Corporate Governance and Fraud Management in Nigerian Deposit Money Banks

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Abstract
The Nigerian banking industry has experienced several fraudulent and unethical practices over the years. This problem persists despite the consolidation exercise initiated in 2004. It is in the light of this that this research examined the relationships that exist between governance mechanisms and fraud management in deposit money banks in Nigeria. The total numbers of DMBs in Nigerian are 22. The convenience sampling techniques (non-probability sampling) was used to arrive at the sixteen that exist in Benue and Nassarawa States. 195 copies of questionnaire, padded up, were distributed to the respondents on the basis of board size. The answered questionnaires were analyzed using descriptive statistics and inferential statistical analysis. At the end it was found that: the effect of board professionalism in reducing incidence of fraud is significant; protection of shareholders rights significantly enhances fraud management; high level of transparency and disclosure has not significantly affected fraud management. The recommendations curbed financial statement fraud; and that strong legal and enforcement framework have significantly made are in the areas of banks reviewing the fit and proper person's regime for creditability and professional character of their ranks and files.

Key words: *Governance, Fraud management, Nigeria Banks*

1.1 Introduction

The success and failure of any businesses globally is determined by the principles, rules and regulations that control them. These rules, principles and regulations are either by decree, acts or standards by which the performance of the company can be measured. Businesses thrive in an environment that is friendly, politically stable, economically viable and where transparency and accountability are promoted to encourage both local and foreign investment.

The issues of corporate governance continue to attract considerable national and international attention and have again appeared at the top of the agenda with current global financial meltdown. Corporate governance is about effective, transparent and accountable governance of affairs of an organization by its management and board. It is about a decision-making process that holds individuals accountable, encourages stakeholder participation and facilitates the flow of information. The ongoing financial crisis has further reinforced the message that governance of firms, especially of financial institutions, should always aim at protecting the interests of all stakeholders, which include shareholders, depositors, creditors, regulators and the public.

Throughout history there have always been thieves and deceivers. There have always been those who seek to profit at the expense of others. At one level then, auditors and managers are on the same side as they seek to protect the organization's assets or to catch the offenders and, hopefully, see them punished. Where auditors and managers part company is where it is the managers who seek to enrich themselves at the organization's expense in a way that the auditor would expose as illegal or immoral because, in that case, it is depriving the owners of the business of what is rightfully theirs.

When managers distort the financial statements so that their share options sell out at a good price, where they create fictitious assets to hide their own depredations, where they stick their noses so far into the trough that their feet leave the ground-this is where the external auditor steps in to expose this bad behavior, this immorality, this betrayed of trust (Taylor, 2011).

Corporate governance has recently assumed considerable significance around the world due to the high profile scandals in companies such as Adelphia, Enron and World Com (Brown &Caylor, 2004). The collapse of banks in Nigeria in the early 1990s was also as a result of corporate governance failure which was characterized by insider-related credit abuses unmitigated exposure to risks, failings in internal control system and pervasive conflict of interest (NDIC, 2008).

Corporate governance initiatives whether enforced by state or as part of semi-voluntary code have prevented fraud and corruption. Fraud and criminal acts by managers and employees of companies are on the increase. This led to a renewed interest in corporate governance practices globally and its clamor has become even stronger given series of failed public and private enterprises. In 2001, the US federal government passed the Sarbanes-Oxley Act with the aim of restoring public confidence in corporate governance by requiring public liability companies to adopt and report on compliance to the act.

Corporate governance is a new concept in Nigeria, traced to the change from military to civilian government in 1999. This brought about a new feeling about the political environment. Expectations were high as the whole world focused on Nigeria. This calls for reformation in Nigeria socio-political environment, improvement on human rights of Nigerians, judicial system and the socio-economic environment as a whole, championed by the Obasanjo led civilian administration.

The problem is that fraud flourishes where corporate morality breaks down, either at the organization or individual level. Corporate abnormality is when owners are

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in the management of their business entity. While corporate governance is when owners of the business are separated from its management.

Ogbechie and Kuofopoulos (2010) have reported that the corporate governance of financial service sector, and more specifically of banks in developing economies has been almost ignored by researchers. Even in developed economies, the corporate governance of this sector has only recently been discussed in the literature.The corporate governance of banks in developing economies is important for several reasons. First, banks have an overwhelmingly dominant position in the financial systems of developing economies, and are extremely important engines of economic growth. Second, banks in these developing economies are typically one of the most important sources of finance for the majority of the firms. Third, banks in developing countries are the main depository for the economy's savings and provide the means for payment (Ogbechie and Kuofopoulos, 2010).

Corporate governance is particularly important in the Nigerian banking industry because a number of recent financial failures, frauds and questionable business practices have adversely affected investors' confidence. In 1995 several CEOs and directors of banks in Nigeria where arrested for non-performing loans that were given to themselves, relations and friends.

Some of the banks that could not meet the Central Bank of Nigeria (CBN) recapitalization requirement in 2006were found to be saddled with non-performing loans that were given to directors and their friends. As a result, the Central Bank of Nigeria had decided to reform the industry in order to achieve global competitiveness.

The corporate governance landscape in Nigeria has been dynamic and has generated interest from within and outside the country. In 2003 the Nigerian Securities and Exchange Commission (SEC) adopted a Code of Best Practices on Corporate Governance for publicly quoted companies in Nigeria and this code has been reviewed. At the end of the consolidation exercise in the banking industry, the CBN, in March 2006, released the Code of Corporate Governance for Banks in Nigeria, to complement and enhance the effectiveness of the SEC Code, which was implemented at the end of 2006. The three major governance issues that attracted the attention of the regulators are directors' dealings, conflict of interest and creative accounting.

So many mechanisms are used in measuring corporate governance. Some of these include: Independence of audit Committees (Klein, 2002), auditor independence (Frankel, Johnson, and Nelson, 2002), CEO duality role (Adeyemi and Fagbemi, 2010) and board size (Yemack, 1996). These corporate governance mechanisms have often been examined in relation to firm performance and earnings management which is a form of creative accounting (Fagbemi, Abogun and Salam 2013).

1.2 Statement of the Problem

The financial Reporting Council utilized four elements of Corporate Governance identified by the World Bank in its Report on observance of Standards and Codes (ROSC). These are: Strong and Professional board; strong shareholders rights; high level of transparency and disclosure; strong legal and enforcement framework. This rational Code of Corporate Governance anchored on international best practices is no doubt required to facilitate growth and development of the Nigeria economy. At the micro level, it is meant to instill in the management of private and public organizations such corporate governance values as accountability, efficiency, integrity and transparency. At the macro level, the code is expected to attract investment from local and foreign investors, strengthen and sanitize the private and public sectors. According to Soludo (2004) a good corporate governance practice in the banking industry is imperative if the industry is to effectively play a key role in the overall development of Nigeria. One needs to examine the extent to which this has been achieved. Effective corporate governance is supreme in the management of fraud.

Despite these standard codes there has been much report on bank fraud. This throws one into wondering whether these codes on paper are actually being implemented. According to Chiegina (2009) as cited in Ikpefan and Ojeka (2013) the executive of banks had abandoned the key elements of good corporate principles of honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect and commitment to the organization for selfish reasons. Could this mean that there are no strong and professional boards in existence. It seems that the relationship between board and management which should be based on supervision and monitoring with high level of collaboration is not in existence or are the boards not well composed in line with the financial reporting council stipulation. In the finding of Ikpefan and Ojeka, (2013), they noted that because board ignored their oversight function the executive management obtained for themselves unsecured loans at the expense of the depositors. Afolabi and Dara (2015) reported that the series of widely published cases of accounting improprieties recorded in the Nigerian banking industry were related to the lack of vigilant oversight function by the board of directors. The board relinquishes control to corporate managers who pursue their own selfish interest and the board being remiss in its accountability to stakeholders.

Again one seems to wonder if the provisions made for the protection of shareholders right is highly protected,

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as this is viewed by the World Bank as a key element of corporate governance which has the effect of reducing fraud. The international reporting standard which is well projected by the financial reporting council, well puts financial operational structures down to aid high level of transparency of disclosure which again is a key factor of corporate governance. The extent to which this has curbed financial statement fraud needs a proper examination. Until these issues are properly addressed the issue of fraud management which several codes of corporate governance have come to strengthen will remain a mirage.

The main objective of this study is to examine the effect of corporate governance on fraud management in deposit money banks in Nigeria. The specific objectives are:

i. To examine the extent to which strong professional board has reduced incidence of fraud.
ii. To examine the extent to which protection of shareholders rights has reduced manipulation of records.
iii. To examine the extent to which high level of transparency and disclosure has curbed financial fraud.
iv. To examine the extent strong legal and enforcement framework significantly affect organizational compliance with relevant procedures.

The following research questions emerging from the research problem will be addressed in the course of this study.

i. Has strong and professional board reduced incidence of fraud?
ii. To what extent has protection of shareholders rights reduced records manipulations?
iii. To what extent has high level of transparency and disclosure curbed financial fraud?
iv. To what extent does strong legal and enforcement framework affect organizational compliance with relevant procedures?

The study has the following hypotheses which are expressed in their null (**H_0**) forms and to be tested at 5% level of confidence to encapsulate the essence of the study.

i. **H_o:** Strong and professional board have not significantly reduced incidence of fraud.
ii. **H_o:** Protection of shareholder's rights has not significantly reduced records manipulations.
iii. **H_o:** High level of transparency and disclosure has not significantly curbed financial fraud.
iv. **H_o:** Strong legal and enforcement framework does not significantly affect organizational compliance with relevant procedures.

This research work is of great value to the following, among others:

Banks: This study will enable the banks to know their stance in relation to the codes and principles of corporate governance introduced by the Central Bank of Nigeria. The board of directors will find this information useful in bench-marking the management of fraud in their banks.

Bank Regulators: This research will provide an insight into a better understanding of the degree to which the banks that are reporting on their corporate governance have been compliant with different sections of the codes of best practices and where they are experiencing difficulties.

Investors: Investors are well informed of the corporate governance mechanisms and banks compliance with the codes of best practices. This will help the investors in their investment decisions.

Academia: This work is also beneficial to lecturers and students who will teach or learn about corporate governance.

Researchers: The result of this study will service as a reference material for further research in this field of study.

The choice of this study on the effect of corporate governance on fraud management in deposit money banks in Nigeria is based on the fact that this sector's stability has a large positive effect on the growth of the economy. More so, deposit money banks are the key institutions facilitating the payment system of an economy, and the stability of the financial sector in turn has profound effect on the economy as a whole. To this end, the study basically covers all the 22 deposit money banks operating in Nigeria. The study covered deposit money banks licensed by Central Bank of Nigeria. The study covered5 years period (from year 2012 to 2o16).

Furthermore, we focused only on banking industry because corporate governance and transparency issues are extremely important in the deposit money banking subsector due to the crucial role it plays in the economy: providing loans to the other sectors of the economy, transmitting the effect of monetary policy and maintaining stability in the economy as a whole. This study covers four key governance variables identified by World Bank in its Report on Observance of Standards and Codes (ROSC). These are strong and professional board; strong shareholders rights; high level of transparency and disclosure; strong legal and enforcement framework.

2. Review of Related Literature

2.1 Conceptual Review

2.1.1 Corporate Governance

The business world had described the term corporate governance in different ways and people have viewed it from different perspectives. Some authors define corporate governance from a regulatory perspective as "the system of laws, and factors that control operations of a company (Uwigbe, Fagbemi and Anusiem (2012). Others define it from the point of view of corporate governance participants and the related constraints. According to

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Rezaree (2007), corporate governance is a legal concept used to describe corporate oversight accountability and the balance of power that exists among shareholders, management and directors. Cadbury Committee (1992) also defined corporate governance as the system by which companies are directed and controlled. According to Shleifer and Vishny (1998) cited in Olatunji (2010), corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.

Corporate governance can also be defined in the context of the agency theory as a process designed to align interests of management (agent) with those of shareholders (Principals), and to hold management accountable to the company's equity owners (Rezaee, 2007). According to Unegbu (2004), "corporate governance refers to the processes and structures by which the business and affairs of an institution are directed and managed, in order to improve longterm shareholder value by enhancing corporate performance and accountability, while taking into account interest of other stakeholders". Furthermore, Sanda,Mikailu and Garba (2005) pointed out that "corporate governance implies that a company would manage its affairs with diligence, transparency, responsibility and accountability and would maximize shareholders' wealth".

Rezaee (2007) also defined corporate governance as "a process through which shareholders induce or persuade management to act in their own interest, providing a degree of confidence that is necessary for capital market to function effectively".

Corporate governance has also been defined as a system of law and sound approaches by which corporations are directed and controlled, focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which many stem from the misdeeds of corporate officers (Agarwal and Medury, 2013).

From the above definitions, we can see that corporate governance is about effective, transparent and accountable governance of affairs of an organization by its management and board. It is about a decision making process that holds individuals accountable, encourages stakeholders participation and facilities the flow of information. Governance of firms should always aim at protecting the interest of all stakeholders, regulators and the public.

Corporate governance is divided into external and internal corporate governance. Internal corporate governance covers public's interest, employees' interest, and owners' interest. External corporate governance is defined as a mechanism though which governments' responsibility to control the operations of banks are exercised based on the prevailing bank regulationsAdewoyina(2012) and Gbadebo (2014). In Nigeria Central Bank provides prudential financial guidelines to evaluate banks' financial health.

The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. Corporate governance generally refers to the process or mechanism by which the affairs of businesses and institutions are directed or managed, with a view to improving longterm value of shareholders while taking into account interests of other stakeholders interested in the well-being of an entity (Sanda, Mikailu, and Garba (2005). As opined by Ikpefan and Ojeka (2013), corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company, and stakeholders and should facilitate effective monitoring, thereby encouraging firms to use resources more effectively. Corporate governance is simply the government of corporation, entity or an organization (Adedeji, 2012).

2.1.2 Fraud Management

Fraud management involves detecting, preventing and mitigating fraudulent activities. Actions required include:

Setting the tone and the standards, including demonstrating the highest standards of ethical conduct by the leadership of the organization. The upper management should project its integrity into the entities organization because when it is perceived as ethical it tends to filter down into the rest of the organization. Consequently, when upper management is viewed as immoral, this many have a negative effect on the ethical environment of the organization.

