

## Internal Control and Fraud in Deposit Money Banks in Bayelsa State

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### Abstract

The study examined Internal Control and Fraud in Deposit Money Banks (DMB) in Bayelsa State. The research adopted correlational survey research design. The population for this study was five hundred and four (504) and a sample size of two hundred and twenty-three (223) knowledgeable staff (bank's top class or management staff, bank's external/investigative auditors and banks. The study used questionnaire instrument, and data were analyzed in the Statistical Package for Social Sciences (SPSS) Version 22. The findings revealed that there was a very strong positive significant relationship between internal audit and employee fraud in deposit money banks in Bayelsa state. Whereas there was a weak positive linear relationship between internal audit and employee fraud in deposit money banks in Bayelsa state of about 21%. And also result for hypotheses three and four reveals that there is a strong positive linear relationship between segregation of duties and management fraud in manufacturing in deposit money banks in Bayelsa state of about 35%. While hypothesis four reveals that there is a weak positive linear relationship between segregation of duties and employee fraud in deposit money banks in Bayelsa state. The study recommended among others that banks should maintain the internal control practices towards management fraud and must also take proactive steps to ensure that internal procedures in the financial institutions are followed and there is a weak positive linear relationship between segregation of duties and employee fraud. Thus, management of deposit money banks must be responsible for ensuring that the right things are done while ensuring that fraudulent staff are punished in accordance with the law to serve as deterrent to others who may wish to follow suit.

**Keyword: Internal Audit, Fraud, Deposit Money Bank**

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### I. Introduction

Banks are important agents of a country's financial system and play a major role in the smooth running of the economy. Due to the progressive deregulation and liberalization of the Nigerian financial sector, banks are exposed to different kinds of fraudulent practices both financial and non-financial. Although successful fraud cases in Deposit money Banks are declining, efforts have to be made to effectively minimize this willful act.

According to Nigeria Deposit Insurance Corporation (NDIC), Deposit Money Banks (DMB) recorded a total of 16,751 fraud cases in 2018 and compared with 12,279 cases in 2017, representing an increase of 36.42%. However, the amount of loss involving bank staff recorded a huge decline of 51.83% from ₦18.02 billion in 2017 to ₦8.68 billion in 2018, while the actual losses to the nation's banking industry dropped by 24.29% from ₦3.17 billion in 2017 to ₦2.40 billion in 2018. The reduction in the rate of successful fraud incidences and actual losses was an indication of improved regulatory/supervisory oversight, increased vigilance by banks and the deployment of improved security architecture in the banking industry.

Fraud being an unfortunate staple in Nigeria's internal reputation has eaten deep into the Nigerian banking system and any bank with a weak internal control system is dangerously exposed to bank fraud. (Adeduro, 1998). Fraud could be seen as deliberate act carried out by management of an organization whether financial or non-financial, by presenting misleading and untrue statement which results into damages to those who rely on these statements. Fraud does not come about as a result of new development in the financial sector; it is as old as the industry itself and efforts made by managers and practitioners to minimize this unwanted act seems to go down the drain. Frequent occurrences of fraud are among the things that threaten an organization's survival. Banks experience attacks from fraudsters continuously as a result of the belief by many Nigerians that, the banking sector is more lucrative than any other sector in the economy and that a single act of irregularity does not affect its existence. This assumption is untrue based on the fact that the banks will be made to make good these damages caused to investors, and which at some point they find it difficult to sustain and remain liquid.

Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of achieving set objectives. Fraud can be effectively and adequately

minimized but not totally eliminated, if there is an effectively system of internal control in the Deposit Money Banks especially those situated in Bayelsa State.

### **Statement of the Problem**

The rate at which fraudulent activities are of the increase in our banking system is alarming. Such that, it has now formed a part of the bank and has become a concern to the management of our banks even the government. Fraud constitutes a major source of threat to the corporative growth and existence of many deposit money banks. Prominent scholars including monetary authorities have been able to attribute the causes of fraud to the existence of a weak or no internal control systems in these banks. This implies that, for banks to function effectively and be well protected, they must implement defense pattern into their everyday operations. It has been asserted that, no internal control practices however elaborate, can by itself guarantee efficient administration and the completeness and accuracy of the records, nor can it be proof against fraudulent collusion especially on the part of those finding positions of authority or trust. But, internal controls depending on segregation of duties can be avoided by collusion. Authorization controls can be abused by the person in whom the authority is vested. While the competence and integrity of the personnel operating the controls may be ensured by selection and training, these qualities may alter due to pressure exerted both within and outside the enterprises. Human error due to error of judgment or interpretation, misunderstanding, carelessness, fatigue or distraction may undermine the effective operation of internal controls (Adeniyi, 2012). Many commercial banks have built internal control practices in their system, but in spite of this, fraudulent cases are still reported. It is on this platform that the researcher finds it necessary to write on Internal Control and Fraud in Deposit Money Banks in Bayelsa State.

