

**ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS IN  
PREVENTING FINANCIAL FRAUD: A CASE OF EQUITY BANK, MUKONO  
BRANCH**

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**UGANDA CHRISTIAN  
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**DECLARATION**

I Walubitsa Patrick hereby declare that this dissertation has been produced out of my own effort with the guidance of my supervisor and has never been submitted to any other institution for any award.

Signature.....


Date.....15<sup>th</sup> / 09 / 2025

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**APPROVAL**

This dissertation has been supervised and approved by us and is therefore ready for submission to the School of Business in Uganda Christian University.

Signature.....

Date.....15...../.....09...../.....2025.....

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(Supervisor)

## **DEDICATION**

I would especially like to dedicate my effort to my parents, who have always been there to help me with my studies. May you be abundantly blessed by the Almighty God.

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I want to express my gratitude to the Almighty God for giving me life and for leading me along my academic journey; it has not always been simple, but it has been feasible. My greatest gratitude goes to my supervisor, Mr. Mugisha Henry for the relentless efforts and skills he offered to me during his supervision.

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## ABSTRACT

The study aimed at assessing the effectiveness of internal controls in preventing financial fraud: a case of Equity Bank, Mukono Branch. It specifically focused on; examining the relationship between control environment and preventing financial fraud, establishing the relationship between risk assessment and preventing financial fraud, and exploring the relationship between control activities and preventing financial fraud in Equity Bank, Mukono.

In addition to using both quantitative and qualitative research methods, the study was conducted using a cross sectional study design. Both basic random and selective sampling techniques were applied during the data gathering process, which involved the use of questionnaires and interviews. The study also employed a sample size of 44 respondents who work for Equity Bank in Mukono and the bank's top management.

The study findings revealed that internal controls in Equity Bank, Mukono are significant in preventing financial fraud, with the control environment, risk assessment, and control activities being significant. Respondents agreed that strong control environment reinforces ethical behavior, responsibility, and openness ( $r = .521^{**}$ ,  $\beta = 0.225$ ,  $t = 3.693$ ,  $p = 0.000$ ), and risk assessment ensures frauds are discovered earlier and better internal controls ( $r = .587^{**}$ ,  $\beta = 0.243$ ,  $t = 3.668$ ,  $p = 0.000$ ). In addition, rigid control procedures like appropriate policies, segregation of duties, transaction authorization, compliance monitoring, and regular revision were determined to have the greatest effect on fraud prevention ( $r = .680^{**}$ ,  $\beta = 0.496$ ,  $t = 7.426$ ,  $p = 0.000$ ). The above findings highlight the evidence that systematic internal controls are strategic and very effective in anti-fraud prevention at the bank.

Finally, the study recommended the need for strengthening the control environment, refining the risk assessment procedures, implementing robust control activities, maintaining effective monitoring mechanisms, and providing continuous staff training to facilitate timely detection, evasion, and minimization of financial fraud, thus increasing accountability, transparency, and the overall effectiveness of the internal controls of the bank.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

The study examined Equity Bank's Mukono Branch to see how well internal controls prevent financial fraud. Background information, problem statement, study purpose, study objectives, research questions, study scope, study significance, and conceptual framework are all presented in this chapter.

### 1.1 Background of the study

Internal controls are essential mechanisms in an organization that safeguard assets, enhance the integrity and validity of financial information, enable adherence to rules and regulations, and finally support the detection and avoidance of financial fraud (Sudirman et al., 2021). With the current trend towards increasing complexity in the financial sector, internal controls have emerged as key tools in the public and private sectors aimed at minimizing the risk of fraud and operational efficiency (Waromi et al., 2024). Internal controls are susceptible to manipulation by fraudsters, leading to financial losses and reputation loss, which in turn impact the deterioration of stakeholder trust and confidence (Temitope & Sola, 2025).

In particular, banks are the most susceptible to fraud due to the volume of transactions, client details, and dealing with huge volumes of money (Irwanyah & Zega, 2023). Bank fraud is manifested in different ways, including embezzlement, unauthorized acts, diversion of assets, and fabricated financial statements (Handoyo et al., 2021). To restrict such risks, banks implement diverse measures of internal control like segregation of duties, authorization and approval procedures, access control, and internal audit (Musyoki, 2023). The effectiveness of such controls largely determines whether the institution will detect red flags, prevent irregularities, and attain financial integrity (Solomon et al., 2023).

Globally, most countries have taken considerable steps toward improvement of internal control systems for combating financial fraud. In America, enactment of the Sarbanes-Oxley Act of 2002 significantly strengthened business responsibility by demanding tighter internal controls over financial reporting (Ding, 2024). In Germany and Britain, strict regulation and strong audit

structures have led to a decline in instances of financial deception within their financial markets (Alzoubi, 2025). In countries like Indonesia and Malaysia in Asia, the blend of forensic accounting with internal controls has worked effectively to combat and detect fraud in government and corporate organizations (Azizan & Ali, 2024).

Financial fraud remains a serious challenge in Africa, particularly in the financial industry. In Nigeria, for instance, despite the regulatory reforms, the banking industry continues to record high rates of internal fraud linked to ineffectiveness in implementing control systems and corruption among employees (Ogwiji & Lasisi, 2022). In Kenya, the extent to which internal control systems help prevent fraud has been extensively studied, with findings indicating that banks lack adequate internal checks and are vulnerable to financial malpractices (Opiyo, 2023). Ethiopia also has witnessed the same concerns, where efforts to improve internal control structures have been undercut by weak enforcement and monitoring mechanisms (Mulugeta, 2021). Such trends reflect the necessity of stronger and adaptable internal control measures throughout Sub-Saharan Africa (Jimma, 2024).

In Uganda, there have been many cases of fraud that have cast doubt on whether financial institutions' internal control processes are effective. The majority of banks in Uganda do not have the capability to install effective and consistent systems of internal control due to the insufficiency of available resources and capacity among the staff, according to Turyahebwa et al. (2022). Equity Bank Uganda, particularly the Mukono branch, is a focal point of focus based on its rapid expansion and growing clients. Despite control measures taken, there are emerging concerns regarding fraud cases due to system loopholes as well as internal staff misconduct (Mafumbo, 2023). Previous studies by Nandaula (2022) and Kule et al. (2023) further suggest that the effectiveness of internal controls in Equity Bank directly influences its ability to prevent and detect fraud in finance. This underscores the significance of assessing and improving the bank's financial viability and customer trust through such internal controlling mechanisms (Mande, 2021).

## **1.2 Problem statement**

Ideally, robust internal control systems are expected to protect assets, ensure accurate financial reporting, and prevent fraud in financial institutions (Sudirman et al., 2021). However, at Equity Bank Uganda, particularly the Mukono branch, financial fraud continues to occur despite existing control frameworks (Turyahebwa et al., 2022). The Bank of Uganda's 2023 Financial Stability Report shows that internal fraud accounts for 65% of all fraud cases in commercial banks, with Equity Bank Uganda contributing 12% (Bank of Uganda, 2023). Asset misappropriation rose by 8% in 2022, especially through cash theft and unauthorized withdrawals (Mafumbo, 2023). Bribery and kickbacks, rose by 11% between 2021 and 2023 (Kule et al., 2023), while unauthorized transactions, mainly through digital banking, grew by 9% annually due to weak access controls (Nandaula, 2022). If unaddressed, this trend may damage customer trust and financial stability (Musyoki, 2023). Though stakeholders like the Bank of Uganda, internal auditors, and Equity Bank's management have taken corrective actions, the problem still persists (Bank of Uganda, 2023).

Furthermore, previous studies by scholars like Solomon et al. (2023) and Dibo (2023) have examined internal control systems in general terms, focusing on their influence on financial performance or organizational efficiency. Others have explored fraud in public institutions or SMEs, rather than commercial banks (Opiyo, 2023; Azizan & Ali, 2024). However, limited attention has been given to examining how internal controls and in particular; control environment, risk assessment, and control activities contribute to preventing financial fraud within the context of Equity Bank. This study, therefore, sought to bridge that gap by assessing the effectiveness of internal controls in preventing financial fraud in Equity Bank, Mukono branch.

## **1.3 Purpose of the study**

The purpose of this study was to assess the effectiveness of internal controls in preventing financial fraud: a case of Equity Bank, Mukono Branch.

## **1.4 Objectives of the study**

- i. To examine the relationship between control environment and preventing financial fraud in Equity Bank, Mukono.

- ii. To establish the relationship between risk assessment and preventing financial fraud in Equity Bank, Mukono.
- iii. To explore the relationship between control activities and preventing financial fraud in Equity Bank, Mukono.

### **1.5 Research questions**

- i. What is the relationship between control environment and preventing financial fraud in Equity Bank, Mukono?
- ii. What is the relationship between risk assessment and preventing financial fraud in Equity Bank, Mukono?
- iii. What is the relationship between control activities and preventing financial fraud in Equity Bank, Mukono?

### **1.6 Scope of the study**

#### **1.6.1 Content Scope**

The study was specifically limited to; examining the relationship between control environment and preventing financial fraud, establishing the relationship between risk assessment and preventing financial fraud, and exploring the relationship between control activities and preventing financial fraud in Equity Bank, Mukono.

#### **1.6.2 Time scope**

The review of reports and documents covered a period of five years, from 2020 to 2024. This timeframe allowed for a comprehensive analysis of recent trends and patterns in internal controls and their effectiveness in preventing financial fraud at Equity Bank, Mukono Branch.

#### **1.6.3 Geographical scope**

This study was carried out in Equity Bank, Mukono branch, located along Jinja Road, Plot 110, Mukono District, Uganda. Equity Bank was selected because it has experienced notable challenges

related to financial fraud, particularly in areas such as asset misappropriation, financial statement fraud, corruption (including bribery and kickbacks), and unauthorized transactions (Bank of Uganda Supervision Report, 2023/24).

### **1.7 Justification of the study**

The justification for this study was based on the growing concern regarding ongoing financial fraud at Equity Bank, Mukono Branch, despite the presence of internal controls, as evidenced by high cases of asset misappropriation, unauthorized transactions, and corruption (Bank of Uganda Supervision Report, 2023/24). While previous studies have emphasized internal controls in areas of organizational performance or fraud avoidance within the public sector and SMEs (Opiyo, 2023; Solomon et al., 2023), the impact of certain dimensions of internal controls such as control environment, risk assessment, and control activities in directly influencing financial fraud avoidance in commercial banks, particularly in Uganda, has not yet been exhaustively examined. This study therefore tried to cover this gap by presenting empirical findings focused on Equity Bank, Mukono Branch.