Effective corporate governance, the overall import being to monitor corporate performance and oversee the conducts of management on behalf of shareholders and/or other stakeholders;

Knowledge of characteristics of white-collar crimes, motivations for fraud, and the organizational conditions that promote frauds;

Establishment of efficient and effective accounting, auditing and internal controls;

Setting out management, administrative and organizational policies, procedures and practices that are in line with defined corporate objectives;

Ensuring that all applicable legislation, standards and other requirements are put in place and strictly adhered to; and

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Fraud deterrence, which is the pro-active identification and removal of casual and enabling factors (motive or pressure, nationalization and opportunity) of fraud.

2.1.3 Shareholder Rights

Rights, according to the Chambers 21st Century Dictionary simply refer to a just or legal clam to something. The rights any shareholder has in a company generally depend on the provisions of the companies and Allied Matters Act 2004, the company's articles of association, the terms of issue of the shares (which are usually in the articles, but sometimes in a resolution).

The rationale is that in return for investing in a company a shareholder gets a bundle of rights in the company which may vary according to the type of shares acquired. What rights are attached to the different classes of shares is essentially a matter for the company to determine. The main rights which usually attach to shareholding according to Horton, M. (2015), include:

Voting power on major issues, including electing directors and proposals for fundamental changes affecting the company, such as mergers or liquidation. This right is exercised in person or via proxy.

Ownership in a portion of the company: Shareholders have a claim on a portion of the assets owned by the company. (This is expressed by the accounting equation A=E+L) As the assets generate profits, and as the profits are reinvested in additional assets, shareholders see a return in the form of increased share value as stock prices rise.

The Right to Transfer Ownership: This means that shareholders are allowed to trade their stock on an exchange, and the liquidity provided by the stock exchanges is extremely important.

An Entitlement to Dividends: Along with a claim on assets, you also receive a claim on any profits a company pays out in the form of dividend.

Opportunity to Inspect Corporate Books and Records: This opportunity is provided through a company's public filings, including its annual report. This is particularly important for private companies, as public companies are required to make their financials public.

The right to Sue for Wrongful Acts: Suing a company usually takes the form of a shareholder class-action law suit. This is to ensure that the company in run lawfully in accordance with the Companies Act, the general law and the company's constitution. A good example of this type of suit occurred in the wake of the accounting scandal that rocked WorldCom in 2002, after it was discovered that the company had grossly overstated earnings, giving shareholders and investors an erroneous view of its financial health. The telecom giant faced a firestorm of shareholder class-action suits as a result. Common shareholder rights can also be enforced through a single shareholder complaint. If the company issues new shares to the public, current shareholders have the right to buy a specific number of shares before the stock is issued to the new potential shareholders. Pre-emptive rights can be valuable to common shareholders, as they are often provided at a subscribed price on a per-value basis.

Shareholder Rights Plan: Shareholder rights plans outline the rights of a shareholder in a specific corporation. In most cases, these plans are designed to give the company's board of directors the power to protect shareholder interests in the event of an attempt by an outsider to acquire the company. To prevent a hostile takeover, the company will have a shareholder rights plan that can be exercised when another person or firm acquires a certain percentage of outstanding shares.

To a final distribution on Winding Up: If the company is wound up and all the creditors are paid, the remaining assets are available for division among the members. This may be in two stages - a return of capital and distribution of surplus capital. Some share may be given a priority as to one or both of these, from participation in any surplus.

To receive a copy of the Company's Annual Accounts.

2.1.4 Strong and Professional Board

Strong board refers to a board that is characterized by ability, stamina, good technique. A professional board in the one characterized by specialist academic and practical training of the members; the body of people engaged in a particular paid occupation members earn their living in the performance of membership duties;competence, expertise or conscientiousness of their calling, expectation relationship and duty of care. This is so as profession in simply a calling, an occupation, vocation or career where specialized knowledge of a subject (here, governance), field or science is applied (Ejembi, 2013).

A strong and professional board is one that hinges on the principle of:

Appropriate composition, board external dominance, independence, competence, availability, objectivity, diversity and integrity (no room whatsoever for compatibility;

The relationship between Board and management is on supervision and monitoring with high level of collaboration (not connivance);

Independent non-executive directors that constitute the "conscience of corporate boards in their dealings with minorities and external stakeholders-limited executive presence.

Executive directors can serve on rotation on a corporate board, apart from the CEO and the Finance Director, two of whom could have a permanent sit on board subject to board policy;

Initial directional induction for new, and continued directional training for the old directors-international practice;

Mandatory standing committees in some form: audit, remuneration, and nomination committees all exclusively made-up of independent non-executive directors, or a majority there of (with exception of audit). (Fodio, 2016).

2.1.5 Transparency and Disclosure

Corporate transparency describes the extent to which a corporation's actions are observable by outsiders (Fung, 2014). Transparency is one of the key steps to corporate governance and ensures that management will not engage in improper or unlawful behavior since their conduct can be and will be scrutinized. To achieve transparency, a company should adopt accurate accounting methods, make full and prompt disclosure of company information and make disclosure of conflict of interests of the directors or controlling shareholders, etc. A key element of "good" governance is transparency", which incorporates a system of checks and balances among the board of directors, management, auditors and other shareholders. An organization should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability, which ensures that managers utilize the company's resources in the most efficient and desirable manner as well as for most appropriate goals without improper regard for personal interest. Management is accountable to the board, which in turn is accountable to the board.

In the abstract to his paper, Fung, 2014, stated that transparency and disclosure (T&D) are essential elements of a robust corporate governance framework as they provide the base for informed decision making by shareholders, stakeholders and potential investors in relation to capital allocation, corporate transactions and financial performance monitoring.

In the paper cited above the five pillers of T&D were highlighted. These are:

Truthfulness: Information disclosed must provide accurate description of circumstances.

Completeness: Information disclosed must be sufficient to enable investors to make informed decisions. Information must include both financial and non-financial matters like ownership structure, related parties and related party transactions, times in fines on firms partners, directors, companies and consultants remuneration policy and nomination process.

Materiality of Information: Information disclosed must be material to influence investment decisions.

Timeliness: Information disclosed must be timely to enable investors to react as quickly as possible.

Accessibility: Information disclosed must be easily accessible and available to investors at low cost. The above attributes are attainable through strengthened internal and external audit functions and audit committees.

2.1.6 Strong Legal and Enforcement Framework

As opined by OESG (2006), in Nigeria, as even in most developed countries, observance of the principles of corporate governance has been secured through a combination of voluntary and mandatory mechanisms. In 2003 the Aledo Peterside committee set up by the securities and Exchange Commission (SEC), develop a Code of Best Practice for Public Companies in Nigeria. The code is voluntary and is designed to entrench good business practices and standards for boards and directors, CEOs, auditors, etc, of listed companies, including banks.

Mandatory corporate governance provisions relating to banks are contained in the Companies and Allied Matters Act (CAMA) 1990, the Banks and other Financial Institutions Act (BOFIA) 1991, the Investment and Securities Act 1999, the Securities and Exchange Commission Act (SECA) 1988 (and its accompanying Rules and Regulations) etc, and only recently the CBN.

As contended by Wilson (2006), the various corporate governance mechanisms maybe unable to accomplish sound corporate operation in Nigeria if the underlying legal, institutional and regulatory framework for corporate governance are weak, inefficient, and inadequate.

The inherent hindrances to ensuring effective corporate governance outputs, in Nigeria include:

In reality, the members hardly ever exercise their powers as they should because of a combination of many factors such as the cost of attending meetings, ignorance of the powers available to them, lack of understanding of reports given at these meetings and the lack of any willingness of even the majority shareholders, to press the Board of Directors on issues, etc. The general result in many cases is that the general meeting becomes merely an approval or confirmatory body of the board.

Limitation of Regulatory oversight by SEC: Good corporate governance will be best guaranteed by external institutions having regulatory oversight over the corporations. Many countries have recognized that the abuse of corporate power cannot be adequately constrained by leaving it to the company members to ensure that the controllers behave and to take action in the courts if they do not. There is some evidence that in countries with weak judicial systems a regulatory approach to enforcement laws is by an independent and motivated securities commission.

Accordingly, agencies such as the US SEC, the Secretary of State in UK, and in Nigeria, the SEC, CAC, CBN exercise supervisory role. The Limitation of Judicial

System: The key avenue prescribed by CAMA for enforcing the shareholders right is the courts. Nigerian courts remain stow expensive and not effective in resolving commercial disputes. As the courts remain slow, inefficient and expensive, shareholders are hesitant to use the courts and as a result the directors continue to rule with impunity. The factors, identified by Wilson (2006) are:

i. Corruption,
ii. Inadequate judicial personal
iii. Weak rules of procedure
iv. Poor facilities
v. Undue regard for technicalities
vi. Ineffective use of ADR processes
vii. Poor case flow management.

"Effectiveness of legal and enforcement" framework refers to a set of criteria that seeks to ensure that an action or situation that is lawful or required by law takes effect (Muhammed, 2004).

2.1.7 **Fraud**

The incidence and scale of fraud in various organizations, banks inclusive, have been on a dramatic increase in recent time. As an act of deliberate deception, with the intention of gaining some benefit, or a cheat, fraud can be noticed in almost all places of human existence. Children cheat their parents, by overstating school financial obligations, or pretending to be studying in the school when not; spouses cheat each other, overstating costs of consumable items, none disclosure of external relationships or transactions; friends cheating their friends, by covering themselves up through lying, making empty or unfulfilled promises; employees cheating their employers, by ascribing to themselves undue advantages in terms of unwarranted higher pay, getting paid for no work done, over-invoicing and other means of getting into their pockets what belong to their employers; employers cheating their employees, through non-commensurate pay and/or owing them many months' salaries, overworking them, disregard for employee health and welfare; market women and traders cheating their customers, and the customers cheating traders at the market ,et cetera. Even in church activities, people cheat one another and cheat God. What a fraudulent world we live in! No wonder then that our Lord Jesus Christ retorted, "But to what will I compare this generation?... (Mathew 11:16). And as observed by Ejembi (2011), this fact, together with the sophistication of fraudsters, creates difficult problems for management and auditors.

As defined by Agboye (2004), fraud is an act of deception which is aimed at arrogating to oneself what does not belong to one; such acts concern theft, forgery, pilferage, falsification of records or accounts, defalcation, embezzlement and misappropriation. Fraud can also be described as a financial scandal perpetrated by a fraudster.

Adeniyi (2010) also described fraud as referring to an intentional act by one or more individuals among management, employees or third parties, which results in a misrepresentation of financial statements. Fraud has also been defined as an intentional wrongful act with the purpose of deceiving or causing harm to another party. It is an intentional deception for personal gain or to damage individual or party. Fraud is an act of deliberate deception, with the intention of gaining some benefit. It simply means a cheat. Fraud refers to intentional distortions of financial statements for whatever purpose, and misappropriation of assets involving the use of criminal deception. Fraud is perpetrated to obtain an unjust or illegal advantage. Fraud is an intentional deception that results or could result in the loss or devaluation of an asset or something of value to the owner.

Adewumi (1992) as cited in Ejembi (2009) described fraud as a conscious, premediated action of a person or group of persons with the intention of altering the truth and/or fact for selfish, personal, monetary gain. It involves the use of decent and trick and, sometimes, highly intelligent, cunning and know-how. Defrauding people or entities of money or valuables is a common purpose of fraud.

An important characteristic of fraud is the intent of the wrongdoer. An example in auditing is for the auditor to give a standard, unqualified audit opinion on financial statements that will be used to obtain a loan when the auditor knows they are materially misstated. Ezello (2008) has characterized fraud by the following elements: Intent to commit a wrongful act or to achieve a purpose inconsistent with law or public policy. It is not a mistake or error on the part of the offender; it is not accidental.

Disguise (of purpose): falsifications and misrepresentations employed to accomplish the purpose.

Reliance by the offender on the ignorance or carelessness of the victim(s).

Concealment of the violation. Fraud is not only a theft of assets but also an attempt to conceal it. Misappropriation of assets without an attempt to conceal is merely a theft, which is usually uncovered quickly through normal checks and balances procedures. To conceal is to deceive the victim that all is well. The linkage between corporate governance and fraud/corruption lies in the fact that the improvement in corporate governance can be a catalyst to break the vicious cycle of bribery and corruption. Shareholders and investors in countries that are experiencing a high level of corruption may receive double dividends from the improvement in corporate governance. Companies with better corporate governance have better prospects of growth and command higher valuation in the market. The Mckinsey study, as reported in…., shows that

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global investors are willing to pay more for better-governed companies.

2.2 Theoretical Framework

2.2.1 The Agency Theory

The ultimate theories in corporate governance started with the agency perspective, extended into the stewardship and then to the stakeholders and ethical perspectives or theories. Basically this study is anchored on the agency theory.Although political and even cultural influences have a bearing, it is arguable that the legal styles of the entity through which business is conducted is perhaps the biggest influence on the need for strong corporate governance.

History shows that the need for funding business expansion, and consequent rise of the publicly owned joint stock company, had the effect of slowly separating the ownership of the business from its day-today control. There was, inevitably, a large element of trust in their dealings. The introduction of limited liability and the consequent opening up of share ownership to the wider public dramatically widened this gap between ownership and control. The managers or directors of the business (defined here as "agents") were given the freedom to run the business without the day-to-day involvement of the owners, the providers of the capital (defined here as "principals"). They were entrusted with the principals' money and their role, it was hoped was:

To use that investment to create profits which the principals could receive by way of dividend, and

To expand that initial capital on behalf of owners so increasing the value of their investment.

Their primary role as agents was, and still is, the preservation of the assets of the business and to act always in the best interests of their principals, the shareholders. In return the agents should receive suitable remuneration, concomitant with their status and their level of success in making money for their principals. Thus everybody should get something out of the arrangement or so it seems. In fact things do not always work out quite well as might be expected because, as usual, human nature gets in the way.

It is this that lies behind the concept known as agency theory. Agency theory holds that agents do not, necessary, take decisions in the best interests of their principals. It states that the objectives or goals of principals and agents mostly conflict and, where they do, agents will, naturally, make the choice which benefits themselves the most, choices which may not be the most beneficial decision for the principals. This is summarized quite simply in table 2.1.

Table 2.1: Agency Theory

Party	Objectives
Principal	Safe investment Regular dividends Long-term capital growth Maintenance of value
Agent	Salary and benefits Maximum bonus Share options Personal success of successful business measured by share price.