### **Purpose of the Study**

The purpose of the study was to examine the relationship between Internal Control and Fraud in Deposit Money Banks in Bayelsa State. Specifically, the study attains the following objectives:

- i. To determine the relationship between internal audit and management fraud in Deposit Money Banks.
- ii. To determine the relationship between internal audit and employee fraud in Deposit Money Banks.
- iii. To determine the relation between segregation of duties and management fraud in Deposit Money Banks.
- iv. To determine the relationship between segregation of duties and employee fraud in Deposit Money Banks.

### **Research Hypotheses**

**H0<sub>1</sub>:** There is no significant relationship between internal audit and management fraud in Deposit Money Banks.

**H0<sub>2</sub>:** There is no significant relationship between internal audit and employee fraud in Deposit Money Banks.

**H0<sub>3</sub>:** There is no significant relationship between segregation of duties and management fraud in Deposit Money Banks.

**H0<sub>4</sub>:** There is no significant relationship between segregation of duties and employee fraud in Deposit Money Banks.

The paper is structured in five sections; first section deals with the introduction, the second section deals with the review of related literature, section three focus on the methodology, section four explains the data analysis and discussion of finding and section five deals with the summary of findings, recommendation and conclusion.

## **II. Review of Related Literature**

### **Conceptual Clarification**

#### **Concept of Internal Control**

Internal Control can be clearly define as a mechanism effected by the entity's board of directors, management, and other staff, structured to provide fair assurance about the achievement of goals in the following categories: efficacy and efficiency of operations, transparency of financial statements, safeguarding assets and compliance with relevant laws and regulations. Internal control is described as a set of policies and procedures that give management fair confidence that the organization can meet its goals and objectives. These rules and procedures are collectively referred to as controls, and they make up what is known as an entity's internal control system.

### **Concept of Fraud**

The term "fraud" has been described in a variety of ways by numerous academics. The word "fraud" refers to a broader sense of "irregularities." Any deviation from legality, regularity, or conformity, as well as any violation of the definition, is referred to as an irregularity (Coram, Ferguson & Moroney, 2006). Deficiencies, transgressions, and malfunctions represent breaches of the normative regularity framework, violations of the procedural code consisting of errors, omissions, or unintentional mistakes. Fraud may also be described as a predetermined and well-planned deceptive mechanism or system used by a person or group of people with the sole purpose of testing another person or business in order to obtain illegal benefits, whether financial or otherwise, that would not have been possible without the use of such a deceptive tool. Specifically, it is a misrepresentation or concealment with reference to some fact materials to a transaction that is made with knowledge of it being falsity or in reckless disregard of its truth and with the intent to deceive another person (Dandago, 1999)

### **Empirical Review**

Edoumiekumo, Nkak, Faleti, Abah-Marcus, & Tiemo (2020) examined the internal control system and misappropriation of funds in the public sector, the study adopted the primary data and the structured questionnaire were distributed to the audit and account department of selected ministries. The data obtained were analyzed using the descriptive statistics and least square regression analysis. The study found that effectiveness of internal audit had a negative statistical insignificant with the misappropriation of public funds; while the internal control had positive and was statistically significant on the misappropriation of public funds. Their study recommended that management and top executives are saddled with the responsibility of upgrading the competency of the audit/account personnel for effectiveness.

Olulade, Ilugbusi & Awoniyi (2019) investigated the impact of internal control on fraud prevention in deposit money banks in Nigeria. The researcher adopted the descriptive survey research; the data were obtained through questionnaire and analyzed using the simple percentage and the regression model. Their study observed that risk assessment showed a significant on fraud prevention among money deposit banks in Nigeria. It recommended that there is need for functional review of their human resource management as this will checkmate the hoop holes for fraudulent activities perpetrated by employees.

