Effect of Internal Control System on Fraud Control of Deposit Money Banks in Plateau State

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ABSTRACT

The consistency of fraud and misappropriation of funds in the banking sector is creating fear, anxiety, and also resulted in customer and shareholders loss of confidence. The study examines the effect of internal control system on fraud control in deposit money banks in Plateau State. The study employed a field survey that is cross-sectional. The total population for the study was 285 staff representing 19 drawn each from 15 deposit money banks in Jos metropolis and a sample size of 166 using Taro Yamane sample size determination as well as purposive sampling technique which was adopted. The study employed the use of structured questionnaire as method of data collection and the hypotheses were tested using multiple linear regression as method of data analysis. Findings shows that Control Environment has significant effect on fraud control in DMBs in Plateau State (β = 0.354, t = 4.160, sig.=0.003). Also, control activities have significant effect on fraud control in Deposit Money Banks in Plateau state (β = 0.488, t = 3.375, sig.=0.012) and Control Monitoring has significant effect on fraud control in deposit money banks in Plateau State (β = 0.625, t = 2.405, sig.=0.004). The study recommended that management of banks should always ensure that strong and appropriate control activities are always in place to prevent financial leakages and promote accountability in the banking industry. There should also be appropriate segregation of duties to reduce a person's opportunity to commit fraud and conceal fraud or errors and an appropriate level of management should approve and authorize all transactions over a specified limit, and authorization should require dual signature. The implication of the study is that an improvement in internal control system will result to an improvement in fraud control.

Keywords: Internal control system, Fraud Control, Deposit Money Banks

INTRODUCTION

Fraudulent activities are rampant in every organization but more rampant in the financial institutions and perhaps more common in Deposit Money Banks (DMBs) because of the instruments of their trade. Banks are most prone to financial fraud as a result of money and near money instruments used in the process of their operations (Beju & Făt, 2023). Frauds have become so pervasive that auditors are increasingly being asked to play crucial role in assisting organizations prevent and detect fraud (Bonrath & Eulerich, 2024).

Fraud that involves the use of dishonesty, deception and tricks to misrepresent the facts in order to rob others of anything that is rightly theirs, has become increasingly complex, placing every organization at risk (Henricksen, 2024). Fraud is any behavioural act exhibited by an individual with the intention to gain an unfair advantage over an individual. As a result of this, many businesses and related entities are now moving towards continuous audit modules which have been implemented to create a more automated control environment (Maulidi, 2020). Fraud prevention activities occur when deterrence fails but before the fraud is detected (Koerniawan et al., 2022). In fact, new methods of performing fraudulent activities have emerged and areas that regulators and public don't consider irrelevant or fraudulent are evolving.

Banking industry in Nigeria has increased their hardships due to the uncertain institutional and political environments. It can be analyzed that the current high foreign exchange rate between US dollar to Naira, poor sources of revenue generation, low production of crude oil and persistent external borrowing by government are ultimately improving the burden and high-rate corruption and fraud activities in the banking system (Ogwiji & Lasisi, 2022). Hence, the effective method of preventing the prevalence of these fraud in the banking institutions is the internal control system. The effectiveness of internal control on fraud prevention is very imperative in every financial institution particularly the banks, because the task of internal control is to prevent, detect fraud and reduce the risk associated to the business activities in the sector. The ban on issuance of foreign currencies to BDC due to fraudulent activities with system pose a challenge to the economic and led to financial crisis. Deposit money banks in Nigeria has been undergoing series of reforms due to bad corporate governance practices and a suspicion of fraudulent activities and many of the banks have not been able to establish strong fraud prevention framework in order to prevent unfavorable occurrences (Central bank of Nigeria, 2021).

The study conceptualized internal control system on control environment, control activities and monitoring activities), Control environment is the foundation for all other elements of internal control, it provides discipline and structure for the company. this includes integrity, ethical values and competence of the managements and board of directors provide direction for the company (Joseph et al., 2015; Akwaa-Sekyi & Gené, 2017). Control activities are policies and procedures that help to reduce firm risk in order to achieve the set objectives (Whittington & Delaney, 2016; (Agang & Njoka, 2020). Monitoring activities is a process of evaluating the quality and effectiveness of internal control systems over a period (Thuan et al., 2020). These are considered in shaping and curbing fraud in the banking industry.