Source: Taylor, John 2011:15

On the conflict of interest between principals and agents, institute of chartered Accounts in England and Wales, in November, 2006 put it this way:

> *In principle the agency model assumes that no agents are trustworthy and if they can make themselves richer at the expense of their principals they will. The poor principal, so the argument goes, has no alternative, but to compensate the agents well for their endeavours so that they will not be tempted to go into business for themselves using the principals' assets to do so.*

The agency theory suggests that dispersed ownership plays an important role in controlling of the firm. Since the early work of Berle and Means in 1932, corporate governance has focused upon the separation of ownership from management, which results in principal-agent problems arising from the dispersed ownership in the modern corporation. Corporate governance is regarded as a mechanism where a board of directors is seen as a crucial monitoring device to minimize the problems brought about by the principal agent relationship. Wan &Idris, (2012) Shleifer and Vishny (1997) suggest that the concentrated level of ownership is a significant factor attracting shareholders to control managers and to perform corporate governance mechanism. The concentrated shareholders have more power to control the firm than the dispersed

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shareholders. Hence, they will attempt to govern the directors to manage the firm as expected.

The agency problem however depends on the ownership characteristics of a country. In countries where ownership structures are dispersed, if the investors disagree with the management, or are disappointed with the performance of the company, they use the exit options, which will be signaled through reduction in share prices. Whereas countries with concentrated ownership structures and large dominant shareholders, tend to control the managers and expropriate minority shareholders in order to gain private control benefits (Spanos, 2005).

The assumption of agency model that no agents are trustworthy is not universally true, but the extent to which principals do not trust their agents will tend to govern the level of the monitoring mechanisms principals need to create for the overview of their agents' activitiesand also to decide the extent to which agents' compensation levels are considered to be acceptable by the agents even if they are considered to be excessive by the principal.

One of the differences between principals and agents tends to arise because of the different views of the time horizon each party holds. Generally, principals-individual investors (as opposed to speculators)-tend to view their investment as relatively long-term. They require their money to be secure, first of all, and then they will look for steady growth and, possibly a regular dividend. Investors generally are more influenced by the prospect of capital growth than a regular income. Dividend returns on capital invested tend to be fairly low. Many investors could receive a greater level of income from investment in bonds or some other forms of investment such as property, however they would not achieve the same levels (hopefully) of capital growth. Agents and managers, on the other hand, tend to want short-term gains such as bonuses, perks or share options which can be cashed in relatively quickly to make a low taxed profit. This encourages short-term decision making or decision making designed to protect or increase the share price rather than the more long-term strategic approach required by investors. It is for this reason, of course, that managers can be tempted to "improve" results when reporting through accounts that is either gently cooked or completely roasted" (Bosch, 1990).

According to Taylor, (2011), another factor which has increased the power and control of managers and which, it has been argued is also capable in fostering short-term decision making, is the investment community itself, which is often looking to gain short-term profits from portfolio management investment rather than for strategic approaches centered on strategies which stress the need for:

Survival, and

Long-term growth

2.3 Theoretical Studies

2.3.1 The Rationale for Corporate Governance in Bank

Since banks raise money from the public to function and operate, they assume an obligation of public trust to act in a manner that protects the public interest and make full and fair public disclosure of public information, including financial results. This is the basis for corporate governance (Elebute, 2000; Inyang, 2009). Banks are different from other corporate organizations in important respects, and that makes corporate governance of banks not only different but also more critical. Banks lubricate the wheels of the real economy, are the conduits of economy's payments and settlement (Subbarao, 2011). By the very nature of their business, banks are highly leveraged. They accept large amount of uncollaterized public funds and deposits in a fiduciary capacity and further leverage those funds through credit creation. The presence of a large and dispersed base of depositors in the stakeholders group sets banks apart from other corporations. Banks are interconnected in diverse, complex and oftentimes opaque ways underscoring their "contagion" potential. If corporation fails, the fall out can be restricted to the stakeholders. If a bank fails, the impact can be spread rapidly through to other banks with potentially serious consequences for the entire financial system and macro-economy.

According to Levine (2003), research finds that banks are critically important for industrial expansion, the corporate governance of firms, and capital allocation. When banks efficiently mobilize and allocate finds, this lowers the cost of capital to firms, boosts capital formation, and stimulates productivity growth. Thus, the functioning of banks has ramifications for the operations of firms and the prosperity of nations. Given the importance of banks, the governance of banks assumes a central role. If bank managers enjoy enormous discretion to act in their own interests rather than in the interests of shareholders and debt holders, then banks will be correspondingly less likely to allocate society's savings efficiently and exert sound governance over firms (Levine, 2003).

The corporate governance of banks in developing economics is important for several reasons. First, banks have an overwhelmingly dominant position in developing economy financial system and are extremely important engines of economic growth (Arun and Turner, 2003). Second, as financial markets are usually underdeveloped, banks in developing economies are typically the most important source of finance for the majority of firms. Third,as well as providing a generally accepted means of payment, banks in developing counties are equally the depository for the economy's savings. Fourth, many developing economies have recently liberalized their banking systems through privatization or disinvestments

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and reducing the role of economic regulation. Consequently, managers of banks in these economies have obtained greater freedom in how they run their banks. There are several possible reasons for the higher degree of government oversights in the banking sector:

Bank depositors (particularly retail depositors) cannot effectively protect themselves because they do not have adequate information, nor are they in a position to coordinate each other.

Banks assets are usually opaque, and lacking in transparency as well as liquidity.

Bank instability will lead to contagion effect, which would affect a class of banks or even the entire financial system and the economy.

Banks have a dominant position in developing economy's financial systems, and are important engine of economic growth (King and Levine, 1993; Levine, 2003., TundeLilian, Kaaro, Mahandwartha & Supriyatria, 2007).

2.3.2 Corporate Governance Mechanisms

Corporate governance mechanisms and controls are designed to reduce the inefficiencies that arise from moral hazard and adverse selection. According to Afolabi and Dare (2015), there are both internal monitoring systems and external monitoring systems. Internal monitoring can be done, for example, by one (or a few large shareholder(s) in the case of privately held companies or a firm belonging to a business group. Furthermore, the various board mechanisms provide for internal monitoring. External monitoring of managers' behavior occurs when an independent third party (e.g. the external auditor) attests the accuracy of information provided by management to investors. Stock analysts and debt holders may also conduct such external monitoring. An ideal monitoring and control system should regulate both motivation and ability, while providing incentive alignment toward corporate goals and objectives. Care should be taken that incentives are not so strong that some individuals are tempted to cross lines of ethical behavior for exampleby manipulating revenue and profit figures to drive the share price of the company up (www.wikipedia.org) as cited in Apolabe and Dare (2015).

According to Julie (2014), effective corporate governance is essential if a business wants to set and meet its strategic goals. A corporate governance structure combines controls, policies and guidelines that drive the organization toward its objectives while also satisfying shareholders' needs. A corporate governance structure is often a combination of various mechanisms, as stated below:

Internal Mechanism

The fore most sets of controls for a corporation come from its internal mechanisms. Here corporate governance does not only rely on external influence or pressure (external corporate governance) to force the management discipline, but also on the intention of bank managers and owners to inform the market about their intentions to implement the good corporate governance measures. Internal corporate governance is about mechanism for the accountability, monitoring, and control of a firm's management with respect to the use of resources and risk taking (Liewellyin& Sing, 2000) as cited in Adeaga (2015).

These controls monitor the progress and activities of the organization and take corrective actions when the business goes off track. Maintaining the corporations larger internal control fabric, they serve the internal objectives of the corporation and its internal stakeholders, including employees, managers and owners. These objective, include smooth operations, clearly defined reporting lines, and performance measurement systems. Internal mechanisms include oversight of management, independent internal audits, structure of the board of directors into levels of responsibility, segregation of control and policy development.

External Mechanism

External control mechanisms are controlled by those outside an organizational and serve the objectives of entities such as regulators, governments, trade unions and financial institutions. These objectives include adequate debt management and legal compliance. External mechanisms are often imposed on organizations by external stakeholders in the forms of union contracts or regulatory guidelines. External organizations, such as industry associations, may suggest guidelines for best practices, and businesses can choose to follow these guidelines or ignore them. Typically, companies report governance mechanisms to external stakeholders.

In the conventional literature on corporate governance, the market is the only external governance force with the power to discipline the agent. The existence of regulation means there is an additional external force with the power to discipline the agent. Banks regulation represents the existence of interests different from the private interests of the firm. As a governance force, regulation aims to serve the public interests, particularly the interest of the customers of the banking services. As agent of the public interests, the regulator also enforces regulation itself. This agent does not have a contractual relationship either with the firm's principal or with the banking organizations.

In common practices, depositors rely on the government role in protecting their bank deposits from expropriation by management, and are encouraged to deposit their funds into banks as a substantial part of the

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moral, hazard cost is guaranteed, or can e restored through the use of economic regulations such as asset restrictions, interest rate ceilings, reserve requirements and separation of commercial banking from insurance and investment banking. The effects of regulation limit the ability of bank managers to over issue liabilities or divert assets into high risk ventures. The regulations bind both managers and owners. The capsule summary of the two governance mechanisms above is supervision and regulation as elements of corporate governance in banks. In Nigeria, the regulatory functions which is directed at the objective of promoting and maintaining the monetary and price stability in the economy is controlled by the CBN while the supervisory bodies include the Nigeria Deposit Insurance Corporation and the CBN (CBN, 2009).

Independent Audit

An independent external audit of a corporation's financial statements is part of the overall corporate governance structure (Afolabi& Dare, 2015). An audit of the company's financial statements serves internal and external stakeholders at the same time. An audited financial statement and the accompanying auditor's report help investors, employees, shareholders and regulators determine the financial performance of the corporation. This exercise gives a broad, but limited, view of the organization's internal working mechanisms and future outlook.

2.3.3 Elements of Good Corporate Governance in Banks

Uwigbe (2011) pointed out that corporate governance requires laid down procedures, processes, systems and codes of regulation and ethics that ensure its implementation in organizations. Banks generally are expected to set strategies which have been commonly referred to as corporate strategies for their operations and establish accountability for executing these strategies. According to Uwigbe (2011), corporate strategy is a deliberate search for a plan of action that will develop the corporate competitive advantage and compounds it. The concept of good governance in banking industry empirically implies total quality management, which includes six performance areas (Klapper and Love, 2002) in the work of Uwigbe (2011). These performance areas include capital adequacy, assets quality, management, earnings, liquidity, and sensitivity to risk. Klapper and Love argued that the degree of adherence to these parameters determines the quality rating of an organization. Akinsulire(2011) position is in tandem with this view.

The Basel Committee on Banking Supervision (1999) enumerates basic components of good corporate governance to include:

The corporate values, codes of conductand other standards of appropriate behavior and the system used to ensure compliance with them;

A well-articulated corporate strategy against which the success of the overall enterprise and the contribution of individuals can be measured;

The clear assignment of responsibilities and decision making authorities, incorporating hierarchy of required approvals from individuals to the board of directors;

Establishment of mechanism for the interaction and cooperation among the board of directors, senior management and auditors; strong internal control system, including internal and external audit functions, risk management functions, independence of business lines and other checks and balances;

Special monitoring of risk exposures where conflicts of interests are likely to be particularly great, including business relationships with borrowers affiliated with the bank, large shareholders, senior management or key decision makers within the firm (e.g. traders);

The financial and management incentives to act in an appropriate manner, offered to senior management, business line management and employees in the form of compensation, promotion and other recognition;

Appropriate information flows internally and to the public.

2.3.4 Effect of Corporate Governance on Fraud Management

Before the advent of the code of best practice on corporate governance, establishment of a sound system of internal control by management had been the major means of achieving the company's goals and objectives. Where you have a sound system of internal control the organization is most likely to achieve its goals and objectives, but this has not been realizable in the Nigeria banking industry, where severe crisis has been the experience in most banks (Adedeji, 2012).

The management of fraud in the banks rests with the board of directors in identifying that good corporate governance hinges oncompetence and integrity of the board. It is also important that standards of probity and fiduciary responsibility in the wider business environment is equally critical. All these help to promote sound corporate governance that will prevent or reduce fraudulent activities in the banking sector. Others are:

Mandatory presentation of annual reports contained in circular number BS/P/DIR/GEW/CIR/VOL. 2/04 of June 2009.

Control of directors remuneration and expenses.

Frequent review of the codes on corporate governance for banks and other financial institutions in Nigeria is necessary.

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Transparency in reporting operational and financial activities.

Proper disclosure of compliance to the codes of corporate governance and other relevant laws in the post consolidation era should be enforced.

Trials and prosecution of management staff involved in fraudulent activities.

Establishment of strong capital base with the Central Bank of Nigeria (CBN).

The tribunals set up for the purpose of debt recovery should not relent in their efforts.

Workshop to discuss changes in economic issues that affect the banking industry positively or negatively so that bank fraud in Nigeria will be curtailed to a large extent without causing havoc in the nation's economy has been constituted.

It is now mandatory for any financial statement to be duly signed by an external auditor.

2.3.5 Challenges of Corporate Governance on Fraud Management

According to Ikpefan and Ojeka (2013), the challenges and failure of corporate governance in Nigeria stems from the culture of corruption and lack of institutional capacity to implement the codes of conduct governing corporate governance. Company executives enjoy an atmosphere of lack of checks and balances in the system to engage in gross misconducts since investors are not included in the governing structure. Policy and procedures required to ensure efficient internal controls are disregarded, and total lack of thorough selection process (of CEO and board members-round pegs in square holes) remain a challenge in Nigeria. The businesses cum shareholders' interests are secondary to the self-interests of the board members and the management. Limited opportunities for institutional investors, and near zero interest incorporate social investments to demonstrate companies' sense of belongingness, as evidenced in environmental pollutions, are clear indications of failure of corporate governance. Lack of managerial training and capacity development among Nigerian executives to manage business risks has resulted in huge avoidable agency costs to shareholders.

Failure of corporate governance in Nigeria has also been traced to lack of effective yardsticks to evaluate board and management processes and performance, since the board sub-committees required to be fully independent, especially the audit and remuneration committees,are compromised. The auditors/the audit committee of the board have been singled out as instrument of fraudulent practices given their readiness to cover-up corrupt practices for executives in a desperate bid for kick-back, and, to retain the audit engagement(s) of big clients (Habeeb, 2010). According to the code of corporate governance issued by CBN (2006), the following are challenges that are faced by banks in respect to adherence to the code.

Technical incompetence of board and management: in view of the greatly enhanced resources of the consolidated entities, board members may lack the requisite skills and competences to effectively redefine, re-strategize, restructure, expand and refocus the enlarged entities in the areas of change of corporate identities, new business acquisitions, expansion and product development.

