Research Article

Effects of Risk Assessment on Fraud Detection in Deposit Money Bank in Nigeria

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Abstract: Frauds are experiences Banks and other organizations have to mitigate. Depravity of mankind could be reason for increasing tendency to fraudulent acts. The banks and regulatory authorities have proposed and allowed Risk Assessment measures to check the practice of bank fraud in Nigeria. The study was conducted to examine the effect of Risk Assessment on fraud detection in deposit money banks in Nigeria. The study was delimited to Diamond Bank, EcoBank, Fidelity Bank, First Bank and Sky Bank. The study was based on the fraud preventative theory. The study employed simple random sampling technique to select respondents among Banks staff. A total 1650 structured questionnaires were used for the purpose of the study. The demographic data of the respondents and research questions were analyzed using descriptive statistics (frequency and percentage) while inferential statistics (ANOVA) was used to test the hypothesis. The finding of the study revealed a significant effect of risk assessment on fraud detection in Deposit money banks in Nigeria. More specifically, the study revealed that limited company expansion, wide company objective, risk identification, lack of analysis on identified risk and managing changes were the effects of risk assessment on fraud detection in deposit money banks in Nigeria. The study recommends banks should establish work ethics unit; reduce excessive confidence in bank staff; emphasize on leadership by example in order to promote continuity of operations of the banks.

Keywords: experiences Banks and other organizations, Diamond Bank, EcoBank, Fidelity Bank, First Bank and Sky Bank.

INTRODUCTION

Banking institutions occupy a central position in the nations' financial system and are essential agents in the development process of the economy. By intermediating between the surplus and deficit spending units, banks increase the quantum of National savings and investments and hence national output. By granting credits, banks create money thus influencing the level of money supply which is an essential item in the growth of national income as it determines the level of economic activities in the country (Hartman, 2014). For banks to be able to function effectively and contribute meaningfully to the development of a country, the industry must be stable, safe and sound. And for these conditions to be obtained there must be a sound accounting system, which is occasioned by a Risk Assessment system.

In view of the economic growth in companies' size and complexities, proper management of modern business understandings is not possible unless they have an effective system of internal control. Stakeholders and other Investors in public and private sector institutions are concerned with the safety of their assets. Shareholders delegate rights to managers to act in the principal's best interest. This separation of ownership from control implies a loss of effective control by shareholders and taxpayers over managerial decisions hence concerns over the safety of their investment. Fraudulent practices in deposit money banks scenario may have pessimistic and undesirable effect on the viability, performance, sustainability and reputation of deposit money banks. Frauds in Nigerian deposit money banks have presented a perennial problem in the

commercial banking management and regulations. The occurrence of fraudulent activities in the commercial banking sector has been documented in various instances.

Some Deposit Money Banks in Nigeria cease to function due to fraudulent activities perpetrated by management and employees. Fraudulent acts have necessitated Risk Assessments (whole system of control, financial and otherwise established by management in order to carry on the business of the enterprises in an orderly and efficient manner) in entities including the Deposit money banks. Frauds have led to the loss of large amount of money in the economy as a whole and in the banking industry in particular. The acts have contributed significantly to the financial distress of some banks and the poor performance of the others. The need for Risk Assessment services in the banking sector is as a result of pervasive increase in deviant behavior, resulting in higher crime rates, obtuse, irresponsive, opaque laws and regulations with loopholes that the unscrupulous exploits. Accusations on Fraudulent financial practices, misappropriations of assets, money laundering, and manipulation of the figures reported in the financial statements have been the order of the day. Thus, the objective of the study was to examine the effect of Risk Assessment on fraud detection in Deposit money banks in Nigeria.

Literature review
Risk Assessment Concept
This is the identification of factors or conditions that threaten the achievement of an entity's objectives and goals. It is the identification of analysis of potential errors and implements control, policies and procedures in order to reveal those errors and prevent them. Because Risk Assessment is dynamic system (economic and operating conditions are continuously changing), mechanisms of risk assessment are also subject to changes and adjustment. Proper setting of objectives is a necessary precondition to effective risk assessment. Risk assessment looks at both internal and external threat. An organization basically establishes an early warning system to determine remote risks or risks with low probability, and take the necessary actions to remove and minimize such risks (Uche, 2001).

