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RISK ASSESSMENT AS INTERNAL CONTROL SYSTEM TOOL IN DETECTING AND PREVENTING FRAUD IN NIGERIA MONEY DEPOSIT BANKS

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Abstract

The study investigated the effect of internal control system as a measure of fraud prevention in deposit money banks in Nigeria with emphasis on Oke-ogun area Oyo State. In achieving the objectives of this study, fraud triangle theory was employed. A self-structured questionnaire was developed and administered to 140 staff of deposit money bank and the data were analyzed using descriptive statistics and the hypothesis was tested using correlation and regression analysis. The study revealed that risk recognition and risk assessment cannot be undermined while preventing fraud practices in deposit money banks and as such recommends the use of risk recognition and assessment as a measure of fraud control in money deposit banks in Nigeria.

Key words; Internal Control System, Risk Recognition, Assessment, Fraud Prevention

1. Introduction

In order to minimize and prevent fraud, there is need to strengthen the internal managerial structure of any formal organizational setting that forms an integral part of a good corporate governance that will transcend to a transparent and accountable organisation. This will however, covers the entire range of procedures, methods and control established by an organisation to ensure proper scrutiny of its operation. The violation of Code of Ethics of professional accounting and banking worldwide encourages widespread of mismanagement and fraud in the banking sector. It is therefore, a must responsibility for the banking industry to comprehensively monitor its staff in order to ensure the achievement of the objectives of establishing money deposit banks in a timely manner and that appropriate steps are taken to address emanating issues that crop up as regards fraud. The result of several audit failures in 1980, necessitated the creation of the committee of sponsoring organisations of the Tread way Commission (COSO) that led to organisation and redefining of internal control, the criteria for determining its effectiveness which tends to examine factors that lead to fraudulent financial reporting and developed possible recommendations. However, the product of this Tread way Commission gave birth to what is known as COSO internal control integrated framework. Internal control system is said to be a management instrument at an organisational disposal for meeting management rapid changing world.

Banking industry has been variously alleged by shareholders that they do not manage their resources well as a result of bank employees fraudulent acts and weak internal control system, thus, these problems are pervading at all types of banking operations. The Basel Committee, alongside banking supervisors throughout the world, has focused increasingly on the importance of sound internal controls so as to minimize errors and fraud in the banking industry. This heightened interest came into being as a consequence of significant losses sustained by numerous banking organizations in the world. An analysis of the problems associated to these losses shows that they could possibly have been evaded had the banks maintained operational internal control systems. Such systems would have prevented or lead to earlier detection of the errors that might have led to these lost, thereby controlling damage to the banking organization. In view of this, Owolabi (2010), opined that banking frauds have far reaching penalties to the investors and the nation's economy at large, that there has been large scale fraud in Nigerian banks which at many times, among other factors, have occasioned in bank distress. Despite the presence of internal audit units, the top-notch mechanism and guidelines in the Nigerian banking industry, fraudulent financial reporting and mismanaging assets still continues to prevail as showed by various reports of fraudulent financial reports and mismanaging of assets (Udeh & Ugwu, 2018).

Agwu, (2018), postulated that, frauds could be deliberate act perpetrated by individuals, group or corporate bodies to unlawfully collect money and or properties; likewise, payment avoidance for goods consumed or services enjoyed; also, Non-rendition of services for which money has been collected for. Domesticating the postulation of Agwu in Oke-ogun area of Oyo state, may negatively hit bank customers as the area is declared by government as educationally disadvantage area thus, resulting to low level of literacy and in addition not all towns and villages owns a commercial bank in their area as a result of distance to banking services many will prefer sending third party to deposit their money un-behalf this constitute bane. Furthermore, five out of the ten local governments in Oke-ogun has presence of banks, the other five local governments' needs to travel to where banking facilities are available for safe keeping of their monies.