Relationship among Directors: Board squadables could be an issue due to different business culture and high ownership concentration, especially in banks that were formally "one-man" entities. The dominance of a "key man" could also emerge with the attendant problems.

Increased level of risks: Currently, very few banks have a robust risk management system in place. With the huge amount of funds that will be available to them and the significantly increased legal lending limits, banks will be financing more long term mega projects in the real sectors of the economy as opposed to theexisting working capital/trade financing. Given the expected significant increase in the level of operation, the banks will be facing various kinds of risks which, if not well managed, will result in significant losses.

Resurgence of high level malpractices: To boost income as a result of intense competition and lack of enough viable projects, malpractices may resurface post consolidation. Such sharp practices could include round tripping of forex, excessive customer charges, falsification of records (creative accounting), etc, and adoption of unethical methods to poach customers.

Other corporate governance challenges identified with regards to fraud management in Nigeria banks include:

Ineffective board oversight function.

Fraudulent and self-serving practices among members of the board, management and staff.

Weak internal controls.

Non-compliance with laid down internal control and operational procedures.

Sit-tight directors who have failed to make meaningful contributions to the growth and development of the bank.

Ignorance of non-compliance with rules, laws and regulations guiding banking business.

Differences in business culture: management of bank especially those with high ownership concentration (family or one-man entities) could also dominate.

These challenges still persist among consolidated Nigerian banks despite all measures, thereby increasing the level of fraud. Akpan (2007) disclosed that data from the National Deposit Insurance Commission report (2006) shows 741 cases of attempted fraud and forgery involving N5.4 billion. Soludo (2004) also opined that a good corporate governance practice in the banking industry is

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imperative if the industry is to effectively play a key role in the overall development of Nigeria. As reported by Afolabi and Dara (2015), the series of widely published cases of accounting improprieties recorded in the Nigerian banking industry in 2009 (for example, Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank) were related to the lack of vigilant oversight functions by the board of directors, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders.

It is in view of the fore-going challenges that there exists a renewed interest in the need for good corporate governance and a resultant effective management of fraud in Nigerian banks. This disposition aims:

To restore hope after the collapse of several banks in the financial sector;

To constantly monitor the activities of management staff;

To attract local and foreign investment;

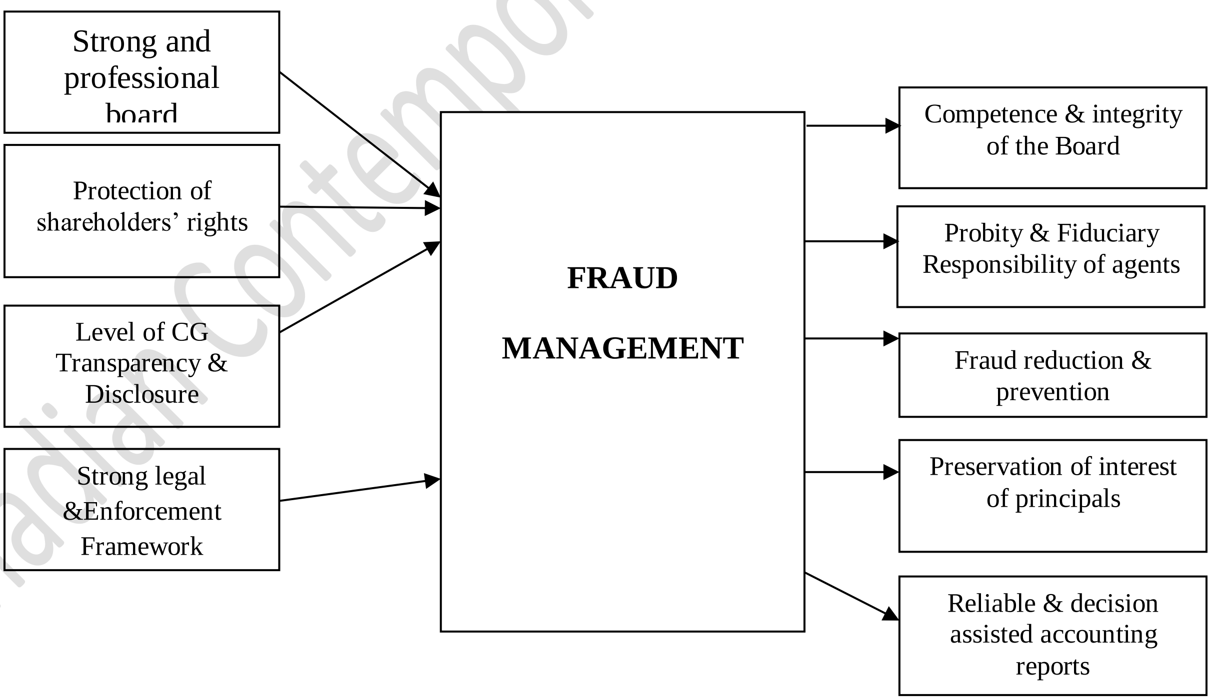
To encourage compliance with codes, rules, principles and regulations.

2.3.6 Description of the Conceptual Model of the Study

Using the aforementioned theoretical perspectives (2.2) the study proposed the model in Figure 2.3, a sample balance of normal information processing: input, processing and output. Based on the agency theory which deals with the conceptual relationship between the principal and the agent, by which the agent performs duty on behalf of another called his principal and the ethical theory, the four hypotheses in 1.5 were raised. The agents which according to Jensen and Mekling (1976) are referred to as custodians within the organization are expected to discharge their responsibilities towards good governance practices so as to avoid fraudulent practices or their misrepresentation, or even falsification of figures (creative accounting) that will affect the principal (Stakeholders, shareholders) and users of financial statements. The studies of Osisioma and Enahoro (2006) Amat, Blake and Dowds (2003) revealed that stakeholders, shareholders and other users of accounting information rely heavily on the yearly financial statements of a company as they can use this information to make informed decision about investment.

Using the ethical theory, the study proposed that the availability and effectivesness of legal and enforcement frame work that will ensure adherence to internal and external corporate governance mechanisms will significantly affect fraud and its management in organizations.An dependent audit function is a sure measure.

Figure 2.1: Conceptual model of the Effect of Corporate Governance on Fraud Management in Deposit Money Banks in Nigeria.



Source: Researcher's conceptual framework

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2.4 **Review of Related Empirical Studies**

Findings of reputable researchers on corporate governance and how it affects management of fraud were critically reviewed in this section of the research work. Their views, location methodology used, results of findings and recommendations were discussed. These are presented in a tabular form below for analysis and comparison.

Table2.2: Related Empirical Studies Reviewed

S/N	Name	Topic and location	Methodology	Variable(s)	Findings & Recommendation	Comment
1	In'airat, M. (2015)	Role of CG in fraud reduction (Saudi Arabia)	Survey design questionnaire- convenience sampling of 40 organizations simple& multiple regressions	**Independent** Int. audit Int. check Ext. audit **Dependent** Level of fraud	Mere existence & implementation of CG are not enough to reduce the perceived level of fraud. Their effective set up could. Internal audit played the major role in reducing the level of fraud.	The study adopted sufficient processes. The outcome is reliable.
2	Adeleji, D.B. (2012)	Influence of CG on internal control system (Nigeria)	Survey design Questionnaire Purposive sampling of 5 out of 24 banks Mean score and Pearson product coefficient correlation	**Independent** Board and management efficiency Transparency Accountability **Dependent** Operational Effectiveness Bank distresses Bank failures	Ineffectiveness in operation was caused by weaknesses in int. control system. Management do override int. control systems. Distresses and failures in banks was due to weaknesses in directors and mgt governance activities. Satisfactory int. control system that cannot be overridden should be ensured. Regular performance evaluation of directors and management, for productivity effectiveness accountability. Adequate monitoring and effective supervision to ensure compliance. Board to get adequate feedback from mgt for effective control.	As in (1) above
3	Mc Neal (2011)	Role of the Board in fraud risk management notes to Director (USA)	Ex-post facto research, using secondary data and interview of ACFC members.	**Independent** Anti fraud controls Internal and indept audits, Surprise visits Rewards for whistle blowers. Job rotation management review of fin. Stat. etc	The presence or absence of antifraud controls affect losses due to and duration of fraud. Organizations without fraud controls fall prey to losses and longer fraud schemes than those with the	

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				Dependent Financial loss Duration and amount of fraud Effectiveness of controls in place No of fraud cases etc.	controls in place. Technological advancements have increased the no of opportunities to commit fraud and the innovative ways to operate it. Business competitiveness isalso a contributory factor-potential anonymity, access to unsuspecting victims etc.	Finding & recommendation are useful guides
4	Agarwal, G.K &Medury Y. (2013)	Good governance: A tool to prevent corporate frauds (India)	Secondary data collected through manual, C.G literature guidelines by regulatory bodies, guidance notes by institutes, legal provision in legislations & past research findings; primary data was collected through interview of experienced corporate professional.	**Independent** Effective board Independent auditors Role of professionals Effective legislation **Dependent** Instancesof fraud Size of fraud Strength of int. control systems Fraud reduction and prevention	Well composed board Independence of auditors Craving of professionals to embrace ethnical consciousness. Effective implementation of regulation on corporate governance. Need for rating on good corporate governance for information and encouragement.	As in (3) above
5	Ikpefan, O.A &Ojeka, S.A. (2013)	Corporate governance: A tool for curbing bank distress in DBMs (Nigeria)	Primary date was collected through questionnaire and the survey technique was used. A sample of 120 was picked by the convenience method. Secondary sources of information was also used to supplement the study. Use of correlation analysis	**Independent** Good C.G and its practice **Dependent** Prevention of bank distress Better performance of banks	CG has no significant improvement of bank distress but has significantly improved performance of banks. Banks to have policies to handle conflict of interest and zero tolerance posture against unsound CG practices	As (1) & (2) above
6	Donato, F. and Tiscini, R.	The Relation between accounting fraud & CG systems: an analysis of recent scandals (Luiss Guido carli university India)	Ex-post factor research; using 20 of record international scandals chosen randomly from different countries	**Independent** Vigilant CG A corporate code of conduct An adequate & effective int. control system Int. audit function External audit services **Dependent** Conditions (economic		This is a good source of information, but not for judgment and

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				pressure) Corporate structure (or standard operating procedure) Choice (or ethical disposition of managers)		decision
7	CIMA 2008	Fraud Risk management: A guide to Good Practice	-	**<u>Independent</u>** Fraud risk management **<u>Dependent</u>** Good practice	Organizations lose up 7% of their annual turnover to fraud Corruption cost the global economy about &$1.5 trillion yearly A high percentage of frauds are committed by senior mgt and executives. Greed is a fraud motivator. Fraudsters often work in the finance function etc.	As for (6) above
8	Research online	CG for fraud prevention (online self study)	-	-	Set appropriate CG- “tone at the top”. Assess fraud risk-weak points. Implement fraud prevention techniques. Enlist fraud detection techniques. Create a reporting & investigation process.	Good for information only
9	Sonnenfeld, A.J. (2009)	CG; what makes great boards great Harvard Business Review	-	-	Know the company’s vision. Seek the right skills. Develop role & responsibilities for members Build a culture and invite debate. Break through your comfort zone.	As in (8) above
10	Fa’r Isaac corporation (FICO)	What is the future of banking fraud management?	-	-	Many companies are dangerously exposed to fraud losses The potential for losses is certainly considerable as fraudsters are shifting their attention from the more defended to the less defended targets. New online and mobile services open upvulnerabilities fraudsters are quick to	

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exploit. Understand where fraud is hurting your business most. Think about how your business is organized to fight fraud. Develop an enterprise fraud roadmap	As in (6) and (8) above.

2.5 **Summary of Review of Related Literature**

The chapter reviewed the relevant literature pertinent to the research study. The conceptual framework of this study hinges on corporate governance, fraud and management. We have analyzed corporate governance from diversed theoretical stand points: agency, stewardship, stakeholders and ethical perspectives. Review of both theoretical and empirical studies were then undertaken.

Among the various theories deliberated, the agency perspective was the most famous and has received a great deal and copious attention from academics (Jenson &Meckling, 1976, Fama& Jenson, 1983) as well as practitioners. The core of agency theory centers on the conflicting interests between the principals and agents, while stakeholder theory examines the dilemma regarding the interest of diverse groups of stakeholders. The agency theory provides the basis for governance standards, codes and principles developed by many establishments. Boards are appointed by shareholders to monitor and control managerial decision making to protect the shareholders' interest. In particular, this monitoring role was anticipated to be effectively performed through independent non-executive directors and that the positions of chairman and CEO should be held by different persons (Cadbury, 1992; OCED, 1999; ICON, 1999, Combined Code, 2006 in Wan&Idris (2012). However, other alternative theories of stewardship, stakeholder and ethical have become famous in the recent years.

The bulk of the empirical studiesseen from developed nations are with diverse conclusions. Again the techniques applied in the analysis are also diverse. Even the extent of work done is without consensus, while the methodologies adopted are not sufficient to cross-examine research data, and some of the research studies do not have theoretical frameworks. In fact, none of the reviewed studies was directly on effect of corporate governance on fraud management; they are just related. Hence this study tries to fill the gap in research by assessing selected elements of corporate governance indicators and their impact on management of fraud in Deposit Money Banks in Nigeria.

3. Research METHODOLOGY

3.1 Research Design

The study adopts survey research design; data are collected from a given sample. The data collected are analyzed to discover trends or changes in the opinions of the subjects over the sample under study. Nworgu, (2012) noted that this technique is suitable for studying trends, fluctuations and changes in subjects' opinions, attitudes or behavior. It is useful in studying the stability of persons' attitude or things towards an issue or object over time or the intervention of intervening variable to influence such attitude. In all panel surveys, effort should be made to account for the changes and trends observed. As much as possible, all the factors in the intervening period that could be responsible for the observed trends and changes should be well explained. The greatest value of the panel technique perhaps lies in being able to account for the observed trends and changes in terms of some intervening variables.The study is based on primarysources of information. The primary source constitutes the use of questionnaire and interview of corporate professionals.

3.2 Area of Study

This study was carried out in Benue and Anambra States of Nigeria. Nigeria is located in the south western part of West Africa. The Country is sandwiched by Latitudes 5^0 45' and 8^0 15' North and Longitudes 4^0 45' and 6^0 00'' East. It is bordered in the north-west by Republic of Benin, north by Niger, north-east by Chad and Cameroun, and Atlantic Ocean in the south. It has an estimated land area of about 15,000 sq. km. In 2006 National Population Commission (NPC), the Country had a population of about 140 million people. The administrative headquarters of the Country is FCT and there are thirty-six States in Nigeria (Adewoyin, 2012). While Benue State and Anambra State are located in North-Central and South-Eastern parts of Nigeria respectively.