Ademola, Abikoye & Olajide (2015) explored the effect of internal control system in Nigeria public sector. They stressed that internal control is useful for business and firms that have employees. The study use both the primary and secondary source in obtaining data, the data were analyzed using the chi-square statistics. The study found that there is significant relationship between Capital and Earnings Quality, while the intellectual capital was negatively related to the absolute value of Discretionary Accruals so intellectual capital positively affects earnings quality. The study recommended that there should be a right attitudinal change to management and market share of a bank, intellectual capital and earning quality not automatic outdated process of the bank but to redesign new ones, externally focus on customers and the generation of greater value for customers.

Alhassan (2018) investigated the internal control measures for fraud prevention and detection in Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange (NSE) using both the primary and secondary sources of data. The data were obtained and analyzed using the ordinary least square. The study found that internal control measures of control environment, risk assessment and control activities had negative impact on fraud detection and prevention. Also, the risk assessment was statistically insignificant. The study recommended that there should be an overhaul of management and internal control system that is operated by the banks in Nigeria and should be IFRS compliance.

Okonkwo & Ezeqbu (2015) examined internal control techniques and fraud mitigation in Nigerian banks using a survey method in checkmating the internal control systems Guaranteed Trust Bank Plc and Fidelity Bank Plc have aided in combating or preventing fraud in Nigerian banks. Among the findings were that: the internal control techniques employed by banks in checking fraud have not been very effective; and the branch managers were the dominant perpetrators of fraud in the banks. The study recommended that banks should create work ethics among unit; reduce excessive confidence in any bank staff; and leadership by example should be the watch word of all bank mangers.

Ewa and Udoayang (2012) carried out a study to establish the impact of internal control design on banks ability to investigate staff fraud and staff lifestyle and fraud detection in Nigeria. The study obtained data from 13 Nigerian banks adopting a four point likert scale questionnaire. Their study revealed that internal control design influences staff attitude towards fraud such that a strong internal control mechanism is deterrence to staff fraud while a weak one exposes the system to fraud and creates opportunity for staff to commit fraud.

III. Methodology

Research Design

This study basically adopted correlational survey research design. According to (Waters, 2017), correlational study is a quantitative method of research in which the researcher has two variables from the same group of participants and tries to determine if there is a relationship between the two variables.

Population of the Study

Thus, the target population for this study consists of bank’s top class or management staff (accountants, bank’s internal auditors, executive managers, member board of directors, bank financial controllers), bank’s external/investigative auditors and bank’s middle-class staff (cashiers, payroll officers, customer care representatives, cash payers, accounts officers, unit inspectors) of the three selected banks (First Bank Plc, Guaranty Trust Bank and Fidelity Bank in Bayelsa state. At the time of this research, the populations of the entire staff in these financial institutions were five hundred and four (504).

Table 1: Distribution of Respondents in Six Selected Deposit Money banks (DMBs) in Bayelsa State.

Selected Deposit Money banks (DMBs) in Bayelsa State				
Respondents.	First Bank	Guaranty Trust Bank	Fidelity Bank	Grand Total
Bank’s Top Class or Management Staff	75	80	81	236
Bank’s External/Investigative Auditors	12	8	15	35
Bank’s Middle Class Staff	78	75	80	233
<b>Total</b>	165	163	176	504

Source: Researcher Computation, 2020

Sample Size

The sample size of this study is two hundred and twenty-three (223). This number is derived by the application or use of Taro Yamane formula for sample size determination.

Method of Data Analysis

The data collected from the questionnaire were analyzed in the Statistical Package for Social Sciences (SPSS) Version 22. Demographic data were analyzed using simple percentage. The research questions were analyzed using Mean and Standard Deviation in the distributive statistics tables. A criterion means of 3.0 is set as a guideline for accepting and rejecting option. The criterion mean is calculated as follows:  $5+4+3+2+1/5 = 3.0$ . Fixing the criterion mean at 2.5 which implies that for any item to be accepted, it must score a minimum mean value of 3.0 or above, while anything less than 3.0 is rejected.

The formulated hypotheses will be tested using the simple bivariate regression analysis with model summary explaining the relationship and determinant percentage of the relationship by the R and R-square respectively. The significance of the variability will be tested using the ANOVA and hypotheses acceptance and rejection at 0.05 levels of significant using Coefficient tables with the aid of the SPSS platform.

Model Specification

Thus, the formula for regression:  $\psi = a + bx + e \dots\dots 1$

Where:  $\psi$  = index of outcome variable  
 $a$  = constant term for the independent variables

$b$  = index of predictor variable

$x$  = coefficients

$e$  = error level

To test the six hypotheses of the study, this study has two variables, dependent and independent. Internal Control (INCO) is the independent variables of the study as well as the operational dimension in terms of the following: Internal Audit (INAUDIT), Segregation of Duties (SOD). Whereas Fraud (FUD) as well as its measures are Management Fraud (MAF) and Employee Fraud (EMFD).