Numerous studies have been carried out on internal control and fraud detection, but failed to integrate some constituents of internal control in Nigerian banks. However, the provision of risk assessment will deals with the recognition and enquiry of the management objectives related to risks (Terje, 2016). Michael and Rotich (2015), Okoye and Gbegi (2013), Moses and Lucky (2019) conducted a forensic accounting study on fraud detection, Linnea and Magdalena (2018) study used qualitative procedure in their study of Swedish service firms while the study of Hakami, Rahmat, Yaacob and Saleh (2020) on fraud detection focused on Gulf Cooperation Council. Based on the studies that these researchers were able to lay hand on, that worked on banking industry are; Argun (2016), who researched on 'internal audit and internal control systems of banks in Turkey, Okonkwo and Ezegbu, (2016) & Le and Tran, (2018), worked on fraudulent activities in the banking sector caused by ineffective internal control systems. This study investigates the effects of risk recognition and assessment on fraud prevention in Nigeria deposit money banks as its evidence that know study carried out on this subject matter, most importantly with special reference to Banks in Oke-ogun area of Oyo state and thus, limited to the deposit money banks of the study site.

2. Literature Review

2.1 Conceptual Issues

Internal control system said to be is a process put in place to make sure that things stay in the right track, *The International Organization of Supreme Audit Institution (INTOSAI) (2001) "defines Internal Control as an integral process that is affected by an entity's management and personnel needs and is designed to address risks and to provide reasonable assurance that is in pursuit of the entity's mission, the general objectives achieved and executed in an orderly manner ethically, economically, efficiently and effectively thereby fulfilling accountability obligations complying with applicable Laws and regulations and these also help in safeguarding resources against any damage, misuse and loss"*. Organizations essentially run a great risk of fraud, errors, misappropriation of funds, wasteful and unproductive operations, thus, necessary steps needed to be taken to minimize if not eliminate these problems completely through the establishment of internal control system, as it exist to check operational system.

Similarly, INTOSAI (2004) identified internal control system as procedure stimulated by an entity's board of directors and other stakeholders intended to provide sound assurance concerning the attainment of the set objectives and its effectiveness and efficient operations, reliability of financial report and compliance with appropriate rules and regulations. In a nutshell, control includes preventive, detective and corrective activities as identified by INTOSAI, (2004). In furtherance of their work, they gave an insight that effective internal control is expected to have the following components for an organisation to achieve its objectives (COSO); control environment, Risk assessment, control activities, information and communication and monitoring. This study essentially focused on risk assessment because if risks are monitored with ken interest fraud will be eventually prevented and minimized. Theofarins, Drogalas and Giovanis, (2011), viewed risk assessment as the procedure of classifying and analyzing possible management risks to the preparation of financial reports that would present free and fair view of an organisation in conformity with generally accepted accounting principle. In this regard, management must determine the level of risk that will be accepted carefully and equally maintain such risk within determined levels. Therefore, banks are mandated to regularly evaluate the level of risk they are undertaking in order to take required actions. The objectives of financial institutions are to improve growth, profitability and sustainability that will aid achievement of their mission, and reduces the risk of loss or failure in the process of carrying out business. To accomplish these missions, financial institutions risks must be managed through effective and efficient internal control system. This suggests that internal control systems play a positive role in the growth, profitability and sustainability of financial institutions (Njagi, 2009; Kiprop, 2010). Financial institutions faced an increasing encounter in fraud management. Malware, Trojans, phishing, vising, whaling, SMSishing, first party bust-out, skimming, hacking criminals persistently dream up new fraud arrangements with the intent of maintaining one step ahead of those trying to combat their tactics. The encumbrance of financial institutions is to safeguard their stakeholders and themselves from losses due to financial crime and complying with both national and international financial regulations.

Fraud components and its effects on bank fund

Bank fraud is as old has the advent of banking industry and facilitated by technological knowhow and the use of internet. Fraud has been variously defined and described by researchers, one of such definition was from Abiola and Oyewole (2013), sees fraud as an act of deception intentionally practiced to gain illegal or biased advantage, such dishonesty directed to the disadvantage of others. These are actions that involve the use of deceit and trick to forge or falsify document and signature in order to steal. Abiola and Oyewole (2013), further stated that, fraud has plagued deep into every facet of our society to the level that a three-year-old child discuss about 419neers. Furthermore, Achibong (2015), also consider an act as fraudulent if it takes any of the following forms; falsification or alternation of records or documents, misappropriation of asset, suppression or omission of transaction record or document; recording unsubstantiated transactions, manipulation of accounting policies, if it is material and deceitful. Fraud in banks resulted to either; loss of assets or manipulation of financial statements, asset loss reduces assets value and manipulation will show untrue financial statements manipulated to attain a desired goal. Assets which are resources acquired by banks as a result of previous activities which are expected to generate use of which is expected inflow of income must be guided by providing physical security or otherwise. Fraud in banks reduces bank profit where profit exists, as profits are declared after expenses and losses, denoting that the amount of profit available for distribution to stockholders or retain as earnings will be negatively affected thus, compromising the banks strength and the ability to extend loans and advances to perceived profitable undertakings and its severe cases might results to bank distress.