Badara and Saidin (2013) suggest that Risk is part of business and every business concern is faced with both financial and business risks. Every business is expected to take steps to identify risks, estimate their significance and likelihood and consider how to manage them. A pre-condition to risk assessment is the establishment of objectives, then identify the critical success factors and institute policies and procedures to ensure they are met The process of identifying and analyzing risks is a continuous process and is a critical component of an effective Risk Assessment system. The management should pay serious attention to risks at

all levels and take necessary actions to manage them. Risks can be due to both internal and external factors (Tunji, 2013). Internal risks can be promptly resolved unlike the external risks that require specialized skills that may not be readily available. Every organization must be able to establish its risk assessment process, though large organization may have a formalized model in place while the mode! for a small organization could be informal Nevertheless, since all the banks in Nigeria are of the same status, according to the objective of the Banking Consolidation resolution of 2004, it is expected that all banks in Nigeria are big and should therefore, establish quality risk assessment models, that can stand the test of time and provide catalysts for sound operation that guarantee continuity (Etuk 2011).

Bank's Common Fraudulent Practices
Ovuakporia (1994) gave account of thirty-three types of bank frauds in the banking sector. These includes theft, embezzlement, defalcations, forgeries, substitution, suppression, payment against unclear effects, unauthorized lending, lending to 'ghost' borrowers, kite flying and cross firing, unofficial borrowing, foreign exchange malpractice, impersonation, manipulation of vouchers, fictitious accounts, over and under valuation of properties, false declaration of cash shortages, falsification of status reports, duplication of cheque books, mail transfer, interception of clearing cheques, computer frauds, fake payments, teeming and lading, robbers and others.

The above numerous types of fraudulent practices in banks, serve as threats to the success of many banks. If adequate preventive and detective measures are not put into action, it could lead to the complete failure of financial institutions especially banks in Nigeria.

Types of Fraud
There are different ways of which authorities have classified fraud depending on their perspectives and the criteria used. Some classified them into management and employee's fraud, others on the other hand, classified them on the nature and the perpetrator. Cases of fraud according to perpetrators as mentioned above is then divided into two categories – whether the fraudster is one of the entire staff or involve outsiders; and whether the staff fraudsters are in top management position or non- management position. The former is now divided into:
- Internal fraud
- External fraud
- Mixed fraud

While the later according to Nwankwo (1991) gives rise to:
- Management fraud
- Employee fraud

Internal Fraud

Internal frauds are fraud committed among the member staff of the bank. Frauds are not only the most frequent occurring, but by far the highest in terms of number than the type involving both staff and outsiders (NDIC, 2005).

The following listed methods according to Jenfa, (1991) are categorized as the internal fraud:

i. Unofficial borrowing
ii. Over invoicing iii.
iii. Unauthorized stamps
iv. iv. Fictitious transactions
v. Committing
vi. Fraudulent use of document vii. Cash on hand converted to personal use
vii. Premature writing off of assets ix. Ghost workers x. Figures falsification

External Fraud

There are three types of fraud committed wholly by persons and organization external to the bank that is, people and organizations other than or without the involvement of the bank staff, persons such as these could be bank customers or those who do not do business with these banks such as;

Over invoicing: Over invoicing of services rendered to banks are done by dubious suppliers and other contractors either, through inflation of normal rates over actual value of services rendered or through commitance with bank employees to get pay for services they already have been paid for (Omachonu, and Ndulor 1998; Idowu, 2009).

Mixed Fraud

This is evident in the sessions of the Failed Bank Tribunals nationwide; in the Ibadan zone of the tribunal, a case revealed that four (4) staff of Universal Trust Bank conspired with customers to defraud the bank through unauthorized loans, overdrafts, fraudulent and false accounting procedures to the tune of N84.27 million (Ogbu, 1998). Also, it was revealed that a total number of 152 bank staff were involved in frauds and forgeries in the year 2001 and that operation staff such as supervisors, officers, accountants, clerks and cashier account for about 95.4% of the total number of fraudsters (NDIC, 2005). Quite often signature of customers are forged by non-customers with the active connivance of staff who in most cases provide the specimen signature cards, where forgeries are not perfected, arrangements are made with staff to beat the signature verification process.