The following 6 models were used to analyze the bivariate relationship between the variables.

$$FUD_{it} = a_0 + b_1(INCO)_{it} + e (0.05) \dots\dots\dots 1$$

Thus:

**The First Model:** the first hypothesis test model; the relationship between Management Fraud and Internal Audit:

$$MAF_{it} = a_0 + b_1(INAUDIT)_{it} + e (.05)$$

**The Second Model:** the second hypothesis test model; shows the relationship between Employee Fraud and Internal Audit:

$$EMFD = a_0 + b_2(INAUDIT)_{ii} + e (.05)$$

**The Third Model:** the third hypothesis test model; shows the relationship Management Fraud and Segregation of Duties:

$$MAF_{ii} = a_0 + b_3(SOD)_{ii} + e (.05)$$

**The Fourth Model:** the first hypothesis test model; the relationship between Employee Fraud and Segregation of Duties:

$$EMFD_{ii} = a_0 + b_1(SOD)_{ii} + e (.05)$$

**Results of Data Analysis and Discussion**

**Table 4.1: Questionnaire Distribution to Respondents and Retrieval**

Questionnaire Copies	Frequency	Percentage %
Administered	223	100
Retrieved	164	74
Bad / incorrectly filled copies	59	26

*Source: Survey Data, 2020.*

Prior to table 4.1 above, two hundred and (223) copies of the questionnaire was distributed among a bank's top class or management staff, bank's external auditors and investigators and bank's middle class staff selected deposit money banks in Bayelsa State. One hundred and sixty-four (164) copies were retrieved which amount to 74%; while fifty (59) copies went bad or incorrectly filled which amount to 26%.

**Table 4.2 Position occupied by respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bank's top class or management staff	57	34.8	34.8	34.8
	Bank's external auditors / investigators	30	18.3	18.3	53.0
	Bank's middle class staff	77	47.0	47.0	100.0
	Total	164	100.0	100.0	

*Source: SPSS Output (Based on questionnaires" Data 2020).*

From table 4.2 above, it is obviously clear that out of the 164 copies of questionnaire, Bank's top class or management staff answered 57 copies which indicates 34.8% of the respondents; while Bank's external auditors / investigators answered 30 copies which represents 18.3% respondents and Bank's middle class staff answered 77 copies which represents 47% of respondents.

**Table 4.3 Educational qualification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NCE/HND	6	3.7	3.7	3.7
	B.Sc/B.Sc.Ed	27	16.5	16.5	20.1
	M.Sc/MBA/MA	49	29.9	29.9	50.0
	LLB	10	6.1	6.1	56.1
	ACA/ICAN/ANAN/ACC	40	24.4	24.4	80.5
	Others Professional degree	32	19.5	19.5	100.0
	Total	164	100.0	100.0	

*Source: SPSS Output (Based on questionnaires" Data 2020).*

Table 4.3 above, shows that out of the 164 copies of questionnaire, NCE/HND holders answered 6 copies which indicates 3.7% of the respondents; B.Sc/B.Sc.Ed holders answered 27 copies which indicates 16.5 % of the respondents; M.Sc/MBA/MA answered 49 copies which represents 29.9% respondents; while LLB answered 10 copies which represents 6.1% respondents; ACA/ICAN/ANAN/ACC answered 40 copies which represents 19.5% respondents; and Others Professional degree answered 32 copies which represents 19.5% of respondents.

**Table 4.4 Experience on the job**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 - 4	18	11.0	11.0	11.0
	5 - 9	39	23.8	23.8	34.8
	10-14	65	39.6	39.6	74.4

15 and above	42	25.6	25.6	100.0
Total	164	100.0	100.0	

Source: SPSS Output (Based on questionnaires" Data 2020).

Table 4.4 above, shows that out of the 164 copies of questionnaire, 0 – 4 years of experience answered 18 copies which indicates 11% of the respondents; 5 -9 years of experience answered 39 copies which indicates 23.8% of the respondents; while 10-14 years of experience answered 65 copies which represents 39.6% respondents; and 15 and above years of experience answered 42 copies which represents 25.6% of respondents.

**Table 4.5 Gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid female	73	44.5	44.5	44.5
Male	91	55.5	55.5	100.0
Total	164	100.0	100.0	

Source: SPSS Output (Based on questionnaires" Data 2020).

