

INTRODUCTION

Background to the Study

At the heart of business establishment, is the audit function; which is evidenced by the fact that all other departments are linked with the internal audit department. The importance of internal audit system cannot be overemphasized where a variety of requirements, processes that are both manual and information communication technology-based (ICT) are used.

Organizations such as the banking sector have recognized internal audit function as a tool for ensuring effective workings of the internal control system. Okolo (2011) describes the internal audit function as an aspect of control mechanism, within a business, manned by specially assigned staff.

In today's volatile business environment, firms in Nigeria face a wide array of complex business challenges. These challenges come in the form of regulatory compliance, litigation, competitive market pressure, changing technology, investors demand, corporate governance, business ethics and accountability. In a business environment, anyone given the opportunity and the environment can commit fraud. The internal audit staff, in a non-automated or particular environment, may be ill-positioned to investigate fraud. It is established that an internal audit staff who is professionally certificated with the right motivation and training can contribute to the efficiency and effectiveness of the audit department.

Oseni (2014) reveals that an effective internal audit function reduces overheads, identify ways to improve efficiency and minimize exposure to possible losses.

According to Lavy (2008), the internal audit provides an independent and objective appraisal of activity for management. Katz (2012) summarizes the core activities of the internal audit as *analysis of data, recommendation, counsel and information activities*.

He argues that these activities operate to accomplish the mission of organizations.

Young (2010) finds out that the internal audit functions assist management in

achieving organization's financial and operating goals by evaluating controls, identifying weaknesses, and providing recommendations through complete and unrestricted access to records, property and personnel.

However, in Nigeria, the audit function in the banking sector has not been fully tapped; consequently, cases of errors and intent to defraud and other fraud cases exist in the industry. It is therefore no wonder that the distress in most banks reflected lack of effective control mechanism of the audit function. The experiences of failed banks in Nigeria, have called for the reinforcement of internal audit and the strengthening of the controls system. This becomes relevant, given the fact that the banking sector is critical to the survival of any economy. In the light of the above, this study critically appraises the role of internal audit in the management of fraud.

1.2 Statement of the Problem

The duty of detecting fraud and irregularities lies with the management. This could only be done through an effective and efficient internal audit system. But even with the presence of the internal auditor some problems are still inherent in the Nigerian banking sector that interferes with goal attainment. These include:

Physical cash stolen while signatures are forged in cheques also to steal cash. Out if untimely or inappropriate audit, there are cases of monetary losses due to forged cheques.

Assets are either misappropriated or not accounted for. Due to ineffectiveness of internal auditors cases of assets misappropriation sometimes occur in the banking sector.

Frauds perpetuated are only being discovered after a long time. Internal auditors can decide not to reveal the fraudulent activities of staff or management. Such actions are mostly discovered by external auditors after a long while.

Due to the above enumerated problems, there have been cases of errors and intent to defraud and other fraud cases which exist in the banking sector. This has been mainly as a result of lack of effective control mechanism of the audit function.

1.3 Objectives of the Study

The broad objective of this study is to appraise the role of internal audit in the management of fraud with special emphasis to Zenith Bank Plc.

The specific objectives include the following:

To examine the role of internal audit in the detection of fraud in Zenith Bank Plc.

To examine the role of internal audit in the prevention of fraud in Zenith Bank Plc.

To examine the role of internal audit in control of fraud in Zenith Bank Plc.

Research Questions

The following questions are stated for this study:

To what extent does internal audit aid in the detection of fraud in Zenith Bank Plc?

To what extent does internal audit aid in the prevention of fraud in Zenith Bank Plc?

What is the role of internal audit in the control of fraud in Zenith Bank Plc?

Research Hypotheses

The following hypotheses are formulated for the study:

HO1: Internal audit has no significant role in the detection of fraud in Zenith Bank Plc.

HA1: Internal audit has significant role in the detection of fraud in Zenith Bank Plc.

HO2: Internal audit has no significant role in the prevention of fraud in Zenith Bank Plc.

HA2: Internal audit has significant role in the prevention of fraud in Zenith Bank Plc.

HO3: Internal audit has no significant role in the investigation of fraud in Zenith Bank Plc.

HA3: Internal audit has significant role in the control of fraud in Zenith Bank Plc.

Significance of the Study

The findings of this work will be of immense significance to the banking sector in Nigeria. It will go a long way in enlightening them on the concept of internal audit as well as its role in the management of fraud.

It will also benefit other organizations. The findings from this study will aid them to apply better internal auditing strategies or effective control mechanisms in checking

fraud in their diverse organizations.

It will as well benefit the general populace. They will be enlightened on the concept of internal auditing as well as its roles.

Students and researchers will as well benefit from this study. They will widen their scope from the information contained in this study.

Scope of the Study

Internal audit covers a large area in every organization. However, this study will concentrate only on the aspect that concerns fraud detection, fraud prevention and fraud control. Other aspects of internal control will be considered in this study.

Definition of Terms

Auditing: Auditing is a branch of accounting concerned with the efficient use of resources to achieve a previously determined objective or set of objectives contained in a plan (Obazee, 2012).

Internal Audit: Internal auditing is the whole system of auditing, financial and otherwise, intended to secure management information and reliability of accounting records (Gbenga, 2011).

Bank Fraud: Bank fraud is defined as the use of fraudulent means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently representing to be a bank or financial institution (Daniel, 2012).

Internal Control System: This is defined as the 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 (Beattie, 2006).

Bank: A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets (Doolan, 2009).

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