Management Fraud

This type of fraud essentially refers to frauds committed by bank employees in top echelon that is, top management level staffs that are aimed largely at deceiving the shareholders and to a considerable extent, auditors and the regulatory authorities through deliberate presentation of false financial statement – the key device of perpetration (Jat, 1992). Like in other type of business endeavors, bank management frauds often take these two forms:
• Concealing inadequate business operation performances
• Concealing prohibited business activities.

Employee Fraud

Employee fraud refers to fraud committed by employees below management position. As distinguished from management fraud, employee fraud does not involve alternations or misrepresentation of financial statements or information but the outright misappropriation of assets of the bank or the alternation of individual instruments such as cheques, drafts, for their personal advantages. Typical examples of employee frauds are the conversions of cash or other assets of the employer to the fraudster's immediate benefit. Like their management counterpart, quite a number of employee's fraudulent acts occur after having gained a position of trust and responsibility. A considerable higher proportion of bank frauds are usually committed by employees in non-management positions majority of who are cashiers, clerks, accountants etc.

METHODOLOGY

Data was collected from both primary sources. Questionnaire was employed in collecting primary data from the respondents in this study. This approach for data gathering was adopted because it saves time and reduces cost, and allows large population to be used.

The target population under study was the twenty two (22) Deposit money banks in Nigeria from which five (5) were considered as sample, these are Diamond Bank Plc, Ecobank Nigeria Plc, Fidelity Bank Plc, First Bank of Nigeria and Polaris Bank Plc of Nigerian deposit money banks. The study also adopted Krejcie and Morgan (2006) as sample frame to determine the sample size. Accordingly, using simple random sampling technique and Krejcie and Morgan (2006), the sample size for this study was one thousand six hundred and sixty-nine (1,669) registered banks staff. The distribution of the sample is shown in the table below, while the table for selection of sample size by Krejcie and Morgan (2006).

Population and sample of the study

The population of this study consist of all the staff of the Twenty two (22) Deposit Money Banks in Nigeria since they have the same characteristic, structure and type of management and procedure processes sine they all receives directives and work under same umbrella of central bank.

The Sample of the respondents was drawn from 1,669 staff and the management team of five (5) selected deposit money banks in Nigeria. In this case

probabilistic sampling whose logic lies in selecting a truly random and representative sample that permits confident generalizations from the sample to a larger population is to be done. By the use of this probabilistic sampling, each population member has a known chance of being included. Statistically, in order for generalization to take place, a sample of at least 5 deposit money banks are to be randomly selected.

Table 1   Population and Sample

S/N	Name of Bank	Population	Sample
1	Diamond Bank Plc	3805	351
2	Ecobank Nigeria Plc	1500	306
3	Fidelity Bank Plc	1847	317
4	First Bank of Nigeria Plc	5426	357
5	Polaris Bank Plc	2804	338
Total		**15382**	**1669**

Source: Deposit Banks Annual Reports 2017

This study collected primary data and utilized structured questionnaire (SQ). The questionnaire was collected after the respondents filled it. The study is concerned with variables which cannot be directly observed such as opinions, perceptions and feelings of respondents. Such information is best described through questionnaires. The questionnaire is considered most appropriate because it allows for collection of data from many respondents within a short time and provides a high degree of data standardization and adoption of generalized information amongst any population.