3.3 Population of the Study

The population of the study refers to the totality of all the elements or variables under study (Nworgu, 2012).The population of this study consist of shareholders, customers and employees of selected Deposit Money Banks

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in Benue and Nassarawa States. The population of 138 had been infinitely determine using the Topman's sampling technique formula developed by Cochran (1963) and adopted from Osisioma, Egbunike and Jesuwunmi (2015):

$N = [Z^2 (P) (Q)]/ E^2 = [(1.96)^2 (0.90) (0.1)]/ (0.05)^2 = 0.345744/0.0025=138.2976\sim 138$

But we increased the population 195in order to enhance the power of the test result.

N= population size,

P= estimated proportion of an attribute that is present in the populations

Z^2=the desired level of confidence level, obtain from the Norman Curve table e.g. 95%, 90%

Z^2= 95%÷2=0.4750; check for '0.475' under Area against Z = "1.96" from Normal Curve table.

E^2= desire level of precision or significance level. 5% =0.05

Q=1-P = 1- 0.90 = 0.10

3.4 Sample Size and Sampling Techniques

The convenience sampling technique (non-probability sampling) was used to select the banks. Table 3.1 shows the number of questionnaires allocated based on board size to each Deposit Money Banks and allocate the one hundred questionnaires among the DMBs in Nigeria after adopting the Topman's formula to determine the sample size of one hundred participants or respondents. These were shared based on board size of each banks and classified into international, national and regional banks with their respective percentage allocations. International, national and regional banks had fifty-two percent (52%), thirty percent (30%) and eighteen percent (18%) respectively. Table 3.2 showed the proper details.

Since divergent stakeholders' interests are represented in the corporate governance and the shareholders developed mechanism to control the activities and decision of the management in order to maximize the long term firm's value. Therefore, the sample size was made up of DMBs' shareholders, customers and employees; the shareholders and customers were involved in order to minimize conformity bias. The questionnaires were distributed based on the board size of the banks this is to ensure fair representation; see Table 3.1 and Appendix for more details.

Table3.1: Deposit Money Banks in Nigeria as at 31st December 2013.

S/N	Name of Banks	Board size	Questionnaires Allocated
1	Access Bank Plc	14	12
2	Diamond Bank Plc	16	13
3	Ecobank Nigeria Plc	15	12
4	Enterprise Bank	15	12
5	Fidelity Bank Plc	17	14
6	First Bank of Nigeria Plc	19	16
7	First City Monument Bank Plc	13	11
8	Guaranty Trust Bank Plc	14	11
9	Key Stone Bank	14	11
10	MainStreet Bank	14	11
11	Skye Bank Plc	17	14
12	Stanbic IBTC Bank Ltd.	14	12
13	Sterling Bank Plc	10	8
14	Union Bank of Nigeria Plc	16	13
15	United Bank For Africa Plc	19	16
16	Zenith Bank Plc	11	9
	Total	**238**	**195**

Source: NDIC Annual Report and Statement of Account 2016.

3.5 Instrument for data collection

A questionnaire was used to generate relevant data for this study. The instrument was designed by the researcher with insight from literature reviewed. The instrument is titled: Effect of Corporate Governance on Fraud Management of Deposit Money Banks. The questionnaire was divided into two sections A and B. Section-A contained three items on personal data of the respondents covering status of respondents, educational qualification and years of experience/relationship. Section-B contained 40 items in four clusters B1 to B4 covering the research questions with 10 items respectively. The instrument is a modified 4-point Resin Likert scale ranging from strongly agree (4) to strongly disagree (1) was used. Table 3.2 gives the details as follow:

Table 3.2: ***Scales for questionnaire responses***

Codes	Description	Point
SA	Strongly agree	4
A	Agree	3
D	Disagree	2
SD	Strongly disagree	1

Source: Researcher

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3.6 Validation of the Instrument

The face and content validity of the questionnaire were determined by an expert. The researcher presented the research topic, purpose, research questions and hypotheses with the draft instrument to the expert and requested to consider the length of the entire instrument, suitability of the items, and clarity of instructions, and freely restructure instrument adding and deleting items as they deem fit to ensure that the instrument serves its purpose effectively. The expert agreed with the response options (i.e. strongly agreed...). All these were incorporated in the final copy of the instrument which was approved by the supervisor for the study.

3.7 Reliability of Instrument

The instrument was administered on ten (10) respondents made up of microfinance banks' staff who were not part of the study population. Their responses were subjected to reliability analysis, using Cronbach Alpha to determine the reliability co-efficient. Cronbach Alpha is the current widely used procedures for estimating the internal reliability of survey instrument. According to Osisioma, Egbunike and Jesuwunmi (2015) Cronbach's Alpha estimates (0.6) of an instrument with an alternative form which is composed of the same number of items is reliable. Reliability estimates of 0.962, 0.971, 0.655 and 0.757 were obtained for section B1, B2, B3, and B4 respectively while overall reliability co-efficient of 0.911was obtained, hence, the instrument was adjudged reliable for the study.

3.8 Method of Data Collection

One hundred and ninety-five (195) copies of the questionnaire were administered directly to the respondents by the researcher and research assistants. Copies of questionnaire that were completed on the spot were collected immediately, while copies from those who could not respond on the spot were collected later on appointment within space of two weeks. Repeated visits were made in order to achieve a high response rate.

3.9 Method of Data Analysis

We use the descriptive statistics to analyse the means and standard deviations of the variables. While we employed inferential statistical analysis to test the hypotheses. In order to understand the effect of corporate governance on fraud management in banks. The test was performed using univariate statistical technique (factorial design-ANOVA) to test and ascertain whether there exists the effect of corporate governance variables on fraud management in Nigerian banks.

3.10 Boundary Limits

The descriptive statistics was used to answer the research question, while the F-test and t-test was used to test the null hypotheses at 0.05 level of significance. The boundary limits of number were used as shown below to facilitate decision making:

Table 3.3: Boundary Limits

Response Options	Codes	Rating Point	Boundary Limits
Strongly agree	(SA)	4	3.50 – 4.00
Agree	(A)	3	2.50 - 3.49
Disagree	(D)	2	1.50 – 2.49
Strongly Disagree	(SD)	1	1.00 – 1.49

Source: Researcher

The decision rule was based on the mean rating which was calculated as follows:
(4+3+2+1)/4 = 10/4 = 2.50 Therefore, an item with a mean rating of 2.50 and above shows that the respondents agreed that corporate governance affect or influence fraud management where the mean rating is below 2.50 it means that the respondents disagreed that corporate governance affect or influence fraud management. A null hypothesis was accepted if the p-value is equals to or greater than the level of significance (5%= 0.05) or otherwise reject and accept the alternate hypothesis (H_a) if p-value or sig is less than 5% (0.05).

3.11 Decision Rule

We accept the null hypothesis (Ho) probability value (p value) calculated is equal to or greater than 5% level of significance (d) otherwise, we reject it and accept the alternate hypothesis (Ha).

4. Data Presentation and Analysis

4.1 Descriptive Statistics

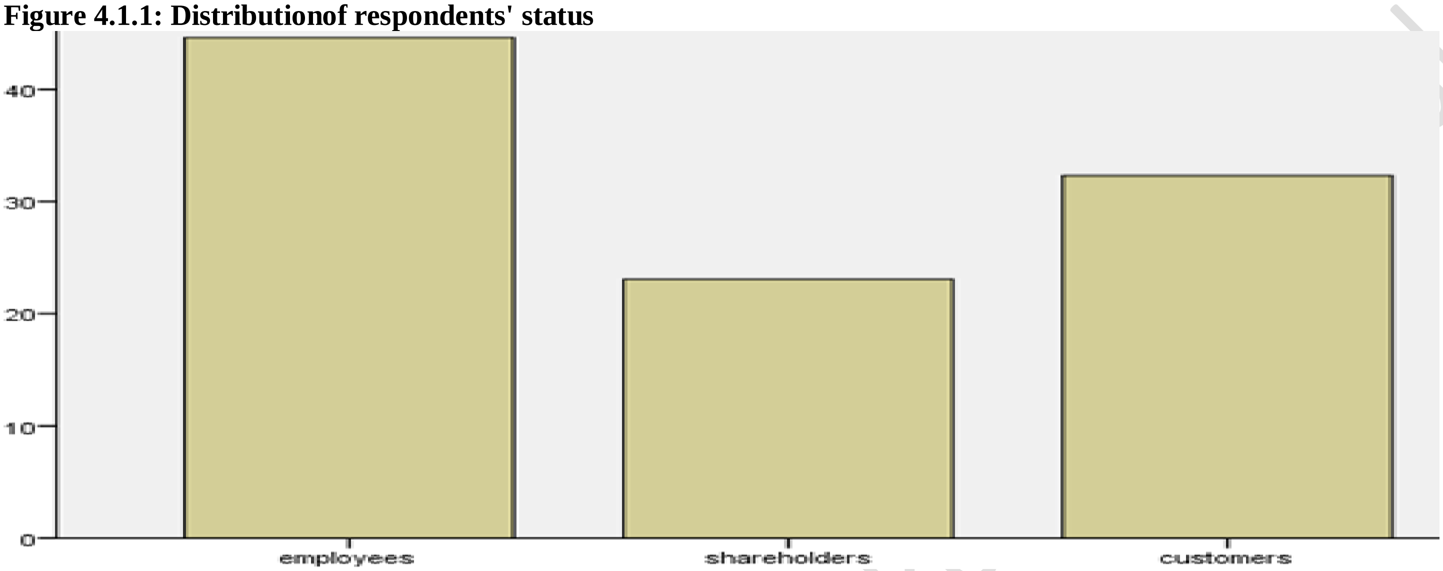
Table 4.1.1: Frequency table of respondents' status

Respondents' Status	Frequency	Percent (%)
employees	87	44.6
shareholders	45	23.1
customers	63	32.3
Total	**195**	**100**

Source: Researcher's computation via SPSS version-23

Table 4.1.1 and figure 4.1.1 give a picture of respondents' status from Anambra and Benue sates, that is, employees, shareholders and customers;employees had the highest rectangular bar-charts followed by customers while shareholders had the smallest rectangular bar-charts; with their corresponding frequencies and percentages; that is,87 (44.6%), 45 (23.1%) and 63 (32.3%). This symbolizes that the population is fairly represented and knowledgeable enough to understand the subject matter.

Figure 4.1.1: Distributionof respondents' status



Source: Researcher's design via SPSS version-23

Table 4.1.2: Frequency table of respondents' years of experience/relationship

Respondents' years of experience/relationship	Frequency	Percent (%)
1-5yrs	83	42.6
6-10yrs	71	36.4
11yrs & above	41	21.0
Total	**195**	**100.0**

Source: Researcher's computation via SPSS version-23

Table 4.1.2 and figure 4.1.2 shown the description of years of working experience and relationship of the respondents with the banks; from the figure 4.1.2 (i.e. bar-chart) it was revealed that respondents that had one to five years (1-5years) working experience or relationship had the highest bar-charts followed by six years to ten (6-10years) while eleven years and above (11years and above) had the shortest bar-chart with their corresponding frequencies and percatages, that is, 83 (42.6%), 71(36.4%), and 41(21%). This implies that the oponions of the respondents can be relied upon to draw valid inferences, since 6-10years working experience respondents had above average percentage

Figure 4.1.2: Distribution of respondents' years of experience/relationship

Source: Researcher's design via SPSS version-23

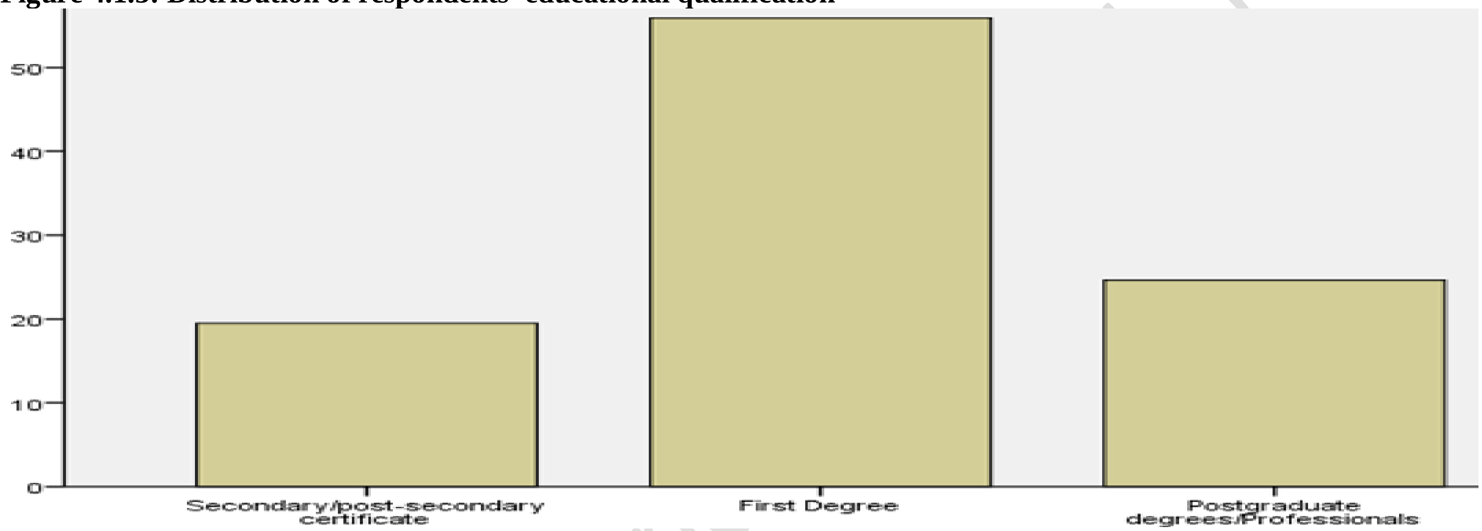
Table 4.1.3: Frequency Table of respondents' educational qualification

Respondents' Educational Qualification	Frequency	Percent (%)
Secondary/post-secondary certificate	38	19.5
First Degree	109	55.9
Postgraduate degrees/Professionals	48	24.6
Total	**195**	**100.0**

Source: Researcher's computation via SPSS version-23

Table 4.1.3 and figure 4.1.3 give a picture of respondents' educational qualification from Anambra and Benue sates, that is, first degrees(BED/ BSC /HND) had the highest rectangular bar-charts followed by Postgraduate degrees /Professionals (PGD/ MBA/MED/MSC/PHD) while Secondary/post-secondary certificate(WAEC/ND/NCE/) had the smallest rectangular bar-charts; with their corresponding frequencies and percentages; that is,109 (55.9%), 48 (24.6%) and 38 (19.5%). This symbolizes that the population is fairly distributed and knowledgeable enough to understand the subject matter.