The consistency of fraud and misappropriation of funds in banking sector is creating fear, anxiety, and also resulted in customer or investor/shareholders loss of confidence. The Nigeria Deposit Insurance Corporation (NDIC, 2018) report's pattern analysis of fraud in the banking institution which shows that fraudulent activities in the country's banking sector are on the rise and was estimated as N41.2 billion in 2009. In 2010, reported fraud cases stood at 1,532 and also, banks reported N18.05billion fraud in 2011. Total fraud cases reported stood at 3,380 which amounted to N21.79 billion in 2012. However, in 2013 fraud cases decreased to N5.76 billion. Amount involved decreased significantly from N25.608 billion in 2014 to N18.021 billion in 2015. The NDIC accused the banking sectors of failing to file returns reporting their officials engaged in fraudulent practices to regulatory authorities in 2017 citing a total of 37,817 fraud cases registered in 2018, compared to 26,182 in 2017. Some staffs were involved in some of the fraud and forgery cases, with a total of 899 staff involved in fraud and forgery compared to 320 in 2017.

The Treasury Single Account (TSA) policy implemented in 2015 by government of Nigeria lead to decrease in liquidity position of banks in Nigeria, which was caused due to fraudulent activities with the government sector and financial institution. The acts of financial fraud have persisted in DMBs despite strong internal controls put in place to forestall and control any planned intention to drain off the bank's money. Strong controls that at times are antithetical to the efficient operations of the bank having put in place certain cases but have not succeeded in reducing drastically the amount of funds missing. Accordingly, all internal control measures have become preventive and protective of the bank's financial resources sometimes to the detriment of the bank's primary operations (Rashid, 2022).

Several studies have been conducted such as Naili and Lahrichi (2022) who found out that bank control activities were able to significantly minimize the credit risks. Okonkwo and Linda (2016) found out that the control techniques that have been employed are effective in mitigating fraud in banks. The study by Etengu and Amony (2016) found that control activities significantly affect financial performance. Owusu-Boateng, Amofa, and Owusu (2017) studied Internal Control Systems of GN Bank- Ghana and the study concluded that internal control was established by the board and management to reduce and adequately address the risk problems in the bank. The study by Agbenyo, Jiang and Cobblah (2018), found that internal control influence financial reporting quality of banks. However, the study using internal control on fraud control in the DMBs in plateau state is insufficient, and it became necessary to fill in this gap in literature. Therefore, it is against this backdrop that the study is conducted to examine the effect of internal control system on fraud control in Deposit Money Banks in Plateau State.

Research Questions
i.   What is the effect of control environment on fraud prevention in deposit money banks in Plateau State?
ii.   What is the effect of control activities on fraud prevention in deposit money banks in Plateau State?
iii. To what extend does monitoring activities prevent fraud in deposit money banks in Plateau State?

1.4   Objectives of the Study
The main objective of the study is to examine the effect of internal control system as a tool for fraud control in deposit money banks in Plateau State. The specific objectives are as follows:
i.   To examine the effect of control environment on fraud control in deposit money banks in Plateau State.
ii.   To assess the effect of control activities on fraud control in in deposit money banks in Plateau State.
iii. To examine the effect of monitoring activities on fraud control in in deposit money banks in Plateau State.

1.5   Research Hypotheses
The following research hypotheses are stated in null form:
Hypothesis One
$H_{o1:}$ There is no significant effect on control environment on fraud control in deposit money banks in Plateau State.
Hypotheses Two
$H_{o2:}$ There is no significant effect of control activities on fraud control in deposit money banks in Plateau State.
Hypothesis Three
$H_{o3:}$ There is no significant effect of monitoring and fraud control in deposit money banks in Plateau State

