



MAKERERE UNIVERSITY BUSINESS SCHOOL

**CORPORATE GOVERNANCE PRACTICES, ETHICAL ENVIRONMENT
AND FRAUD MANAGEMENT AMONG BANK OF UGANDA
SUPERVISED FINANCIAL INSTITUTIONS**

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**A DISSERTATION SUBMITTED TO MAKERERE UNIVERSITY BUSINESS SCHOOL
(FACULTY OF GRADUATE STUDIES AND RESEARCH) IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF THE DEGREE OF MASTER OF SCIENCE
IN ACCOUNTING AND FINANCE OF
MAKERERE UNIVERSITY**

PLAN A

DECEMBER, 2023

DECLARATION

I hereby declare that this dissertation is result of my own original ideas and it has never been presented anywhere for academic purposes.



Signed.....

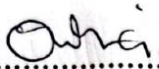
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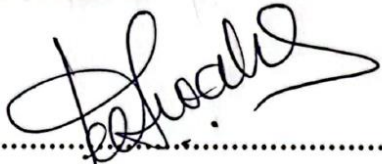
APPROVAL

This dissertation has been submitted with our approval as academic supervisors.

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Signed.....

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Date 13th December 2023

DEDICATION

I dedicate this research report to my beloved mother, Ms. Juliet Nanjobe and to my spouse Betty Sylvia Nakalembe who always believed in me and whose support, prayers and encouragement, gave me hope and motivation to complete this study. I dedicate this scholarly achievement to you for standing up with me in the critical time I needed you most.

ACKNOWLEDGEMENT

My heartfelt appreciation is directed towards the Almighty God who kept me and my family in good health throughout the period of my study. My sincere gratitude also goes to my supervisors, Prof Laura Orobia and Prof. Twaha K. Kaawaase for their tireless and valuable guidance, academic intellect, timely advice and constructive criticism throughout this research. Your tireless attention and devotion towards my research journey has contributed greatly to the successful accomplishment of this study. May God bless you abundantly.

I am grateful to the management of the different Bank of Uganda supervised financial institutions for allowing me to collect data for this study. In the same way, I am also grateful to the Master of Science in Accounting and Finance class of 2017/18 academic year for their endless support in our discussions and throughout my studies. More so, I thank lecturers in the department of finance and accounting for their support and academic expertise offered to me during my academic struggle. You were very inspiring to my academic life at Makerere University Business School and this research dissertation would not have seen the light of day without your input from inception to its logical conclusion.

To Prof Laura Orobia, words may not express my appreciation for your continuous guidance throughout the entire research project. After the COVID 19 lockdown, I almost gave up on the course but you encouraged me to persevere. Thank you. You remain my source of inspiration.

Finally, this acknowledgment would be incomplete without special marks of regard and appreciation to my beloved better half and companion, Betty Sylvia Nakalembe for her support, encouragement and prayers throughout my studies. To her I say, thanks for the moral, spiritual and physical support, unceasing patience and continuous encouragement throughout my studies.

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LIST OF ACRONYMS AND ABBREVIATIONS

BoU	Bank of Uganda
CVI	Content Validity Index
KPMG	Klynveld Peat Marwick Goerdeler
SPSS	Statistical Package for Social Sciences
UGX	Uganda Shillings

ABSTRACT

This study examined the relationship between corporate governance practices, ethical environment and fraud management among Bank of Uganda (“BOU”) supervised financial institutions. The study was a cross-sectional research design with a quantitative research approach. A sample of 181 BOU supervised financial institutions was used. Primary data was obtained from Chief Executive Officers, Internal Audit Officers and Accountants using a structured questionnaire instrument. SPSS v. 25 was used to analyze data, and results were presented and interpreted using frequency tables, correlations and regression analyses. This study found a positive association between corporate governance practices and fraud management ($r=.588$, $p<.01$). In addition, the study found a positive relationship between ethical environment and fraud management among BOU supervised financial institutions ($r=.581$, $p<.01$). Corporate governance practices and ethical environment contributed 45.1% of variances in fraud management. Although both variables were significant, corporate governance practices was a better predictor. Ethical environment is a partial mediator facilitating 35.9% in the relationship between corporate governance practices and fraud management and the study concludes that financial institutions require corporate governance practices and ethical environment to manage and control fraud. The study recommends: continuous improvement of corporate governance; promoting ethical environment; increased supervision by BOU; inaction of stringent penalties and punishments by BOU. This study suggests future research on corporate governance, ethical environment and fraud management among financial institutions in Uganda including; “A Board and Executive Officers’ perspective”; and “Corporate governance, ethical environment and fraud management among financial institutions in Uganda - A comparative analysis”.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Fraud is a universal challenge which continues to affect supervised financial institutions. These fraudulent transactions are causing unprecedented loss of large sums of money not only to supervised financial institutions, but also depositors (Soomro, Ahmed, Shah & Khoubati, 2019). In addition, fraud is increasing banks' susceptibility to reputational risk and trust, profitability and liquidity challenges, and financial distress (Awang & Ismail, 2018). As a consequence, fraud management has received a lot of attention because it is associated with instituting proper mechanisms that can detect fraud, prevent its occurrence, and increase responsiveness to any form of suspicious transactions that can translate into fraud (Alazzabi, Mustafa & Karage, 2020; Avortri & Agbanyo, 2020). Effective fraud management translates into decreased financial loss, improved customer confidence and trust, as well as financial stability within the bank.

In spite of its importance, fraud management effectiveness remains low in supervised financial institutions globally. The Association of Certified Fraud Examiners (2018) indicates that fraud in supervised financial institutions is one of the highest, contributing more than 16.8% of all fraud. KPMG (2019) also reveals that 31% of fraud in financial institutions is undetected, of which 8.3% would be prevented, although they occur due to weak governance systems. In addition, 27% of fraud in Africa emanates from financial institutions (Grant Thornton, 2021). Moreover, 55% of banking fraud in Africa goes undetected while banks are not responsive enough to deal with 75% of fraudulent transactions, creating an environment which encourages many employees to engage in the act. In East Africa, Deloitte Audit (2021) indicates that Banks lose nearly \$245m (about UGX367 Billion) in fraud.

In Uganda, the BOU Annual Supervision Report (2020) indicates that more than \$10 million is lost in internally perpetuated or assisted fraud annually and a lack of governance frameworks to fight this practice. Notably, Centenary Bank failed to detect foreign exchange fraud worth UGX3.5b, alleged to have been facilitated by top executives and junior staff (Bagala, 2021). To date, there is no substantive report that has been provided by the bank to explain exactly what transpired. Uganda Police Annual Crime and Traffic Safety Report (2020) detected bank fraud worth UGX 814.3 million in Bank of Africa where UGX 203.6 was never recovered, UGX 3.1 bn fraud in Stanbic Bank Uganda where UGX 3.01 bn was not recovered. This report indicates that most of the fraud in these banks should have been prevented in case if governance systems were as effective as documented. In Tropical Bank, UGX23.9b in 2019 was lost, attributed to weak ethical climate and governance issues (Daily Monitor, 2020).

According to the agency theory, agents tend to act in a manner which benefits them, rather than in accordance to the interests of the principal owners because unlike the latter, agents are directly involved in the day-to-day running of the business (Jensen & Meckling, 1976; Grossman & Hart, 1982). It emphasizes that companies must minimize selfish acts of agents by instituting governance practices to oversee and watch over agents' actions and behaviour (Jensen & Meckling, 1976). From this theory, it is proposed that fraud management necessitates corporate governance structures. Indeed, it has been revealed that corporate governance practices increase the extent to which banks are able to closely monitor and control all activities to minimize loopholes within the system that can propel people to commit fraud (Nasir, Ali & Ahmed, 2019; Wahyuni, Haron & Fernando, 2021).

Similarly, the social identity theory explains that actions and behaviour are a function of personal and prevailing social sphere (Tajfel, 1982). It demonstrates that people choose to act in a given way because they want to relate and belong to the prevailing norms and values (Tajfel

& Turner, 1979). In this case, the theory envisages the fact that an ethical environment is crucial in fostering fraud management behaviour. Previous research has expressed that ethical climate can foster a good relationship and make employees more accountable for their actions and desire to exercise integrity (Hamoudah et al., 2021; Ishak, Haron & Ismail, 2019).

