Management Accounting Information And Fraud Control Measures In Commercial Banks

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Abstract: *Fraud is a deliberate deception to secure unfair or unlawful gain, or to deprive a victim of a legal right. There is no doubt that fraud has caused much havoc in business world these days. This study was therefore undertaken to find out the influence of Management Accounting Information on fraud control measures in Niger State with Ecobank Nigeria PLC as the case study. The accounting and audit department staff in the entire branch in Niger State were served with questionnaires. The descriptive survey research was utilized. Data were collected using interview method and structured questionnaire. Two research questions were raised and twonull hypotheses were also formulated and tested at a 0.05 level of significance. The Simple Percentage and Standard Deviation were used to analyze the research questions and Chi-square method was used to test the hypotheses. A total population of 30 respondents were given the questionnaires and 24 were fully filled and returned. The test-retest method of reliability was adopted and a reliability coefficient of 0.78 was obtained. The findings revealed that accurate management accounting information, fraud detection and fraud prevention are effective fraud control measures in the accounting and audit department of commercial banks in Niger State. It recommended that these fraud control measures should be harnessed and utilized by audits department.*

Keywords: *management, Management Accounting, Management Accounting Information, Fraud, Fraud Control*

I.   Introduction

Management can be described as the administration of an organization, whether it is a business, a not-for-profit organization or government body. Management includes the activities of setting the strategy of an organization and coordinating the efforts of its employees to accomplish its objectives through the application of available resources, such as financial, natural technological and human resource.

Adeniji (2010), Management accounting is the provision of information required by management for such purpose as formulation of policies, planning and controlling the activities of the enterprise, decision-taking on alternative course of action, disclosure to persons external to the entity, disclosure to employees, safeguarding assets. Management information is by no means confined to accounting information but until recently accounting information system have been the most formally constructed and well developed part of the overall information system of a business enterprise. A management information system is therefore a system of disseminating information which will enable managers to do their jobs since managers must have information, there will always be a management information system in any organization. Most management information system are not designed, but grow up information, with each managers making sure that he or she get all information considered necessary to do the job.

Adeniji (2010), management accounting information is focused at internal managers and decision makers. Its intended use is to provide financial data relevant to managers operation in an effort to make sound business decisions. It's a system of disseminating information which will enable managers to do their jobs, it user friendly, its concise and unambiguous, information produced should be timely.

In financial business circles, fraud is seen as any act of deceit which would or might harm the interest of a business client or customer or those of its shareholders. Fraud takes its origin from time when people began trading money for goods and services. The cost of trading money for goods and services was associated with many ills such as business default, abuse of trust, false claim etc. which led to bad business but since then, fraud has become accepted as the term to describe how to steal money using information as weapon.

Mukoro(2017), Fraud control measures are important for organization to look up, use often to ensure that organizations do not wind up earlier imagined by the management of the organization. Fraud is an international deception made for personal gain or to damage another individual. Fraud is a crime and a civil law violation. Defrauding people of money is personally the most common type of fraud. Customers of bank are currently experiencing increase in fraud schemes. Scams to get a customer's personal information can occur through many different means such as email and telephone. Bank fraud is the use of fraudulent means to obtain money, assets or other property owned or held by financial institutions.

With the rate at which fraudulent activities are growing or spreading, it is no simple vice, it demands full time and professional attention. The essence of Management Accounting Information on Fraud Control Measures in Commercial Banks is to keep management in constant check, promote or transfer staffs of the Banks so as not to give adequate room for fraud in the Bank.

Problem Statement

Fraud is not new in Nigerian Banking Sector; they are as old as the industry itself. According to Sommer (2014), fraud is the number one enemy of the business world. No bank is immune to fraud and all works of life has the increasing wave of fraud in it. The Nigerian banking institutions in recent years, if not controlled might cause certain damage to stability and the survival of individual business organisations and the performance of the industry as a whole and no area of the economy is immune from fraudulent activities and even the banking sector.