From table 4.5 above, it is obviously clear that out of the 164 copies of questionnaire, female staff answered 107 copies which indicate 44.5% of the respondents; and male staff answered 91 copies which represent 55.5% of respondents.

**Analysis of Research Question One:** To what extent does internal audit influences management fraud in deposit money banks (DMB) in Bayelsa state?

**Table 4.6 Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
INTERNAL AUDIT	164	1.400	5.000	3.89024	.999461
MANAGEMENT FRAUD	164	1.60	5.00	3.8146	.84637
Valid N (listwise)	164				

Source: SPSS Output (Based on questionnaires" Data 2020).

To answer the research question one, result from table 4.6 above shows a mean response of 3. 89024 for internal audit and 3. 8146 for management fraud which is above criterion mean of 3.0 indicating that large percentage of the respondents agreed positively that internal audit influences management fraud. On the hand standard deviation for the internal audit 0. 999461 and management fraud 0. 84637, indicating that there was homogeneity or unity of response. Thus, internal audit largely influences management fraud in deposit money banks (DMB) in Bayelsa state.

**Analysis of Research Question Two:** To what extent does internal audit influences employee fraud in deposit money banks (DMB) in Bayelsa state?

**Table 4.7 Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
INTERNAL AUDIT	164	1.400	5.000	3.89024	.999461
EMPLOYEE FRAUD	164	2.40	4.80	3.8110	.43652
Valid N (listwise)	164				

Source: SPSS Output (Based on questionnaires" Data 2020).

To answer the research question two, result from table 4.7 above shows a mean response of 3. 89024 for internal audit and 3. 8110 for employee fraud which is above criterion mean of 3.0 indicating that large percentage of the respondents agreed positively that internal audit influences employee fraud. On the hand standard deviation for the internal audit 0. 999461 and employee fraud 0. 43652, indicating that there was homogeneity or unity of response. Thus, internal audit largely influences employee fraud in deposit money banks (DMB) in Bayelsa state.

**Analysis of Research Question Three:** To what extent does segregation of duties influence management fraud in deposit money banks (DMB) in Bayelsa state?

**Table 4.8 Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
SEGREGATION OF DUTIES	164	1.800	5.000	3.55732	.827967
MANAGEMENT FRAUD	164	1.60	5.00	3.8146	.84637
Valid N (listwise)	164				

*Source: SPSS Output (Based on questionnaires" Data 2020).*

To answer the research question three, result from table 4.8 above shows a mean response of 3. 55732 for segregation of duties and 3. 8146 for management fraud which is above criterion mean of 3.0 indicating that large percentage of the respondents agreed positively that segregation of duties influences management fraud. On the hand standard deviation for the segregation of duties 0. 827967 and management fraud 0. 84637, indicating that there was homogeneity or unity of response. Thus, segregation of duties positively influences management fraud in deposit money banks (DMB) in Bayelsa state.

**Analysis of Research Question Four:** To what extent does segregation of duties influences employee fraud in deposit money banks (DMB) in Bayelsa state?

**Table 4.9 Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
SEGREGATION OF DUTIES	164	1.800	5.000	3.55732	.827967
EMPLOYEE FRAUD	164	2.40	4.80	3.8110	.43652
Valid N (list wise)	164				

*Source: SPSS Output (Based on questionnaires" Data 2020).*

To answer the research question three, result from table 4.8 above shows a mean response of 3. 55732 for segregation of duties and 3. 8110 for employee fraud which is above criterion mean of 3.0 indicating that large percentage of the respondents agreed positively that segregation of duties influences employee fraud. Standard deviation for the segregation of duties 0. 827967 and management fraud 0. 43652, indicating that there was homogeneity or unity of response. Thus, segregation of duties positively influences employee fraud in deposit money banks (DMB) in Bayelsa state.

**Test of Hypotheses**

Salkind (2010), gives the following parameters as the benchmark for interpreting correlation coefficient (r)

- ±0.80 - 1.00      Very Strong relationships
- ±0.60 - 0.79      Strong relationships;
- ±0.40 - 0.59      Moderate relationships;
- ±0.20 - 0.39      Weak relationship; and
- ±0.01 - 0.19      Very Weak or no relationship

The positive sign (+) in the value (r) implies a direct positive relationship while a negative sign (-) indicates an inverse relationship

**Simple Bivariate Regression Analysis**

A total of four hypothesized bivariate associations were postulated in the study; all stated in the null form of no relationship. In an attempt to actualize the eclectic objective of the research work, we employ regression analysis as a prerequisite in testing our hypotheses considering the fact that it gives a synchronize account of the relationship between the variables under investigation using SPSS v.22 software package.