Whereas fraud tendencies remain prominent among BoU supervised financial institutions, it remains unclear the extent to which it is explained by corporate governance practices and ethical climate. Research has been conducted in other countries, focusing largely on commercial banks (Hamoudah et al., 2021; Ishak et al., 2019; Nasir et al., 2019; Wahyuni et al., 2021). As such, there is a lack of clarity of how corporate governance practices and ethical environment influence fraud management in Uganda's context, and across other BOU supervised financial institutions such as credit reference bureaus, forex bureaus, and money remittance bureaus among others. In addition, scholars deduce a mediation of ethical environment in the relationship between corporate governance and fraud management (Rossouw, 2020; Correia and Lucena, 2020; Lwanga & Basemera, 2021) without going ahead to provide empirical evidence to test this mediation. This research finds it necessary to establish whether the assertion of a mediation relationship between these variables actually exists.

1.2 Statement of the problem

Fraud management is low among BOU supervised financial institutions. This is mainly manifested in the low detection, prevention and responsiveness of supervised financial institutions in mitigating fraudulent transactions (BOU Annual Supervision Report, 2020). Notably, several banks such as Bank of Africa and Stanbic Bank have not been able to detect fraudulent transactions worth UGX 814.3 million and UGX 3.1 billion respectively. In the same regard, these banks failed to recover UGX. 203.6 million and UGX 3.1 billion correspondingly (Uganda Police Annual Crime and Traffic Safety Report, 2020). In Centenary

Bank, UGX3.5b was stolen, attributed to inadequate governance and ethical practices (Bagala, 2021). If this is not checked, the reputation, trust and financial stability of these banks is bound to be affected by something that could further compromise economic performance in the country. It is anticipated that failure to manage fraud among financial institutions is attributed to corporate governance and the prevailing ethical environment. Such conclusive remarks have been captured mainly in studies conducted in other countries (Hamoudah et al., 2021; Ishak et al., 2019; Nasir et al., 2019; Wahyuni et al., 2021). As such, the relationship between corporate governance, ethical environment and fraud management in Uganda remains unclear. This is what propels the researcher to seek further inquiry

1.3 Purpose of the study

The purpose of this study was to examine the relationship between corporate governance practices, ethical environment and fraud management among BOU supervised financial institutions.

1.4 Research Objectives

- i.) To examine the relationship between corporate governance practices and fraud management among BOU supervised financial institutions.
- ii.) To examine the relationship between ethical environment and fraud management among BOU supervised financial institutions.
- iii.) To examine the mediating effect of ethical environment in the relationship between corporate governance and fraud management among BOU supervised financial institutions.

1.5 Research Questions

- i.) What is the relationship between corporate governance practices and fraud management in BOU supervised financial institutions?
- ii.) What is the relationship between ethical environment and fraud management among BOU supervised financial institutions?
- iii.) What is the mediating effect of ethical environment in the relationship between corporate governance and fraud management among BOU supervised financial institutions?

1.6 Scope of the study

1.6.1 Content scope

This study consisted of three variables; corporate governance practices, ethical environment, and fraud management. The concept of corporate governance practices was studied as the independent variable while ethical environment was studied as a mediating variable. Fraud management was studied as the dependent variable. This study mainly focused on exploring how the independent variables relate with the dependent variable, in addition to testing the mediation effect.

1.6.2 Geographical scope

This study was conducted across BOU supervised financial institutions. These institutions include; commercial banks; credit institutions; credit reference bureaus; forex bureaus; money remittance bureaus; microfinance deposit taking institutions; and non-banking payment service providers. These were selected because of the intensifying degree of fraudulent transactions that were happening among these institutions. Uganda Police Annual Crime and Traffic Safety Report (2020) indicates that financial institutions are the major habitants for most fraud that occurs in Uganda.

1.6.3 Theoretical scope

This study was informed by two theories; agency theory, and social identity theory. Agency theory was used to explain how corporate governance practices can be used to manage and control fraud. Social Identity theory was used to justify the need for an ethical environment to deal with fraud.

1.7 Significance of the study

The findings are expected to have a managerial implication, especially in guiding managers making strategic decisions intended to stimulate fraud management. They could base their decisions on the findings which clearly demonstrate the relationship between ethical environment and fraud management.

The findings could be important for policy makers, especially BOU in modifying available policies, rules and regulations with the aim of influencing corporate governance practices and promoting ethical environment within financial institutions as mechanisms for condensing fraud.

This study contains information related to corporate governance practices, ethical environment, and fraud management, which could be used as a source of reference by other researchers.

1.8 Conceptual Framework

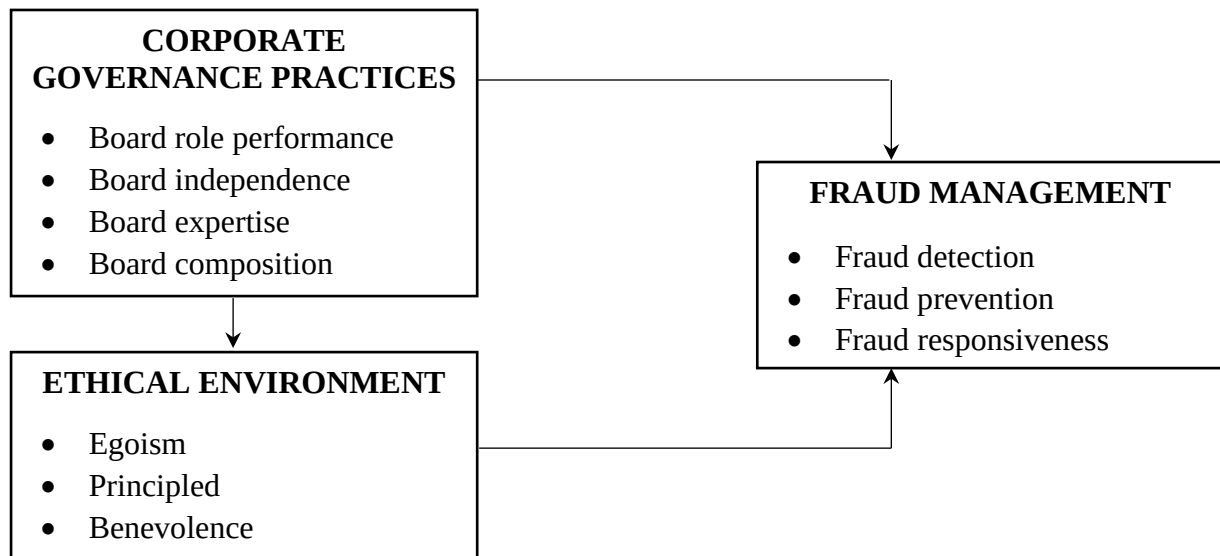


Figure 1.1: Conceptual Framework

Source: Adopted and modified from literature review (Kaawaase, Nairuba, Akankunda & Bananuka, 2021; Kiprono & Ng'ang'a, 2018; Mande, 2020; Nalukenge, Nkundabanyanga & Ntayi, 2018; Teresi, Pietroni, Barattucci, Giannella & Pagliaro, 2019; Tumwebaze, Mukyala, Ssekiziyivu, Tirisa & Tumwebonire, 2018)

The conceptual framework (Figure 1) provides the diagrammatical comprehension of the study and basis upon which the research objectives were formulated. It indicates that fraud management is dependent upon variables of corporate governance practices and ethical environment. As expressed, corporate governance practices can directly influence fraud management. In addition, the model reveals that ethical environment can influence fraud management. In addition, the model also indicates that corporate governance practices can influence the ethical environment. Furthermore, the framework illustrates that corporate governance practices also indirectly influence fraud management with the intervention of an ethical environment to mediate this connotation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the theoretical, conceptual and empirical literature. It explains the theories used in the study and their applicability to the study, explains the key concepts of the study, and empirical review related to the set research objectives which include; examine the relationship between corporate governance practices and fraud management; examine the relationship between ethical environment and fraud management; assess the relationship between corporate governance practices and ethical environment; and examine the mediating effect of ethical environment in the relationship between corporate governance and fraud management.

2.1 Theoretical Review

This study was informed by two theories, namely; agency theory; and social identity theory.

2.2.1 Agency Theory

Agency theory was initiated by Jensen and Meckling (1976). This theory stresses that an agency relationship prevails between shareholders and management. This relationship occurs from the day the shareholders or principal owners of the business decide to employ agents or management to execute tasks and responsibilities on their behalf. According to Grossman and Hart (1982) when agents are employed, they are expected to act in the best interests of the principal owners. On the other hand, the principal owners are supposed to compensate agents for executing tasks and responsibilities on their behalf. Jensen and Meckling (1976) indicates that an agency relationship creates an environment of trust where the principal owners' direct involvement in the affairs of the company reduce significantly while that of agents increases exponentially.