### **1.8 Significance of the study**

The study will be a valuable tool to the management of Equity Bank in identifying weaknesses within existing internal control systems and provide evidence-based recommendations to enhance fraud prevention mechanisms, thereby protecting the bank's assets and reputation.

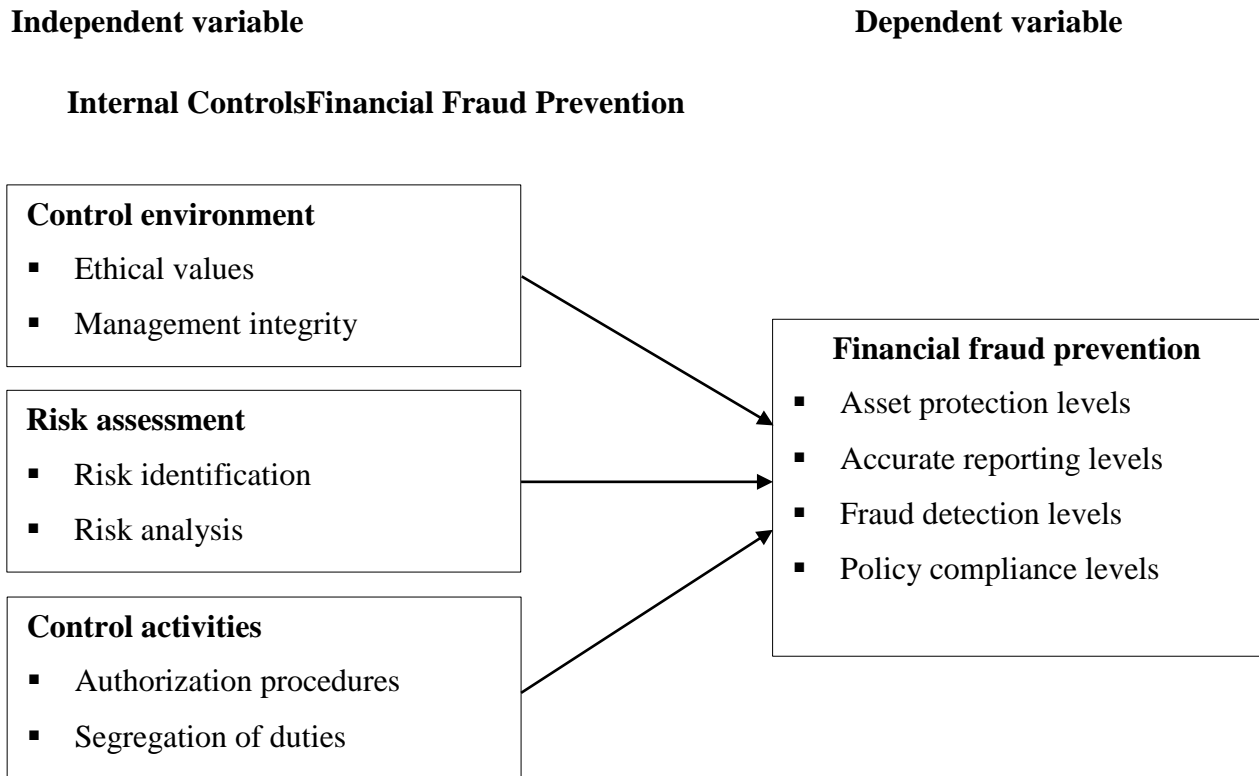
The study will also be essential to the policy makers in guiding the formulation or revision of policies related to corporate governance, fraud mitigation, and internal control standards in Uganda's banking sector.

Furthermore, the study will be beneficial in enhancing customer confidence and trust by contributing to the reduction of fraud risks that directly or indirectly affect customer deposits and financial security.

Lastly, the study will be a valuable academic resource that bridges the research gap in the area of internal controls and fraud prevention in commercial banks, particularly within the Ugandan context, and will serve as a foundation for further studies on banking fraud and control systems.

## 1.9 Conceptual framework

**Figure 1: Conceptual Framework**



**Source:** *Adopted from, Ding (2024) and modified by the researcher (2025)*

In this study, the conceptual framework is centered on the relationship between internal controls and financial fraud prevention in Equity Bank, Mukono Branch. The independent variable, internal controls, is conceptualized with three broad dimensions: the control environment (which includes ethical values and management integrity), risk assessment (which includes risk identification and risk analysis), and control activities (which include authorization procedures and segregation of duties). These elements are required for ensuring an effective system that does not leave much space for fraud. The dependent variable, prevention of financial fraud, reflects the ability of the institution to deter, detect, and respond to fraud. The model assumes that a good control environment encourages the culture of integrity while effective risk assessment enables timely uncovering of potential fraud risks. Additionally, control activities that are well-implemented create operating controls that reduce fraud occurrence. Together, these internal control frameworks contribute to enhancing the institution's general capacity to discourage financial fraud.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter offers an examination of pertinent studies by a number of academics in addition to the opinions of other researchers regarding the efficiency of internal controls in thwarting financial fraud. The primary objective of this literature review is to determine what has been done and what has not been done in this field of study. As a result, study-related books, periodicals, encyclopedias, and newspaper articles were employed as sources.

#### 2.1 Theoretical review

This study was guided by the Fraud Triangle Theory, which was proposed by Donald R. Cressey in 1953. The theory explains why individuals engage in financial frauds within organizations. As Cressey puts it, fraud occurs when pressure (incentive or motivation to commit fraud, e.g., shortage of money), opportunity (poor or inadequate internal controls providing the means for fraud to occur), and rationalization (the attitude that justifies fraudulent activity, e.g., “I deserve this” or “I will pay back later”) all coincide (Sánchez-Aguayo et al., 2021). The assumptions of the theory are that perpetrators of fraud are usually credible employees in financial or personal distress that fraud is less likely where sound internal controls exist, and that rationalization helps perpetrators justify unethical acts against personal standards. These tenets emphasize strongly the psychological, situational, and organizational components of fraud risk (Rahman & Jie, 2024).

This theory can be applied to the present study directly because it provides a conceptual framework for assessing the effectiveness of internal controls in averting financial fraud in Equity Bank, Mukono Branch. In addressing the “opportunity” aspect of the Fraud Triangle, internal controls such as segregation of duties, authorization procedures, and audit mechanisms reduce the likelihood of fraud (Abdullahi et al., 2015). The study delves into whether or not Equity Bank's internal control procedures effectively limit prospects of fraudulent activities and demoralize threats of pressured employees who may rationalize illicit actions. The Fraud Triangle Theory therefore corroborated this study by establishing the relationship between the internal controls design and implementation to preventing financial fraud within the banking sector (Homer, 2020).

## **2.2 Conceptual review**

### **2.2.1 Internal controls**

Internal controls have been conceptualized differently by scholars, some putting different emphases on their scope and purpose. Solomon et al. (2023) view internal controls as processes that have been instituted by the management to safeguard organizational assets, offer requisite reporting, and enhance accountability. Sudirman et al. (2021) argue that internal controls are not solely to safeguard assets but to enhance audit effectiveness in detecting fraud. Similarly, Musyoki (2023) places internal controls as preventive measures within the organizational system to mitigate fraud risks, while Waromi et al. (2024) broaden the definition towards their role of reducing accounting fraud in financial institutions. These debates show that while some authors accentuate asset protection, others highlight detection and accountability, demonstrating the dynamic understanding of internal controls.

Theorists also differ in the dimensions used to assess internal controls. Opiyo (2023) identifies risk assessment, control activities, and monitoring as critical dimensions in SMEs, while Purnayuda and Tjakrawala (2024) emphasize control environment and procedure compliance as critical anti-fraud measures in government organizations. Similarly, Mulugeta (2021) lists control activities and authorization procedures as key fraud prevention drivers in banks, whereas Handoyo et al. (2021) list the complementarity between internal audit and internal control as a method of mismanagement avoidance. This means that the parameters by which internal controls are assessed vary depending on the type of institution private, public, or financial though risk assessment, control environment, and control activities remain the enduring elements.

An expanded perspective also connects internal controls with corporate governance and forensic practice. Irwansyah and Zega (2023) suggest that internal controls only function with governance and fair compensation practices that reduce the incentives of fraud, while Girma (2022) highlights their importance in promoting accountability for banks. Alzoubi (2025) takes it a step further by suggesting that internal control value can be maximized with support from forensic accounting and governance frameworks. Along the same lines, Azizan and Ali (2024) demonstrate that SMEs are effective with simple but robust internal control systems, while Ogwiji and Lasisi (2022) confirm that financial institutions require advanced, systematic systems to avert fraud. These are

the arguments that validate that while the dimensions differ by context, internal controls always encompass the control environment, risk assessment, and activities of control, since these are the foundation on which fraud prevention rests.

### **2.2.2 Financial fraud**

Financial fraud has been defined and conceptualized differently, which reflects the nature of complexity of financial fraud in financial institutions. Dibo (2023) conceptualizes financial fraud as deliberate misrepresentation or concealment of financial information for the purpose of obtaining undue advantage, particularly in banks. Jimma (2024) also defines financial fraud as deliberate manipulation of accounts and abuse of resources in public institutions, which undermines financial integrity and accountability. On the other hand, Temitope and Sola (2025) point out that fraud goes beyond asset misappropriation to include fraudulent schemes such as financial statement falsification and unauthorized financial transactions. These perspectives show that while there are researchers who confine fraud to asset theft and false reporting, others portray it as a broader spectrum of fraudulent financial activity.

The measurements used in quantifying financial fraud vary by studies depending on institutional contexts. Ding (2024) mentions misappropriation of assets, financial statement fraud, and corruption as the major fraud types in multinationals, each of which undermines stakeholder confidence in a different manner. In contrast, Turyahebwa et al. (2022) classify financial fraud in Ugandan microfinance institutions into loan diversion, funds embezzlement, and fraud reporting issues depicting institution-specific smaller issues. Similarly, Nandaula (2022) also comments that MFIs' fraud is eminently framed in terms of loan default schemes, ghost borrowers, and manipulation of financial statements. These various aspects suggest that there is misappropriation and reporting fraud throughout all corners, but others such as loan diversion or ghost accounts are sector-specific.

