

Influence of internal control systems on fraud risk management among commercial banks in Kisii town, Kenya.

The management of banks put in place internal control systems as a mandatory requirement to assist them efficiently conduct business, including timely prevention and detection of frauds and errors. Despite this, most banks have fallen victims of frauds in the recent past. This study therefore sought to assess the influence of ICS on fraud risk management among commercial banks in Kisii town. The objectives of the study were: to establish the influence of the control environment on fraud risk management among banks in Kisii Town; to examine the influence of risk assessment on fraud risk management among banks in Kisii town and to evaluate the influence of information and communication on fraud risk management among banks in Kisii town. The study adopted Correlational research design. The target population was 15 banks. Respondents were stratified into three categories comprising of 15 branch managers, 74 departmental managers and 268 clerks. Saturated sampling was used for the branch managers while simple random sampling was employed to select a third of the rest of the respondents giving a sample size of 130 respondents. Interview schedules and questionnaires were used as research instruments. Content validity and reliability of the research instruments was done through a pilot study in 2 banks in Nyamira town. Quantitative data was analyzed using frequencies, means, standard deviation, Pearson's correlation and regression analysis with the help of Statistical Package for Social Sciences. Qualitative data was thematically analyzed. Bar charts and tables were used to present the analyzed data. The study findings showed that Internal Control Systems influence 67.7% of fraud risk management; control environment positively and significantly influences fraud risk management ($\beta = 0.391$; $p < 0.05$); risk assessment positively and significantly influences fraud risk management ($\beta = 0.401$; $p < 0.05$); and that information and communication positively influences fraud risk management ($\beta=0.596$; $p < 0.05$). The study will be significant to policy makers, bank managers and academic researchers. The study recommends that management of the banks should report all fraud cases to relevant investigative authorities, carry out regular employee lifestyle audits and ensure that adequate security controls incorporating all the elements of fraud are captured when ICT tools and techniques are adopted.