This theory further stresses that much as the roles of both parties in an agency relationship are clearly defined, a conflict of interest is inevitable given the rationality nature of humans. Agents tend to misuse their high involvement to exercise discretionary and opportunistic behaviour which is purely aimed towards achieving their personal interests as opposed to satisfying the principal owners (Morris, 1987). Accordingly, the agency theory emphasizes that ability of companies to control a violation of an agency relationship is a function of the principal owners' ability to put governance structures and strategies which can increase its involvement. The theory suggests that the principal needs to institute a structure where they can continue to control actions and behaviour of agents, while upholding a separation of ownership from management (Jensen and Meckling, 1976).

This study adopts the agency theory to inform the role of corporate governance practices as one of the governance structures that can be instituted by principal owners to deal with the violation of the agency relationship. Corporate governance practices are mainly ensured by the board, which is elected by owners to oversee actions and behaviour of agents such as fraudulent dealing. By doing so, principal owners are able to monitor and control all activities even when they are not directly involved in the running of company. Consequently, corporate governance practices ensure that interests of shareholders are recognized and taken care of.

2.2.2 Social Identity Theory

Propounded by Tajfel (1982), social identity theory postulates that actions and behaviour exhibited by people depict the social group they identify with. It emphasizes that much as individuals have own principles, values and norms they acquired from another social identity; they are forced to detach from such practices as long as they identify and decide to associate with a specific social group because of the social identification (Tajfel & Turner, 1979). Importantly, social identity theory stresses that people learn behaviour, and subsequently

practice those behaviors because they want to be identified as being part of the social group. Consequently, they will develop emotional strong ties in a specific group, which will make them believe that the accepted practices are actually the right ones, and that whoever does not believe them is not worthy associating with (Tajfel, 1982).

Social identity theory is important in this study, especially in explaining how ethical environment can propel fraud management. From the explanation of social identity theory, it is clear that the general beliefs, values and norms surrounding fraudulent dealings can explain variances in employees' engagement in such practices. It suggests that when a company is strict on ethical issues, employees will be forced to be ethical in their dealing if they are to remain part of the society. This will involve desisting from engaging in fraudulent dealings, hence lowering the risk of fraud.

2.3 Fraud management

Fraud is one of the major challenges which continues to affect financial institutions globally. These fraudulent dealings have resulted in loss of huge sums of money, poor performance, unprecedented legal litigations, and in extreme cases closure (Avortri & Agbanyo, 2020; Ddamulira, 2019). Fraud management has attracted a lot of attention among researchers and policy makers as one of the strategies that can address fraudulent dealings. Fraud management is defined as a systematic process which is instituted by a corporate entity to be able to identify and minimize potential and actual corporate fraudulent tendencies (Kaunda, 2021). On the other hand, it is defined as a set of activities that help to reduce actions and behaviour which are perceived to rationalize fraudulent dealings (Herawaty & Hernando, 2021). Meanwhile, Okoye, Adeniyi and James (2019) define fraud management as the practice of instituting mechanisms that accurately identify and protect against fraud in time. Overall, fraud

management is a systematic process which involves a series of activities which are able to detect and mitigate fraudulent dealings.

Literature related to fraud suggests that people engage in fraudulent activities because of three main reasons, namely; pressure, opportunity and rationalization (Avortri & Agbanyo, 2020; Cressey, 1953; Utami, Wijono, Noviyanti & Mohamed, 2019). It is concurred that individuals experience a couple of inherent factors that motivate them to perpetrate fraud. Such pressures may be related to financial or social aspects. On the other hand, it is noted that individuals identify opportunities within an environment, especially weakness in internal controls which makes it easier for fraudsters to escape without being caught. Rationalization on the other hand suggests that individuals sometimes formulate morally acceptable ideas and excuses which make them to believe that committing fraud is acceptable (Herawaty & Hernando, 2021). It is therefore necessary to institute an effective fraud management system which is able to minimize the propensity of fraudulent activities occurring (Kaunda, 2021).

Various suggestions have been highlighted as important in minimizing fraudulent dealings within institutions (Avortri & Agbanyo, 2020). These include; establishing policies and procedures; promoting compliance to policies and procedures; familiarizing with ethical conduct; incorporating risk awareness; and training new and old employees to have adequate fraud information. Accordingly, scholars argue that fraud management involves implementing a systematic process which entails; fraud detection; fraud prevention; and fraud responsiveness (Hussaini, Bakar & Yusuf, 2018; Mande, 2020). These components have proved important in conceptualizing fraud management across various studies (Ddamulira, 2019; Edson, 2021; Eko, Adebisi & Moses, 2020; Kiprono & Ng'ang'a, 2018).

Fraud detection focuses on activities and techniques that financial institutions erect within their operation to timely report any suspicious tendencies and fraud that has occurred (Eko et al.,

2020). Generally, fraud detection involves three closely related activities in the fraud arena that is fraud testing, fraud attempts and fraud successes.

Fraud detection examines the ability of an institution to identify fraud, and any form of suspicious practices which culminate in fraudulent transacting. Scholars emphasize that being able to detect fraud depends on how institutions are able to put in place processes, tools and procedures which are proactive, but also reactive so that they do not adversely affect its operations (Kaunda, 2021; Okoye et al., 2019; Utami et al., 2019). These processes are either manual including procedures or rules-based solutions, or technological, such as the Address Verification Service (AVS) and Artificial Intelligence (AI), although the former is considered less effective (Ddamulira, 2019; Kiprono & Ng'ang'a, 2018).

Fraud response is a process of developing strategic options, and determining actions to enhance opportunities and reduce threats (Avortri & Agbanyo, 2020). This is supposed to be timely to help the institution minimize fraud. This stage is one of the most important because it enables institutions to deal with detected or suspected cases of fraud. Accordingly, fraud response helps institutions to restrict the damage and minimizes the losses caused by fraud (Utami et al., 2019). Importantly, it is emphasized that fraud response should be timely.

2.4 Corporate governance practices

Much as studies on corporate governance practices have existed for decades, they have become more prominent following the financial scandals witnessed in companies such as Enron, WorldCom, and Adelphia (Nduhura, Nansamba, Akakikunda & Masembe, 2022; Nkundabanyanga, Ahiauzu, Sejjaaka & Ntayi, 2013). Studies have expressed the desire to understand corporate governance practices along with its constituents to address further issues from emanating.

Sir Adrian Cadbury Committee (2002), one of the primary authorities of corporate governance literature defined corporate governance as a system by which companies are directed and controlled, with objectives of enhancing and maximizing shareholder value and protecting the interest of another stake holder. It has also been defined as a mechanism for ensuring that the right people are employed within the right strategic positions of the company to give it the right direction (Lwanga & Basemera, 2021; Tumwebaze, Bananuka, Orobia & Kinatta, 2022). It refers to processes and structures upon which the organization is directed to increase corporate accountability while taking into shareholder interests (Nalukenge, Nkundabanyanga & Ntayi, 2018). Although corporate governance is defined differently, it is clear that the definitions rotate on one thing, that is; making sure shareholder interests are well catered for by instituting a clear system to direct and control the corporate entity. With guidance from the definition presented in the Sir Adrian Cadbury Committee (2002) and Nalukenge et al., (2018), this study defines corporate governance practices as implementation of a system which properly directs and control a corporate entity in a manner which considers shareholder interests as the key priority.

Corporate governance studies consistently demonstrate that corporate governance practices can easily be traced in large companies, compared to small entities (Maseruka, 2021; Namanya, Fong & Mugarura, 2021). This is because large companies have clear organizational structures unlike small entities. It is further emphasized that although the board is supposed to work hand in hand with management, there has to be a clear separation of roles between the two (Kaawaase, Nairuba, Akankunda & Bananuka, 2021; Wakaisuka, 2018). This reasoning has been primarily responsible for the development of constructs for corporate governance practices. Indeed, constructs such as board role performance; board independence; board expertise; and board composition have received prominence in evaluation and comprehension

of corporate governance practices (Kaawaase et al., 2021; Nalukenge et al., 2018; Nduhura et al., 2022; Tumwebaze et al., 2022).