Descriptive statistics was used to analyze demographic data of the respondents (frequency and percentage) and research questions while inferential statistics (ANOVA) was used to analyze hypothesis one and two. Completed questionnaire were collected for completeness and consistency. The questionnaire was coded to allow for statistical analysis. The Statistical Package used to analyze the data was SPSS. Tables were used to summarize responses for further analysis and facilitate comparison. The terms and procedure used were presented in stages:

ANOVA Summary Table

Source	SS	df	MS	Ratio	Remark
Between	SS_B	t-1	SSB/df_B		
				MS_B	Accept
					Or
				MS_W	Reject
Within	SS_W	N-t	SS_W/df_w		
Total	**SS_T**	**N-1**			

Source: **Adefila (2008)**

RESULT AND DISCUSSION

This study was conducted to examine the effect of Risk Assessment on fraud detection in deposit money banks in Nigeria. The demographic data of the respondents and research questions were analyzed using descriptive statistics (frequency and percentage) while inferential statistics (ANOVA) was used to test hypothesis one and two. One thousand six hundred and sixty-nine (1,669) copies of questionnaire were administered but only one thousand six hundred and fifty (1,650) copies were retrieved, making 98.8% return rate. The results were presented in tables and discussed according to the research objectives, questions and hypotheses.

Table 2 Demographic information of the Respondents n =1,650

Variables	Frequency	Percentage
Age		
18-30 years	273	16.5
31-40 years	605	36.7
41-50 years	533	32.3
51-60 years	145	8.8
Above 60 years	94	5.7
Educational Qualification		
Diploma	290	17.6
B.Sc	1075	65.2
M.Sc/MBA/MA/MPhil	271	16.4
PhD	14	0.8
Professional qualification		
ACCA	58	3.5
ICAN	236	14.3
ANAN	413	25.0
Other	943	57.2

Working Experience		
1-5 years	440	26.7
6-10n years	614	37.2
11-15 years	476	28.8
16 years above	120	7.3
Job Description		
Auditor	1190	72.1
General Accountant	293	17.8
Chartered accountant	167	10.1
Gender		
Male	1266	76.7
Female	384	23.3
Total	**1650**	**100.0**

Source: Field Survey 2017

Table 4.1 described the demographic information of the respondents; 1650 respondents participated in this study, out of which 16.5% were between the of ages 18-30 years, 36.7% were above 31-40 years, 32.3% were between the of ages 41-50 years, 8.8% were between the of ages 51-60 years, 5.7% were 60 years and above, 17.6% had Diploma, 65.2% had B.Sc., 16.4% had M.Sc./MBA/MA/MPhil, 0.8% had PhD, 3.5% were member of ACCA, 14.3% were member of ICAN, 25.0% were member of ANAN, 57.2% were members of other professional bodies, 26.7% had worked for 1-5 years, 37.2% had worked for 6-10 years, 28.8% had worked for 11-15 years, 7.3% had worked for 16 years and above, 72.1% were Auditor, 17.8% were General Accountant, 10.1% were Chartered of which 76.6% were male and 23.3% were female making a total number of 1650 (100%) respondents.

Research Question: What are the effects of risk assessment on fraud detection in Deposit money banks in Nigeria?

Table 3. Effect of Risk Assessment on Fraud Detection in Deposit money Banks in Nigeria

S/N	Statement	SA	A	U	D	SD
1.	One of the effects of risk assessment on fraud detection in Deposit money banks in Nigeria is limited company expansion	**804(48.7%)**	776(47.0%)	35(2.1%)	21(1.3%)	14(0.8%)
2.	One of the effects of risk assessment on fraud in Deposit money banks in Nigeria is wide company objective	303(18.4%)	**1291(78.2%)**	35(2.1%)	14(0.8%)	7(0.4%)
3.	One of the effects of risk assessment on fraud in Deposit money banks in Nigeria is risk identification	296(17.9%)	**1256(76.1%)**	56(3.4%)	28(1.7%)	14(0.8%)
4.	Lack of analysis on identified risk is one of the effects of risk assessment on fraud in Deposit money banks in Nigeria	468(28.4%)	**1119(67.8%)**	56(3.4%)	7(0.4%)	0(0.0%)
5.	Managing changes is one of the effects of risk assessment on fraud detection in Deposit money banks in Nigeria	785(47.6%)	**816(49.5%)**	42(2.5%)	7(0.4%)	0(0.0%)