2.0 LITERATURE REVIEW
2.1 Conceptual Review
2.1.1 Fraud Control

Fraud control denote the measures and processes implemented by organizations to minimize the occurrence of fraudulent activities and identify instances of fraud when they occur. These efforts aim to protect the organization's assets, reputation, and financial well-being by deterring fraudulent behavior and taking appropriate actions to address and mitigate fraud risks. Fraud prevention involves implementing proactive measures and controls to reduce the likelihood of fraudulent activities. Creating a culture of integrity, ethics, and accountability within the organization is essential for fraud prevention. This includes promoting ethical behavior, setting clear expectations, and fostering a supportive reporting environment (Agyemang, 2020; Nisak & Rochayatun, 2023). According to Waqar *et at*. (2020), accounting writing records a few strategies for controlling extortion; none is conclusive as they contrast in step with the work of the extortion and environment of commission. In any case, foundation and executing inside control frameworks and State legislation's, play an exceptional work in their control. Mostly, the set-up arrangement of regulation structures such as exterior review, inside review, anti-fraud agencies/legislation, and review committees offer assistance in reducing the expense at which extortion is committed. Dilshad et al (2020) recognized exterior review as a trust-engendering gadget, disappointment of which may moreover debilitate self-belief in corporate administration. Thus, viable outside audit-mechanisms are mounted to prevent extortion and development of the self-assurance of buyers in endeavor.

2.1.2 Control Environment

Control environment is used to regulate the risks and define the supervisory roles of those mandated with the responsibilities. The effectiveness of control environment can be eroded by assigning superficial roles of supervising others (Musyoki, 2023). Ilyas et al (2021) stated that control environment indicates the awareness, attitude and the importance the management and governing board of banks consider in assigning control activities. The control environment shows the level of discipline and organization structures put in place by management and governing board of banks to ensure that the ICS operate properly. The effectiveness of control environment is measured by the size of the board and it is deduced that a large board will ensure effective control environment (Chan et al. 2021). A robust control environment promotes a culture of integrity, accountability, and ethical behavior throughout the organization. It provides the foundation for other components of internal control systems, such as risk assessment, control activities, information and communication, and monitoring. By establishing a positive control environment, organizations can enhance their ability to achieve objectives, prevent and detect fraud, and promote effective and efficient operations (Agyemang, 2020).

2.1.3 Control activities

Control activities refer to the policies and procedures designed by a company to ensure management directives are carried out (Nguyen et al., 2023). Control activities occur at all levels and in all functions of the companies. Control activities are the policies and procedures used in various companies to ensure management directives are carried out and necessary actions are taken to address risks to achievement of various objectives (Abiodun, 2020).

2.1.4 Monitoring activities

Monitoring activities is the assessment of internal control performance over time. it is accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews, and internal audits (Akumbo et al., 2020). Control

environment refers to the efforts and supports given by the management. In most companies, the support from the management determines the efficiencies and effectiveness of the business operation (Zandi & Hui, 2020).
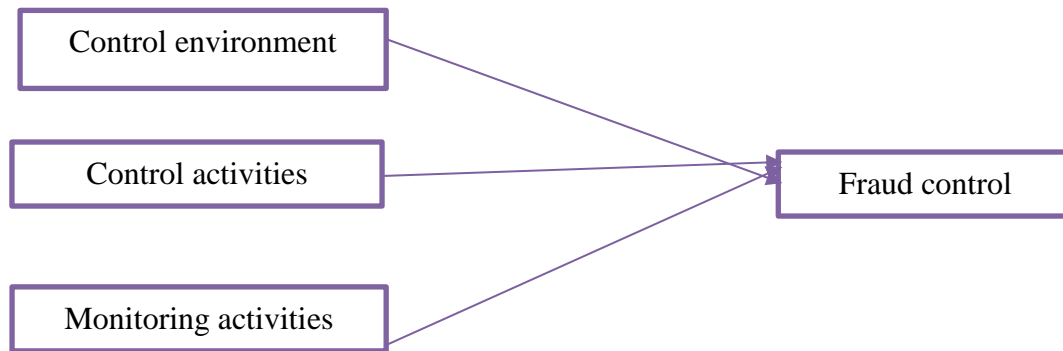

Figure 1: Theoretical/Conceptual Model
Source: Developed from Theoretical/conceptual review

2.2 THEORETICAL REVIEW
The study was hinged on various investments theories; these are the fraud triangle theory and fraud management lifecycle.