It is emphasized that the functionality of the board is dependent upon its ability to execute the roles for which it is instituted within the corporate entity (Nduhura et al., 2022; Tumwebaze et al., 2022). The roles of the board have mainly been categorized in three; strategic roles, control roles; and service roles (Nalukenge et al., 2018). Strategic roles necessitate the board to demand management to develop a corporate strategy; reviewing the strategy; and ensuring that it is realistic and well thought about (Lwanga & Basemera, 2021). On the other hand, identifying opportunities to give a strategic direction, as well as making sure management sets aside sufficient resources necessary for achieving the mission have equally been proposed among strategic roles (Wakaisuka, 2018). Control roles of the board include; selecting the Chief Executive Officer and dismissing non-performers; exercising direct control, where necessary; reviewing managerial decisions and performance; as well as ratifying major decisions (Kaawaase et al., 2021). More so, the board is supposed to closely monitor actions and behaviour of management to guarantee it is streamlined towards interest of owners. The board also has service roles to play. These include among others; co-opting external influencers; establishing valuable contacts; maintaining a good reputation; and counselling management on a couple of issues (Kaawaase et al., 2021). Likewise, Nalukenge et al., (2018) suggest that ability of the entity to collaborate with various stakeholders, and ensuring safe custody of crucial resources are important service roles of the board.

Board independence is a core component in corporate governance. Indeed, this research stresses that unless the board is independent, it will not properly execute its roles even if it has the necessary expertise and composition. Several issues have been indicated as important in ensuring independence of the board from management. These include, electing a board which

constitutes both non-executive and executive directors; making sure non-executive members are the dominant; separating the roles of Chairperson of the board and Chief Executive Officer; and ensuring board members do not experience conflict of interest (Lwanga & Basemera, 2021; Maseruka, 2021). Similarly, Nalukenge et al., (2018) highlight that defining the tenure of the board; appointment of members on contract basis; and a clear separation of roles of the board and management also demonstrate independence of the board.

Board expertise emphasizes the need for members to have the necessary knowledge, skills and abilities to provide a clear direction to the company (Song, van Hoof & Park, 2016). Yasser, Mamun and Rodrigs (2017) demonstrates that since the board serves as a watchdog of management, it should have enough expertise to perform effectively. It is necessary to elect members who have a good background and understanding of the business; members who are able to interpret financial reports and comment objectively; and a board which is highly balanced in terms of skills (Kaawaase et al., 2021; Tumwebaze et al., 2022). Other proponents (Nduhura et al., 2022; Nkundabanyanga et al., 2013) of board expertise indicate that experience, where members serving in similar capacities are the ones considered first can also demonstrate high expertise of the board.

Board composition mainly focuses on ensuring the right people with an appropriate mix of skills, knowledge and experience are elected to the board. In fact, Wakaisuka (2018) a board that is composed of the right personnel is able to carry out tasks with efficiency and expertise. Moreover, Nduhura et al., (2022) suggests that a well-composed board should consider gender balance because there are specific issues which can best be deliberated by a specific gender; make sure all positions on the board are filled; and have a reasonable number of board members for productive discussion of issues.

2.5 Ethical Environment

Ethical environment refers to a set of shared perceptions of typical organizational practices and procedures which are recognized to depict ethical content, and a description of how to deal with ethical issues (Teresi, Pietroni, Barattucci, Giannella & Pagliaro, 2019). Furthermore, it is defined as an aggregate of rules and values which influence one's behaviour in relation to what is right or wrong when making decisions (Hijal-Moghrabi, Sabharwal & Berman, 2017; Musoke, Ssemugabo, Ndejjo, Molyneux & Ekirapa-Kiracho, 2020; Ntayi, Eyaa & Kalubanga, 2011). The implication is that ethical environment describes prevailing attitudes about an organization's standards emphasizing appropriate conduct. The existence of this environment results in a situation where ethical behaviour and decision making occur. This can actually be exemplified in Olson's (1998) view who notes that ethical environment provides "the context in which ethical behavior and decision-making occur" (p. 346). As such, it is right to denote that ethical environment guides behavioral aspects and understanding of what is acceptable rather than sanctionable behaviour within the organization. More so, because ethical environment represents a large group, it becomes central in defining the roadmap through which the organization can exhibit core values both internally and externally, in addition to dealing with deviances.

Right from the original taxonomy and initiation of ethical environment concept by Victor and Cullen (1988), a couple of scholars have expressed consistence that ethical environment is expressed in three specific ways (Al Halbusi, Ruiz-Palomino, Morales-Sánchez & Abdel Fattah, 2021; Hajli, 2018; Nalukenge et al., 2018; Zarefar, Surya & Mela, 2018). These include: egoism, benevolence, and principled ethical climates. Scholars have gone ahead to indicate that the actions and moral reasoning expressed by each of these attributes differs depending on the level of perception (Victor & Cullen, 1988).

Egoism environment, at an individual level propels individuals to ultimately consider self-interest in moral reasoning. However, when the locus of analysis is perceived from the organizational perspective, individuals' moral reasoning and behaviour is streamlined to focus on organizational interests such as company profits (Kabeyi, 2018; Teresi et al., 2019). The cosmopolitan stage of egoism environment shapes individuals to direct towards efficiency.

Benevolence on the other hand suggests that individuals will exhibit moral reasoning by putting into consideration the positive and negative consequences associated with their action. They will also work towards exhibiting moral tendencies which are in congruence with team interests when their locus of analysis is at organizational level. At the cosmopolitan stage, benevolence ethical reasoning stimulates individuals to strongly put into consideration a sense of social responsibility (Victor & Cullen, 1988).

On the other hand, Al Halbusi et al., (2021) demonstrate that individuals who exhibit a principled ethical environment are driven mainly by personal morality. Moreover, they strongly recognize and follow rules and standard operation procedures of the organization, in addition to laws and code of conduct.

2.6 Corporate Governance Practices and Fraud Management

Prior research strongly indicates that corporate governance is one of the key factors which enhance fraud management (Saraswati & Agustina, 2022; Uwuigbe, Olorunshe, Uwuigbe, Ozordi, Asiriwa, Asaolu & Erin, 2019). One of the major reasons for arguing in this context is based on the principal role of corporate governance practices. Notably, Riezdata, Syarief and Ruhadi, (2022) emphasize that corporate governance is aimed at formulating policies, rules and regulations that give a proper direction and control of organizations including unethical tendencies. Failure of the organization to institute appropriate corporate governance practices results in weak internal controls which increases opportunity for committing fraud. In a similar

manner, Nalukenge et al., (2018) reveal that the board is supposed to exert pressure on management to make sure there is a streamlined policy of dealing with fraud and unethical behaviour within the institution. Moreover, the board is also responsible for providing professional advice to management regarding the policies that can be instituted to address organizational challenges such as fraud. From this, it can be ascertained that much as failure to deal with fraud can be considered a management problem, it can also reflect weakness of the board in instituting effective corporate governance practices.

Important to note, researchers have gone ahead to demonstrate that ability of corporate governance practices to deal with fraudulent actions depends on the degree of independence of the board (Adigwe & Stanley, 2018; Pamungkas, Ghazali, Achmad, Khaddafi & Hidayah, 2018). These emphasize that an independent board is able to follow up on management's action without fear or favor. This makes management to become more accountable, and responsible for implementing strategies which are aimed at curbing any tendencies that deprive the organization from achieving intended goals. Nonetheless, there is a lack of clarity regarding which tendencies the scholars refer to in their explanation, which the current study intends to clarify. This research is convinced by the argument that board independence is important because it reduces influence of management and creates a clear separation of authority, which propels management to do the right things. This independence can be instrumental in dealing with management fraud.

Researchers have also gone to demonstrate that capacity of corporate governance practices to enhance fraud management depends largely on the expertise, and board role performance (Adigwe & Ogoun, 2018; Alperovych, Calcagno & Geiler, 2018). Specifically, it is said that board members with expertise in the line of business tend to provide proper direction and control because they have diverse knowledge. They can easily analyze the situation at hand

and anticipate potential fraudulent threats that may come along, consequently proposing fraud mitigation strategies. Likewise, Flowerastia, Trisnawati and Budiono (2021) emphasized that board expertise as a corporate governance practice is responsible for minimizing fraud resulting from misstatement in financial statement. It requires board members to have accounting expertise to interpret and identify fraudulent transactions that call for management explanation. In the same regard, this research supports the role of board expertise on the premise that it enriches knowledge, skills and abilities that help the board to generate constructive suggestions which can curb fraud. In spite of this, it is evident that none of the studies (Adigwe & Ogoun, 2018; Flowerastia et al., 2021) was conducted focusing on financial institutions. This is critical to be addressed given that financial institutions are highly vulnerable to fraudulent dealings.