**Decision Rule**

If the probability value (PV) in the coefficient table is less than 0.05 alpha level, we Reject the null hypotheses and accept significant relationship.

If the probability value (PV) is greater than 0.05 alpha level, we accept the null hypothesis and accept no significant relationship.

**Analysis of Research Hypothesis oneH<sub>01</sub>:** There is no significant relationship between internal audit and management fraud in deposit money bank (DMB) in Bayelsa state.

**The First Model:** the first hypothesis test model; the relationship between Management Fraud and Internal Audit:  $MAF_{it} = a_0 + b_1(INAUDIT)_{it} + e$  (.05)

**Table 4.10a Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.953 <sup>a</sup>	.908	.908	.25684	1.931

a. Predictors: (Constant), INTERNAL AUDIT  
 a. Dependent Variable: MANAGEMENT FRAUD  
 Source: SPSS Output (Based on questionnaires" Data 2020).

The above model summary table 10.a produced a correlation coefficient, 'R' of 0.953<sup>a</sup> show there is a very strong positive correlation between management fraud and internal audit. And our R<sup>2</sup> stood 0.908 which implies that about 91% variations in the dependent variable (management fraud) is attributed to changes in the independent variable (internal audit).

**Table 4.10b ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	106.078	1	106.078	1608.041	.000 <sup>b</sup>
	Residual	10.687	162	.066		
	Total	116.765	163			

a. Dependent Variable: MANAGEMENT FRAUD  
 b. Predictors: (Constant), INTERNAL AUDIT

Source: SPSS Output (Based on questionnaires" Data 2020).

The above ANOVA table 10.b produced a significant value of .000, which is less than 0.05 (P-Value < 0.005). This table indicates that the regression model predicts the dependent variable significantly well. Thus, explains that there is no significant variation (from the line of best fit) between management fraud and internal audit in Deposit money bank (DMB) in Bayelsa state.

**Table 4.10c Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.675	.081		8.346	.000
	INTERNAL AUDIT	.807	.020	.953	40.100	.000

Source: SPSS Output (Based on questionnaires" Data 2020).

The above 4.10c coefficient table shows a Beta (β) value (same as correlation coefficient, R) of 0.953, produced a t-value of 40.100 which is significant at P (0.000) less than the chosen alpha of (0.05). The result is significant thus; the null hypothesis is rejected (P-Value < 0.005). Hence, there is a very strong significant linear relationship between internal audit and management fraud in Deposit money bank (DMB) in Bayelsa state.

**Analysis of Research Hypothesis two HO<sub>2</sub>:** There is no significant relationship between internal audit and employee fraud.

**The Second Model:** the second hypothesis test model; shows the relationship between Employee Fraud and Internal Audit:

$$EMFD = a_0 + b_2(INAUDIT)_{it} + e (.05)$$

**Table 4.11a: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.456 <sup>a</sup>	.208	.203	.38967	1.827

a. Predictors: (Constant), INTERNAL AUDIT  
 b. Dependent Variable: EMPLOYEE FRAUD

Source: SPSS Output (Based on questionnaires" Data 2020).

The above model summary table 11.a produced a correlation coefficient, 'R' of 0.456<sup>a</sup> show there is a moderate positive correlation between internal audit and employee fraud. And our R<sup>2</sup> stood 0.208 which implies that about 21% variations in the dependent variable (employee fraud) is attributed to changes in the independent variable (internal audit).

**Table 4.11a:ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.462	1	6.462	42.559	.000 <sup>b</sup>
	Residual	24.598	162	.152		
	Total	31.060	163			

a. Dependent Variable: EMPLOYEE FRAUD  
 b. Predictors: (Constant), INTERNAL AUDIT

**Source: SPSS Output (Based on questionnaires” Data 2020).**

The above ANOVA table 11.b produced a significant value of .000, which is less than 0.05 (P-Value < 0.005). This table indicates that the regression model predicts the dependent variable significantly well. Thus, explains that there is no significant variation (from the line of best fit) between internal audit and employee fraud in deposit money bank (DMB) in Bayelsa state.

