}$$

$$Z = \frac{120 - 160 \times 0.05}{\sqrt{160 \times 0.5(1 - 0.05)}}$$

$$Z = \frac{120 - 8}{\sqrt{8 \times 0.95}}$$

$$Z = \frac{112}{\sqrt{7.6}}$$

$$Z = \frac{112}{2.757}$$

$$\therefore ZCal = 40.63 \cong 41.$$

Decision: Since Z-cal is 40.63 is greater than Z value at 5% which is 35.63, we accept the alternative hypothesis which state that, good corporate governance influence fraud prevention in Nigeria financial institution.

CONCLUSION AND RECOMMENDATIONS

In view of the foregoing presentation, analysis and interpretation, it can be observed that fraud had and is still having very far reaching repercussions on the banking sector and that now is the time to device ways and means from the effective investigation and trail of fraudsters. It was discovered from the data collected that fraudulent act can be minimized, if all control system, inspection and supervision are put in place. It is therefore, necessary to examine ways and means by which the perpetration of fraud could be managed. Equally, the public no longer believe that legal system as now constituted is capable of bringing the perpetrators of serious fraud expeditiously to book; it has said that the present system of investigation trial and conviction of fraudsters is archaic, cumbersome and unreliable.

The government, banking undertakings as well as industries have not yet been able to devise system that cannot be broken by two or more people getting together to commit fraud, especially when this is done by people within the organization working in collusion with someone outside. As stated earlier, there is no full proof method to detect or prevent fraud effectively, we can only hope that this research work would help in increasing awareness of bank personnel of the possibilities of fraud that can perpetrated and to intensify to their effort in reducing the fraud perpetrated and to minimize it in our banks. Since fraud does not just happen but are perpetrated by people with reason or motivation, there is need for the players in the industry (Bank management and the regulatory bodies) to set up and implement an effective and efficient control system that will adequately monitor the daily activities of the industry without leaving any loophole, appropriate personnel policies and practices should be in place since, fraud is perpetrated by people of moral decadence and not ghosts. However, measures and strategies on fraud are not exhaustive and should be dynamic based on the situation and circumstances of their causes and characteristics, without any doubt, the need to curb and reduce financial crimes cannot be overemphasized. It is therefore recommended that banks should co-operate with the government, international agencies and other regulatory bodies to ensure that this dangerous plague is eliminated from the global financial system. It is believed that this study is comprehensive enough and provides a firm basis for further studies on this subject matter so that more assurance capable of universal generalization can be obtained.

The following are the recommended means of preventing financial institution fraud:

1. Bank staff should be properly screened to test their morality, trustworthiness, sincerity and fear of God before employed and upon employment, they should be provided with adequate equipment geared towards efficiency and effectiveness coupled with unwavering segregation of duties.
2. Particulars of proposed account-holders should be obtained, verified before any account is opened and all payments instrument with huge amount should be referred to the issuing bank before payment.
3. Management of banks should create effective reconciliation of inter branch account and establish standard internal control system, strong enough to stand against the wiles of fraud in order to promote continuity of operations and to ensure the liquidity or solvency and going concern concept of the banks in conjunction with reward policy to motivate staff and customers who perform excellently well in the past fraud related cases.

Without iota of doubt, if the above recommendations are adhered to, fraud can be effectively managed in Nigerian banking industry.

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