Empirical research by Nduhura et al., (2022); and Tumwebaze et al., (2022) point out that a board which is able to execute all roles of strategic and control is able to minimize fraud. This also corresponds with Lwanga and Basemera (2021) who emphasized that ability of the institution to improve fraud management can reflect how effective the board is in executing control roles. To supplement, this research indicates that a board which appropriately executes control roles can ratify management decisions, in addition to tasking management to strengthen internal controls that can minimize unethical, and fraudulent tendencies. Although this could be the case, this reasoning remains hypothetical as none of the aforementioned provides statistical evidence to that effect. This study will close this missing link by correlating board role performance with fraud management.

2.7 Ethical Environment and Fraud Management

From the general outlook, the ethical environment in which employees' interface has a strong inclination on fraudulent dealings. It is revealed that employees are always keen to understand how the organization reacts to fraudulent acts that occur because these enable them to explore

whether there are opportunities for committing fraud or not (Christy & Utami, 2020; Hamoudah, Othman, Abdul Rahman, Mohd Noor & Alamoudi, 2021). For instance, where an employee engages in fraud and nothing happens to him/her, it will encourage other employees to emulate the same in anticipation that nothing will happen to them as well.

As indicated by Ishak, Haron and Ismail, (2019) institutions must create an environment where employees are aware that their work is being reviewed all the time to be held accountable for every action. This stringent environment builds a strong ethical environment and reduces employees' engagement in fraud. In a similar manner, Sajari, Haron, Ismail and Chambers (2019) argues that in a more ethical environment, employees tend to follow rule and regulations because they presume it is the morally acceptable behaviour, which translates in fraud mitigation. Similarly, this research strongly sides with the suggestion that ethical environment has a bearing on fraud management. Ethical environment guides employees in distinguishing what is good or bad in the context of the organization. As such, the degree of commitment and determination of the organization to streamline moral behaviour to match its desires will play a crucial role in managing fraud.

Specifically, prior researchers have gone ahead to explain the influence of ethical environment on fraud management by focusing on the various ethical environments (Christy & Utami, 2020; Mande, 2020). Notably, it has widely been documented that a principled ethical environment contributes significantly to the minimization and prevention of fraud (Hamoudah, Othman, Abdul Rahman, Mohd Noor & Alamoudi, 2021; Sajari et al., 2019). The main reason for concluding so is based on the fact that this ethical attribute is associated with stringent controls which makes it difficult for employees to identify opportunities for carrying out fraud (Al Halbusi et al., 2021; Musoke et al., 2020). Indeed, Nalukenge et al., (2018) highlighted that a principled ethical environment is important in mitigating fraud because it ensures that people

who do not comply with the code of conduct are dealt with. This responsiveness to such acts creates fear among employees from involving in fraudulent actions because they know that they will be sanctioned. However, much as this could be the case, it cannot be conclusive because the remarks made the aforementioned are mainly literature based. This research finds it necessary to explore this educelement by statistically testing this relationship.

On the other hand, scholars demonstrate that an ethical environment dominated by egoistic morals is highly susceptible to experiencing fraudulent dealings. In their view, egoistic morals make employees to focus on how best they can fulfill individual self-interests as opposed to those of the organization. This makes employees greedy and less contented at work which intensifies fraud (Zarefar et al., 2018). However, this observation has been subject to a lot of debate from other scholars (Teresi et al., 2019). Unlike egoism and individual status, organizational and cosmopolitan stages are important in enhancing fraud management since they propel employees to become more inclined to enhancement of organizational interests as opposed to individual interests. As a consequence, employees find it necessary to stick to actions that are tolerable within the organization as opposed to what they think is beneficial to them (Christy & Utami, 2020; Sajari et al., 2019). In the view of this research, both lines of thinking are right in some sense. What is important is to scrutinize and tell the level of egoism at the workplace, although this is unlikely to be determined as each employee is driven differently.

Proponents of benevolence ethical environment (Al Halbusi et al., 2021; Hijal-Moghrabi et al., 2017; Kabeyi, 2018) are of the view that this ethical environment plays an important role in fraud management. In particular, Hajli (2018) reveals that benevolence ethical environment builds a spirit among employees where, before they execute any form of behaviour or action, they evaluate the benefits and consequences of their decision. This is likely to instigate some

degree of fear among employees to engage in fraudulent transactions especially in circumstances they establish that fraudulent acts would result in more negative consequences compared to the benefits. Much as the current research agrees with this reasoning, it also anticipates a scenario where benevolence can compromise ethical environment especially where an employee is planning to quit a specific organization.

2.8 Mediating Effect of Ethical Environment in the relationship between corporate governance and Fraud management

With studies on mediation becoming a new trend in academic research, the possibility of ethical environment mediating the relationship between corporate governance and fraud management has equally taken a similar trend though with wide spread incongruity. Proponents of corporate governance such as Rossouw (2020) have greatly emphasized the mediating of ethical environment in relationship that exists between corporate governance and fraud management. The study findings established that the intensity of an ethical environment is highly exhibited where corporate governance is highly enhanced. According to the study, effective corporate governance practices maintain ethical conduct and behaviors among employees thus controlling the occurrence of all actions that would undermine effective fraud management. Moreover, Correia and Lucena (2020) also revealed that corporate governance more so board independence maintains harmony among members thus diminishing the violating ethical standards thus consequently prompting effective fraud management.

Consistently, Kesuma et al., (2020) who demonstrates that the functionality and ability of corporate governance to effectively enhance fraud management is entirely vested in an ethical environment. A more recent study by Lwanga and Basemera (2021) also maintained that effective corporate governance sanctions all unethical conducts among top managers without fear or favor. This is important because it demonstrates to all employees that no one is above

ethical standards upon which the organization is supposed to operate which eventually mitigates fraud. Indeed, suitable practices of corporate governance enhance stringent ethical controls which greatly restrain employees from engaging in fraudulent opportunities and activities (Al Halbusi et al., 2021; Musoke et al., 2020). Much as this is the case, majority of the studies demonstrating the mediating role of ethical environment in the relationship between corporate governance practices and fraud management have been conducted in other countries other than Uganda. This gap is being addressed by this particular study.

Worth noting, the mediating effect of ethical environment in the relationship between corporate governance and fraud management has received a lot of prominence (Correia & Lucena, 2020; Tumwebaze et al., 2022). It is widely supported that effective corporate governance practices are vital in establishing an appropriate ethical environment along with workable strategies and policies that enable the attainment of fraud management. Additionally, Nainawat & Meena (2013) emphasized that practices of corporate governance more so board expertise is important in instituting effective ethical policies, rules and guidelines which create a functioning conduit for achieving fraud management. In a similar manner, Correia and Lucena (2020) also maintained the mediating effect of ethical environment in the relationship between corporate governance practices and fraud management. The study asserts that corporate governance avails employees with various ethical rules and regulations which are morally accepted which later translates into fraud mitigation. Based on the above literature, studies suggest that ethical environment mediates the relationship that exists between corporate governance practices and fraud management. However, only a handful of empirical studies have been conducted in Uganda, creating a wide gap in literature that needs to be addressed.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter elaborates the methodology which was adopted to conduct this research. It addresses questions of what constituted the research design, study population, sample size, sampling technique, data source, data collection instruments, measurement of study variables, validity and reliability, data analysis, and ethical issues.

3.2 Research design

The study applied an experimental cross-sectional research design with a quantitative research approach. This study used a cross-sectional research design because of its effectiveness in short timeframe studies, as it was the case with this particular one. This research design is also important because it facilitates the study to provide first conclusions and recommendations pertaining to the research phenomenon (Saunders, Lewis & Thornhill, 2016). A quantitative research approach was used on the other hand because it enables the study to clearly demonstrate how variables relate with the help of statistical results.

3.3 Study population

This study population comprised 341 BOU supervised financial institutions (BOU Report, 2022). These institutions included; 25 commercial banks; 3 credit institutions; 2 credit reference bureaus; 207 forex bureaus; 78 money remittance bureaus; 5 microfinance deposit taking institutions; and 21 non-banking payment service providers. These are appended as Appendix 1.