Other authors emphasize systemic and organizational aspects of financial fraud. Kule et al. (2023) attribute fraud in cooperatives to loose accountability mechanisms, where improper monitoring and opacity open doors to fraud. Mafumbo (2023) follows suit, mentioning the contribution of weak internal control procedures and risk management deficiencies towards inducement of fraud in government enterprises. At the same time, Mande (2021) identifies the ethical dimension, noting

that fraud is not only a procedural malfunction but also an ethical one wherein individuals exploit loopholes in the system due to poor ethical values. Taken together, these perspectives demonstrate that financial fraud can be measured not only in terms of explicit fraudulent behavior such as misappropriation or false reporting but also in terms of structural and ethical weaknesses enabling such behavior.

## **2.3 Empirical review of the study objectives**

### **2.3.1 Relationship between control environment and preventing financial fraud**

Solomon et al. (2023) in their research found out that a strong control environment, characterized by open ethical values and seeming management integrity, produces the proper tone at the top that deters fraud and promotes accountability. Sudirman et al. (2021) also cited that companies with explicit codes of conduct and consistent enforcement by managers have fewer fraudulent behaviors. Solomon et al. (2023) also demonstrated that employees' perceptions of management honesty and fairness have a significant correlation with improved compliance with control procedures. Sudirman et al. (2021) also reported that when there is ethical behaviour modeling by management, internal audits more effectively detect anomalies.

Opiyo (2023) found that in SME environments control environment measured in terms of leadership commitment and ethical tone was a strong predictor of reductions in petty cash fraud and asset misappropriation. Waromi et al. (2024) found similar findings within financial sector companies, where a weak control environment was related to higher levels of accounting fraud and violation of monitoring. Opiyo (2023) did note, though, that within smaller businesses the informal nature of leadership sometimes limits the institutionalization of ethics policies, which reduces the effectiveness of the control environment. Waromi et al. (2024) argued that unless complemented by mechanisms such as independent supervision and frequent monitoring, the control environment cannot eliminate sophisticated fraudulent schemes on its own.

Handoyo et al. (2021) noted that the control environment is combined with internal audit capacity to prevent fraud, whereby firms that possess both effective ethical leadership as well as competent internal auditors experience reduced instances of fraud. Mulugeta (2021) also corroborated this in the banking sector, showing that banks that possessed good control environments and enabled audit departments also experienced improved detection rates of asset

misappropriation and financial statement fraud. Handoyo et al. (2021) also underscored that training and communication of ethical values are key to enact top management's tone as employee behavior. Mulugeta (2021) added that in some institutions cultural resistance and inadequate enforcement dilute the expected rewards of an effective control environment.

Irwansyah and Zega (2023) established a connection between control environment and corporate governance practices and found that compensation policy and board monitoring serve as moderators of the environment–fraud relation, so that misaligned incentives can render even formally strong control environment ineffective. Girma (2022) pointed out in commercial banks that while where governance mechanisms are weak, the positive effects of ethical leadership towards preventing fraud are significantly eroded. Irwansyah and Zega (2023) thereby proposed aligning reward systems with ethical behavior to further reinforce the anti-fraud role of control environment. Girma (2022) similarly proposed increasing board independence and oversight as an addition to management-led ethical initiatives.

Alzoubi (2025) claimed that maximum effectiveness of the control environment is achieved when it is integrated with forensic accounting and governance structures, which together improve prevention as well as post-incident detection. Ogwiji and Lasisi (2022) found in quoted financial services firms that organizations with a strong ethical tone complemented by open-book reporting and third-party audit control had reduced fraud occurrence. Azizan and Ali (2024) further added that in SMEs a simple yet well-documented control environment enforced by basic checks and social norms can greatly mitigate common forms of fraud such as petty theft and misappropriation of funds. Alzoubi (2025) found that the control environment is necessary but alone is not enough; it must be part of an integrated, holistic anti-fraud plan if it is to be most effective.

### **2.3.2 Relationship between risk assessment and preventing financial fraud**

Dibo (2023) in their study revealed that comprehensive risk assessment procedures allow banks to detect transaction patterns and operational weaknesses common with preceding asset misappropriation, hence facilitate early preventive measures. Jimma (2024) also demonstrated that in government environments systematic risk assessment if undertaken on a regular basis facilitates detection of control weaknesses exploited by fraudsters and diminishes fraudulent payment and

false spending incidences. Dibo (2023) also reported that risk assessment techniques merging quantitative data (e.g., exception reports) with qualitative judgment (e.g., employee interviews) were more effective at detecting suspicious activity than the utilization of each method in isolation. Jimma (2024) however added that the majority of institutions lack neither the expertise nor the abilities required to guarantee continuous risk assessment, which diminishes its preventive potential.

Ding (2024) also demonstrated in yet another study that multinational firms that had systematic risk-assessment systems were better positioned to be able to predict sophisticated financial-statement fraud schemes and subsequently enhance their pre-emptive controls. Temitope and Sola (2025) built on this by arguing that adaptive risk assessment that updated risk registers as new fraud categories emerge is crucial to being in a position to detect modern fraud tactics such as collusion and complex accounting manipulations. Ding (2024) also demonstrated additional evidence that risk assessment combined with scenario testing and stress analysis increased the ability of management to close loopholes employed to misrecognize revenue and simulate expenses. Temitope and Sola (2025) cautioned, however, that where not incorporated into regular decision-making, risk assessment is a box-ticking exercise with little impact on fraud prevention.

Turyahebwa et al. (2022) research led to the fact that in microfinance and small banking settings, the systematic risk analysis of client profile anomalies and loan portfolio risks reduced instances of loan diversion and ghost borrower schemes. Nandaula (2022) affirmed this argument by showing that MFIs which frequently assessed credit and operational risks managed to design controls (e.g., tighter KYC and transaction limits) to limit typical local fraud forms. Turyahebwa et al. (2022) also mentioned that financing limitations would force MFIs to perform low-frequency or surface-level risk assessments, undercutting preventive effects. Nandaula (2022) therefore recommended targeted capacity building to render risk assessment practical and significant in smaller institutions.

Kule et al. (2023) examined savings and credit cooperatives and discovered that local governance vulnerabilities as well as member behavior-based contextualized risk assessment significantly diminished avenues for insider embezzlement when supplemented with open monitoring procedures. Mafumbo (2023) also found in state companies that risk analysis related to direct control remodels (e.g., increased approval triggers and duty rotation) immediately stemmed cases

of illegal transactions and procurement rebates. Kule et al. (2023) also noted that cultural pressures and diminished reporting incentives can blunt the effect of technically justified risk analyses. Mafumbo (2023) therefore underscored the need for risk assessment to be supplemented by governance reform and whistleblower protection for full preventive impacts.

Purnayuda and Tjakrawala (2024) in research noted that in public sector environments active risk assessment, supported by data analytics and continuous auditing, reduces the chances of counterfeit records and unauthorized disbursements. Mande (2021) added to this perspective by arguing that risk assessment is optimal when it explicitly incorporates ethical risk factors incentive schemes that encourage fraud, for instance and when mitigants tackle technical and ethical drivers. Quantifiable reductions in fraud uncovered over time by governments that institutionalize risk assessment in budgeting and procurement procedures were also shown by (Purnayuda & Tjakrawala, 2024). Mande (2021) cautioned, however, that without concurrent strengthening of enforcement and moral leadership, risk assessment cannot eradicate fraud on its own and therefore both procedural and cultural measures are needed.

### **2.3.3 Relationship between control activities and preventing financial fraud**

Solomon et al. (2023) in their study found out that effective control activities such as formal approval procedures and rigorous segregation of duties cut down on opportunities for misappropriation of assets in public entities to a large extent. Sudirman et al. (2021) also indicated in a study that repeated control activities such as reconciliations, approval hierarchies, and periodic reviews of transactions enhance the detection of abnormal transactions before they become material losses. Solomon et al. (2023) also illustrated, however, that employee ability to circumvent controls decreases if such activities are consistently enforced and documented, thereby lowering fraud incidence. Sudirman et al. (2021) added that without supporting monitoring and checking up, however, control activities instead turn into procedural check-boxes instead of functional fraud barriers.

Musyoki (2023) examined Kenyan banks and demonstrated that certain control activities like dual signatory for large disbursements and auto-authorization processes were associated with fewer occurrences of unauthorized transactions. Another study by Waromi et al. (2024) in financial sector firms established that strengthening control activities on procurements and payments

constrained procurement-related kickbacks and collusive cartels. Musyoki (2023) further stated that automation of manual control routines reduces human touch points where frauds would be mounted, and increases speed and accuracy of controls. Waromi et al. (2024) cautioned, however, that technology needs to be balanced by concrete policies as well as employee training to avoid new vulnerabilities brought about by computerized processes.

Opiyo (2023) relied on the observation that control procedures in reality such as leave for cash-handling staff being compulsory and cash counting on a surprise basis substantially lowered petty theft and embezzlement inside. A public sector analysis by Purnayuda and Tjakrawala (2024) corroborated these findings by showing that control procedures like pre-approval verification and sequential invoicing lowered fictitious vendor schemes and fraudulent payments. Opiyo (2023) pointed out that small enterprises benefit the most from simple, enforceable control activities since they are easier to institutionalize and monitor. Purnayuda and Tjakrawala (2024) warned that in resource-scarce settings, limited personnel and poor record-keeping often delay proper execution of even well-designed control activities.

Mulugeta (2021) in their study on Ethiopian commercial banks concluded that system access control activities and reconciliations concerning control activities were at the core of detecting asset misappropriation as well as accounting irregularities. Handoyo et al. (2021) in their study also found that frequent control activities conducted in conjunction with frequent internal audit testing improved the speed and accuracy of fraud detection in Indonesian companies. Mulugeta (2021) also observed that where access control and reconciliation were lax, banks experienced recurring unauthorized transfers and account adjustments with no explanation. Handoyo et al. (2021) consequently concluded that incorporating control activities into automated programs and audit workflows ensures that anomalies are identified sooner and the period available to be exploited by fraudulent activity is reduced.