2.2.1   The Fraud Triangle Theory
Albrechtetal *et al*. (2009) States that fraud is composed of three elements, namely a perceived pressure, a perceived opportunity and rationalization of the act of fraud; these three elements are called the fraud triangle, every act of fraud, irrespective of whether it is done against an entity or on behalf of an entity, is always composed of the three elements (Albrecht et al., 2009). The three elements in the interactive, for instance the greater the perceived opportunity or the more intense the pressure, the less rationalization it takes for someone to commit fraud (Albrecht, Turnbull, Zhang, &Skousen,2010). Nevertheless, fraud is a complex matter and is a function of a combination of factors (Rae & Subramaniam, 2008). For instance, in some cases, although internal controls were poor, there were no incidence of fraud, while in other cases even though good internal control existed employees still managed to circumvent the internal controls to commit fraud (Rae&Subramaniam,2008). An understanding of how opportunities, pressures and rationalizations contribute to fraud in organizations can assist management to easily recognize the areas of susceptibility to fraud and strengthen these areas (Albrecht etal., 2010). Fraud perpetrators must have some way to rationalize their actions as acceptable (Albrecht et al., 2009). Justification of fraudulent behavior is usually as a result of a fraudster's lack of personal integrity or other moral reasoning (Rae & Subramaniam,2008). Individuals do not commit fraud unless they can justify it as being consistent with their own personal code of ethics, as personal integrity may be the key limiting factor in keeping a person from misappropriating assets (Hillison et al., 1999). Rationalization by fraudsters emanates from their feeling that the victims owe them and that they deserve more than they are getting (Mutua, 2011). Some individuals possess an attitude, character or set of ethical values that allow them to knowingly and intentionally commit a dishonest act (Cohen et al., 2011). A strong moral code can prevent individuals from using rationalizations to justify illicit behavior; internal auditors however should assume that anyone is capable of justifying the commission of fraud (Hillisonetal., 1999).

2.2.1   The Fraud Management Lifecycle

Effective management of the fraud management life cycle starts with a common understanding of the stages in the life cycle (Wilhelm, 2004). The fraud management lifecycle is a network lifecycle where each stage in the life cycle is an aggregated entity that is made up of interrelated, interdependent and independent actions, functions and operations (Albrecht et al., 2009). The fraud management lifecycle is made up of eight stages; Deterrence stage involves stopping fraud before it happens by increasing the difficulty of committing the fraud as fraudsters tend to migrate toward the path of most anonymity and least resistance (Wilhelm, 2004). Deterrence is achieved through creating fear of consequences or difficulty of perpetration, to turn aside, discourage or prevent fraudulent activity from being attempted (Kimani,2011). Policy must seek to balance deterrent value, loss reduction, sales volume, operational scalability and cost effectiveness (Wright, 2007). Policy development involves constantly reassembling the situations disassembled in the analysis stage, by taking advantage of the knowledge gained by analysis, combining it with internal, external and interactive environmental factors in order to craft policies that address the whole, while leveraging the knowledge of the parts (Wilhelm,2004). Policy development staffs are most frequently the leaders within the fraud management organization as they must consider all disciplines within the fraud management department as well as the needs of the rest of the business enterprise (Hassink et al., 2010). The investigation stage involves obtaining enough evidence and information to stop fraudulent activity, to obtain recovery of assets or restitution and to provide information and support for the successful prosecution and conviction of the fraudsters (Albrecht *et al.*2009). Fraud investigations are focused upon three primary areas of activity; internal investigations, external investigations and law enforcement coordination. Internal investigations include investigations of employees, contractors, consultants or vendors while external investigations are conducted on customers, fraudsters and organized groups (Wilhelm,2004). Law enforcement coordination as further argued by Gottschalk (2010) is the provision of information and resources to, and the maintenance of, a partnership with federal, state, regional and local law enforcement authorities. Rigorous and routine investigations provide for both an incremental lift in deterrence and the maintenance of an effective relationship with law enforcement. Finally, the prosecution stage is focused upon prosecutorial and judicial authorities as well as with law enforcement (Wilhelm, 2004). The three aims of prosecution in the fraud arena are to punish the fraudster in an attempt to prevent further theft, to establish, maintain and enhance the business enterprise's reputation of deterring fraud so that the fraud community becomes aware of it and to obtain recovery or restitution wherever possible (Albrecht *et al.* 2009).