3.3.1 Unit of Analysis

The unit of analysis was the BOU supervised financial institutions.

3.3.2 Unit of Inquiry

From every BOU supervised financial institution, three respondents were targeted, namely; executive officer, internal audit officer, accountant. These served as the unit of inquiry.

3.4 Sample Size

A sample size of 181 BOU supervised financial institutions was selected based on the Krejcie and Morgan (1970) table for sample size determination.

3.5 Sampling techniques

The study applied stratified random sampling to select the sample size. First, the supervised financial institutions were categorized into; commercial banks; credit institutions; credit reference bureaus; forex bureaus; money remittance bureaus; microfinance deposit taking institutions; and non-banking payment service providers, hence forming 7 strata. Then, the study determined the number of elements to be selected from each stratum through a disproportionate approach using a formula; $f/N \times 100$, where f represented the number of elements in a given category, and N the total number of supervised financial institutions. The study thereafter applied simple random sampling technique to select elements from each stratum. This involved picking one element at a time without replacing until the disproportionately determined elements were selected from each category were selected. The study applied stratified random sampling because it ensures that the sample selected is wholistic and considerate of the heterogeneity within the population (Creswell & Creswell, 2018). On the other hand, simple random sampling was used because it minimizes bias in sample size selection. This technique ensures that all elements within the population stand equal chance of being selected.

In each of the selected sample, this study targeted obtaining responses from four people, including; a board member, an executive officer, an internal audit officer, and accountant. These were purposively selected because they are directly responsible in dealing with fraud of all kind that happens in supervised financial institutions.

Table 3.1: Sample Size Selection

Supervised financial institutions	Total Population	Sample
Commercial Banks	25	13
Credit Institutions	3	2
Credit Reference Bureaus	2	1
Forex Bureaus	207	110
Money Remittance Bureaus	78	41
Microfinance Deposit taking Institutions	5	3
Non-banking Payment Service Providers	21	11
Totals	341	181

Source: BOU Reports (2022)

3.6 Data Source

This study used primary data sources to obtain data used in the interpretation of results. This source of data was opted because it avails recent data pertaining the research phenomenon under investigation. Primary data sources also ensure that data obtained is fully customized to the subject matter under investigation (Creswell & Guetterman, 2018).

3.7 Data collection instruments

This study used a structured questionnaire containing items adopted from previously used instruments in investigating similar study variables. A questionnaire instrument was used because of its effectiveness in obtaining data from large and highly dispersed sample (Creswell & Creswell, 2018). This instrument contained four sections, with Section A containing demographic characteristics, Section B containing items in relation to Corporate Governance

Practices, Section C-Ethical environment, and Section D-fraud management. Demographic characteristics were anchored using different ordinal scales. Items for sections B-D were anchored on a 5-Likert scale of 1 to 5. Under this scale, the 1 represented strongly disagree, 2-disagree, 3-neither agree nor disagree, 4-Agree and 5-strongly agree. The scale was used because it enables respondents to indicate the extent to which they agree or disagree with each Item (Creswell & Creswell, 2018). The questionnaire used in this study is appended as Appendix II.

3.8 Measurement of variables

Corporate governance practices were measured in terms of board role performance, board independence, board expertise, and board independence (Kaawaase et al., 2021; Nalukenge et al., 2018; Nalukenge et al., 2017; Nkuutu et al., 2020). The items used under each of these constructs were adopted from previous works of Kaawaase et al., 2021; and Nalukenge et al., (2018). These were modified to fit the context of the study and subjected to a 5-Point Likert scale.

Ethical environment was measured in terms of a three-dimensional construct of ethical environment developed by Cullen, Victor & Bronson (1993). This framework indicates that ethical environment is reflected by egoism, principled or benevolence. These dimensions were also used by several scholars, and accepted as key dimensions for operationalizing ethical environment (Arnaud, 2006; Musoke et al., 2020; Peterson, 2002). This study adopted Items of the ethical climate questionnaire which was developed by Cullen et al., (1993). These Items were modified to fit the context of the study before they were subjected to the 5-Point Likert scale.

Fraud management was measured based on the systematic process for fraud management. This process constitutes stages of fraud detection, fraud prevention, and fraud responsiveness

(Kiprono & Ng'ang'a, 2018; Mande, 2020). There is no assessed and agreed items for fraud management. The study therefore self-developed items under this variable with guidance from literature review. The developed items were anchored on a 5-Point Likert scale.

3.9 Validity and Reliability

Validity

The study used expert judgement and content validity index (CVI) to test validity. Under expert judgment, this study presented a draft questionnaire to the supervisors to give an expert view. The study made adjustments in relation to the comments obtained from the supervisors. The study further presented the questionnaire to different people, who were perceived as knowledgeable about the subject matter including but not limited to; researchers, and accountants for a content validity assessment. The study computed CVI from the responses presented through this exercise. As a general rule, the CVI of each variable should attain at least 0.7 (70%) of the total number of items (Taherdoost, 2016). The results of CVI as obtained from this test are presented in table 2 below.

Reliability

The questionnaire was tested for reliability through pretesting and analysis of the Cronbach Alpha coefficient obtained under each variable. Before the actual data collection exercise, this research pretested 15 questionnaires to check out for consistence among responses. The results guided in making necessary amendments to the questionnaire. This research also spooled Cronbach alpha coefficient for each variable to determine if it satisfies the rule which emphasizes that each variable and construct should obtain at least 0.7 coefficient to consider the results obtained as reliable (Nunnally & Bernstein, 1994). The results of Cronbach Alpha coefficient obtained during this exercise are presented in table 3.2 below.

Table 3.2: Validity and Reliability Results

Variable/Construct	CVI	Cronbach's Alpha	N of Items
Corporate governance practices	0.79	0.868	22
Board expertise	0.70	0.740	5
Board independence	0.83	0.763	6
Board Composition	0.76	0.837	5
Board roles	0.83	0.792	6
Ethical environment	0.80	0.851	21
Egoism	0.75	0.751	8
Benevolence	0.75	0.740	6
Principled	0.79	0.772	7
Fraud Management	0.75	0.837	16
Preventive	0.70	0.753	5
Detective	0.70	0.715	5
Responsive	0.83	0.709	6

Source: Primary Data

Table 3.2 indicates results obtained from testing validity and reliability of the data collection instrument. Regarding CVI, the values obtained in relation to corporate governance practices, ethical environment and fraud management along with their respective constructs were above 0.7. These results meant that the instrument used contained valid items, and that the items were good measures under each construct they were presented. These results implied that the instrument was good enough to be used for obtaining data in relation to the research phenomenon. Similarly, the Cronbach Alpha obtained for each variable and construct was over and above the threshold of 0.7. This meant that data obtained in relation to the research phenomenon was generally consistent. The implication to that effect is that the results obtained were fit to be used for making drawing conclusions and recommendations because they reflected a true replica of reality.

3.10 Data processing and analysis

Data obtained was sorted, cleaned, coded and entered in Statistical Package for Social Scientists (SPSS. v25) for analysis. Obtained results were presented using frequency tables, correlation, and regression analysis. Frequency tables were used to present results in relation to demographic characteristics, and interpreted based on percent values. Correlation analysis was used to examine the nature of the relationship between variables (positive, negative), while regression was to establish whether the studied variables were significant or not in predicting variances in the dependent variable. Interpretation of the results under correlation analysis was based on the Pearson Correlation value (r). On the other hand, the study focused on statistical values of Adjusted R^2 and Beta to interpret results under regression. The study used a hierarchical regression model to test the mediation. Interpretation of these results was based mainly on R^2 , Beta, and R^2 change.

3.11 Ethical Considerations

The study ensured that all data obtained in this research was used strictly for academic purposes. The study also made sure that all respondents' confidentiality was maintained. This study did not ask for sensitive information such as name, telephone number or even indicate an identifiable mark on the questionnaire to show the institution from which data was obtained. The study also made sure that only potential respondents who expressed interest in participating in this research were the only ones involved.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter provides the presentation and interpretation of findings based on the objectives of the study which were; examine the relationship between corporate governance practices and fraud management among supervised financial institutions; examine the relationship between ethical environment and fraud management among supervised financial institutions; assess the relationship between corporate governance practices and ethical environment among supervised financial institutions; and to examine the mediating effect of ethical environment in the relationship between corporate governance and fraud management among BOU supervised financial institutions.