Dibo (2023) in their study established that control activities in Kenyan banks were mostly dependent on cyclic review and revision of procedures to new fraud methods, otherwise control activities are pointless. As per research by Jimma (2024) in budgetary public institutions as well, control activities such as multi-level approval and frequent audits reduced financial statement manipulations whenever updated and revised cyclically. Dibo (2023) cautioned that non-stress-tested static control activities put institutions at risk from collusive fraud and novel attack surfaces.

Jimma (2024) recommended that institutions ensure continuous improvement processes for control activities, including lessons-learned workshops after an incident, to become a cornerstone for sustaining long-term fraud prevention effectiveness.

## **2.4 Research/ Literature Gap**

The knowledge gaps identified through the empirical review indicated that while a number of studies have depicted the favorable role of internal controls towards the prevention of financial fraud, most of them examined these variables individually, specifically in certain institutional or geographic contexts, and without examining all of the big picture elements control environment, risk assessment, and control activities under a unified framework. Moreover, the majority of the studies concentrate either on large companies, government agencies, or microfinance institutions, while not giving much attention to commercial banks, particularly their branches in Uganda. Moreover, existing research tends to look at theoretical benefits of internal controls but is poor in quantifying how their combined use influences directly avoiding financial fraud in actual banking environments. This study therefore strived to bridge these research gaps by looking into the internal controls and prevention of financial fraud in commercial banks in the context of Uganda.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter outlines the research approach that was employed. It explained the methodology used for this investigation. Data sources, study population, study design, study setting, and sample size calculation are all included. Additionally, it covers the study variables, sampling process, data gathering methods and tools, data processing, quality control, data analysis, ethical issues, study constraints, and the validity and reliability of data collection technologies.

### **3.1 Research design**

The research design used in this study was a cross-sectional survey, which collects data from respondents all at once without the opportunity of follow-up (Hunziker & Blankenagel, 2024). This is an appropriate research design since it will enable the researcher to adequately assess the sufficiency of internal controls in preventing financial fraud within Equity Bank, Mukono Branch, with limitations of time and finances. It facilitates the recording of current practices, beliefs, and trends in control environment, risk assessment, and control activities, and how they affect the prevention of financial fraud in data collection (Maier et al., 2023).

Additionally, the study employed a mixed-methods design, whereby both qualitative and quantitative research approaches were employed to gain broader insight into the research issue (Hodge, 2020). The quantitative aspect was the use of closed-ended questionnaires among some employees at Equity Bank, Mukono Branch. This supplied quantitative information to help statistical analysis of the effect of some internal control procedures such as control environment, risk assessment, and control activities in the prevention of financial fraud (Fischer et al., 2023).

The qualitative element, though, complemented the quantitative results by providing more in-depth data regarding institutional and working aspects. It involved semi-structured interviews with the key respondents such as the branch manager, audit manager, credit manager, operations manager and risk assessment manager in Equity Bank, Mukono (Phillips, 2023). From the interviews, the study explored how internal control systems are designed, implemented, and perceived by practitioners. They also revealed the issues faced in ensuring successful fraud prevention and how these issues affect the financial integrity and performance of the bank overall (Wieland et al., 2024).

### **3.2 Study area and population**

The study was carried out in Equity Bank, Mukono branch, located along Jinja Road, Plot 110, Mukono District, Uganda. Equity Bank was selected because it has experienced notable challenges related to financial fraud, particularly in areas such as asset misappropriation, financial statement fraud, corruption (including bribery and kickbacks), and unauthorized transactions (Bank of Uganda Supervision Report, 2023/24). The study population therefore included employees from the different departments in Equity Bank, Mukono branch. According to the HRM Equity Bank

Uganda Ltd, as of 2025, the bank has over 2000 employees from its various branches across the country. However, the population included 50 employees from the different departments in Equity Bank, Mukono branch which include; Administration, Legal, Internal Audit, Compliance, IT, Treasury, Operations and Credit departments and these were included in the study as the target population. The study population also included key informants who are the management of Equity Bank, Mukono branch totaling to 5 key informants.

### 3.3 Sample size determination

Katamba and Nsubuga (2014) define sample size as the percentage or subset of the entire population. Using Taro Yamane's (1970) sample calculation formula, the sample size was ascertained as follows:

$$n = \frac{N}{1 + N(e)^2}$$

“n” is sample size, “N” is population, “e” is error (0.05) or level of confidence 95%

“N” (population) = 50 employees from the different departments in Equity Bank, Mukono

$$n = \frac{50}{1 + 50(0.05)^2}$$

$$n = \frac{50}{1 + 50(0.0025)}$$

$$n = \frac{50}{1 + (0.125)}$$

$$n = \frac{50}{1.125}$$

**n = 44** employees from the different departments in Equity Bank, Mukono branch.

Accordingly, 44 respondents who work in various departments at the Equity Bank branch in Mukono made up the sample size, as determined by the sample size calculation above.

### **3.3.1 Selection of Participants for qualitative data collection**

A total of 5 top officials from the management department at Equity Bank, Mukono branch including the branch manager, audit manager, credit manager, operations manager, and risk assessment manager were purposively selected since they are directly involved in the design, implementation, and supervision of internal control systems within the bank. Their insights were instrumental in understanding how internal controls are established and enforced, the challenges encountered in their application, and how these controls contribute to the prevention of financial fraud in the bank.

### **3.4 Sampling techniques and procedure**

Simple random selection was used to choose 44 employees from the various departments of the Equity Bank branch in Mukono. This method reduced selection bias by guaranteeing that every employee had an equal chance of being chosen. The personnel roll-out list from ABSA Bank's Mukono branch's human resources department served as the sample population. They were contacted and asked for their permission to take part in the study.

Additionally, 5 senior bank officials at Equity Bank Mukono branch, which include the branch manager, audit manager, credit manager, operations manager, and risk assessment manager, were purposively chosen. They were selected because they are directly involved in the designing, implementing, and monitoring of the bank's internal control systems. Their perspectives are vital to gain an appreciation of where internal controls are applied, issues faced in implementing them, and how such practices avert financial fraud.

### **3.5 Data collection methods**

#### **3.5.1 Questionnaires**

According to Katamba and Nsubuga (2014), a questionnaire is a predetermined series of questions that is used to gather data from respondents. During this research, the closed-ended and open-ended questions were used to get data from employees of Equity Bank Mukono. The open-ended questions allowed respondents to give detailed opinions regarding how internal controls prevent financial fraud within financial institutions, while the closed-ended questions provided room for uniform responses to facilitate consistency in data analysis. The researcher prompted participants

where necessary to prevent confusion and accuracy of response, specifically on internal controls in preventing financial fraud in the bank (Ikart, 2019).

### **3.5.2 Key Informant Interviews**

The five ABSA Bank senior officials at the Mukono branch were interviewed in-depth, including the branch manager, credit manager, and risk managers. An unstructured interview guide was utilized to facilitate indepth questioning on internal control and how it prevents financial fraud in the bank. The guide addressed most important themes like control environment, risk assessment, control activities, and financial fraud prevention. It was preferred as it allows for detailed information that would be impossible using questionnaires alone (Taherdoost, 2021).

## **3.6 Data collection tools**

### **3.6.1 Questionnaire guide**

A standardized guide of a questionnaire was utilized as the main tool for collecting quantitative data from sampled workers from various departments at Equity Bank, Mukono branch. This tool is suitable for reaching a comparatively high number of respondents within a short period of time. The questionnaire was built with the majority of the questions being closed-ended and designed in terms of the study objectives, and these were directed towards areas such as control environment, risk assessment, control activities, and signs of financial fraud prevention. The respondents were asked to mark the option that best represented their experience or perception.

### **3.6.2 Key informant interview (KII) guide**

To accrue qualitative information, a key informant interview guide was used to delve deeper into internal controls when preventing financial fraud in Equity Bank. It is an effective tool for garnering information that is not easily quantifiable or tangible. It allows the researcher to moderate discussions and explores trending themes at length. Five top managers, which include the branch manager, audit manager, credit manager, operations manager, and risk assessment manager, with direct involvement in the development, implementation, and monitoring of the bank's internal control systems, were interviewed. The information gathered supplemented findings obtained from the questionnaires and provide a comprehensive understanding of internal controls in the avoidance of financial fraud.

### **3.7 Validity and reliability of data collection instruments**

#### **3.7.1 Validity**

To determine whether the questions could capture the relevant intended data, validity was examined (Sürücü & Maslakçi, 2020). The questions were assessed by research professionals to determine whether they were able to elicit the desired responses. To determine the validity of the research tool, a Content Validity Index (CVI) was calculated. The validity of the study instruments was assessed by the researcher using the following formula.

$$\text{Content validity Index (CVI)} = \frac{\text{Relevant items by all judges as suitable}}{\text{Total number of items judged.}}$$

The CVI was 0.88 which exceeded the recommended threshold of 0.70 hence suggesting that the questionnaire was effective for data collection.

#### **3.7.2 Reliability**

In research, reliability refers to the consistency, stability, and dependability of research findings, which indicate how effectively a study's findings can be repeated by other researchers or under similar circumstances. Cronbach's coefficient alpha was used to assess the reliability of the questionnaire (Mellinger & Hanson, 2020). The Statistical Package for the Social Sciences (SPSS) was used to conduct a reliability analysis on a pilot survey with five respondents. The coefficient, which was 0.85 and higher than the suggested.70, showed that the questionnaire was suitable for gathering data.

### **3.8 Procedure of data collection**

The researcher obtained an introductory letter from Uganda Christian University upon successful defense of the research proposal. This letter was presented to the management of Equity Bank, Mukono branch, to formally request permission to conduct the study. After receiving approval, the researcher scheduled appointments with selected key informants for face-to-face interviews and distributed structured questionnaires to selected employees across relevant departments. Data collection commenced only after obtaining informed consent from all participants, ensuring confidentiality, ethical compliance, and voluntary participation throughout the process.

### **3.9 Data analysis**

#### **3.9.1 Quantitative data analysis**

SPSS version 20 was used to examine quantitative data obtained from structured questionnaires. Descriptive statistics, including means, percentages, and frequencies, were produced at the univariate level to provide an overview of the traits of the respondents and their answers. To facilitate interpretation, these findings were displayed in tables (Jopling, 2019). Pearson's correlation coefficient was used in bivariate analysis to assess the direction and degree of the relationship between internal control and avoiding financial fraud. Chi-square tests were performed in cases where categorical contrasts existed, and Fisher's exact test was applied as necessary. According to Skinner (2020), a 95% confidence interval ( $p$ -value  $< 0.05$ ) was considered statistically significant.