**Table 4.11c Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.036	.123		24.757	.000
	INTERNAL AUDIT	.199	.031	.456	6.524	.000

**Source: SPSS Output (Based on questionnaires” Data 2020).**

The above 4.11c coefficient table shows a Beta (β) value (same as correlation coefficient, R) of 0.456 produced a t-value of 6.524 which is significant at P (0.000) less than the chosen alpha of (0.05). The result is significant thus; the null hypothesis is rejected (P-Value < 0.005). Hence, there is a moderate significant relationship between internal audit and employee fraud in deposit money bank (DMB) in Bayelsa state.

**Analysis of Research Hypothesis three HO<sub>3</sub>:** There is no significant relationship between segregation of duties and management fraud.

**The Third Model:** the third hypothesis test model; shows the relationship Management Fraud and Segregation of Duties:

$$MAF_{it} = a_0 + b_3(SOD)_{it} + e (.05)$$

**Table 4.12a Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.595 <sup>a</sup>	.354	.350	.68225	1.628

a. Predictors: (Constant), SEGREGATION OF DUTIES  
 b. Dependent Variable: MANAGEMENT FRAUD

**Source: SPSS Output (Based on questionnaires” Data 2020).**

The above model summary table 12.a produced a correlation coefficient, ‘R’ of 0.595 show there is a strong positive correlation between management fraud and segregation of duties. And our R<sup>2</sup> stood 0.354 which implies that about 35% variations in the dependent variable (management fraud) is attributed to changes in the independent variable (segregation of duties).

**Table 4.12a ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	41.360	1	41.360	88.858	.000 <sup>b</sup>
	Residual	75.405	162	.465		
	Total	116.765	163			

a. Dependent Variable: MANAGEMENT FRAUD  
 b. Predictors: (Constant), SEGREGATION OF DUTIES

**Source: SPSS Output (Based on questionnaires” Data 2020).**

The above ANOVA table 12.b produced a significant value of .000, which is less than 0.05 (P-Value < 0.005). This table indicates that the regression model predicts the dependent variable significantly well. Thus, explains that there is no significant derivation (from the line of best fit) between management fraud and segregation of duties in deposit money bank (DMB) in Bayelsa state

**Table 4.12c Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.650	.236		7.002	.000
	SEGREGATION OF DUTIES	.608	.065	.595	9.426	.000

Source: SPSS Output (Based on questionnaires" Data 2020).

The above 4.21c coefficient table shows a Beta (β) value (same as correlation coefficient, R) of 0.595, produced a t-value of 9.426 which is significant at P (0.000) less than the chosen alpha of (0.05). The result is significant thus; the null hypothesis is rejected (P-Value < 0.005). Hence, there is a strong significant linear relationship between segregation of duties and management fraud in deposit money bank (DMB) in Bayelsa state.

**Analysis of Research Hypothesis four:** HO<sub>4</sub>: There is no significant relationship between segregation of duties and employee fraud.

**The Fourth Model:** the first hypothesis test model; shows the relationship between Employee Fraud and Segregation of Duties:

$$EMFD_{it} = a_0 + b_1(SOD)_{it} + e (.05)$$

**Table 4.13a Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.357 <sup>a</sup>	.128	.122	.40900	1.575

a. Predictors: (Constant), SEGREGATION OF DUTIES

b. Dependent Variable: EMPLOYEE FRAUD

Source: SPSS Output (Based on questionnaires" Data 2020).

The above model summary table 4.13.a produced a correlation coefficient, 'R' of 0.357 show there is a weak positive correlation between segregation of duties and employee fraud and our R<sup>2</sup> stood 0.128 which implies that about 13% variations in the dependent variable (employee fraud) is attributed to changes in the independent variable (segregation of duties).

**Table 4.13b ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.960	1	3.960	23.675	.000 <sup>b</sup>
	Residual	27.100	162	.167		
	Total	31.060	163			

a. Dependent Variable: EMPLOYEE FRAUD

b. Predictors: (Constant), SEGREGATION OF DUTIES

Source: SPSS Output (Based on questionnaires" Data 2020).

The above ANOVA table 13.b produced a significant value of .000, which is less than 0.05 (P-Value < 0.005). This table indicates that the regression model predicts the dependent variable significantly well. Thus, shows that there is no significant derivation (from the line of best fit) between employee fraud and segregation of duties in deposit money bank (DMB) in Bayelsa state.

**Table 4.13a Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.141	.141		22.232	.000
	SEGREGATION OF DUTIES	.188	.039	.357	4.866	.000

Source: SPSS Output (Based on questionnaires" Data 2020).