4.2 Response Rate

This study obtained data from 135 BOU supervised institutions instead of 181 as earlier anticipated. This gave a response rate of 74.5% of the targeted sample, above the minimum required 70%. This implied that the data obtained in this study was fit to be generalized to the entire population, and sufficient to be based on for drawing conclusions and recommendations. Whereas this is the case, it is important to note that this study was able to obtain data from all the four targeted respondents from the BOU supervised financial institutions as it had earlier been anticipated.

4.3 Demographic Characteristics

This study obtained demographic characteristics in relation to both the respondents and institutions. Demographics in relation to the respondents included; category of respondents; gender; age; education; and experience. On the other hand, institutional characteristics included; category of financial institution; number of years; number of branches and average number of employees.

4.3.1 Respondents' Characteristics

The study used a frequency table to present results related to respondents' characteristics. The frequency table was presented with a frequency reflecting the total number of responses that were considered in the analysis. These results are presented in table 4.1 below.

Table 4.3: Respondents' Characteristics

Demographics	Freq (n=270)	Percent (%)
Category of Respondents		
Executive Manager	60	22.2
Internal Audit Officer	110	40.7
Accountant	100	37.1
Gender		
Male	154	57.0
Female	116	43.0
Age bracket		
Less than 30 yrs.	16	5.9
30-40 yrs	53	19.6
41-50 yrs	141	52.2
51-60 yrs	60	22.2
Level of Education		
Diploma	22	8.1
Degree	101	37.4
Masters	123	45.6
PhD	24	8.9
Level of working experience		
Less than 5yrs	33	12.2
Between 5-10yrs	59	21.9
Between 11-15yrs	108	40.0
15 and above	70	25.9
Total	270	100.0

***Note:** Results presented in this table are reflective of the total number of responses that were obtained from the 135 BOU supervised financial institutions that participated in this research.*

Source: Primary Data

Table 4.1 revealed that most respondents were internal audit officers. This meant that most financial institutions have endeavored to hire internal audit officers in order to achieve effective fraud management. Perhaps, this implied that internal audit officers possess the necessary

expertise to guide financial institutions towards achieving demonstrable fraud management. Results in table 4.1 also reveal that much as majority of the respondents were male (57%), their variation in relation to the number of females who participated was not very high as these consisted 43% of the total response rate. In this case, the results meant that supervised financial institutions employ a significant number of both males and females at the board, executive, internal audit and accounting level. This could further portray that these institutions recognize the fact that both males and female play a crucial role in fraud management.

Results further indicate that most respondents were aged between 41-50 years. These results suggest that most financial institutions are employing employees who are relatively old in positions related to finance, internal audit and risk. This could portray that financial institutions are looking for old personnel who have obtained adequate exposure and experience in financial institution businesses. These can easily identify appropriate fraud prevention, detection and responsive strategies.

In relation to the level of education, the results indicate majority of the respondents had master's degree (45.6%). This meant that most personnel in charge of addressing fraud management within supervised financial institutions have broadened knowledge, skills and abilities. This is important for financial institutions because such employees are able to use their competencies to identify issues that are bound to compromise and subsequently propose strategies that can enhance fraud management.

Lastly, results indicate that most respondents had experience ranging between 11-14 years. In other words, employees were highly experienced in their respective fields. Such experience is important in guiding financial institutions to achieve desired fraud management because experienced employees are highly exposed and have a deep understanding of the business risks and suspicious conduct.

4.3.2 Institutional Characteristics

Results in relation to institutional demographic characteristics were presented in a frequency table. While presenting these results, aggregation was carried out so that the frequency and percent values are based on the number of supervised financial institutions which participated in the study. The results obtained to that effect are presented in table 4.2 below.

Table 4.4: Institutional Characteristics

Demographics	Freq	Percent (%)
Category of financial institutions		
Commercial bank	12	8.9
Credit Institutions	6	4.4
Micro Deposit Institution	5	3.7
Money Remitter	46	34.1
Foreign Exchange Bureau	56	41.5
Credit Reference Bureaus	2	1.5
Non-banking payment service providers	8	5.9
Years in Operation		
		-
<5 years	4	3.0
5-10 years	12	8.9
11-15 years	28	20.7
16-20 years	51	37.8
21 and above	40	29.6
Number of Branches		
		-
Less than 10	4	3.0
10-20 branches	9	6.7
21-30 branches	16	11.9
31-40 branches	21	15.6
41-50 branches	44	32.6
51-60 branches	41	30.4
Average Number of employees		
		-
<50 employees	4	3.0
50-200 employees	9	6.7
201-300 employees	9	6.7
301-400 employees	23	17.0
401-500 employees	43	31.9
501 and above	47	34.8
<i>Note: Frequency (n=135) aggregated in relation to the total number of supervised financial institutions which participated in the study</i>		

Source: Primary Data

Table 4.2 indicates that most of the financial institutions which participated in the study were foreign exchange bureaus. This meant that the major players among supervised financial institutions are foreign exchange bureaus. This could further imply that most susceptible

supervised financial institutions to encounter fraudulent transactions are foreign exchange bureaus.

In relation to the years in operation, the results indicate that most financial institutions had been in operation for a period ranging between 16 and 20 years. This meant that most of the financial institutions were highly experienced in financial transacting business. Therefore, it can be argued that financial institutions in Uganda fully understand most sources of fraud since they have been in operation for a reasonable period. This is likely to increase the extent to which supervised financial institutions will be able to continuously counteract fraud.

Results further established that most financial institutions had between 41-50 branches. These results meant high level of expansion and growth of financial institutions in Uganda. However, this increases exposure to fraudulent transacting because fraudsters have different alternatives where they can carry out fraud without easily being caught for some time in the event where policies are weak.

Results also indicate that the largest number of financial institutions had 501 employees or more. These results meant that most supervised financial institutions are employing a large number of staff. This implied that supervised financial institutions are highly susceptible to experiencing fraud which is internally engineered. Accordingly, the findings imply that financial institutions must put clear policies and controls that can reduce employees' appetite to fraud.

4.4 Correlation Analysis

Pearson Zero-Order Correlation analysis was used to examine the nature of the relationship between studied variables (positive, negative). The study interpreted results based on the Pearson Correlation Value (r) to indicate the nature of the relationship. These results are presented in table 4.3 below.

Table 4.5: Pearson correlation Analysis

Variables/Constructs	1	2	3	4	5	6	7	8	9	10
Corporate Governance Practices (1)	1									
Board Role Performance (2)	.353**	1								
Board Independence (3)	.616**	.262**	1							
Board Expertise (4)	.499**	.326**	.336**	1						
Board Composition (5)	.304**	.154*	.254**	.243**	1					
Ethical Environment (6)	.501**	.552**	.455**	.375**	.242**	1				
Egoism (7)	.509**	.466**	.331**	.395**	.245**	.546**	1			
Principled (8)	.460**	.237**	.187**	.372**	.159**	.404**	.473**	1		
Benevolence (9)	.458**	.643**	.307**	.288**	0.072	.564**	.462**	.409**	1	
Fraud Management (10)	.588**	.376**	.506**	.472**	.425**	.581**	.512**	.434**	.461**	1

*Notes: n=135 supervised financial institutions; **, $p < .01$ (2-tailed).*

Source: Primary Data

4.4.1 Corporate governance practices and Fraud management

Table 4.3 indicates a significant and positive association between corporate governance practices and fraud management ($r=.588$, $p<.01$). In this case, these results meant that when corporate governance practices are enhanced, there is a high possibility that supervised financial institutions will be able to enhance fraud management. To further comprehend the association, the study examined how each construct for corporate governance practices associates with fraud management. The results revealed a significant and positive relationship between board role performance and fraud management ($r=.376$, $p<.01$), board independence and fraud management ($r=.506$, $p<.01$); board expertise and fraud management ($r=.472$, $p<.01$) as well as a significant positive relationship between board composition and fraud management

($r=.425$, $p<.01$). These results meant that improvement in board role performance, board independence, board expertise, and board composition in corporate governance practices is likely to enhance the propensity of fraud management among BOU supervised financial institutions.

4.4.2 Ethical Environment and Fraud management

Table 4.3 reveals a significant and positive relationship between ethical environment and fraud management among BOU supervised financial institutions ($r=.581$, $p<0.01$). The results meant that boosting ethical environment is likely to stimulate fraud management especially in BOU supervised financial institutions. Worth noting, this study shows a significant and positive relationship between egoism and fraud management ($r=.512$, $p<0.01$); a significant and positive relationship between principled and fraud management ($r=.434$, $p<0.01$). Likewise, a significant and positive relationship was also obtained between benevolence and fraud management ($r=.461$, $p<.01$). These results meant that stimulating ethical environment which promotes egoism, principledness and benevolence could increase the propensity of fraud management at BOU supervised financial institutions.