Linear regression was conducted in order to check the hypotheses and test the predictive power of internal controls for financial fraud prevention. The coefficient of regression ( $R$ ) and the coefficient of determination ( $R^2$ ) were utilized for measuring the variance explained by the dimensions of internal controls in preventing financial fraud. This was utilized to find the overall effect and the predictive power of the independent variables on the dependent variable (Pentang & Pentang, 2021).

#### **3.9.2 Qualitative data analysis**

Qualitative data were analyzed within the study using thematic analysis, as indicated by Creswell (2007), to identify patterns and insights from interviews with senior management and key informants at Equity Bank Mukono Branch. The researcher prepared verbatim transcriptions of audio-recorded interviews and coded and grouped data into themes in relation to the internal control practices and how they avoid financial fraud. These topics were related to the study to provide a better understanding of institutional strategies, challenges, and best practices for improving fraud prevention measures. Straight participant quotes were provided to back-up salient findings and to depict detailed perspectives about internal controls and fraud prevention (Ruggiano & Perry, 2019).

### 3.10 Ethical consideration

Ethics are norms that define between right and wrong behaviors. They play a significant role in determining boundaries of acceptable from unacceptable actions (Pietilä et al., 2020). Therefore, the following ethical principles were followed;

**Informed consent:** Participants were informed well before hand of the purpose of the study, procedure, and rights prior to participating. Informed consent forms were utilized to guarantee voluntary participation and participants were provided with the option to withdraw at any time without penalty.

**Confidentiality:** Utmost confidentiality was ensured in all the information collected. Personal identifiers were removed, and answers were only used for the study purposes. The information was kept secure to prevent unauthorized use.

**Non-maleficence:** The study was conducted in a manner that does not harm participants. Harm in terms of psychology or emotions were prevented by ensuring that the study content was appropriate and support was offered to participants when needed.

**Voluntary participation:** Participation in the study was completely voluntary, with no coercion or undue influence. Participants were free to withdraw from the study at any point without any negative consequences.

**Anonymity:** The identity of participants remained anonymous, with no personal identifiers linked to any responses in the final report. This ensured privacy and protects the identity of individuals involved in the research.

### 3.11 Limitations and delimitation

The instruments used for the investigation were standardized. To create a reliable measurement of the research variables, a validity and reliability test was conducted.

Furthermore, the use of research assistants resulted in irregularities in the time spent administering the questionnaires, the respondents' comprehension of the items, and the explanations provided. The research assistants received orientation and training on the protocols to be followed during data collecting in order to reduce this risk.

Finally, because of responder conditions including travel, illness, hospitalization, and rejection or withdrawal to participate, not all surveys were returned, neither fully completed nor even recovered. The researcher exceeded the minimal sample size in order to reserve additional respondents in advance of this. Additionally, the respondents were constantly monitored regarding the date of retrieval and cautioned not to leave any questions on the questionnaires unanswered.

## **CHAPTER FOUR**

### **PRESENTATION, INTERPRETATION AND DISCUSSION OF RESULTS**

#### **4.0 Introduction**

The results of the analysis conducted to examine the particular goals of the study and in connection with the examined literature are presented, interpreted, and discussed in this chapter. Employees and management from the Equity Bank branch in Mukono were interviewed and given questionnaires as part of the study. For the sake of clarity and interpretation, the results are displayed using tables and bar graphs.

#### **4.1 Response rate**

**Table 1: Response rate for questionnaires**

<b>Response Rate</b>	<b>Frequency</b>	<b>Percentage</b>
Response	44	100%
Non Response	00	00%

<b>Total</b>	<b>44</b>	<b>100%</b>
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**Source:** *Primary data*

A total of 44 (100%) respondents who are management and workers of the Equity Bank-Mukono branch were anticipated to participate in the survey, as indicated in table 1 above. All of the respondents provided their responses, resulting in a 100% response rate. The high response rate resulted from the researcher having the time to gather the data herself and from the very modest number of respondents needed.

#### **4.2 Findings on demographic characteristics of respondents**

As indicated in the table below, this section provides general background information on the respondents, including their age, gender, highest level of education, department, and length of employment with the Equity Bank, Mukono branch;

**Table 2: Background Information about the respondents**

<b>Item</b>	<b>Description</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender	Male	23	52.3
	Female	21	47.7
	<b>Total</b>	<b>44</b>	<b>100.0</b>
Age	21-30 years	15	34.1
	31-40 years	19	43.2
	41-50 years	10	22.7
	<b>Total</b>	<b>44</b>	<b>100.0</b>
Level of education	Bachelor's degree	23	52.3
	Master's degree	9	20.4
	Others	12	27.3
	<b>Total</b>	<b>44</b>	<b>100.0</b>
Department	Administration	3	6.8

	Credit	16	36.4
	Operations	15	34.1
	Audit	6	13.6
	I.T	4	9.1
	<b>Total</b>	<b>44</b>	<b>100.0</b>
Period spent working with Equity Bank, Mukono	Less than 1 year	6	13.6
	1-5 years	18	40.9
	6-10 years	12	27.3
	Above 10 years	8	18.2
	<b>Total</b>	<b>44</b>	<b>100.0</b>

**Source:** *Primary data*

According to the results in table 2 above, men predominated and completed the majority of the questionnaires; men made up 52.3% of the sample, while women made up 47.7%. As a result, there were more men than women who responded to this study. Despite this, the purpose of include both men and women in the survey was to obtain a balanced perspective of the responses from various commercial bank employees.

Additionally, the study shows that the majority of respondents (43.2%) were between the ages of 31 and 40, followed by those between the ages of 21 and 30 (34.1%) and those between the ages of 41 and 50 (22.7%). Given that data was collected from individuals in a variety of age groups, this suggests that there was no age discrimination.

More so, the study discovered that Equity Bank- Mukono workers are highly educated since the majority of the respondents who were represented by 52.3% hold bachelors' degrees, followed by 27.3% of the respondents who have other qualifications like ACCA, CPA, and Post Graduate Diplomas, and 20.4% of the respondents said they have master's degrees. This is an indication that Equity Bank-Mukono employs well-qualified workers due to the nature of work workers are expected to achieve.

In addition, results also showed that a majority of the respondents included in 36.4% are from Equity Bank's credit department, followed by those who are from Equity Bank's operations department included in 34.1%, followed by those who are from Equity Bank's audit department

included in 13.6%, followed by those who are from the Information Technology department included in 9.1%, while those who are from the administration department in Equity Bank included the minority represented by 6.8% of the total population. This implies that information was gathered from different departments within the Equity Bank that helped in information gathering and different perceptions of different people about the topic in hand.

Lastly, the findings reiterated that the majority of the respondents who make up 40.9% have worked at Equity Bank for 1-5 years, followed by those who have worked 6-10 years at Equity Bank making up 27.3%, then those who have worked more than 10 years at Equity Bank making up 18.2%, while those who have worked less than a year at Equity Bank made up the lowest 13.6% of the population. The findings indicate that the respondents have the effective and adequate knowledge about the research topic since the majority of the respondents have sufficiently worked with Equity Bank-Mukono branch.

#### **4.3 Relationship between control environment and preventing financial fraud in Equity Bank, Mukono**

The dependent variable, preventing financial fraud in Equity Bank, was conceptualized as level of control environment. It comprised 5 quantitative items. These were measured using a five-point Likert scale ranging from 1 – 5. Where (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree and (5) = strongly agree as shown in Table 3.

**Table 3: Relationship between control environment and preventing financial fraud in Equity Bank**

Statements	Agree F (%)		Disagree F (%)		Mean	Std. Dev.
	SA	A	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Management at Equity Bank demonstrates strong ethical values and integrity in their operations.	19 (43.2)	13 (29.5)	8 (18.2)	4 (9.1)	4.35	0.781

Employees clearly understand and adhere to the bank's code of conduct and ethical guidelines.	10 (22.7)	20 (45.5)	7 (15.9)	7 (15.9)	4.37	0.788
The leadership at Equity Bank sets a positive tone that discourages fraudulent activities.	10 (22.7)	24 (54.5)	8 (18.2)	2 (4.5)	4.40	0.544
There is open communication within the bank that promotes accountability and transparency.	13 (29.5)	23 (52.3)	3 (6.8)	5 (11.4)	4.51	0.497
Employees feel encouraged to report suspicious activities without fear of retaliation.	15 (34.1)	12 (27.3)	13 (29.5)	4 (9.1)	3.92	1.022
Management consistently enforces disciplinary measures against individuals involved in fraud.	18 (40.9)	23 (52.3)	3 (6.8)	00	4.64	0.424

**Source:** *Primary data*

Table 3 above shows analysis in terms of how control environment relates to prevention of financial fraud in Equity Bank, Mukono by means and standard deviations which was derived from usage of a Likert scale which was represented as: Strongly Disagree (1), Disagree (2), Not sure (3), Agree (4) and Strongly Agree (5). Strongly Disagree and Disagree measures have been utilized to derive a variable which was significant to a Small Extent (equivalent to mean score of 0 to 2.4 on the continuous Likert scale). The Not sure measure has been utilized to derive a variable which was significant to a moderate extent (equivalent to a mean score of 2.5 to 3.4 on the continuous Likert scale). Strongly agree and Agree have been employed to measure a variable that was significant to a Large Extent (approximating the mean score of 3.5 to 5.0 and on a continuous Likert scale). A range of >1.5 standard deviation indicates a large difference concerning the association between control environment and prevention of financial fraud in Equity Bank, Mukono.

Table 3 reveals that management always imposes sanctions on fraudsters (Mean = 4.64; Std. Dev. = 0.424), and there exists transparency and accountability in the bank through open communication (Mean = 4.51; Std. Dev. = 0.497). The findings also suggest that the management of Equity Bank sets a good example that is not in favor of fraud (Mean = 4.40; Std. Dev. = 0.544), and the staff well understands and abides by the bank's code of conduct and its ethical guidelines (Mean = 4.37; Std. Dev. = 0.788). In addition, the management demonstrates superior ethical behavior and honesty in operations (Mean = 4.35; Std. Dev. = 0.781), and the staff perceives that they are

encouraged to report suspicious transactions without any fear of retaliation (Mean = 3.92; Std. Dev. = 1.022).