2.2 Theoretical Framework

The Fraud Triangle Theory

This study was hinged on the fraud triangle theory propounded by Cressey in 1973, that for fraud to be committed, three basic things must happen namely; pressure, opportunities and rationalizations. Pressure have to do with stress and the demands that troubles` the fraud perpetrators mind, usually it used to be financial (money). Individual (fraudster) may fell the pressure of maintaining its current lifestyle or upgrade to higher level while he has limited or no income to maintain such. Opportunity have to do with risk to commit fraud, this however, has an inverse relationship with an organization's internal control system, that`s, a weak internal control system allows much risk to be committed. For instance, absence of assets inventory in an organization will create opportunity for assets misappropriations. Lastly, rationalization has to do with fraudster's justifying their action (s) to be morally right and permissible (falsely justification). For example, the fraudster may falsify a sick certificate by justifying that his colleagues also do the same without been punished. The above three elements (pressure, opportunity and rationalization) are called the fraud triangle. In the process of justifying fraudulent behaviors, a fraudster's will display attitude of loss of moral reasoning (Rae & Subramaniam, 2008). A person cannot commit fraud unless it is justified with such persons` code of ethics, thus, personal integrity use to be the limiting factor driving a person from misappropriating (Hillison, Pacini & Sinason, 1999). Rationalization by fraudsters originate from the individual feeling of owing such assets that doesn`t belong to them or on the alternative that they deserve more than what they are getting (Mutua, 2011). In a nutshell this theory outlined the principle of internal control policies and procedures to be followed in the banking industry so as to; prevent, detects and minimize fraud.

2.3 Empirical Review

Njenga and Osiemo (2013), examined the effect of fraud risk management on organization performance with focus on deposit-taking micro finance institutions in Kenya. The study adopted stratified sampling with the sample drawn from the senior, middle and lower management staff of the head office of the 8 deposit-taking microfinance institutions. Both primary and secondary data are collected for the study. The findings also showed that the institutions have known policies and procedures which are clearly communicated to all staffs and that worker understand what fraud institutes in all products of the deposit-taking microfinance while anti-fraud policies affect organization performance to a great degree.

Bayyoud and Sayyad (2015), studied the impact of internal control and risk management on Banks in Palestine and it identified the impact of new banking reformations, rules on risk assessment, identification and reduction in banks. It find out that overall internal control and risk management systems in Palestine banks have positive effects in terms of quantitative and qualitative performance.

Alhassan, (2018) 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 revealed that internal control measures have dissentious effect on fraud detection and prevention.

Samuel Samuel and Peter (2020), worked on risk assessment on fraud prevention in banking industry in Kenya. The study comprised all banks in Kenya. Descriptive and correlational research designs were employed and factor analysis was undertaken to reduce factors to once that have higher loading which was determined through the use of Eigen values. Correlation analysis was equally employed to determine the strength and direction of relationship between variable and regression analysis based on structural equation modeling (SEM) was employed to test the hypothesis. The descriptive analysis showed that the respondents strongly agreed that the parameters put in place are capable of preventing fraud in banks. The hypothesis testing showed that risk assessment has significant effect on fraud prevention in banking industry in Kenya. It was concluded that the risk assessment mechanisms put in place have significant effects on fraud prevention in banking sectors.