Many firms and Banking sector has in the past winded-up even when the management least expected the winding-up. This is as a result of poor management accounting information that was presented to the board of directors / individuals in charge of proper decision making that gave room for fraudulent activities in the banking industry.

Certified fraud examiners are important to the effective fraud control in commercial banks and are a dependable way of checkmating employees and management so as not to commit fraud in the banking sector.Operational control utilizes the strategies that the banking sector sets in other to control and manage the resources such as cash deposit, withdrawal, and marketing. Internal audit control also influences the management and aid in the fraud control in commercial banks to reduce the rate at which fraudulent activities are been carried out in the banks and other finance institutions.

Strategic planning are polices that govern the performance of employees and management as a whole in the organization and it does not give room for fraudulent act but shows how to make more profit in the ogranisation such as granting loan, selling of treasury bills, acquisition of asset on behalf of its customers which in turn pay back with interest. Fraud monitoring in commercial banks can be effective if all levels of staffs are strictly supervised on a regular base and compares recorded transactions and balances with expected results. This procedure depends on the thoroughness of management in investigating the reports and data presented.

Significant of Study

The research will be beneficial to accountants, government, commercial banks, microfinance banks and future researchers.

This work is significant to accountant because it broadens the thinking of the accountant to know that the profession has a significant role to play in figuring out fraud which has gotten a deep place in the management accounting information and certified fraud examiners are in need to help the accountants improve in their profession.

This work is significant to government because it enlightens the role of management accountant and gives measures of fraud control in all sectors especially the commercial Banks.

This work is significant to commercial banks because the banks will adjust and have strategic planning on how to monitor the fraudulent activities going in the bank.

Researchers who will like to carry out further studies on this area will find this study very relevant because it will serve as a data bank for further studies.

II. Literature Review

Chakrabarty (2013), fraud is a deliberate deception to secure unfair or unlawful gain, or to deprive a victim of a legal right. Fraud itself can be a civil wrong (i.e., a fraud victim may sue the fraud perpetrator to avoid the fraud or recover monetary compensation), a criminal wrong (i.e., a fraud perpetrator may be prosecuted and imprisoned by governmental authorities) or it may cause no loss of money, property or legal right but still be an element of another civil or criminal wrong. The purpose of fraud may be monetary gain or other benefits, such as obtaining a passport or travel document, driver's license or qualifying for a mortgage by way of false statements.Example of fraud is bank fraud.

Moll (2011), stated that fraud control is becoming an issue that the regulators and top banking executives who are in saddle when fraudulent activities takes place or more succinctly when someone commit an act of fraud in the financial institutions under their management.

The accounting firms of Ernst & Young (2010) and Deloitte (2015) have attempted to help stem fraud in several ways. Fraud detection or prevention is a function that should be system wide, but mostly in the realm of internal audit group. Fraud should not go through and be undetected in any accounting year where an effective internal control and audit process are in place.

Modell (2012), states that the amount of money earned by a commercial bank is determined by the spread between the interest it pays on deposits and the interest it earns on loans, which is known as net interest income. Customers find commercial bank investments, such as savings accounts and cash deposit (CDs), attractive because they are insured by the Federal Deposit Insurance Corporation (FDIC) and money can be easily withdrawn. However, these investments traditionally pay very low interest rates compared to mutual funds and other investment products. In some cases, commercial bank deposits pay no interest, such as checking account deposits.

Ekeigwe (2011), also opines that auditing and monitoring plan should thus encompass activities that are tailored in depth to the nature and degree of risk involved with higher risk issues receiving priority treatment. Auditing activities which are an evaluation of past events monitoring activities, that is to say, an evaluation conducted at real-time should be performed in areas where:
(i) There are specific concern about a key procedure, accounting or position,
(ii) The company has a history of fraud and misconduct and
(iii) There is high employee turnover or organizational change.

Wood (2013), in their study effects of internal control system on fraud detection in selected Nigerian commercial banks. Using the least square regression analysis, result showed that fraud was visible as a result of poor employee training.

