

The Complementary Effect of Internal Control System and Whistleblowing Policy on Prevention and Detection of Fraud in Nigerian Deposit Money Banks

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Abstract : The study examined the combined effect of internal control system and whistle blowing policy while it pursues the following specific objectives, which are to: examine the relationship between monitoring activities and fraud's detection and prevention; investigate the effect of control activities on fraud's detection and prevention in Nigerian Deposit Money Banks (DMBs). The population of the study comprises the 89,275 members of staff in the 20 DMBs in Nigeria as at June 2019. Purposive and convenient sampling techniques were used in the selection of the 80 members of staff at the supervisory level of the Internal Audit Departments of the head offices of the sampled banks, that is, selecting 4 respondents (Audit Executive/Head, Internal Control; Manager, Operation Risk Management; Head, Financial Crime Control; the Chief Compliance Officer) from each of the 20 DMBs in Nigeria. A standard questionnaire was adapted from 2017/2018 Internal Control Questionnaire and Assessment, Bureau of Financial Monitoring and Accountability Florida Department of Economic Opportunity. It was modified to serve the purpose for which it was meant to serve. It was self-administered to gather data from the 80 respondents at the respective headquarters of the sampled banks at their respective locations across Nigeria. Two likert-scales was used in achieving the stated objectives. A logit regression was used in analysing the stated hypotheses. It was found that effect of monitoring activities using the construct of conduct of ongoing or separate evaluation (COSE), evaluation and communication of deficiencies (ECD) revealed that monitoring activities is significant and positively related to fraud's detection and prevention in Nigerian DMBS. So also, it was found that control activities using selection and development of control activities (SDCA), selection and development of general controls over technology to prevent financial fraud (SDGCTF), development of control activities that gives room for transparency through procedures that put policies into actions (DCATPPA) contributed to influence fraud detection and prevention in the Nigerian DMBs. In addition, it was found that transparency, accountability, reliability, independence and value relevance have significant effect on fraud detection and prevention in Nigerian DMBs. The study concluded that the board of directors demonstrated independence from management and exercises oversight of the development and performance of internal control. Part of the conclusion was that there was accountability on the part of the owners and preparers of the financial reports and that the system gives room for the members of staff to account for their responsibilities. Among the recommendations was that the management of Nigerian DMBs should create and establish a standard Internal Control System strong enough to deter fraud in order to encourage continuity of operations by ensuring liquidity, solvency and going concern of the banks. It was also recommended that the banks create a structure that encourages whistleblowing to complement the internal control system.

Keywords : internal control, whistleblowing, deposit money banks, fraud prevention, fraud detection

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