This indicates that the overall control environment of Equity Bank is effective in promoting integrity, ethical conduct, and transparency with the majority of the dimensions having high means and relatively small standard deviations, except for whistleblowing protection that, although being positive, had relatively more variation in responses, and it recommends bolstering employees' confidence in fraud reporting.

#### **4.4 Relationship between risk assessment and preventing financial fraud in Equity Bank, Mukono**

The dependent variable, preventing financial fraud in Equity Bank, was conceptualized as level of risk assessment. It comprised 5 quantitative items. These were measured using a five-point Likert scale ranging from 1 – 5. Where (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree and (5) = strongly agree as shown in Table 4.

**Table 4: Relationship between risk assessment and preventing financial fraud in Equity Bank**

Statements	Agree F (%)		Disagree F (%)		Mean	Std. Dev.
	SA	A	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Equity Bank regularly conducts risk assessments to identify potential fraud risks.	15 (34.1)	25 (56.8)	1 (2.3)	3 (6.8)	4.13	0.885
The bank has effective systems in place for detecting unusual financial transactions.	19 (43.2)	14 (31.8)	10 (22.7)	1 (2.3)	4.08	1.064
Employees are trained to recognize and respond to potential fraud indicators.	18 (40.9)	21 (47.7)	2 (4.5)	3 (6.8)	4.24	0.578

Management continuously evaluates fraud risks associated with new products or services.	21 (47.7)	18 (40.9)	3 (6.8)	2 (4.5)	4.31	0.409
The bank integrates risk assessment results into its decision-making processes.	13 (29.5)	16 (36.4)	10 (22.7)	5 (11.4)	4.00	1.007
Equity Bank updates its risk assessment policies to adapt to emerging fraud risks.	14 (31.8)	22 (50.0)	2 (4.5)	6 (13.6)	4.11	0.723

**Source:** *Primary data*

Table 4 above illustrates analysis in terms of risk assessment and financial fraud prevention in Equity Bank, Mukono in terms of means and standard deviations which was realized through use of a Likert scale which was illustrated as: Strongly Disagree (1), Disagree (2), Not sure (3), Agree (4) and Strongly Agree (5). Strongly Disagree and Disagree responses have been employed to indicate a variable that was significant to some extent (equivalent to mean score of 0 to 2.4 on the continuous Likert scale). The Not sure response has been employed to indicate a variable that was significant to some extent (equivalent to mean score of 2.5 to 3.4 on the continuous Likert scale). The Strongly agree and Agree have been utilized in indicating a variable that mattered to a Large Extent (a mean score of 3.5 to 5.0 and on a continuous Likert scale). A standard deviation of >1.5 indicates a considerable spread with respect to the correlation of evaluating risks and preventing financial fraud in Equity Bank, Mukono.

Table 4 indicates that the management always reviews fraud risks associated with new services or products (Mean = 4.31; Std. Dev. = 0.409), and employees are adequately trained to detect and respond to potential fraud indicators (Mean = 4.24; Std. Dev. = 0.578). The study also shows that Equity Bank maintains a constant evaluation of fraud threats (Mean = 4.13; Std. Dev. = 0.885) and regularly updates its risk analysis policies to make them resistant to frequent fraud threats (Mean = 4.11; Std. Dev. = 0.723). Besides this, the bank also has strong mechanisms to detect suspicious financial transactions (Mean = 4.08; Std. Dev. = 1.064), and incorporating risk assessment results into decision-making ranked only marginally lower (Mean = 4.00; Std. Dev. = 1.007).

These results suggest that risk assessment at Equity Bank is generally successful, with good mean scores and relatively low standard deviations indicating consensus among employees, although response variability for fraud detection systems and integration into decision-making processes indicates areas that are most likely to require improvement in order to enhance overall fraud prevention systems.

#### 4.5 Relationship between control activities and preventing financial fraud in Equity Bank, Mukono

The dependent variable, preventing financial fraud in Equity Bank, was conceptualized as level of risk assessment. It comprised 5 quantitative items. These were measured using a five-point Likert scale ranging from 1 – 5. Where (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree and (5) = strongly agree as shown in Table 5.

**Table 5: Relationship between control activities and preventing financial fraud in Equity Bank**

Statements	Agree F (%)		Disagree F (%)		Mean	Std. Dev.
	SA	A	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Equity Bank has clear policies and procedures that minimize the risk of fraud.	19 (43.2)	13 (29.5)	8 (18.2)	4 (9.1)	4.20	0.867
There is adequate segregation of duties among employees to prevent fraudulent activities.	10 (22.7)	20 (45.5)	7 (15.9)	7 (15.9)	4.14	0.888
Management ensures that all financial transactions are authorized and documented.	10 (22.7)	24 (54.5)	8 (18.2)	2 (4.5)	4.07	0.909
Employees strictly comply with operational procedures designed to prevent fraud.	13 (29.5)	23 (52.3)	3 (6.8)	5 (11.4)	4.03	0.997
The bank regularly reviews and updates its control activities to enhance fraud prevention.	15 (34.1)	12 (27.3)	13 (29.5)	4 (9.1)	4.33	0.406

Monitoring systems are in place to ensure compliance with established control activities.	18 (40.9)	23 (52.3)	3 (6.8)	00	4.28	0.555
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**Source:** *Primary data*

Table 5 above shows correlation analysis on the control activities and financial fraud prevention in Equity Bank, Mukono based on means and standard deviations that were gotten through the use of a Likert scale which was represented as: Strongly Disagree (1), Disagree (2), Not sure (3), Agree (4) and Strongly Agree (5). Strongly Disagree and Disagree responses have been utilized to yield a variable that was significant to a Small Extent (parallel to a mean rating of 0 to 2.4 on a continuous Likert scale). Not sure response has been utilized to mark a variable that was significant to a moderate extent (parallel to a mean rating of 2.5 to 3.4 on a continuous Likert scale). Strongly agree and Agree were employed to rate a variable that mattered to a Large Extent (a mean rating of 3.5 to 5.0 and on a continuous Likert scale). A difference of >1.5 signifies a significant difference with respect to the relationship between control activities and preventing financial fraud in Equity Bank, Mukono.

Table 5 shows that Equity Bank has clearly stated policies and procedures minimizing the risk of fraud (Mean = 4.20; Std. Dev. = 0.867), and there is adequate segregation of duties among workers to prevent fraudulent activities (Mean = 4.14; Std. Dev. = 0.888). The findings also show that management ensures proper approval and posting of all the financial transactions (Mean = 4.07; Std. Dev. = 0.909), and employees strictly follow operational procedures designed to prevent fraud (Mean = 4.03; Std. Dev. = 0.997). Besides, the bank revises and updates periodically its control activities to enhance fraud prevention (Mean = 4.33; Std. Dev. = 0.406), and there are systems for monitoring that ensure compliance with established control activities (Mean = 4.28; Std. Dev. = 0.555).

These were the key predictors of the effectiveness of controls in preventing financial fraud within Equity Bank since high mean values as well as low standard deviations reflected strong consensus among employees regarding the relevance of these controls in improving fraud prevention.

#### **4.6 Pearson's Correlation Results and Hypotheses Testing**

The purpose of this study was to look into how well Equity Bank, Mukono's internal controls worked to stop financial fraud. In order to do this, the Pearson Product Moment Correlation

coefficient was used to do a correlation analysis on the composite measure of internal controls effectiveness as a measure of preventing financial fraud in Unity Bank. The results are displayed in Table 6 below. A correlation is considered significant if the P-value Sig. (2-tailed) values must be less than 0.05 (95% confidence level) or less than 0.01 (99% confidence level).

**Table 6: Correlation Matrix**

Correlation Matrix			1	2	3
1.	Control environment	Pearson Correlation Sig. (2-tailed)	1		
2.	Risk assessment	Pearson Correlation Sig. (2-tailed)	.537** .000	1	
3.	Control activities	Pearson Correlation Sig. (2-tailed)	.525** .000	.590** .000	1
4.	Preventing financial fraud	Pearson Correlation Sig. (2-tailed)	.521** .000	.587** .000	.680** .000
a) 1= Control environment; 2= Risk assessment; 3= Control activities; and 4= Preventing financial fraud in Equity Bank, Mukono					
b) ** $P < .05$ , *** $p < .01$ level of Significance					

**Source:** Primary data

The results shown in Table 6 reveal that there is a significant positive relationship between the control environment and prevention of financial fraud in Equity Bank, Mukono ( $r = .521^{**}$ ,  $p < .05$ ). This suggests that a good control environment reflected in ethical leadership, clearly established policies, and accountability culture significantly relates to effective fraud prevention. A well-established control environment does ensure that employees are working in pre-established ethical and professional standards, hence minimizing opportunities for fraudulent activities.

Moreover, the research proves a strong and positive correlation between risk assessment and financial fraud avoidance in Equity Bank, Mukono ( $r = .587^{**}$ ,  $p < .05$ ). This infers that there is a very urgent necessity to perform frequent and efficient risk assessment as an essential component

of detecting and mitigating the risk of fraud. By continuously discovering, analyzing, and addressing new risks, the bank increases its ability to avoid fraudulent activities and safeguard its financial procedures.

In addition, control activities and preventing financial fraud in Equity Bank, Mukono go together positively ( $r = .680^{**}$ ,  $p < .05$ ). This is an expression that effective control activities, such as segregation of duties, transaction authorizations, and monitoring systems, reduce fraud risks considerably. Good control activities are both preventive and detective controls, which enhance the bank's internal control system.

Overall, the findings establish that the efficiency of internal controls through a healthy control environment, systematic risk assessment, and effective control activities significantly enhances the avoidance of financial fraud at Equity Bank, Mukono. These factors play a key role in promoting accountability, minimizing risks, and protecting the integrity of financial processes.

#### 4.7 Multiple regression analysis on effectiveness of internal controls and preventing financial fraud in Equity Bank, Mukono

The total model contributed significantly, explaining 63.3% of the variation in Equity Bank, Mukono's financial fraud prevention (Total  $\Delta R^2 = .633$ ,  $p = .000$ ). Each model's contribution to the overall model is evident from the table below, which displays the R-Square ( $R^2$ ) and R-Square Change ( $\Delta R^2$ ) for each model. These are viewed in conjunction with the ANOVA table that shows the significance levels and F values for each model.

