

**EFFECTS OF INTERNAL CONTROL SYSTEMS ON FRAUD PREVENTION IN
COMMERCIAL BANKS IN EMBU COUNTY**

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ABSTRACT

Effective Internal control systems are critical component of company management and a foundation for safe and sound operation of organizations. Proper internal controls help the organization to achieve its goals and objectives. Sound financial management practices require the institutions or organization to have strong internal control systems. There have been related studies about the relationship between internal control systems and fraud prevention but there are limited empirical research finding and also lack of mutual understanding with regards to the effectiveness of internal controls on fraud prevention. In commercial banks, there have been a lot of weaknesses in their policies and procedures and also in their Internal Audit, the extent to which employee's in positions handling cash fail to take regular leave and lack of rotation of employees handling very sensitive areas of finance. This leads to increased levels of fraud and misappropriation of funds. In this regard the study seeks to assess the effectiveness of internal control systems on fraud prevention in Embu County. The specific objectives are three that is; effects of internal audit on fraud prevention, effects of internal control quality on fraud prevention and effects of segregation of duties on fraud prevention. The scope of the study was limited to commercial banks located in Embu County and the population was the employees in the banks. The study employed census in carrying out the research because the population was small and therefore the population, which is 13 banks in Embu was our target population. The sample size was 39 employees which included three employees from each bank that is the internal auditor, finance manager and bank manager. Descriptive research design was adopted and quantitative design was used to generate numerical data. The primary data collection method was used in collecting information through use of a questionnaire. The collected data was then analyzed using descriptive statistics using SPSS version 20 and presented through percentages, means, standards deviations and frequencies. The findings were presented in form of frequency tables and figures. Pie charts and bar graphs were used for data presentation.