Source: Field Survey 2017

Table1 shows the effects of risk assessment on fraud detection in Deposit money banks in Nigeria. Item one above show that, (48.7%) and (47.0%) of the respondents strongly agreed and agreed respectively with the question, 2.1% were undecided, while 1.3% and 0.8% disagreed and strongly disagreed respectively with the question. One can conclude that one of the effects of risk assessment on fraud in Deposit money banks in Nigeria is limited company expansion in the study area. From question two above, 18.4% strongly agreed, 78.2% agreed, while 2.1% was undecided. Furthermore, 0.8% disagreed and 0.4% strongly disagreed with the research question respectively. One can infer that one of the effects of risk assessment on fraud in Deposit money banks in Nigeria is wide company objective in the study area. Item three above show that, (17.9%) and (76.1%) of the respondents strongly agreed and agreed respectively with the question, 3.4% were undecided, while 1.7% and 0.8% disagreed and strongly disagreed respectively with the question. One can conclude that one of the effects of risk assessment on fraud in Deposit money banks in Nigeria is risk identification in the study area. From question four above, 28.4% strongly agreed, 67.8% agreed, while 3.4% on fraud detection in Deposit money banks in Nigeria was undecided. Furthermore, 0.4% disagreed and 0.0% strongly disagreed with the research question. One can infer that lack of analysis on identified risk is one of the effects of risk assessment on fraud in Deposit money banks in Nigeria. Item five

above show that, (47.6%) and (45.9%) of the respondents strongly agreed and agreed respectively with the question, 2.5% were undecided, while 0.4% and 0.0% disagreed and strongly disagreed respectively

with the question. One can conclude that managing changes is one of the effects of risk assessment on fraud in Deposit money banks in Nigeria.

Hypothesis One (H$_{01}$): There is no significant effect of risk assessment on fraud detection in Deposit money banks in Nigeria.

Table 4. Effect of Risk assessment on Fraud detection in Deposit money banks in Nigeria

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	28.331	4	7.083	30.361	0.000
Within Groups	383.759	1645	.233		
Total	**412.090**	**1649**			

$(F (4, 1645) = 30.361, P<0.05)$

Table 4.7 shows a significant effect of risk assessment on fraud detection in Deposit money banks in Nigeria. Since the p value (0.000) is less than the alpha (0.05) value (p<α) the null hypothesis is rejected at 0.05 level of significance. Meaning risk assessment has an immense impact on fraud detection in Deposit money banks Nigeria.

Summary of Findings and Discussions
➢ Limited company expansion, wide company objective, risk identification, lack of analysis on identified risk and managing changes were the effects of risk assessment on fraud detection in Deposit money banks in Nigeria.
➢ There was a significant effect of risk assessment on fraud detection in Deposit money banks in Nigeria.

Finding also revealed limited company expansion, wide company objective, risk identification, lack of analysis on identified risk and managing changes were the effects of risk assessment on fraud detection in Deposit money banks in Nigeria. Aligning with this finding is study by Ebimobowei (2011) examined the effect of Risk Assessment services in fraud detection. The primary data was collected with the help of a well-structured questionnaire of three sections administered to twenty four banks in Port Harcourt, the capital of Rivers State and the data collected from the questionnaires were analyzed with descriptive statistics, Augmented Dickey-fuller, ordinary least square and Granger Causality. The result reveals that the application of Risk Assessment affects the level of fraudulent activities of banks.

CONCLUSION
The study was conducted to examine the effect of Risk Assessment on fraud detection in deposit money banks in Nigeria. The study was guided by an objectives, research questions and hypothesis. The study was delimited to Diamond Bank, EcoBank, Fidelity Bank, First Bank and Polaris Bank. Different literatures were reviewed for the study. The study was

based on the fraud preventative theory. The study employed simple random sampling technique to select (1,669) respondents (Banks staff). Structured questionnaire was used to collect data for the study. The demographic data of the respondents and research questions were analyzed using descriptive statistics (frequency and percentage) while inferential statistics (ANOVA) was used to test the hypothesis. The result of the study revealed that limited company expansion, wide company objective, risk identification, lack of analysis on identified risk and managing changes were the effects of risk assessment on fraud detection in deposit money banks.

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