Figure 4.1.3: Distribution of respondents' educational qualification



Source: Researcher's design via SPSS version-23

4.2 Analysis of Research Questions

Research Questions

i. ***Has strong and professional board reduced incidence of fraud?***

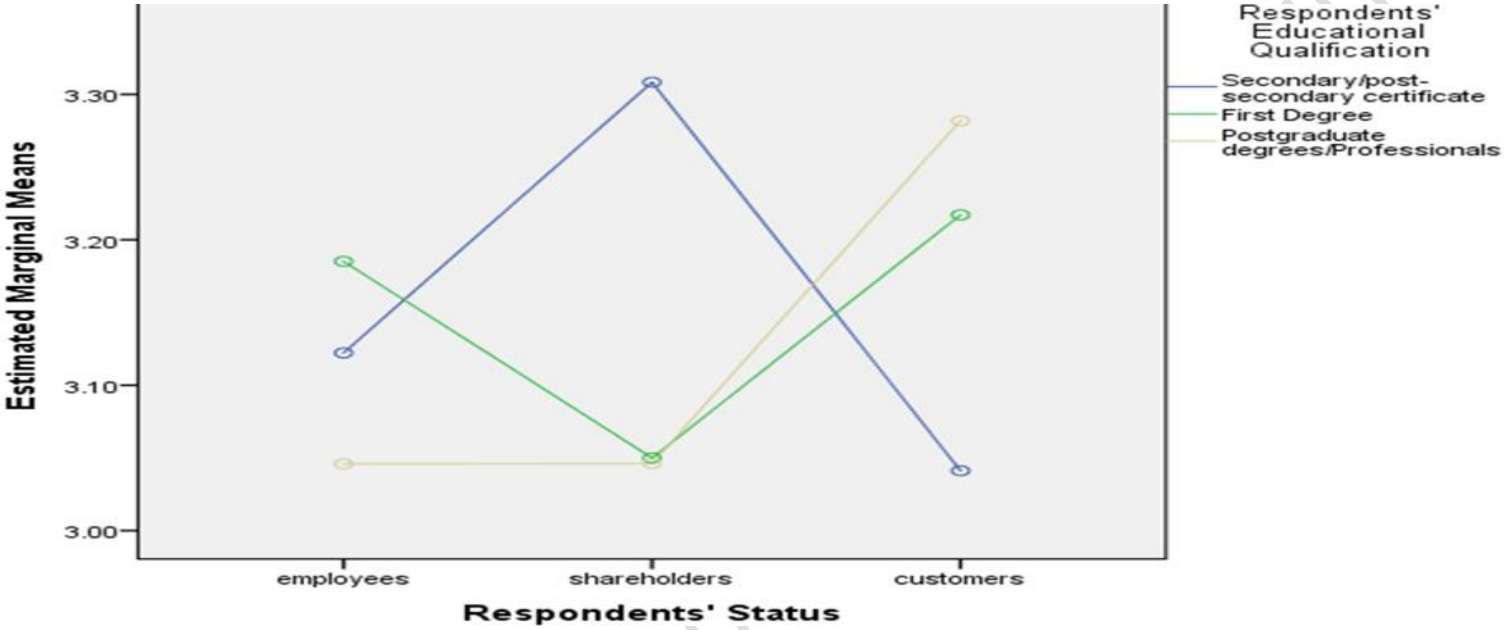
Table4.2.1: Respondents' rating of cluster B1 presented in individual Means.

S/N	**Cluster B1:** *Board professionalism helped in reducing incidence of fraud.*	$\bar{x}$ N=195	SD (σ)	Remarks
S1	Independent directors, independent members of the supervisory board are under obligation to inform the company and its shareholders of all changes which may affect their status in terms of independence.	3.42	.590	Agree
S2	All members of the Board of Directors are obligated to attend general meetings of the board and they do so.	3.48	.595	Agree
S3	Any member of the Board of Directors can be appointed into any committee, provided he/she is qualified and competent.	3.45	.618	Agree
S4	The Directors/Managers are chosen from diverse disciplines and the different departments and units are headed by knowledgeable experts	3.45	.651	Agree
S5	A minority shareholder can contest for a director's slot on the board of this company.	2.64	.864	Agree
S6	The same individual can hold the posts of chairman, and Chief Executive of the Organization.	2.46	.991	Agree
S7	Directors do disagree among themselves and with the managers on issues of policy implementation and propriety of operations.	3.02	.773	Agree
S8	There is a separate Management Consultant in place to advise on matters other than audit.	3.05	.755	Agree
S9	The Board adequately supervises and monitors the management of the organization.	3.23	.748	Agree
S10	The Chairman of Board of Directors can be elected from the Executive Directors.	3.29	.774	Agree
	Grand mean ($\bar{X}$)	**3.15**	**.361**	**Agree**

Source: Researcher's computation via SPSS version-23

Table 4.1.2 showns the rating of board professionalism helped in reducing incidence of fraud.(Cluster B1- from statement 1 to 10); the respondents (i.e. shareholders, customers and employees)had rated agreed. Statement two (S2) has the highest mean score (3.48) followed by statement three and four (S3 and S4) that is, mean of 3.45. While statement six (S6) - had the least mean score, which is below the bench-march (i.e. Mean score 2.5) among the variables rated by the respondents in cluster B1, this implied that respondents disagreed with statement-2.With a ***Grand Mean*** of 3.15. Can we conclude that board professionalism helped in reducing incidence of fraud? This led us to test of hypothesis.

Figure 4.2.1: **Line graph of estimated marginal respondents' mean scores ofboard professionalism helped in reducing incidence of fraud.**



Source: Researcher's design via SPSS version-23

Figure 4.2.1 shows the graphical illustration of the mean interaction effect of the respondents' in regards to effect of board professionalism helped in reducing incidence of fraud based on respondents' status and educational qualification; the lines which represent the connecting points between the various respondents' status and educational qualification are non-parallel (i.e. crossing each other) lines that indicate mean interaction effect.

ii. To what extent has protection of shareholders rights reduced manipulation of records?

Table4.2.2: Respondents' rating of cluster B2 presented in individual Means.

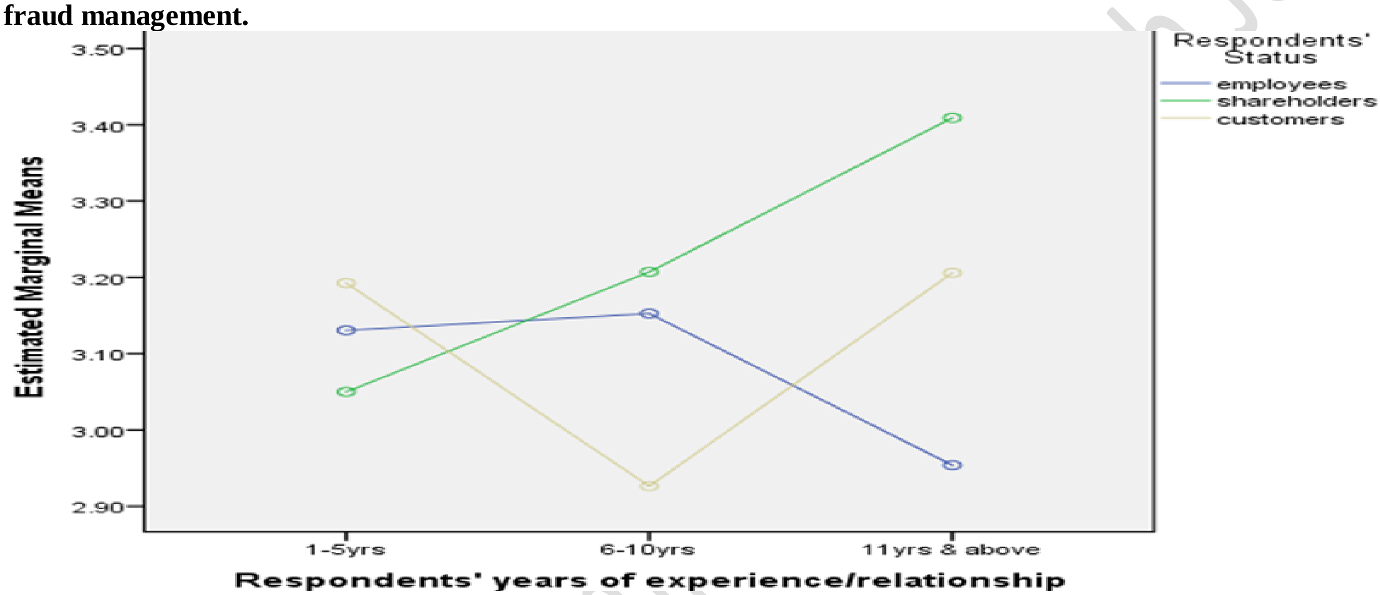
S/N	**Cluster B2**: *Protection of shareholders rights enhanced fraud management.*	$\bar{x}$ N=195	SD (σ)	Remarks
S11	Shareholders are properly invited to their annual general meeting, giving them all prescribed elements and information, the agenda.	3.31	.772	Agree
S12	The shareholders are enabled to exercise their rights to unrestricted participation in the shareholders Assembly/Annual General Meeting (AGM) activities and decision-making.	3.16	.704	Agree
S13	The company publishes adopted decisions and minutes of the meeting, immediately; ie within prescribed deadlines, after the meeting.	3.13	.752	Agree
S14	Shareholders are allowed to trade their stock on an exchange.	3.04	.735	Agree
S15	Along with a claim on assets, the shareholders also receive a claim on any profits a company pays out in the form of dividend.	3.34	.618	Agree
S16	The shareholders can sue the company for wrongful acts, either as a shareholder class-action law suit or a single shareholder complaint.	3.03	.840	Agree
S17	If the company issues new shares to the public, current shareholders have pre-emptive rights, to buy a specific number of the share, before the stock is issued to the new potential shareholders.	3.10	.673	Agree
S18	There is minority interest representation on Boards-as a major determinant of the robustness of the company's corporate governance system.	3.01	.670	Agree
S19	Annual accounts are circulated to shareholders prior to the shareholders	3.05	.788	Agree

	Assembly.			
S20	There is a designed shareholder rights plan, giving the company's Board of Directors the power to protect shareholder interest and prevent hostile takeover.	3.16	.681	Agree
	Grand mean ($\bar{X}$)	**3.13**	**.373**	**Agree**

Source: Researcher's computation via SPSS version-23

Table 4.2.2 shows the rating of Protection of shareholders rights enhanced fraud management (Cluster B2- from statement 11 to20); the respondents (i.e. shareholders, customers and employees)had rated agreed. Statement fifteen (S15) has the highest mean score (3.34) followed by statement eleven (S11) that is, mean of 3.31. While statement eighteen (S18)- had the least mean score (3.01), which is above the bench-march (i.e. Mean score 2.5) among the variables rated by the respondents in cluster B2;with a ***Grand Mean*** of 3.13, this implied that respondents agreed with all the statements .Can we deduce that protection of shareholders rights enhanced fraud management? This prods us to test of hypothesis.

Figure 4.2.2: **Line graph of estimated marginal respondents' mean scores of shareholders' protection rights enhanced fraud management.**



Source: Researcher's design via SPSS version-23

Figure 4.2.2 showed the graphical illustration of the mean interaction effect of the respondents' in regards to effect of shareholders' protection rights enhanced fraud management; based on respondents' status and years of experience/relationship; the lines which signify the connecting points between the various respondents' status and years of experience/relationshipare crossing each other that indicate mean interaction effect.

iii. To what extent has high level of transparency and disclosure curbed financial statement fraud?

Table4.2.3: Respondents' rating of cluster B3 presented in individual Means.

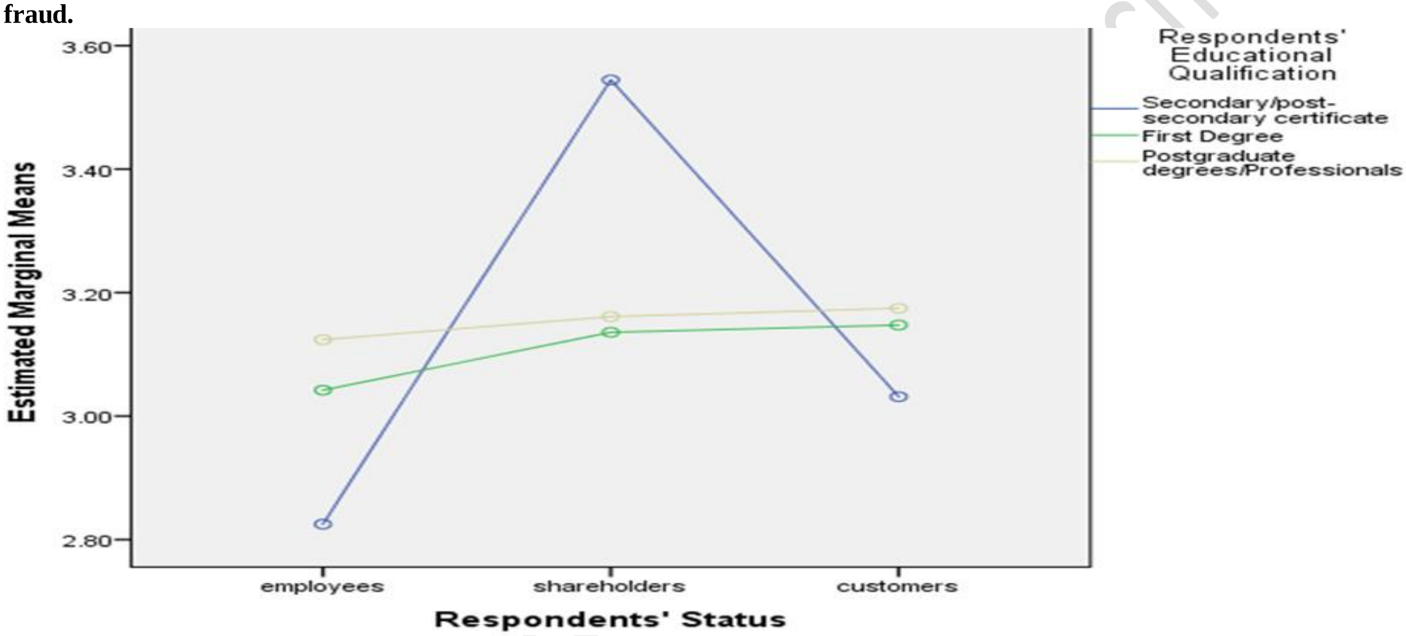
S/N	**Cluster B3:** *Transparency and disclosure curbed financial statement fraud.*	$\bar{x}$ N=195	SD (σ)	Remarks
S21	The company clearly defines its dividend policy and the procedures and deadlines for its distribution.	3.31	.664	Agree
S22	The company publishes its business reports, including the report of the external authors in compliance with the laws, by-laws and regulations of the stock-Exchange.	3.33	.699	Agree
S23	The updated data on the company's insiders are publicly accessible, including data on the number of company shares/ratio of shares owned by them.	2.91	.785	Agree
S24	The company reports to the public on individually paid remunerations and other financial and non-financial rules and benefits gained by the holders of management and supervisory functions in the company, as well as by the company's board committee members	2.78	.929	Agree
S25	All relevant investment information are publish publicly and accessible.	2.96	.890	Agree
S26	External auditors who hold any shares in the company before their appointment do have those shares divested.	2.87	.873	Agree
S27	An Executive Director is Chairman of the Audit Committee of your company.	2.58	1.054	Agree
S28	External auditors attend Annual General Meeting when the Accounts are	3.02	.809	Agree

	discussed.			
S29	The Head of Internal Audit has direct access to the chairman Audit Committee and their reports provided to the External Auditors.	3.18	.699	Agree
S30	Management letter emanating from annual audit have been provided and discussed at the Audit committee/board of directors and response sent to the Auditors.	3.16	.637	Agree
	Grand mean ($\bar{X}$)	**3.01**	**.421**	**Agree**