Base on literatures appraised, it’s evident that there is no consistency in the methods as well as procedures to be embraced in treating the subject matter at hand. For instance; Uchenna and Ago (2013), among others appraised the impact of fraud and fraudulent practices on bank performance, Olatunji and Adekola (2014), measured the nature causes effects detection and preventive measures of bank fraud in Nigeria, Inaya and Isito (2016) investigated the social impact of fraud on Nigerian banking industry and lastly to the extent of literature search Alhassan (2018), examined fraud detection and internal control systems in Nigeria deposit money banks. Sequel to this end and to the best of the researchers knowledge, the literatures reviewed, most especially on Nigeria looked at internal control and fraud on the performance level of banks as none looked at risk recognition and assessment in deposit money banks in Nigeria and most importantly non on Oyo State and to even make special reference to Oke-Ogun. Thus, this study filled the identified conceptual and geographical gaps and thus, generates this hypothesis; Risk recognition and assessment does not significantly prevent fraud in deposit money banks in Nigeria

3. Methodology

The research design for the purpose of this study was descriptive research method considering its relative advantages over other types of research design in this study area and also to achieve the objectives of the study. It is specifically useful for this study since non-observable events like; opinion, attitudes, preference and disposition are taken into consideration. The choice of this research design was based on the fact that this study involved going to the field to gather relevant data on the study topic through questionnaires which is one of the best types of method for survey research. The population of the study encompasses 140 staffs of some of the listed deposit money banks in Nigeria with their branches in Oke-ogun area of Oyo state and population arrived at by selecting 14 staff of the 10 available listed deposit money banks (14 ×10=140). (Access Bank Plc, Eco Bank Nigeria Plc, First Bank Nigeria Plc, Polaris Bank Ltd, Stanbic IBTC Bank Ltd, Union Bank Nigeria Plc, United Bank for Africa Plc, Wema Bank Plc, Zenith Bank Plc and Jaiz Bank,) as at December 31st 2022. The rationality of picking 14 staff is that based on the departmental and segmental activities of deposit money banks, focus is laid on the staff in the main operation, audit as well as their managers. The usage of all the available listed deposit money banks in Oke-ogun will ensure equal representation of the target respondents. Sample size is a fraction of population from which it is drawn in order to ensure the determination of accurate sample size, the statistical formula derived by Taro Yamane (1967) was employed thus:

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

N= Population of study
K= Constant (1)
e = degree of error expected
n=sample size

$$n = \frac{140}{1+140(0.05)^2} = 104$$

Hence, 104 target respondents were selected as sample size and simple random sampling technique was adopted to ensure that all member of the population has equal chance of being selected in the sample in order to achieve the objectives of this study. This is with the assumption that the population being sampled is homogenous and therefore the information collected via questionnaire represents the opinion of the entire listed deposit money banks. The main research instrument used for this study was questionnaire and it was divided into two sections; section A contains questions that have to do with demographic information such as; gender, marital status, age and qualification while section B contains questions based on the objectives of the study. A 5-point likert scale where respondents were asked to indicate the extent to which they agree or disagree with various statements used. The 5-point likert scale has the ratings of Strongly Agreed (5), Agreed (4), Neutral (3), Disagree (2) and Strongly Disagree (1) respectively. Data were collected using the primary source of collecting data. Both physical structure and a Google form questionnaire were designed to gather data from respondents of the study. The researchers first solicited for permission from the introductory part which they agreed to participate in the exercise. First raw data gathered were analyzed using the latest version of the statistical package for social scientist (SPSS) program. Descriptive statistics such as tables were used in the presentation of the data, correlation and linear regression model, common method bias (CMB) human's single factor test (HSFT) and ANOVA were used to test the research hypothesis.

This study adopted the model of Asiligwa (2017), stated as follows:

Fraud Prevention=*F* (internal control components) μ (1)

FP=f (CE, RA, IC, MT) …………………………μ (2)

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

This study modified the equation as follows;

FP=*f*(RA,).

Econometrically, it is stated as:

$FPi= \beta O + \beta 1RAi + \mu$ (3)

Where:

FP=Fraud Prevention, RA= Risk Assessment and μ = Error term.