The above 4.13c coefficient table shows a Beta (β) value (same as correlation coefficient, R) of 0.357, produced a t-value of 4.866 which is significant at P (0.000) less than the chosen alpha of (0.05). The result is significant thus; the null hypothesis is rejected (P-Value < 0.005). Hence, there is a weak significant linear relationship between segregation of duties and employee fraud in deposit money bank (DMB) in Bayelsa state.

#### IV. Summary of Result Findings

The study found that there exists a significant relationship between the dimensions of internal control (internal audit and segregations of duties) and the measures of fraud (management fraud and employee fraud). Thus:

**Table 4. 14 Result Summary of Hypotheses Analysis**

Hypotheses	Statistical Tool	R	R <sup>2</sup>	P-value	Level of Significance	Decision
Ho <sub>1</sub>	Simple bivariate regression analysis	.953 <sup>a</sup>	.908	0.000	0.05	Reject
Ho <sub>2</sub>	Simple bivariate regression analysis	.456 <sup>a</sup>	.208	0.000	0.05	Reject
Ho <sub>3</sub>	Simple bivariate regression analysis	.595 <sup>a</sup>	.354	0.000	0.05	Reject
Ho <sub>4</sub>	Simple bivariate regression analysis	.357 <sup>a</sup>	.128	0.000	0.05	Reject

#### V. Discussion of Findings

Based on the analysis of the data using regression analysis on the dimensions of the independent variable and measures of the dependent variable; the research result of table 4.10a & c produced a correlation coefficient, ‘r’ of 0.953 and a significant P-value of (0.000), which shows that there is a very strong positive linear relationship between internal audit and employee fraud in deposit money banks in Bayelsa state. This finding corroborates with Ewa & Udoayang (2012), carried out a study to establish the impact of internal control designed on bank’s ability to investigate staff fraud and staff lifestyle and fraud detection in Nigeria.

From the Table 4.11a & c produced a correlation coefficient, ‘r’ of 0.456 and a significant P-value of (0.000), which shows that there is a weak positive linear relationship between internal audit and employee fraud in deposit money banks in Bayelsa state of about 21%. This finding was in line with Adedoyin (2013), who studied the internal control measures and prevention of fraud in banks. Using participants from the Main Street Bank Plc, Aba branch in Nigeria and applying description method showed that internal control system was significant in detection and prevention of fraud in banks in Nigeria.

From the Table 4.12a & c produced a correlation coefficient, ‘r’ of 0.595 and a significant P-value of (0.000), which shows that there is a strong positive linear relationship between segregation of duties and management fraud in manufacturing in deposit money banks in Bayelsa state of about 35%. This finding was in line with Chagsha (2010), studied internal control and its effectiveness to achieving organizational goals. The result revealed showed significant relationship between the value of the enterprise and internal control; and combining internal control and information technology showed that internal control plays to achieving company’s goal and improving enterprise value.

From the Table 4.13a & c produced a correlation coefficient, ‘r’ of 0.390 and a significant P-value of (0.000), which shows that there is a weak positive linear relationships (positive) linear relationship between segregation of duties and employee fraud in deposit money banks in Bayelsa state. This finding was in line with Ademola (2010), who studied the effect of internal control system in Nigeria public sector; a study of the Nigeria National Petroleum Corporation. The findings showed that understanding internal control techniques by both management and the low level employees helps to reduce embezzlement and fraud in the corporation.

#### VI. Conclusion

From the findings of this research, we therefore conclude that there is a very strong positive significant linear relationship between internal audit and employee fraud in deposit money banks in Bayelsa state. Whereas there is a weak positive linear relationship between internal audit and employee fraud in deposit money banks in Bayelsa state of about 21%. And also result for hypotheses three and four reveals that there is a strong positive linear relationship between segregation of duties and management fraud in manufacturing in deposit money banks in Bayelsa state of about 35%. While hypothesis four reveals that there is a weak positive linear relationship between segregation of duties and employee fraud in deposit money banks in Bayelsa state.

#### VII. Recommendations

Based on the finding of the study the following recommendations are made:

1. Banks should maintain the internal control practices towards management fraud and must also take proactive steps to ensure that internal procedures in the financial institutions are followed.
2. The employee fraud and internal control system in the deposit money banks should be reviewed to serve its purpose for the good of all.

3. Separation of duty procedures in deposit money banks should be adhered to.
4. There is a weak positive linear relationship between segregation of duties and employee fraud. Thus, management of deposit money banks must be responsibility of ensuring that the right things are done the employees while ensuring that fraudulent staff are punished in accordance with the law to serve as deterrent to others who may wish to follow suit.

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