2.2.4 Anchored Theory
Considering the two theories discussed above, fraud triangle theory and the fraud management lifecycle theory, the study is anchored on the fraud management lifecycle theory; the fundamental initiative in fraud management lifecycle theory is that network lifecycle where each stage in the life cycle is an aggregated entity that is made up of interrelated, interdependent and independent actions, functions and operations. This will further help in fraud detection in the DMBs in Nigeria.

2.3 EMPIRICAL REVIEW
Offia and Ajuonu (2024) examined the effect of Forensic Accounting on fraud financial fraud in Nigeria. The objectives were to assess the effectiveness of forensic accounting in fraud prevention and to determine the effect of forensic accounting on fraud detection. Survey design was adopted. Questionnaire was used for data collection from accounting staff of Onlinko Digital Marketing Agency, GNLD, Digital High-field Technologies, Mustard Seed Micro

Investment Limited and Barome Vienna Enterprise; all in Warri, Delta State. 198 were used as sample size. The study adopted descriptive statistics, correlation coefficient and t-test to test the stated hypotheses. Findings revealed that forensic accounting significantly influence fraud prevention and detection. Based on the above, it is recommended that companies in Nigeria step up their forensic accounting practices in order to deter fraud.

Solomon *et al.* (2023) examined the effect of internal control systems on fraud prevention and detection in public institutions in Ekiti State, Nigeria. With a great focus on the control environment, monitoring, information and communication, risk assessment, and control activities. The study used a survey research design and collect data using self-administered questionnaires. The structured questionnaire used the 5- Pont Likert Scale system. The targeted population constitutes the management staff, staff of the internal audit department, and finance and accounts staff of all public institutions in Ekiti State, Nigeria with a total population of 627. The sample size of 244 was considered based on Slovin's formula. The data collected were analyzed using both descriptive and inferential statistics. The result showed that control environment, monitoring, and information and communication had a significant positive effect on fraud prevention and detection of public institutions in Ekiti State, Nigeria. on the other hand, risk assessment and control activities showed an insignificant positive relationship. It was concluded that public institutions should explore the advantage of information and communication systems to curb fraudulent practices in the public sector. It was recommended that public institutions in Nigeria particularly in Ekiti State should place more emphasis on controlling their environment, monitoring activities, and ensuring the effective provision of information and communication system.

Adebayo *et al.* (2022) examined the effect of fraud risk management techniques on fraud reduction in the oil and gas sector in Nigeria. The study used primary data which were obtained through a structured questionnaire. The population of the study consisted of 106 staff of the two top firms in the oil and gas sector in Nigeria. A total of 54 staff were purposively selected from the accounting department and 52 from the risk management department. They were selected due to their knowledge and expertise in field of study. A hundred copies of the study questionnaire were retrieved, and the data analysis was done using an ANOVA test. The findings showed that fraud risk management techniques, which included internal control, whistle blowing, fraud awareness/training, and fraud response, had a significant and positive effect on fraud reduction. Computer forensic exhibited a negative, but significant effect on fraud reduction. The study concluded that fraud risk management techniques effectively enhanced fraud reduction in the oil and gas sector. It has therefore, recommended that fraud risk management techniques should be widely employed in the oil and gas sector in Nigeria as it has been proven to be effective in fraud reduction.

Molokwu *et al.* (2021) examined internal control system effectiveness and fraud prevention in deposit money banks in Nigeria. The study adopts a descriptive analysis which helps in summarizing the data. Inferential statistics was used such as the multiple regression analysis to explain internal control system effectiveness and fraud prevention. Questionnaires were administered to Nineteen deposit money banks in Nigeria and a total of 40 questions were asked and answered accurately. Cronbach Alpha Coefficient was used to test the reliability of the measurement and as such are reliable because the entire alpha coefficients are greater than 0.6. The findings of the study show that there is a positive and significant relationship between control environment and fraud prevention mechanism The overall result showed that control environment (CE), risk assessment (RA), information and communication (IC) and monitoring (MO) have a positive and significant impact on fraud prevention, whereas control activities

have a positive but insignificant effect on fraud prevention. Based on the findings, the study recommends that organizations' management and those saddled with the responsibility of governance of companies should always be alert to all possible circumstances (business risks) that may threaten the banks' ability in achieving its set objectives.