Source: Researcher's computation via SPSS version-23

Table 4.2.3 shows the rating of Transparency and disclosure curbed financial statement fraud (Cluster B3- from statement 21 to 30); the respondents (i.e. shareholders, customers and employees)had rated agreed. Statement twenty-two (S22) has the highest mean score (3.33) followed by statement twenty-one (S21) that is, mean of 3.31. While statement eighteen (S27)- had the least mean score (2.58), which is above the bench-march (i.e. Mean score 2.5) among the variables rated by the respondents in cluster B3;With a ***Grand Mean*** of 3.01 this implied that respondents agreed with all the statements .Can we infer that transparency and disclosure curbed financial statement fraud? This stimulates us to test of hypothesis.

Figure 4.2.3: **Line graph of estimated marginal respondents' mean scores of transparency and disclosure effect on financial statement fraud.**



Source: Researcher's design via SPSS version-23

Figure 4.2.3 displayed the graphical illustration of the mean interaction outcome of the respondents' in regards to effect of transparency and disclosure on financial statement fraud based on respondents' status and educational qualification; the lines which represent the connecting points between the various respondents' status and educational qualification are non-parallel (i.e. crossing each other) lines that show mean interaction effect.

iv. To what extent does strong legal and enforcement framework affect organizational compliance with relevant procedures?

Table4.2.4: Respondents' rating of cluster B4 presented in individual Means.

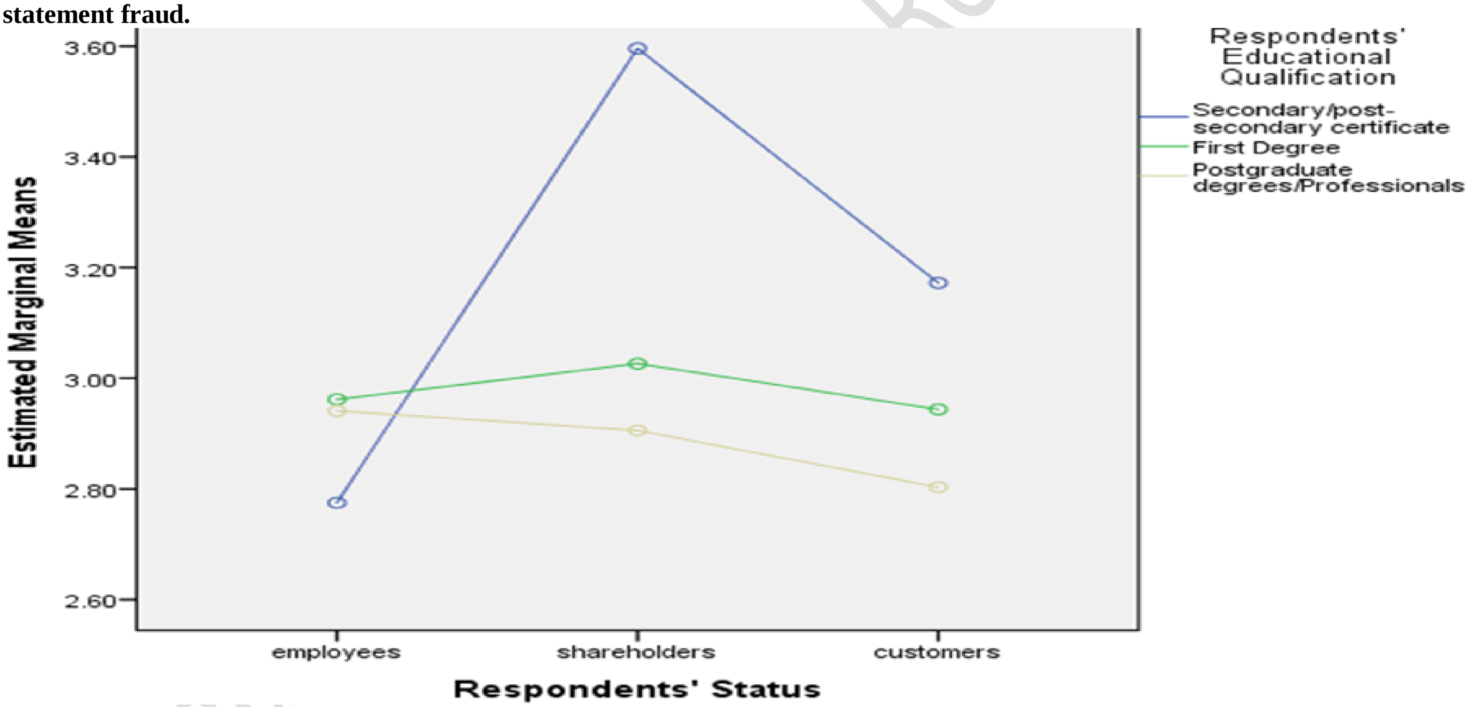
S/N	**Cluster B**4*: Legal and enforcement framework affect fraud management.*	$\bar{x}$ N=195	SD (σ)	Remarks
S31	The company's acts clearly define criteria for required expert and professional knowledge and experience for appointment of Board members and these are observed.	3.27	.787	Agree
S32	Companies and Allied Matters Act 1990 contains provisions relating to operational requirements of your company and they are observed in practice.	3.18	.730	Agree
S33	The Banks and Other Financial Institutions Act 1991 contain provisions relating to operational requirements of your company and these are observed in practices.	3.23	.734	Agree
S34	The investment and securities Act 1999 contains provisions relating to operational requirements of your company and these are observed in practice.	3.14	.730	Agree
S35	The Securities and Exchange Commission Act 1998 and its accompanying Rules and Regulations contain provisions relating to the operational requirements of your company and these are observed in practice.	3.23	.666	Agree

S36	The Central Bank of Nigeria Code of Corporate Governance for Banks in Nigeria (2006) contains provisions relating to the operational requirements of your company and sees to their observance in practice.	3.28	.672	Agree
S37	Your company publishes and circulates a statement, along with the annual reports, to set out the status of their compliance with the best practices of corporate governance.	3.29	.712	Agree
S38	Shareholders do exercise their powers, especially to sue for wrongful acts and to buy a specified proportion of new issues before stock is issued to the new potential shareholders.	3.03	.815	Agree
S39	The implementation of the Code of Corporate Governance has greatly contributed to improvement in operational and organization efficiency and effectiveness.	3.29	.689	Agree
S40	There are stipulated sanctions for noncompliance with related legal provisions and such sanctions are imposed upon violation.	3.33	.639	Agree
	Grand mean ($\bar{X}$)	**3.23**	**.486**	**Agree**

Source: Researcher's computation via SPSS version-23

Table 4.2.4 shows the rating of Legal and enforcement framework affect fraud management (Cluster B4- from statement 31 to40); the respondents (i.e. shareholders, customers and employees)had rated agreed. Statement twenty-two (S40) has the highest mean score (3.33) followed by statement thirty-seven and thirty-nine (S37 and S39) that is, mean of 3.29. While statement thirty-eight(S38)- had the least mean score (3.03), which is above the bench-march (i.e. Mean score 2.5) among the variables rated by the respondents in cluster B4;With a ***Grand Mean*** of 3.23 this implied that respondents agreed with all the statements .Can we infer that Legal and enforcement framework affect fraud management? This motivates us to test of hypothesis.

Figure 4.2.4: **Line graph of estimated marginal respondents' mean scores of legal and enforcement framework effect on financial statement fraud.**



Source: Researcher's design via SPSS version-23

Figure 4.2.4 shown the graphical illustration of the mean interaction effect of the respondents' in regards to effect of legal and enforcement frameworkon financial statement fraud.based on respondents' status and educational qualification; the lines which represent the connecting points between the various respondents' status and educational qualification are non-parallel (i.e. crossing each other) lines that confirm mean interaction effect.

4.3 Test of Hypotheses

i. H_{o1}: Strong and professional board have not significantly reduced fraud incidence.

Table4.3.1: Tests of Between-Subjects effects of respondents' status and educational qualification

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	1.525[a]	8	.191	1.497	.161
Intercept	1430.311	1	1430.31	11233.75	.000
RespondentStatus	**.105**	**2**	**.053**	**.414**	**.662**
Eduqualification	**.026**	**2**	**.013**	**.103**	**.902**
RespondentStatus * Eduqualification	**1.266**	**4**	**.317**	**2.486**	**.045**
Error	23.682	186	.127		
Total	**1957.890**	**195**			
Corrected Total	25.207	194			

a. R Squared = .060 (Adjusted R Squared = .020)

Source: Researcher's computation via SPSS version-23

Table 4.3.1 shown the main and interaction mean effect of respondents' status and educational qualification (i.e. between subjects); we can see from table 4.3.1 that there is no statistically significant difference in respondents' mean rating of respondents' status (p=.662); and there was no statistically significant difference in respondents' mean rating based on educational qualification levels (p = .902). A two-way ANOVA was conducted that examined the effect of respondents' status and educational qualification levels on effect of Board professionalism in reducing incidence of fraud. There was statistically significant interaction between the effects of status and education qualification levels on respondents' perception [F (4, 186) = 2.468, p = .045]. Based on the analysis above we reject the null hypothesis (H_0) and accept the alternate hypothesis (H_a) and conclude that the effect of Board professionalism in reducing incidence of fraud is significant.

ii. H_{o2}: Protection of shareholder's rights has not significantly reduced records manipulation.

Table4.3.2: Tests of Between-Subjects effects of respondents' status and years of experience/relationship

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	2.483[a]	8	.310	2.360	.019
Intercept	1620.065	1	1620.07	12321.10	.000
Yrsexp	**.215**	**2**	**.108**	**.818**	**.443**
RespondentStatus	**.562**	**2**	**.281**	**2.136**	**.121**
Yrsexp * RespondentStatus	**2.164**	**4**	**.541**	**4.114**	**.003**
Error	24.457	186	.131		
Total	**1938.900**	**195**			
Corrected Total	26.939	194			

a. R Squared = .092 (Adjusted R Squared = .053)

Source: Researcher's computation via SPSS version-23

Table 4.3.2 shown the main and interaction mean effect of respondents' status and years of experience/relationship (i.e. between subjects); we can see from table 4.3.2 that there is no statistically significant difference in respondents' mean rating of shareholders' protection rights in enhancing fraud management (p=.443); and there was no statistically significant difference in respondents' mean rating based on status (p = .121). A two-way ANOVA was conducted that examined the effect of respondents' status and years of experience/relationship on effect of shareholders' protection rights enhancing fraud management. There was statistically significant mean interaction effects between respondents' status and years of experience/relationship [F (4, 186) = 4.114, p = .003]. Based on the analysis above we reject the null hypothesis (H_0) and accept the alternate hypothesis (H_a) and conclude that the effect of protection of shareholders' rights enhanced fraud management significantly.

iii. H_{o3}: High level of transparency and disclosure has not significantly curbed financial fraud.

Table4.3.3: Tests of Between-Subjects effects of respondents' status, education qualification and years of experience/relationship

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	5.873[a]	26	.226	1.801	.015
Intercept	954.188	1	954.188	7609.506	.000
RespondentStatus	**1.324**	**2**	**.662**	**5.278**	**.006**
Eduqualification	**.046**	**2**	**.023**	**.182**	**.834**
Yrsexp	**.062**	**2**	**.031**	**.246**	**.782**
RespondentStatus * Eduqualification	1.313	4	.328	2.617	.037
RespondentStatus * Yrsexp	2.441	4	.610	4.867	.001
Eduqualification * Yrsexp	.307	4	.077	.613	.654
RespondentStatus * Eduqualification * Yrsexp	**1.453**	**8**	**.182**	**1.448**	**.180**
Error	21.066	168	.125		
Total	**1938.90**	**195**			
Corrected Total	26.939	194			

a. R Squared = .218 (Adjusted R Squared = .097)

Source: Researcher's computation via SPSS version-23

Table 4.3.3 shown the main and interaction mean effect of respondents' status, education qualification and years of experience/relationship (i.e. between subjects); we can see from table 4.3.3 that there were no statistically significant difference in respondents' education qualification and respondents' years of experience/relationship mean rating of transparency and disclosure in curbing financial statement fraud (p=.834) and (p=.782) respectively; but there was statistically significant difference in respondents' status mean rating (p = .006). A three-way ANOVA was conducted that examined the effect of respondents' status, education qualification and years of experience/relationship on effect of transparency and disclosure in curbing financial statement fraud. There was no statistically significant mean interaction effects between respondents' status, education qualification and years of experience/relationship [$F\,(8, 168) = 1.448$, $p = .180$]. Based on the analysis above we accept the null hypothesis (H_0) and reject the alternate hypothesis (H_a) and conclude that the effect of transparency and disclosure has not significantly curbed financial statement fraud.

iv. H_{o4}: Strong legal and enforcement framework does not significantly affect organizational compliance with relevant procedures.