The prior expectation for the model is that; risk assessment have a positive relationship with fraud prevention ($\beta_1 x_1 > 0$)

The study variables were dependent variable proxy with fraud prevention and the independent variables proxy with; risk recognition and assessment. Five point Likert scale of strongly disagree (1)disagreed (2) not sure (3) agree (4) strongly agree (5) adopted for easy understanding and appraisal for coding.

4. Result and Discussions

4.1 Introduction

The findings of this study are presented in this section. The first section is the questionnaire administration format followed by demographic characteristics of respondents. Followed by the descriptive statistics of the variables and items of the survey. The preliminary analysis including normality tests and common method bias are presented in this section and lastly the test of hypothesis.

Table 1 Presentation and Distribution of Questionnaire Administered questionnaire (physical and online) 108=100%

Returned	Online 39 Physical 69	108	100%
Returned completed	103	103	95%

Source: Author`s Computation (2023).

Table 1 above showed the analysis of how questionnaires were distributed and filled among the staff of deposit money banks for both online and physical distribution out of the total distributed questionnaires, the researcher was able to retrieve 108 out of which 5 questionnaires were not correctly and completely filled and as such rejected for analysis. Thus, subsequent analyses were based on the 103 questionnaires that were correctly filled from both online and physical administration.

4.2 Demographic Characteristics of the Respondents

The respondents that participated in this study based on the frequency and percentage of their characteristics including gender, age, marital status, academic qualification, professional qualification, designation and year of experience. The result generated 103 responses from 108 administered, giving a 95% response rate.

The result showed that there are more male (57%) than female (43%), this showed that majority of the respondent are male thus, level of consistence of answers provided are okay. Also, majority of the respondents are married (58%), 41% are single. Age wise, majority of the respondents are within the age bracket of 28-37 years (46%), followed by those between 18-27 years (35%), the respondents within the age of 48 and above are 19%, this showed that most of the respondents are very agile to pursue objectives and have required experience to provide the required responses, thus judgments drawn from their responses are reliable. Majority of the respondents have working experience between 6-10 years (49%), followed by those with experience of 1-5 years (28%), and those with experience of 11-15 years (21%) and finally those with over 16 years (3%). With regards to education qualifications, majority of the respondents are HND/B.Sc. holders (55%), followed by those with ND/NCE (24%), and those with other forms of education (21%), this implies that respondent`s possesses required qualifications to undertake the job. In a nutshell, the demographic characteristics of the respondents showed that the required; skills and professional background are provided by the respondents thus, helping the researcher to logically arrive at genius conclusion.

4.3 Descriptive Statistics of the Variable Items

The descriptive statistics of the variables, presented in Table 2, showed the minimum and maximum scores, mean values and standard deviation of this study constructs against each respective items.

Fraud prevention

The respondents views about fraud prevention shown in table 2 on items bases; FP 1 to FP 5 showed the mean score ranges from 3.82 to 4.13 while the standard deviation scores are between 0.69 and 0.887. Since the mean of fraud prevention is higher than 2.5 and the standard deviation results are close to 1 in the findings the better for this study.

Table 2: Descriptive statistics for Fraud prevention and internal control system

	N	Minimum	Maximum	Mean	Std. Deviation
FP1	103	1	5	3.822	0.889
FP2	103	1	5	4.062	0.752
FP3	103	1	5	4.081	0.693
FP4	103	1	5	4.132	0.671
FP5	103	1	5	4.081	0.731

Source: Author's Computation (2023)

Risk recognition and assessment of fraud prevention

The respondents view on risk recognition and assessment based on items RR 1 to RR 5 are shown on Table 3. The mean score is between 3.95 and 4.07 while the standard deviation values are between 0.768 and 1.012. Since the mean of risk recognition and assessment of fraud prevention is higher than 2.5 and the standard deviation results are close to 1 in the findings the better for this study.