Samuel *et al*. (2021) examined the effect of internal control system on fraud prevention among deposit money banks in Kwara state Nigeria. Specifically, the study examined 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 respondent 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.

Agyemang (2020) assessed the effect of internal control on fraud prevention. Analysis of data collected through questionnaire using percentage suggests that good internal control and effective supervision and monitoring of internal control are capable of preventing and detecting fraud and fraudulent practices in Nigerian banks. Furthermore, Abiola and Oyewole (2013) explored the effect of internal control system on fraud detection in commercial banks in Nigeria. Results of data analysis using General Least Square, Correlation and Panel data analyses showed statistically significant relationship between employee training and fraud control amongst others Njoki (2016) in a explored internal audit functions and fraud detection among insurance companies operating in Kenya. He adopted a descriptive research design and carried out census study of 41 insurance companies in Kenya. T-test result of analysis of primary data were collected using a structured established that there was a statistical relationship between Proactive Fraud Audit, Compliance to Policies, Risk Management, Control of Operation and Financial Reporting and fraud detection among insurance companies in Kenya.

Joseph and Isiaka (2022) examine the effect of internal control system on fraud prevention of financial services firms in Nigeria. The population is 284 respondents from the listed financial services firms in Nigeria. A cluster sampling technique was adopted for the study. The data was sourced through the primary sources and a structure questionnaire were administered to the respondents through the use of five-point Liker scale system, and the SMART-PLS-3-SEM was used to analyze the fitness of the data and test the research hypothesis. The discriminant validity measure and cross loadings were used to test the fitness of the model. Path coefficient, predictive relevance of exogenous. Findings from the study revealed that control environment and monitoring were found to have a positive and significant effect on fraud prevention, while the information and communication has a negative and significant effect on fraud prevention. Risk assessment show an insignificant positive effect on fraud prevention while control activities is negative and insignificant effect on fraud prevention of the listed financial services

firms in Nigeria. It is recommended among others that the management of financial services firms should maintain the use in control environment, monitoring system because they play a greater role in effect on fraud prevention. Also, regulator agency such as CBN, EFCC and ICPC should develop an internal control framework and policy that will guide the financial services firm in Nigeria.

3. METHODOLOGY

This study employed a field survey that is cross-sectional as opposed to longitudinal field survey to enable the collection of data for both the dependent and the independent variable at the same point in time. This is due to the fact that longitudinal field surveys are costly in terms of money and time. In longitudinal studies, the data for the dependent and the independent variables are collected at different point in time.

The population of the study consists of fifteen (15) deposit money banks within Jos metropolis. In this study 19 staff drawn from each bank to give a total population of 285. This comprises of 5 top level management, 14 middle and low-level staff of the banks. Members were selected in terms of their rankings based on branch manager, supervisor, corporate customers, and cashiers. The study employed the used of simple random sampling technique in sampling 16 with the used of Taro Yamane formula was used to determine the appropriate sample size used in the study.

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

Were.

n = signifies the sample size

N = signifies total population of respondent, that is 285

e = the level of significance, that is 0,05

$$n = \frac{285}{1+285(0.05)2}$$

$$n = \frac{285}{1+285*0.0025}$$

$$n = \frac{285}{1.7125}$$

n = 166

The instrument for collecting the primary data was structured questionnaire. The study makes use of multiple linear regression analysis as the data analysis technique using SPSS. The multiple linear regression was used because it is the appropriate techniques for examining the cause, effect, relationship between variables (Etemadi & Khashei, 2021). The techniques have been credited with been able to produce the best linear unbiased estimates of the population parameters.

Model Specification
$FC= \beta_0 + \beta_1CE + \beta_2CA + \beta_3MA + e$
Where:
FC= Fraud Control
CE= Control environment

CA= Control Activities

MA= Monitoring Activities

β_0 = Constant

e = error term for the Model that is, the difference between the observed value and the predicted value of fraud reduction.