Table4.3.4: Tests of Between-Subjects effects of respondents' status,education qualification and years of experience/relationship

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	6.458[a]	26	.248	1.498	.068
Intercept	883.698	1	883.70	5330.02	.000
RespondentStatus	**1.368**	**2**	**.684**	**4.126**	**.018**
Eduqualification	**1.157**	**2**	**.578**	**3.489**	**.033**
Yrsexp	**.200**	**2**	**.100**	**.602**	**.549**
RespondentStatus * Eduqualification	1.766	4	.441	2.662	.034
RespondentStatus * Yrsexp	1.210	4	.303	1.825	.126
Eduqualification * Yrsexp	.990	4	.247	1.492	.207
RespondentStatus * Eduqualification * Yrsexp	**1.806**	**8**	**.226**	**1.361**	**.217**
Error	27.854	168	.166		
Total	**1800.730**	**195**			
Corrected Total	34.311	194			

a. R Squared = .188 (Adjusted R Squared = .063)

Source: Researcher's computation via SPSS version-23

Table 4.3.4 shown the main and interaction mean effect of respondents' status, education qualification and years of experience/relationship (i.e. between subjects); we can see from table 4.3.4 that there were statistically significant difference in respondents' education qualification and respondents' status mean rating of strong legal and enforcement framework in enhancing fraud management (p=.018) and (p=.033) respectively; but there was no statistically significant difference in respondents' years of experience/relationship mean rating (p = .549). A three-way ANOVA was conducted that examined the effect of respondents' status, education qualification and years of experience/relationship on effect of strong legal and enforcement framework in enhancing fraud management. There was no statistically significant mean interaction effects between respondents' status, education qualification and years of experience/relationship [F (8, 168) = 1.361, p = .217]. Based on the analysis above we accept the null hypothesis (H_0) and reject the alternate hypothesis (H_a) and conclude that the effect of strong legal and enforcement framework in enhancing fraud management is insignificant.

Discussion of findings

The outcome of the model shows a positive impact of strong and professional board on fraud reduction in deposit money banks in Nigeria. This result is in accord with that of Inairat, (2015) who found that it is the effective set up of CG that could reduce the perceived level of fraud, not their mere existence and implementation. Agarwal and Medury (2013) also agreed that well-composed board and independence of reporting accountants have positive impacts on corporate fraud prevention. This will produce the good fruits of competence and integrity of the board. That protection of shareholders rights enhances fraud management in organizations is supported by the result of this study **(**see table 2.2.2 and figure 2.2.2). The likely result of this situation is preservation of interest of principals as well as probiting and fiduciary responsibility of the agents.

The study results have all shown that the other corporate governance variable, transparency and disclosure has not significantly curbed financial statement fraud. This, according to Adedoyi (2012) is due to ineffectiveness in operation caused by weaknesses in internal control system.

Strong legal and enforcement framework have significantly enhanced fraud management in the studied banks. This is due to their effective setup, not mere existence and implementation (In'airat, 2015). The results of test of the hypotheses have shown that:

Hoi: Strong and professional board have not helped in reducing the incidence of fraud was proved wrong, and so rejected, and we accept the alternate hypothesis (Ho_1) that the effect of board professionalism in reducing incidence of fraud is significant.

In the same vein, the other null hypothesis that protection of shareholders rights has not significantly enhanced fraud management is rejected and its alternate is accepted of the four hypotheses of this study it is only the third null hypothesis that high level of transparency and disclosure have not significantly curbed financial statement fraud that is accepted. The fourth hypothesis that strong legal and enforcement framework does not significantly affect fraud management is accepted and is alternate is thus rejected. For this position, stipulated legal actions for compliance and imposition of fines upon violation, and defined criteria for required expertise, knowledge and expertise for appointment of board members have contributed most.

5. Findings, Conclusion and Recommendation

5.1 Summary of Findings

This study investigates the effect of corporate governance on fraud management in Deposit Money Banks in Nigeria. Stated below are the main findings.

1. Strong and professional board significantly help in reducing incidence of fraud in Deposit money banks in Nigeria.
2. Protection of shareholders rights significantly enhances fraud management in DMBs in Nigeria.
3. High level of transparency and disclosure has not significantly curbed **(**financial statement in deposit money banks in Nigeria.
4. Strong legal and enforcement framework have significantly enhanced fraud management in DMBs in Nigeria.

5.2 Conclusion

In this study the research has examined the impact of four corporate governance variables on fraud management in Deposit Money Banks in Nigeria, as perceived by divergent stakeholders-shareholders, customers and employees. Based on the findings of this study, it can be concluded that:

1. Strong and professional board significantly help in reducing incidence of fraud in Deposit Money Banks in Nigeria.
2. Protection of shareholders rights significantly enhances fraud management in deposit money banks in Nigeria.
3. High level of transparency and disclosure have not significantly curbed financial statement fraud in Deposit Money Banks in Nigeria.
4. Strong legal and enforcement framework have significantly enhanced fraud management in Deposit money banks in Nigeria.

5.3 Recommendation

Based on the theoretical and empirical findings in the study the following recommendations are made:

1. The study shows that corporate governance has significantly helped in reducing incidence of fraud in Deposit money banks. Therefore, in addressing the role of corporate governance in fraud control the central bank should review the fit and proper person's regime in order to ensure that only credible persons of impeccable financial, personal and professional character are allowed as major shareholders, directors and managers of banks.
2. Since corporate governance has significantly enhanced fraud management in Deposit money Banks in Nigeria, the banks should be able to demonstrate that rigorous internal policies were in place and that procedures

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existed for identifying and managing conflicts of interest to avoid its adverse consequences on their stakeholders, particularly shareholders.

3. Since level of transparency and disclosure have not significantly curbed financial statement fraud in Deposit money Banks in Nigeria, this pointed at the crises of insider abuse, conflict of interest and widespread manipulations. This crises usually connived at or orchestrated by management or board, should be captured by internal and external auditors and regulators so as not to reach serious proportions.
4. The study showed that corporate governance significantly enhanced fraud management in Deposit Money Banks in Nigeria. Therefore, regulatory authorities and other stakeholders in the Nigerian financial sector need to adopt a zero tolerance posture against cases of unsound corporate governance practices. This will ensure that the banks are well run and administered. Though the suggested measures would definitely take care to enhance the chances of good corporate governance and thereby strengthen fraud management measures, good governance process would further require restructuring at political, bureaucracy, and corporate levels because corruption and malpractices are deeprooted in the governance process and their eradication needs spiritual surgery (Agarwal, 2013).

5.4 Contribution to Knowledge

This study investigated the impact of four corporate governance variables-strong and professional board; protection of shareholders' rights; level of corporate governance transparency and disclosure, and strong legal and enforcement framework. The exceptionality of this study includes:

1. This research develops a conceptual model on the effect of corporate governance on fraud management in deposit money banks in Nigeria, so that the relationship (impact and effect) between the independent and dependent variables can be better appreciated.
2. The study focused on the agency theory which is the ultimate in corporate governance as the legal styles of the entity through which the business is conducted is perhaps, the biggest influence on the need for strong corporate governance. Other surrogates like stewardship and ethical theories had been employed by researchers to proxy, corporate governance, but have no direct impact on fraud management.
3. This study extends the existing literature on corporate governance theoretical framework in developing nations and introduces significant insight from the professional ethics and standards, so that the concept of corporate governance can be properly understood.
4. The study set out measures of effective impact of corporate governance on fraud management in Deposit Money Banks as competence and integrity of the board, probity and fiduciary responsibility of agents, fraud reduction and prevention, preservation of interest of principals, and reliable and decision assisted accounting reports.

5.5 Suggestions for Further Studies

Further work can focus on:

i. Comparative assessment of the impact of corporate governance on fraud management in public and private companies in Nigeria.
ii. Effect of corporate governance on organizational performance: An assessment of the applicable governance variables in the public and private sector organizations.
iii. A comparative assessment of the effect of internal and external governance mechanisms in deposit money banks in Nigeria.

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APPENDIX-I

Descriptive Statistics

MEANS TABLES=x1

S/N	Variable	Mean	Std. Deviation
S1	Independent directors, in independent members of the supervisory board are under	3.42	.590

	obligation to inform the company and its shareholders of all changes which may affect their status in terms of independence.		
S2	All members of the Board of Directors are obligated to attend general meetings of the board and they do so.	3.48	.595
S3	Any member of the Board of Directors can be appointed into any committee, provided he/she is qualified and competent.	3.45	.61838
S4	The Directors/Managers are chosen from diverse disciplines and the different departments and units are headed by knowledgeable experts	3.45	.651
S5	A minority shareholder can contest for a director's slot on the board of this company.	2.64	.864
S6	The same individual can hold the posts of chairman, and Chief Executive of the Organization.	2.46	.991
S7	Directors do disagree among themselves and with the managers on issues of policy implementation and propriety of operations.	3.02	.773
S8	There is a separate Management Consultant in place to advise on matters other than audit.	3.05	.755
S9	The Board adequately supervises and monitors the management of the organization.	3.23	.748
S10	The Chairman of Board of Directors can be elected from the Executive Directors.	3.29	.774

MEANS TABLES=x2

S/N	Variable	Mean	Std. Deviation
S11	Shareholders are properly invited to their annual general meeting, giving them all prescribed elements and information, the agenda.	3.308	.772
S12	The shareholders are enabled to exercise their rights to unrestricted participation in the shareholders Assembly/Annual General Meeting (AGM) activities and decision-making.	3.16	.704
S13	The company publishes adopted decisions and minutes of the meeting, immediately; ie within prescribed deadlines, after the meeting.	3.13	.752
S14	Shareholders are allowed to trade their stock on an exchange.	3.04	.735
S15	Along with a claim on assets, the shareholders also receive a claim on any profits a company pays out in the form of dividend.	3.34	.618
S16	The shareholders can sue the company for wrongful acts, either as a shareholder class-action law suit or a single shareholder complaint.	3.03	.840
S17	If the company issues new shares to the public, current shareholders have pre-emptive rights, to buy a specific number of the share, before the stock is issued to the new potential shareholders.	3.10	.673
S18	There is minority interest representation on Boards-as a major determinant of the robustness of the company's corporate governance system.	3.01	.670
S19	Annual accounts are circulated to shareholders prior to the shareholders Assembly.	3.05	.788
S20	There is a designed shareholder rights plan, giving the company's Board of Directors the power to protect shareholder interest and prevent hostile takeover.	3.16	.681

MEANS TABLES=x3

S21	The company clearly defines its dividend policy and the procedures and deadlines for its distribution.	3.31	.664
S22	The company publishes its business reports, including the report of the external authors in compliance with the laws, by-laws and regulations of the stock-Exchange.	3.33	.699
S23	The updated data on the company's insiders are publicly accessible, including data on the number of company shares/ratio of shares owned by them.	2.91	.785
S24	The company reports to the public on individually paid remunerations and other financial and non-financial rules and benefits gained by the holders of management and supervisory functions in the company, as well as by the company's board committee members	2.78	.929
S25	All relevant investment information are publish publicly and accessible.	2.96	.890
S26	External auditors who hold any shares in the company before their appointment do have those shares divested.	2.87	.873
S27	An Executive Director is Chairman of the Audit Committee of your company.	2.58	1.054
S28	External auditors attend Annual General Meeting when the Accountants are discussed.	3.02	.809
S29	The Head of Internal Audit has direct access to the chairman Audit Committee and their reports provided to the External Auditors.	3.18	.699
S30	Management letter emanating from annual audit have been provided and discussed at the Audit committee/board of directors and response sent to the Auditors.	3.16	.637

MEANS TABLES=x4

S31	The company's acts clearly define criteria for required expert and professional knowledge and experience for appointment of Board members and these are observed.	3.27	.787
S32	Companies and Allied Matters Act 1990 contains provisions relating to operational requirements of your company and they are observed in practice.	3.18	.730
S33	The Banks and Other Financial Institutions Act 1991 contains provisions relating to operational requirements of your company and these are observed in practices.	3.23	.734
S34	The investment and securities Act 1999 contains provisions relating to operational requirements of your company and these are observed in practice.	3.14	.730
S35	The Securities and Exchange Commission Act 1998 and its accompanying Rules and Regulations contains provisions relating to the operational requirements of your company and these are observed in practice.	3.23	.666
S36	The Central Bank of Nigeria Code of Corporate Governance for Banks in Nigeria (2006) contains provisions relating to the operational requirements of your company and sees to their observance in practice.	3.28	.672
S37	Your company publishes and circulates a statement, along with the annual reports, to set out the status of their compliance with the best practices of corporate governance.	3.29	.712
S38	Shareholders do exercise their powers, especially to sue for wrongful acts and to buy a specified proportion of new issues before stock is issued to the new potential shareholders.	3.03	.815
S39	The implementation of the Code of Corporate Governance has greatly contributed to improvement in operational and organization efficiency and effectiveness.	3.29	.689
S40	There are stipulated sanctions for noncompliance with related legal provisions and such sanctions are imposed upon violation.	3.33	.639

Appendix –ii
Allotment of Questionnaires to Selected Deposit Money Banks.

S/N	Name of Banks	Allotment based on Board size	No. of Questionnaires Allocated to Banks
1	Access Bank Plc	14*195/238 =11.471	12
2	Diamond Bank Plc	16*195/238 =13.109	13
3	Ecobank Nigeria Plc	15*195/238 =12.289	12
4	Enterprise Bank	15*195/238 =12.289	12
5	Fidelity Bank Plc	17*195/238 =13.929	14
6	First Bank of Nigeria Plc	19*195/238 =15.567	16
7	First City Monument Bank Plc	13*195/238 =10.651	11
8	Guaranty Trust Bank Plc	14*195/238 =11.471	11
9	Key Stone Bank	14*195/238 =11.471	11
10	MainStreet Bank	14*195/238 =11.471	11
11	Skye Bank Plc	17*195/238 =13.929	14
12	Stanbic IBTC Bank Ltd.	14*195/238 =11.471	12
13	Sterling Bank Plc	10*195/238=8.193	8
14	Union Bank of Nigeria Plc	16*195/238 =13.109	13
15	United Bank For Africa Plc	19*195/238 =15.567	16
16	Zenith Bank Plc	11*195/238 =9.013	9
	Total	**238**	**195**

Source: Field Survey 2017

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