**Table 7: Linear Regression Analysis Results**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.801 <sup>a</sup>	.641	.633	.337		
ANOVA <sup>a</sup>						
Model	Sum of squares	df	Mean Square	F	Sig.	
1	Regression	26.112	3	8.704	76.834	0.000 <sup>b</sup>
	Residual	14.613	129	0.113		
	Total	40.725	132			
Coefficients <sup>a</sup>						

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.171	.282		0.607	.545
	Control environment	.249	.067	.225	3.693	.000
	Risk assessment	.274	.075	.243	3.668	.000
	Control activities	.445	.060	.496	7.426	.000
a. Dependent Variable: Preventing financial fraud in Equity Bank, Mukono						
b. Predictors:(constant), Control environment, Risk assessment, Control activities						

$P \leq 0.05$

**Source:** *Primary data*

With a standard error of estimate of 0.337, Table 7's coefficient of determination (R-square) of 0.641 and significance level of 0.000 indicate that the independent variables of control environment, risk assessment, and control activities account for 64.1% of the variation in Equity Bank, Mukono's financial fraud prevention. The predictors and preventing financial fraud have a very strong positive association, as indicated by the coefficient of correlation of  $R = 0.801$ , or 80.1%. After accounting for the number of predictors and sample size, the adjusted  $R^2$  of 0.633, or 63.3%, illustrates the variation in preventing financial fraud that can be explained by the predictors. The remaining 36.7% can be explained by other unaccounted-for causes.

The standardized coefficient values showed that control environment significantly affects the prevention of financial fraud with ( $\beta = 0.225$ ,  $t = 3.693$ ,  $p = 0.000$ ). This means it enhances the prevention of financial fraud by 22.5% for each one-unit increase in the control environment. This means that an effective control environment founded on ethical behavior, responsibility, and duly defined organizational structures enhances fraud prevention at the bank.

Also, risk assessment's role was very critical with ( $\beta = 0.243$ ,  $t = 3.668$ ,  $p = 0.000$ ). That is to say, a one unit increase in effective risk assessment leads to a 24.3% increase in the ability to prevent financial fraud. This highlights the need for regular detection, analysis, and management of probable risks to make the bank better equipped to detect and prevent frauds.

Lastly, control activities played the most important role in preventing financial fraud with ( $\beta = 0.496$ ,  $t = 7.426$ ,  $p = 0.000$ ). One unit increase in effective control activities leads to a 49.6% decrease in fraud prevention. Properly planned control activities such as segregation of duties,

authorization procedures, and monitoring mechanisms provide a high guarantee against fraudulent actions in the bank.

Additionally, the Analysis of Variance (ANOVA) is shown in Table 7. Overall, the results show a very significant model with a p-value of 0.000 and an F-statistic of 76.834. The total regression model is deemed statistically significant since the p-value is less than the significance level of 0.05. This indicates that the prevention of financial fraud at Equity Bank, Mukono, is greatly impacted by the control environment, risk assessment, and control actions taken together.

## **4.8 Discussion of findings**

### **4.8.1 Relationship between control environment and preventing financial fraud**

The findings of the research indicated that Equity Bank, Mukono control environment greatly contributes to avoiding financial fraud. The respondents largely agreed that the management firmly upholds disciplinary action, fosters open communication, has a good tone for deterring fraud, guarantees compliance with the bank's code of conduct, and possesses high ethical values. The findings agree with the research of Solomon et al. (2023), in which it was said that a strong control environment characterized by ethical leadership, integrity, and adherence to policies has a high likelihood of eradicating fraud occurrence in banks. Similarly, Musyoki (2023) emphasizes that ethical values, responsibility, and transparency culture in managerial practices are the foundations of a good control environment that can eliminate fraudulent activities.

The findings of the research revealed that increased accountability and transparency within the bank encourage the employees to report irregularities without fear of victimization. The findings concur with literature from Sudirman et al. (2021), who pointed out that free communication and whistleblowing organizations increase the effectiveness of internal control and increase fraud discovery. Secondly, Waromi et al. (2024) are of the view that transparency and formal reporting mechanisms make employees more vigilant and create a culture in which fraud is more detectable and preventable. This means an effective control environment not only minimizes the risk of fraud but also allows for employees to become actively involved in defending the organization.

The findings from the research showed that good control environment, ethical conduct, well-established policies, and effective leadership made a significant contribution to the total success

of fraud prevention in Equity Bank. The findings align with literature by Temitope and Sola (2025) that revealed that organizations with sound internal control systems and ethical management achieve improved efficiency in fraud detection and prevention. In addition, Mulugeta (2021) found that adherence to control measures and continuous monitoring by commercial banks successfully prevents financial abuse. In general, these findings indicate that enhancing a robust control environment is effective and prudent in preventing financial fraud consistent with recent research on effective internal control mechanisms.

#### **4.8.2 Relationship between risk assessment and preventing financial fraud**

The research findings revealed that Equity Bank, Mukono management continuously scans fraud risks of new products and services, enabling early detection and prevention of eventual risks. The research findings are consistent with the literature by Opiyo (2023), where it was noted that active scanning of risks in small and medium-sized enterprises enables organizations to detect anomalies ahead of time and incorporate prevention into business processes. Similarly, Girma (2022) clarified that ongoing evaluation of the risks arising in financial institutions supports internal control systems and renders financial misconduct less likely. This is to emphasize that ongoing monitoring of risk determinants is at the core of enhancing the bank's fraud prevention ability.

The research findings confirmed that the employees are sufficiently trained to detect and report fraud red flags of possible fraud, an ability that has enhanced the organization's potential in deterring financial fraud. The findings corroborate the literature by Handoyo et al. (2021), in which they mentioned that capacity development and training programs equip employees with competencies that facilitate effective fraud detection and reporting, and allow for improved overall internal control effectiveness. Additionally, Dibo (2023) argues that trained personnel are major stakeholders in the running of risk assessment procedures because they possess the capability to identify abnormal patterns that could escape automated systems. Employee training is therefore a strategic component in an effective risk assessment mechanism.

The findings of the study determined that ongoing and systematic risk assessment and occasional revision of risk assessment policy contribute significantly to strengthening fraud prevention mechanisms in Equity Bank. The findings validate the work of Purnayuda and Tjakrawala (2024), who determined that effective risk assessment structures that are updated occasionally make

organizations highly responsive to emerging fraud risks. Further, Irwansyah and Zega (2023) determined that the involvement of risk assessment results in decision-making strengthens internal controls and allows for timely corrective measures. In aggregate, the findings demonstrate the integration of systematic risk assessment processes into operational and strategic management as both effective and essential to fraud prevention in financial institutions.

#### **4.8.3 Relationship between control activities and preventing financial fraud**

Research results showed that Equity Bank, Mukono has distinctively put in place policies and procedures that reduce the scope for fraud, giving a standard guideline to operational practices. Results conform with literature by Alzoubi (2025), who underscored that detailed documentation of policies and procedures is the focal role of effective internal control systems and greatly minimizes opportunities for financial malpractice. In addition, Ogwiji and Lasisi (2022) have expressed the opinion that formalized control procedures within financial institutions introduce conformity in operations, ensure accountability, and enable fraud processes to be discovered early. This, in turn, means that strong procedural frameworks are very crucial in building a robust fraud prevention core.

The study revealed the control activities of segregation of duties among the staff and authorization of financial transactions are the major elements controlling fraud exposure. The findings are in line with the literature of Azizan and Ali (2024), where they found that dividing responsibilities and multiple approvals for important transactions limit the possibility of unchecked control by a single party, thus minimizing fraud exposure. Moreover, Ding (2024) identified that internal controls, such as segregation of duties and authorizing procedures, heighten the organizational surveillance and are both preventive and detective controls against fraud or financial malpractice. The above findings indicate that operational checks and balances are absolutely required for proper fraud control.

The research findings showed that continuous review and regular updating of control activities significantly support anti-fraud in the bank. The findings concur with literature by Turyahebwa et al. (2022), where they highlighted that continued review and monitoring of internal control activities enable institutions to adapt to emerging risks and maintain high levels of compliance. Moreover, Kule et al. (2023) established that monitoring systems enhance fiscal accountability

and transparency so that staff complies with set control procedures. Overall, these studies enhance that institution of implementing, reviewing, and monitoring control activities is a strategic and proper way of reducing fraud in financial institutions.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

The findings in reference to the literature are summarized in this chapter. In accordance with the study's questions, it also wraps up all of the findings presented in Chapter 4, makes conclusions, offers suggestions, and suggests a few areas for additional research.

#### **5.1 Summary of findings**

The findings revealed that the control environment of Equity Bank, Mukono has a significant impact in preventing financial fraud. Respondents largely agreed that management enforces disciplinary action consistently, promotes open communication, sets a good tone preventing fraud, ensures adherence to the bank's code of conduct, and demonstrates sound moral values, with a range of mean scores from 3.92 to 4.64. Interviews with the key management personnel also validated that a sound control environment reinforces ethical behavior, accountability, and transparency, as well as promoting reporting of unusual transactions. Statistically, there was a very significant positive relationship between the control environment and financial fraud prevention ( $r = .521^{**}$ ,  $p < .05$ ), indicating a moderate relationship. Furthermore, regression results revealed the control environment had a significant positive influence on preventing financial fraud ( $\beta = 0.225$ ,  $t = 3.693$ ,  $p = 0.000$ ), which implies that an increase in each unit of the control environment's strength enhances fraud prevention by 22.5%. All these findings collectively identify that the enhancement of a strong control environment is effective and strategic in alleviating financial fraud in the bank.

Furthermore, findings revealed that risk assessment in Equity Bank, Mukono significantly contributes to the prevention of financial fraud. Respondents largely agreed that management

periodically evaluates fraud risks associated with new products or services and employees are adequately trained to detect and react to potential fraud indicators, the bank periodically conducts risk assessments, and risk assessment policies are periodically revised, with mean scores ranging from 4.00 to 4.31. Interviews with senior personnel also validated that effective risk assessment enables early identification of potential fraud, decision-making, and strengthening internal controls. Statistically, there was a high positive relationship between risk assessment and preventing financial fraud ( $r = .587^{**}$ ,  $p < .05$ ), indicating a strong relationship. In addition, regression analysis revealed that risk assessment significantly and positively relate to financial fraud prevention ( $\beta = 0.243$ ,  $t = 3.668$ ,  $p = 0.000$ ), implying that a unit increase in efficient risk assessment enhances fraud prevention by 24.3%. All the findings collectively highlight that systematic, periodic, and exhaustive risk assessment is both strategic and effective in enhancing the fraud prevention systems of the bank.

