

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The modern organizations are conscious of the need to always ensure efficiency and effectiveness of their operations. The need to safeguard their assets and records against damage and fraud is paramount in their policies. The responsibility for the prevention and detection of irregularities and fraud rests with the management who may obtain reasonable assurance that this responsibility will be discharged by instituting an adequate system of internal control. Therefore, this research will consider the impact of internal control on the profitability of a banking organization, concentrating on First Bank of Nigeria Plc as a study.

According to Cook and Winkle (1976:135) defined internal control system as the whole system of control, financial or otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure, source as far as possible the completeness and accuracy of the records. An internal control is defined "as the system of recording and processing of transactions approved by the management for orderly assembly of accounting data and the extraction of appropriate analysis for the preparation of financial statements. Therefore, a public limited company with a well developed plan or organization and significant number of employees would demand a different approach from the one used in a small family company with relatively modest volume of business transactions.

In a large organization the need for sound internal control system is not desirable, but very necessary. In a small business, direct intervention by the proprietors may prevent or detect errors. This direct intervention may not be possible with formalized procedures in a large organization. First Bank of Nigeria Plc has for over a century distinguished itself as the leading financial institution and a major contribution to the economic advancement and development of Nigeria.

The bank was incorporated by Sir Alfred Jones, a shipping magnate, as a Limited Liability Company on March 31, 1894, with head office in Liverpool, UK. It started business in the Lagos office of Elder Dempster and company under the name “The Bank of British West Africa (BBWA)” after acquiring its predecessor, the Africa banking corporation, which was established in 1892. Since then, the bank has recorded impressive growth, working very closely in its early years with the colonial government of British West Africa to facilitate the economic development of West Africa by performing the traditional function of a central bank, such as issue of specie in the British West Africa Colonies before the establishment of respective central Banks. Consequently, the bank’s operations covered then major business and political centers in British West Africa. It opened a branch in Accra, Ghana in 1896 in Freetown, Sierra Leone, in 1898. These marked the genesis of the bank’s international operations. The second branch of the bank in 1900 and two years later, it extended its services to Northern Nigeria, an overseas branch which later metamorphosed into a fully fledged British bank in 2002, was opened in London in 1982. This makes the bank the first Nigerian Institution to own a banking subsidiary in the United Kingdom. Furthermore, the bank opened its South Africa representative office in 2004. From this modest beginning the bank’s domestic business network currently comprises 394 business locations.

In response to changing economic and business environment, the bank has at various times embarked on restructuring initiatives. For example it changed its name from Bank British West Africa to Bank of West Africa in 1957. In 1969, the bank was incorporated locally as the standard bank of Nigeria limited in the line with the companies Decree in 1968. Changes in the name of the bank also occurred in 1979 and 1991, to First Bank of Nigeria Limited and First Bank of Nigeria Plc, respectively. In 1985, the bank introduced decentralized structure with five regional administrations. To further enhance its operational efficiency, this structure was reconfigured into fourteen area offices in 2003. On April 1, 2006, this was again restructured into 25

business development offices to deepen customer relationship management in the different target market segments. In view of this constant attention to the needs of the market, it was therefore a natural progression when in 2001; the bank began the process of transforming its corporate identity to reflect its rejuvenated focus. The transformation process gained momentum in 2003 and was launched on April 27, 2004 with the introduction of a new corporate identity.

Bank has recorded many first in its distinguished history. Apart from being the First Bank to be established in West Africa, it was also the first institution to acquire its competitor, the African Banking Corporation in 1894. The later landmark was reinforced in 2005 with the bank's acquisition of its merchant banking subsidiary, FBN (merchant bankers) limited and MBC International Bank Plc following the Central Bank of Nigeria inspired consolidation of the banking industry. First Bank got listed on the Nigerian Stock Exchange (NSE) in March 1971 and has won the NSE's annual President's merit award for the best financial report in the banking industry twelve times. In addition, First Bank also received the "Banker of the year 2003" award from the influential the banker magazines, the Euro money award as the best bank in Nigeria in 2004; and the Global Finance Award as Nigeria's best bank and best foreign exchange bank in 2005.