Owolabi(2010), in her work "the effect of internal controls on fraud prevention and detection in district treasuries of Kakamega" using SPSS, their result showed that there was a statistically significant and positive relationship between the adequacy of internal control systems and fraud prevention and detection in district treasuries in Kakamega country.

Owolabi (2010), in her work "the impact of internal control system on financial management of an organization" using regression analysis and result shows that perpetration of fraud and losses of revenue in an orgainsation are as a result of weakness in the internal control system.

Research Questions
1. Does Management Control Influence Certified Fraud Examiners in Commercial Banks?
2. Dose Operational Control Influence Internal Audit Control in Commercial banks?

Section B1: Indicate the influence of management control on certified fraud examiners in accounting and audit unit in commercial banks in Niger State.

S/N	Management Control	Mean	SD	REMARK
1	Setting a goal and establishing desired objective.	4.10	0.61	Highly Influential
2	Measuring the achievements of goals and objectives	4.08	0.68	Highly Influential
3	Comparing the achieved goals and objective with the goals	3.89	0.72	Highly Influential
4	Analyzing variances and reporting	3.71	0.71	Highly Influential
5	Document operational objective	3.91	0.69	Highly Influential
6	Assess the performance of organizational processes	4.25	0.58	Highly Influential
7	Payee information fraud technique	4.12	0.57	Highly Influential
8	Credit card technique	3.51	0.73	Highly Influential
9	Data mining technique	3.68	0.74	Highly Influential
10	Adaptive fraud technique	3.57	0.63	Highly Influential
11	Profiling methods technique	3.63	0.65	Highly Influential
12	Academic review technique	3.81	0.69	Highly Influential
	Grand Total	3.86	0.67	

Table 1 present the results of accounting and auditing departments staff rating on the influence of management control on certified fraud examiners in accounting and audit unit in commercial banks in Niger state. The respondents rated all the items on management control as highly influential because the response ranges from 3.51 t0 4.25 and the mean obtained a grand total of 3.86 which fall under highly influential. The responses were also not too far apart because a standard deviation of 0.67 was obtained the SD ranges from 0.57 to 0.74.

Section B2: indicate the influence of operational control on internal audit control in commercial Banks in Niger State.

S/N	Operational Control	Mean	SD	Remark
13	Early warning	3.78	0.09	Highly Influential
14	Red alert service	3.56	0.78	Highly Influential
15	Unreported fraud	3.65	0.87	Highly Influential
16	Fraud pattern identification	4.00	0.77	Highly Influential
17	Reporting package	4.44	0.98	Highly Influential
18	Fraud incident follow-up	3.88	0.67	Highly Influential
19	Professional fraud expertise	3.98	0.76	Highly Influential
20	Purchase processing	3.76	0.88	Highly Influential
21	Entering sales information	3.87	0.66	Highly Influential
22	Customers information	3.99	0.75	Highly Influential
23	Affixing machine working hours	3.80	0.89	Highly Influential
	Grand Total	3.88	0.73	

Table 2 present the results of accounting and auditing departments staff rating on the influence of management control on certified fraud examiners in accounting and audit unit in commercial banks in Niger state. The respondents rated all the items on management control as highly influential because the response ranges from 3.56 to 4.44 and the mean obtained a grand total of 3.88 which fall under highly influential. The responses were also not too far apart because a standard deviation of 0.73 was obtained the SD ranges from 0.09 to 0.98.

Methodology

The two null hypotheses formulated for this study were tested in this section.
Answer to hypothesis question 1 involved data collected in respect of items 1-12. It is presented in table 1.

Hypothesis 1

Data collected to provide answer to hypothesis 1 involve items 1-12 and are presented in table 1.

Table 1: There is no significant relationship between management and certified fraud examiners.