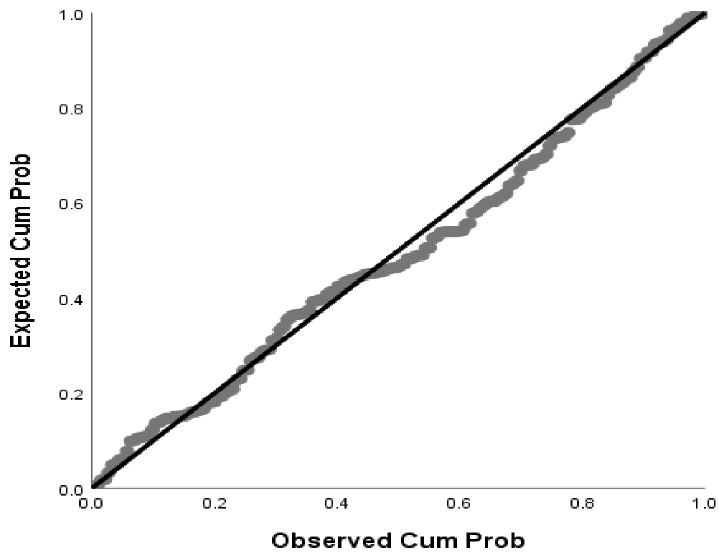
Table 3: Descriptive statistics for Risk recognition and assessment of fraud prevention

	N	Minimum	Maximum	Mean	Std. Deviation
RR1	103	1	5	3.802	1.014
RR2	103	1	5	4.011	0.871
RR3	103	1	5	3.971	0.862
RR4	103	1	5	4.002	0.841
RR5	103	1	5	4.077	0.793

Source: Author's Computation (2023)

4.4 Linearity Tests

This study conducted linearity test on data collected on the assumptions of residual scatter plots, that the plots should have a straight-line relationship with the projected scores of the study's dependent variable (Pallant, 2007). The scatter plot for the dependent variable, Fraud prevention and internal control system (risk recognition and assessment) shown in Figures 1, aligned with the predicted assumption of linearity residual scores, that is, converging's at the Centre along with zero points.



Author's Drawing (2023)

Figure 1 Residual Scatter Plot for Fraud prevention and internal control system

4.5 Common Method Bias (CMB)

The question of common method variance do exist in a situation that the data gathered are from the same source. This is detected if all the survey items were loaded on a single factor and one particular factor dominantly accounted for the common variance that exists in the files. In a way to avoid this situation, researchers then employ Harman's single factor test to ascertain possible problem (Podsakoff, Mackenzie, Lee & Podsakoff, 2003). The finding as shown in table 4 indicates that 7 different factors emerged, which cumulated to 57.8% of the whole variance from an un-rotated factor analysis employed, the eigenvalue is greater than one criterion. The first element accounted for 21.9%. This result indicates that a single factor is never an issue and thus, CMB was not an issue in this study.

Table 4: Harman's Single Factor Test Result

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.710	21.961	21.961	5.710	21.961	21.961
2	2.286	8.793	30.753	2.286	8.793	30.753
3	1.864	7.169	37.922	1.864	7.169	37.922
4	1.524	5.863	43.785	1.524	5.863	43.785
5	1.332	5.122	48.907	1.332	5.122	48.907
6	1.269	4.881	53.788	1.269	4.881	53.788
7	1.046	4.024	57.813	1.046	4.024	57.813
8	0.992	3.817	61.629			
9	0.933	3.589	65.218			
10	0.871	3.348	68.566			
11	0.853	3.280	71.847			
12	0.772	2.971	74.817			
13	0.717	2.757	77.575			
14	0.672	2.585	80.160			

15	0.627	2.411	82.570			
16	0.591	2.273	84.843			
17	0.529	2.033	86.876			
18	0.504	1.938	88.814			
19	0.464	1.786	90.600			
20	0.432	1.662	92.262			
21	0.421	1.621	93.883			
22	0.369	1.419	95.301			
23	0.350	1.345	96.647			
24	0.328	1.263	97.910			
25	0.281	1.083	98.992			
26	0.262	1.008	100.000			
Extraction Method: Principal Component Analysis.						

Source: Author's Computation (2023)

4.6 Test of Hypothesis

Ho: Risk recognition and assessment does not significantly prevent fraud in deposit money banks in Nigeria

Table 5: Model summary for Hypothesis H_0

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	0.512	0.507	0.205
a. Predictors: (Constant), RR b. Dependent Variable: FP				

Source: Author's Computation (2023)

Table 5 presents the model summary. It shows that the correlation coefficient r is .716 (i.e., r = 0.716) which indicates that there is a strong positive linear relationship between Fraud prevention (dependent variable i.e., the variable being predicted) and risk recognition and assessment (independent variable). It is also clear from the table that the R^2 which is the coefficient of determination is 0.512 which implies that 51% of Fraud prevention can be explained by Risk recognition and assessment.