Lastly, the findings revealed that control activities in Equity Bank, Mukono are crucial in preventing financial fraud. The respondents strongly agreed that the bank has clear policies and procedures that minimize fraud risks, there is adequate segregation of duties among employees, all financial transactions are properly authorized and documented, employees follow operational procedures, the bank regularly reviews and updates its control activities, and monitoring mechanisms are in place to ensure compliance, with mean scores ranging from 4.03 to 4.33. Interviews with key personnel also validated that robust control activities are preventive and detective in nature, which reinforce the bank's internal control system and render opportunities for fraud less likely to take place. Statistically, a significant positive correlation existed between control activities and discouraging financial fraud ( $r = .680^{**}$ ,  $p < .05$ ), indicating a strong relationship. Further, regression results showed that control activities most significantly contributed to preventing financial fraud positively ( $\beta = 0.496$ ,  $t = 7.426$ ,  $p = 0.000$ ), which implies that a unit increase in effective control activities enhances fraud prevention by 49.6%. All of these findings collectively highlight that the presence of robust, well-established control activities is effective and strategic in enhancing the fraud prevention system of the bank.

## **5.2 Conclusions**

The study concludes that the existence of a strong control environment at Equity Bank, Mukono is critical in averting financial fraud. The use of disciplinary action, communication, observance

of the bank's code of conduct, and the instillation of strong moral values all contribute to a culture of responsibility, openness, and moral standards among employees. A robust control environment encourages staff to report suspicions of fraudulent activities and reduces the potential for fraud, hence contributing significantly to the bank's overall fraud avoidance.

The study also discovers that risk assessment efficiently contributes to the detection and control of potential fraud in Equity Bank, Mukono. Through constant assessment of risks associated with new products and services, educating employees on how to detect fraud indicators, conducting ongoing risk assessment, and updating risk assessment policies, the bank enhances its ability to detect and respond to emerging fraud threats in time. Risk assessment improves decision-making as well as internal controls, corroborating that systematic and comprehensive risk evaluation is both strategic and effective in reducing the risk of financial fraud.

Lastly, the study discovers that sound control activities are the most powerful variable in discouraging financial fraud in Equity Bank, Mukono. Well-defined policies and procedures, segregation of duties, authorization and documentation of transactions, adherence to operating procedures, regular review, and effective monitoring systems collectively act as preventive and detective controls that render the system of internal control strong. These control steps provide a strong mechanism against fraud, and their implementation significantly enhances the bank's powers of financial fraud prevention, and as such, they are an essential component of any effective fraud prevention strategy.

### **5.3 Recommendations**

The study's conclusions have led to the following recommendations regarding the efficacy of internal controls in thwarting financial fraud: a case study of Equity Bank, Mukono Branch.

The study recommends that Equity Bank must improve the control environment through ongoing ethical behavior, the institution of disciplinary measures, and transparent communication channels. A good control environment ensures accountability and openness, which results in employees reporting any suspicious activities and adhering to the bank's code of ethics to ensure less financial fraud risk.

The study also recommends the need for Equity Bank to enhance risk assessment procedures through continuous monitoring of emerging fraud risks associated with new products and services by management. A regular and systematic risk assessment, together with training of employees to detect fraud indicators and monitoring risk assessment policies, will enable detection and prevention of potential fraudulent activities at the appropriate time.

Moreover, the study implies the need for Equity Bank to possess effective control activities such as clear policies and procedures, adequate segregation of duties, adequate authorization and documentation of transactions, and physical compliance with operating procedures. Such activities are preventive and detective, thereby leading to the bank's internal control system being more robust and financial fraud opportunities diminished.

In addition, the study recommends that Equity Bank establish effective monitoring and review procedures that scan adherence to internal control systems from time to time. By continually monitoring control activities and reviewing and updating them, the bank can always identify gaps, handle emerging fraud risks, and have internal control systems functioning effectively and adaptively to respond to shifts in the financial environment.

Lastly, the study recommends that Equity Bank should provide frequent employee training and capacity enhancement programs in the fields of internal control, fraud detection, and prevention practices. With adequate information and knowledge, employees are in a position to recognize fraudulent schemes, follow procedure, and foster a culture of awareness and responsibility at the bank, thus the general prevention of fraud.

#### **5.4 Areas for further research**

Given that the goal of this study was to evaluate how well internal controls work to prevent financial fraud in the context of Equity Bank's Mukono Branch, it suggests that similar research be conducted in other areas related to this subject. These areas of additional study include the following:

Future research would seek to explore the effectiveness of internal controls in preventing financial fraud in different branches of commercial banks in Uganda since the current study only focused on Equity Bank, Mukono Branch.

Subsequent studies can also examine the impact of emerging digital banking technologies, such as online and mobile banking applications, on the effectiveness of internal controls in fraud protection.

Finally, research could explore organizational culture, employee behavior, and corporate governance policies affecting internal controls to support or inflate them, and comparative study between commercial banks and microfinance institutions to identify best practices and contextual differences in fraud protections.

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## APPENDICES

### Appendix 1: Questionnaire

#### For selected employees in Equity Bank, Mukono branch

#### Introduction and Purpose of Study

Dear Respondent,

I am Walubitsa Patrick, a student pursuing a Bachelor's Degree in Business Administration at Uganda Christian University. I am working on a study titled "*Assessing the effectiveness of internal controls in preventing financial fraud: a case of Equity Bank, Mukono Branch.*" Your contribution is essential to the type of data needed for this study, which is why you were chosen to take part. Your submitted information will be kept completely secret and used only for academic purposes. Kindly spare some few minutes to respond to the following questions.

#### Section A: Background Data

*Please TICK the numbers representing the most appropriate responses for you in respect of the following items:*

1. Gender

a) Male       b) Female

2. Age

a) 21-30 years       b) 31-40 years

c) 41-50 years       d) Above 50 years

3. Education level

a) Certificate       b) Diploma

c) Degree  d) Masters

e) Others specify:.....

4. Which department do you belong to?

a) Administration  b) Credit

c) Operations  d) Audit

e) I.T

5. How long have you spent working with Equity Bank, Mukono branch?

a) Less than 1 year  b) 1-5 years

c) 6-10 years  d) Above 10 years

***Guide for Completing the Questionnaire:***

**Note:** In the following sections, rate your degree of agreement on each statement under each objective using a scale of 5(Strongly Agree), 4(Agree), 3(Not sure), 2(Disagree) and 1(Strongly Disagree). Please answer questions by making a tick (√) on your preferred answer of choice.

**Section B: Internal Controls**

	Statements	Responses				
s. no	Control environment	5	4	3	2	1
1	Management at Equity Bank demonstrates strong ethical values and integrity in their operations.					
2	Employees clearly understand and adhere to the bank’s code of conduct and ethical guidelines.					
3	The leadership at Equity Bank sets a positive tone that discourages fraudulent activities.					
4	There is open communication within the bank that promotes accountability and transparency.					

5	Employees feel encouraged to report suspicious activities without fear of retaliation.					
6	Management consistently enforces disciplinary measures against individuals involved in fraud.					
<b>s. no</b>	<b>Risk assessment</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Equity Bank regularly conducts risk assessments to identify potential fraud risks.					
2	The bank has effective systems in place for detecting unusual financial transactions.					
3	Employees are trained to recognize and respond to potential fraud indicators.					
4	Management continuously evaluates fraud risks associated with new products or services.					
5	The bank integrates risk assessment results into its decision-making processes.					
6	Equity Bank updates its risk assessment policies to adapt to emerging fraud risks.					
<b>s. no</b>	<b>Control activities</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Equity Bank has clear policies and procedures that minimize the risk of fraud.					
2	There is adequate segregation of duties among employees to prevent fraudulent activities.					
3	Management ensures that all financial transactions are authorized and documented.					
4	Employees strictly comply with operational procedures designed to prevent fraud.					
5	The bank regularly reviews and updates its control activities to enhance fraud prevention.					
6	Monitoring systems are in place to ensure compliance with established control activities.					

**Section C: Prevention of Financial Fraud in Equity Bank, Mukono**

	<b>Statements</b>	<b>Responses</b>				
<b>s. no</b>	<b>Financial fraud prevention</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Internal controls at Equity Bank effectively prevent financial fraud.					
2	Fraudulent transactions are detected and addressed promptly.					
3	The bank has reduced cases of financial fraud due to strong controls.					
4	Employees actively contribute to the prevention of financial fraud.					
5	The existing fraud prevention strategies have improved customer trust.					
6	Equity Bank's internal control measures minimize financial losses from fraud.					

**Thank you very much for your cooperation**

## **Appendix 2: Interview Guide**

### **For the top management of Equity Bank, Mukono branch**

#### Introduction

Dear Respondent,

I am Walubitsa Patrick, a student pursuing a Bachelor's Degree in Business Administration at Uganda Christian University. I am working on a study titled "*Assessing the effectiveness of internal controls in preventing financial fraud: a case of Equity Bank, Mukono Branch.*" Your contribution is essential to the type of data needed for this study, which is why you were chosen to take part. Your submitted information will be kept completely secret and used only for academic purposes. Kindly spare some few minutes to respond to the following questions.

#### **Section A: Introduction**

1. Tell me about yourself.
2. What position do you hold in Equity Bank, Mukono Branch?
3. How long have you worked in this position?

#### **Section B: The relationship between control environment and preventing financial fraud in Equity Bank, Mukono**

4. How would you describe the role of the control environment in minimizing opportunities for financial fraud at this branch?
5. In your view, how effective is management oversight in shaping ethical conduct and fraud prevention among staff?

#### **Section C: The relationship between risk assessment and preventing financial fraud in Equity Bank, Mukono**

6. How does the bank's risk assessment process help in identifying potential fraud risks?
7. What challenges do you face in implementing effective risk assessment measures to prevent fraud?

**Section D: The relationship between control activities and preventing financial fraud in Equity Bank, Mukono**

8. How effective are the current control activities (e.g., approvals, reconciliations, segregation of duties) in preventing fraud?
9. In your opinion, what improvements in control activities would further strengthen fraud prevention at this branch?

**Thank you for your cooperation**