S/N	Effect of changes in:	Value of X^2 calc.	df	Sig. level	Value of X^2 table	Decision Rule	Decision
1)	Setting a goal and establishing desired objective.	7.306[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept alternate hypothesis
2)	Measuring the achievements of goals and objectives	10.713[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept alternate hypothesis
3)	Comparing the achieved goals and objective with the goals	6.039[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
4)	Analyzing variances and reporting	3.215[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
5)	Document operational objective	7.010[a]	4	.05	0.71	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
6)	Assess the performance of organizational processes	1.290[a]	4	.05	0.71	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
7)	Payee information fraud technique	6.762[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
8)	Credit card technique	3.040[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
9)	Data mining technique	9.432[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
10)	Adaptive fraud technique	8.226[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
11)	Profiling methods technique	7.938[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
12)	Academic review technique	4.300[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis

Source: SPSS Computation

The result of Pearson Chi Square calculated as shown in table 1 is greater than the table value in all the cases at 0.05 level of significance. This signifies that management may in most cases or at a point in time influence the decision of fraud examiners. The fraud examiners may need to depend majorly on the information provided to them by the management, which in most cases will help examiners in carrying out their duties as the case may be. The management has the power to influence the operation of the examiners as indicated, so null hypothesis was rejected and alternate hypothesis was accepted.

Hypothesis 2

Data collected to provide answer to hypothesis 2 involved items 13-23, and the data are presented in table 2.

Table 2: There is no significant relationship between operational control and internal audit control.

S/N	Effect of changes in:	Value of X^2 calc.	df.	Sig. level	Value of X^2 table	Decision Rule	Decision
13	Early warning	5.967[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
14	Red alert service	4.444[a]	4	.05	0.71	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
15	Unreported fraud	6.265[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
16	Fraud pattern identification	5.462[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
17	Reporting package	3.872[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
18	Fraud incident follow-up	4.118[a]	4	.05	0.71	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
19	Professional fraud expertise	7.466[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
20	Purchase processing	8.777[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
21	Entering sales information	8.914[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
22	Customers information	7.358[a]	8	.05	2.73	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis
23	Affixing machine working hours	7.958[a]	6	.05	1.64	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept Alternate hypothesis

Source: SPSS Computation

The results of Pearson Chi Square calculated is higher than the table value at 0.05 level of significant, which indicate that there is relationship between operational control and internal control. Mode of operations in the organisation is designed in agreement with system of internal control in order to prevent or reduce potential fraud to minimum level in the organisaion. This study therefore, accepted the alternate hypothesis, that is to say, there is significant relationship between operational control and internal control.

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III. Conclusion

Fraud has increased considerable over the past years and experts believe that the trend is likely to keep on growing if adequate measures are not taken to curb this crime. So in the quest to combat this economic crime (fraud), the concept of auditing was introduced. After carrying out this research study, the following conclusions were made, that:

Management influences the certified fraud examiners to be effective in fraud control in the accounting and audit unit in commercial banks in Niger State. Therefore, auditors and accountant in the unit should use the effective fraud monitoring strategy to monitor both the bankers and customers.

Operational control enables the internal auditors to be effective in fraud control in the accounting and audit unit of commercial banks. Therefore, auditors should be effective in carrying out their duties and such review strategy to monitor both the bankers and customers.

Strategic planning influences fraud monitoring in the accounting and audit unit in commercial banks. Therefore, auditors and accountants should be effective in their mode of operation in the bank not to provide opportunity for fraud in commercial banks.

There is relationship between management and certified fraud examiners in commercial banks.

There is relationship between strategic planning and fraud monitoring in commercial banks.

Recommendations

Based on the findings of the study, the following recommendations were made.

Management accounting information should be computed appropriately as a fraud control measure in commercial banks in Niger State. Certified fraud examiners should be independent in their investigation on the banks accounts as a fraud control measure in commercial banks in Niger State.

Operational control should be used as a fraud control measures in commercial banks in delta state. Forensic accountants must therefore receive specialized training in such matters to ensure that their credibility and professionalism cannot be undermined during the legal process.

Internal audit control system of every institution should be strengthened to prevent frequent occurrence of fraud. An example of such internal control system is the segregation of duties so that one person does not have total control over an area of institution.

More fraud control measure should be adopted by audit unit in commercial banks as a way of reducing fraud. The fraud control measures in this study should also be used in other banks apart from the sampled bank.

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