Table 6: ANOVA for Hypothesis Ho

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.723	1	4.723	18.507	.000[b]
	Residual	80.134	314	0.255		
	Total	84.857	315			
a. Dependent Variable: FP b. Predictors: (Constant), RR						

Source: Author's Computation (2023)

Table 6 presents the ANOVA table. The F-statistic as shown in the table is significant since the ANOVA significance of .000 is less than the alpha level of .05, thus the model is fit. As a result of this, the null hypothesis (Risk recognition and assessment has no significant effect on fraud prevention in Nigeria money deposit banks) was rejected and the alternate hypothesis was accepted (Risk recognition and assessment has significant effect on fraud prevention in deposit money banks in Nigeria).

Table 7: Table of Coefficient of the Hypothesis Ho

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.362	0.159		21.162	0.000
	RR	0.368	0.039	0.336	6.302	0.000
a. Dependent Variable: FP						

Source: Author’s Computation (2023)

In Table 7, the result shows that risk recognition and assessment have a significant effect on Fraud prevention since p-value of 0.000 was derived. This suggests that risk recognition and assessment has positive significant influence on fraud prevention in Nigeria deposit money banks.

4.7 Discussion of Findings

The analysis of data gathered through the administered questionnaire for the test of hypothesis revealed that risk recognition and assessment have a significant effect on fraud prevention within these financial institutions. The result indicates a robust relationship between risk recognition and assessment and the prevention of fraudulent activities in the banking sector of Nigeria. Risk recognition is a critical aspect of an effective fraud prevention strategy as it involves identifying potential risks and vulnerabilities within the organization's processes and operations. By recognizing various types of risks, including operational, financial, and compliance-related risks, deposit money banks can proactively take measures to address these vulnerabilities and prevent fraudulent activities. The results of this study align with previous research conducted by; Michael and Rotich, (2015) (2015), Thompson et al. (2015), Argun,(2016), Asiligwa (2017), Davis & Johnson (2017), Smithson et al. (2018) and Brown, Johnson and Williams, (2021), that found a positive significant association between risk recognition / assessment and fraud deterrence in financial institutions. Also, risk assessment plays a pivotal role in determining the severity and likelihood of identified risks. By evaluating and prioritizing risks, deposit money banks can allocate resources efficiently to address the most critical areas of vulnerability. This will enable the management to take proactive measures to prevent the occurrence of the identifiable and assessed risk before it translates to fraud thereby causing detriment on the deposit money banks' profitability or value

5. Conclusion and Recommendations

This study investigated the effect of internal control system as a measure of fraud prevention in deposit money banks in Nigeria with emphasis on Oke-ogun area Oyo State. In achieving the objectives of this study fraud triangle theory was employed. A self-structured questionnaire was developed and administered to 140 staff of deposit money bank and the data were analyzed using descriptive statistics and the hypotheses were tested using correlation and regression analysis. The study revealed that risk recognition and risk assessment cannot be undermined while preventing fraud practices in deposit money banks.

In conclusion, this study demonstrates that risk recognition and assessment have a significant effect on fraud prevention in deposit money banks in Nigeria, as indicated by the p-value of 0.000. This study highlights the importance of proactive identification and evaluation of risks in order to prevent potential fraudulent activities within the banking sector so as to safeguard against fraudulent practices and protect their assets, reputation, and stakeholders` wealth. It's however, notable that we cannot totally run away from fraud but rather we look for a ways of minimizing and preventing it occurrence.

In view of this finding, internal control system as a measure of fraud prevention in deposit money banks in Nigeria, therefore recommends that; banking institutions should prioritize risk recognition and assessment as fundamental components of its anti-fraud strategy and that regular risk assessments be conducted, taking into account both internal and external factors that may influence the risk landscape. Furthermore, banks should ensure that their risk assessment processes are thorough, accurate, and based on reliable data.

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