The study considered control environment, control activities and monitoring control as the strongest internal control mechanisms for fraud control in the banking industry.

4. 0   RESULT/INTERPREATION AND DISCUSSION OF RESULTS
4.1   RESULTS
4.2.1   Normality

The study employed the use of Kolmogorov-Smirnov and Shapiro-Wilk test to confirm that the data meet the assumption of normality.

Table 1

Kolmogorov-Smirnov and Shapiro-Wilk Tests

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Fraud Control	.540	147	.523	.606	147	.382
Control environment	.615	147	.321	.446	147	.357
Control activities	.708	147	.416	.529	147	.571
Monitoring	.223	147	.327	.525	147	.234

Source: SPSS Output

From the result on table 1, both tests are non-significant (p>0.05). The data therefore, meets the assumption of normality.

4.2.2   Multicollinearity

To screen for multicollinearity, Variance Inflation Factor (VIF) and tolerance level were examined through regression results from the SPSS

Table 2

Multi-collinearity

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Control environment	.526	1.297
	Control activities	.719	1.115
	Monitoring	.844	1.385

b.   Dependent Variable: Fraud Prevention

Source: SPSS Output

From table 2, it is clearly seen that the VIF and the tolerance values do not exceed 5 and are not less than 10 respectively. The independent variables are therefore correlated.

4.1.3   Descriptive Statistics

The descriptive analysis is seen basically from the behavior of the descriptive statistics and the correlations. The above parameters are necessary to check if the statistical mean of the data

provides a good fit of the observed data (descriptive statistics) and whether the study variables have relationships.

Table 3:
Descriptive statistics for the study variables

	N	Minimum	Maximum	Mean	Std. Deviation
Fraud Control	147	1.85	5.00	4.3206	.50334
Control environment	147	1.70	4.50	3.6809	.93404
Control activities	147	3.20	4.75	3.5288	.62865
Monitoring	147	2.35	4.75	3.9262	.72190

Sources: SPSS Output

The descriptive statistics for the study variables are presented in Table 3. The results indicate that the mean score of the latent variables range between 3.32 and 4.92 on a 5- point Likert scale, while the standard deviation ranges between 0.50 and 0.93 The standard deviations are small relative to their respective means, implying that the statistical mean provides a good fit of the observed data (Field, 2009) and the data from which the sample was drawn is a true reflection of the population.

4.1.3 Test of Hypotheses
Multiple linear regression analysis was then employed to test the significance of such effect and hypotheses earlier formulated in the study. A multiple linear regression was run to test the effect internal control on fraud prevention. Table 4 presents the results:

Table 4
Table of Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.315	.488		3.903	.000
	Control environment	.238	.223	.354	4.160	.003
	Control activities	.402	.237	.488	3.375	.012
	Monitoring	.241	.301	.625	2.405	.004

 a. Dependent Variable: Fraud control
R^2= .478; Adjusted R^2= .469; Std. Error of the Estimate= .92756

Hypothesis 1 as shown in table 4, the standardized regression Beta-value and t- statistics control environment on fraud control is 0.354 and 4.160 suggesting that this path is statistically significant at α =0.05. Hence, control environment has significant effect on fraud control of deposit money banks in Plateau State**.**

Also, hypothesis 2 as shown in table 4, the standardized regression Beta-value and t- statistics for control activities on fraud control is 0.488 and 3.375 suggesting that this path is statistically significant at α =0.05. Hence, control activities has significant effect on fraud control of deposit money banks in Plateau State.

Again, hypothesis 3 as shown in Table 4, the standardized regression Beta-value and t- statistics for monitoring on fraud control is 0.625 and 2.405 suggesting that this path is statistically

significant at α =0.05. Hence, monitoring has significant effect on fraud control of deposit money banks in Plateau State.