As at end March 2006, the bank's authorized capital stood at N3billion (US \$ 23.3 million) of which N2.619 billion (US \$ 20.3 million) was issued, fully paid. First banker's ownership is spread over 300,000 Nigeria Citizens and Associations with its 15 member's board of directors jointly controlling 4.6% of its equity in the year to end March 2006. First Bank's Core capital and total assets, stood at N56.5 billion (US \$ 438.9 million) and N538.15 billion (US \$4.17 million) respectively. In 2010, the focus will be to consolidate and leverage the bank's strengths and present advantages, to firmly entrench it positions as the undisputed market leader in Nigeria. In addition to continue accent on organic growth, the bank will explore opportunities for local market mergers or acquisition where strong business and shareholder value justification

exists. The bank will also aggressively drive its change agenda with a strong emphasis on the ongoing operator's transformation.

1.2 STATEMENT OF THE PROBLEM

The regularity of fraud and misappropriation of funds is creating fear, anxiety and a loss of confidence in the minds of bank customers. Also, poor internal control system leads to increase in bank losses. Management is required to set up an internal control system but this system varies significantly from one organization to the next, depending on such factors as their size, nature or operations and objectives. Since internal controls operate in an environment which influences its operations, proper care must be exerted into the implementation of these systems in order to achieve the utmost aims of the bank. This heightened interest in internal controls is, in part, a result of significant losses incurred by several banking organizations. An analysis of the problems related to these losses indicates that they could probably have been avoided had the banks maintained effective internal control systems. Such systems would have prevented or enabled earlier detection of the problems that led to the losses, thereby limiting damage to the banking organization.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study are;

- To find out the impact of internal control system, on the overall management of First Bank Plc.

- To examine the factors that militates against the effective performance of the bank.

- To ascertain the scope of internal control system in the bank.

- To identify the effect of internal control system which generally enhances the performance of the bank

- To make useful recommendations based on the study.

1.4 RESEARCH QUESTIONS

- Does First bank Plc have an internal control system? If yes, how effective is it?

- What kind of relationship exists between detection and prevention of fraud and

internal control system?

Is lack of good internal control system a major cause of fraud in banks? And what other major causes exist?

Can banks with effective internal control system prevent the menace of fraud?

1.5 RESEARCH HYPOTHESES

The research is intended to investigate the impact of internal control system on the profitability of a bank. Therefore the data to be collected in this exercise will be used to test the following hypotheses.

Ho: Effective internal control system can help to prevent and detect fraud in the bank.

Hi: That effective internal control system may not help to prevent and detect fraud in the bank.

THE IMPACT OF INTERNAL CONTROL ON THE PROFITABILITY OF A BANK (A STUDY OF FIRST BANK OF NIGERIA PLC, AKA ROAD AND ORON ROAD, UYO)

The complete project material is available and ready for download. All what you need to do is to order for the complete material. The price for the material is NGN 3,000.00.

Make payment via bank transfer to Bank: Guaranteed Trust Bank, Account name: Emi-Aware technology, Account Number: 0424875728

Bank: Zenith Bank, Account name: Emi-Aware technology, Account Number: 1222004869

or visit the website and pay online. For more info: Visit <https://researchcub.info/payment-instruct.html>

After payment send your depositor's name, amount paid, project topic, email address or your phone number (in which instructions will sent to you to download the material) to +234 70 6329 8784 via text message/ whatsapp or Email address: info@allprojectmaterials.com.

Once payment is confirmed, the material will be sent to you immediately.

It takes 5min to 30min to confirm and send the material to you.

For more project topics and materials visit: <https://researchcub.info/> or For enquiries: info@allprojectmaterials.com or call/whatsapp: +234 70 6329 8784

Regards!!!