4.2 Discussion of Findings

Hypothesis 1 reveals that control environment has significant effect on fraud control of deposit money banks in Plateau State. Control environment explained 47.8% of fraud prevention of deposit money banks. This shows that a positive change in control environment will bring about a positive change in fraud prevention. This is because it enables management put in their efforts and supports towards the organization, support from the management determines the efficiencies and effectiveness of the business operation, Management resolves on timely basis to review audit reports and resolution of any non-compliance in the system, Through the integrity of the organization, its employee's competency and ethics could be influenced. This simply implies that control environment has significant contribution towards fraud control in deposit money banks in Nigeria. This could be explained by the fact that control environment has all-encompassing influence on the structure of business activities and how they are carried out, the way objectives are established, the way risks are assessed and fraud detected and addressed. Having such wide spread influence on various aspect of the organization, if properly handled/ controlled, would definitely have great contribution on fraud control. This finding agrees with Solomon *et al.* (2023) who revealed that control environment has positive and significant effect on fraud prevention and detection of public institutions in Ekiti State.

Also, hypothesis 2 shows that control activity has significant effect on fraud control of deposit money banks in Nigeria. This means that a positive change in control activity will bring about a positive and significant change in fraud control. This is because procedures have been put in place for complains by customers thereby serves as a basis for controlling fraud. The system in place is well networked in the whole banks, Management of banks receives timely, relevant, and reliable reports for decision-making, there are internal independent process checks and evaluations of controls activities on continuous basis and monitoring and evaluation has helped in assessing the quality of control banks over time. This is in agreement with a prior expectation as it generally expected that good control activities should be able to keep fraud in check to a great extent. This finding is in agreement with the finding of Samuel, Mohamed and Simon (2016), Adebayo *et al.* (2022) and Haladu (2018) who established that significant relationship exist between Control Activities and fraud control. Effective control activities will ultimately reduce or remove completely fraud in deposit money banks as it entails provision of physical security to assets, as well as access code to computer data base thus preventing theft/fraud. Also, approvals and authorization of financial transactions are put to control by designating an officer for such and also tagging approval limits depending on the officer and organizational policy. However, this finding does not conform to that of Aruonoaghe and Ikyume (2013) who were in their work found a negative but non-significant association between control activities and level of fraud prevention and detection. The above may not be unconnected with the volume of fraud going on in banks which most of time were unreported to avoid loss of confidence by the banking public.

Again, hypothesis 3 indicates that monitoring has significant effect on fraud control of deposit money banks in Nigeria. This means that there are internal independent process checks and evaluations of controls activities on continuous basis, Internal reviews of implementation of internal controls in units are conducted periodically, Monitoring and evaluation has helped in assessing the quality of performance of the deposit money banks over time, Management resolves on timely basis to review audit reports and resolution of any non-compliance in the system and there is always monitoring of targets set on fraud prevention of deposit money banks. This is in agreement with the findings of Molokwu et al. (2021) who found out that

monitoring control has significant impact on fraud control in DMDs and suggested that internal control would help to ensure strict application of the measures hence better result.

5.   CONCLUSION AND RECOMMENDATIONS

The objective of the study was to examine the effect of internal control system on fraud of deposit money banks in Plateau State. The study concluded that control environment, control activities, and control monitoring have significant effect on fraud control of deposit money banks in Plateau State. The following recommendations are drawn from the findings and conclusion of the study;

   i.   Control activities have statistical association on level of fraud control of deposit money banks, management should always ensure that strong and appropriate control activities are always in place to prevent financial leakages and promote accountability in the banking industry. There should also be appropriate segregation of duties to control person's opportunity to commit fraud and conceal fraud or errors and an appropriate level of management should approve and authorize all transactions over a specified limit, and authorization should require dual signature.

   ii.   Management of DMBs should prepare a well-designed reporting system and conservative management philosophy and operating style should be adopted. External influences that affect the bank's operation and risk management should be avoided and also human resources policies and procedures should be made effective.

   iii.   Management of DMBs should ensure that internal and external audit functions are used fully as part of the organization's monitoring program and also, monitoring and follow up processes must be established to prevent fraudulent activities.

6. IMPLICATIONS OF THE STUDY

The findings can inform the Central Bank of Nigeria (CBN) and other financial regulators to reinforce compliance guidelines on internal control contexts across deposit money banks. Practically, banks may implement more vigorous internal control procedures such as real-time monitoring, internal audit units, risk assessments to control fraudulent activities. Theoretically, the study supports the existing theory of **Fraud Triangle Theory by** strengthening the connection between strong internal control mechanisms and fraud control.

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