4.5 Regression Analysis

A multiple regression analysis was used to determine the predictability of studied variables towards the dependent variable. The model was also used to establish whether each of the studied variable was a significant predictor, in addition to determining the better predictor in explaining variances in the dependent variable. These results are presented in table 4.4 below.

Table 4.6: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.597	0.165		3.608	0.000
Corporate Governance Practices	0.394	0.052	0.397	7.599	0.000
Ethical Environment	0.364	0.050	0.382	7.314	0.000
	R	R²	Adj. R²	F	Sig.
	.675 ^a	0.455	0.451	111.454	.000 ^b

a. Dependent Variable: Fraud Management.

b. Predictors: (Constant), Corporate Governance practices, Ethical environment.

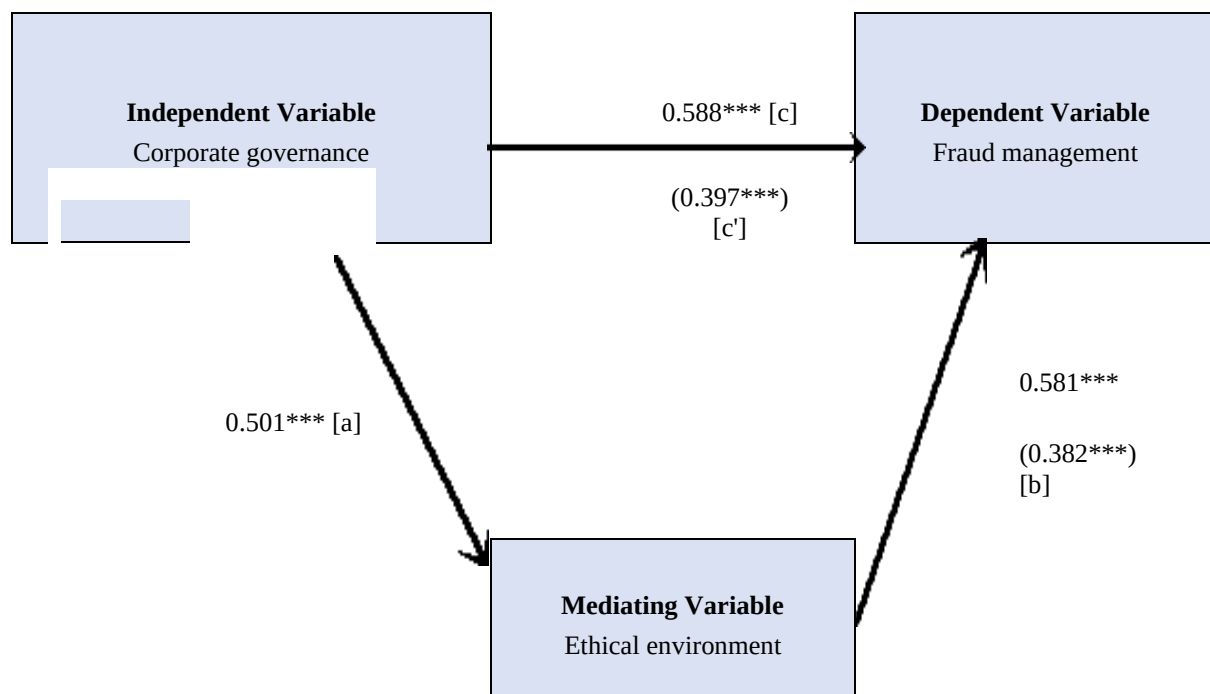
Source: Primary Data

Table 4.4 obtained Adj. $R^2=.451$ in the regression of corporate governance practices and ethical environment on fraud management. Based on these results, it meant that jointly significant changes in corporate governance practices and ethical environment predict up to 45.1% variations in fraud management among BOU supervised financial institutions. Furthermore, the results indicate standardized coefficients ($\beta=.397$, $t=7.599$, $p<.05$) in relation to corporate governance practices as well as ($\beta=.382$, $t=7.314$, $p<.05$) in relation to ethical environment among BOU supervised financial institutions. These results meant that any unit positive change that occurs to either corporate governance practices or ethical environment or both significantly results in positive significant changes in fraud management among BOU supervised financial institutions. That said, the comparative analysis of the Beta-values ($\beta=.397$ and $\beta=.382$) reveal that corporate governance practices are the better predictor of fraud management at BOU supervised financial institutions. This meant that a unit positive change in corporate governance results causes higher significant variations to fraud management compared to significant positive variation that would be recorded when there is a unit positive change within the ethical environment.

4.6 Testing of mediation

This study used a Med Graph to test the mediation of ethical environment in the relationship between corporate governance and fraud management. The results are presented in figure 4.1.

Type of mediation		Significant	
Sobel z-value		5.776385	$p = <0.000001$
95% Symmetrical Confidence interval			
	Lower	0.12554	
	Higher	0.25448	
Unstandardized indirect effect			
	a*b	0.19001	
	se	0.03289	
Effective Size measures			
<u>Standardised Coefficients</u>			
Total:		0.588	-
Direct:		0.397	
Indirect:		0.191	
Indirect to Total ratio		0.325	



Note: $n=135$, *** $p<.001$

Figure 4.2: Mediation effect of Ethical Environment in the relationship between Corporate Governance and Fraud Management

Results in relation to the mediation of ethical environment in the relationship between corporate governance and fraud management indicate Sobel z-value= 5.773835 and p-value=0.000001. With a Sobel z-value higher than the p-value, and the p-value less than 0.5, it meant that ethical environment mediates the relationship between corporate governance and fraud management. From the Med Graph, the beta weight of the basic relationship between corporate governance and fraud management is significant [$c = (r=.588, p<.001)$]. With the inclusion of the mediator in this basic relationship, the coefficient of regression remained significant [$c' = (r=.397, p<.001)$], although declining significantly ($c = r = .588$ to $c' = r = .397$). These results meant that ethical environment partially mediates the relationship between corporate governance and fraud management. In this partial mediation, the Med Graph revealed 35.9% $[(0.211/0.588)*100]$ of the relationship between corporate governance and fraud management is indirect, whereas 54.1% is direct.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the discussion of findings, conclusion and recommendation in relation to the study objectives which include; examine the relationship between corporate governance practices and fraud management; examine relationship between ethical environment and fraud management; assess the relationship between corporate governance practices and ethical environment; and examine the mediating effect of ethical environment in the relationship between corporate governance and fraud management among BOU supervised financial institutions. The chapter also points out the study limitations, and proposed areas for further study.

5.2 Discussion of Findings

5.2.1 Corporate governance practices and Fraud management

This research found out that corporate governance practices are positively associated with fraud management, more especially among BOU supervised institutions. With these findings, it means that enhancing corporate governance practices enhances the effectiveness of fraud management in BOU supervised institutions. In the same context, this research emphasizes that one of the key roles of the board is to provide an oversight function within an institution. In executing this function, the board is supposed to make sure the institution has appropriate mechanisms to guarantee effective utilization of resources. From this reasoning, it can be argued that applying corporate governance practices within an institution increases capacity of the board to task management to institute policies, rules and procedures which are able to minimize fraudulent tendencies.

Indeed, the agency theory denotes that institutions need to institute governance mechanisms which are able to closely monitor and control decisions of managers (Jensen & Meckling,

1976). It clearly demonstrated that putting in place corporate governance practices improves the way managers run institutions, especially when it comes to putting in place specific policies, rules and guidelines which are aimed at minimizing behaviors and actions which curtail attainment of intended goals and objectives. Moreover, it consistently agrees with Nalukenge et al., (2018) who indicated that weak corporate governance practices increase opportunity for committing fraud. This research in this case provides further empirical evidence to confirm that corporate governance practices remain pivotal in the current environment. As such, it stresses the need for policy makers to put in place effective corporate governance practices as a remedy for fraud.

In particular, this research notes that board role performance is positively associated with effective fraud management. In essence, these findings postulate that the more the board performs its roles, the more it will be able to stimulate better fraud management within institutions, especially those supervised by the BOU. The explanation for this, according to this research is the fact that the board is responsible for carrying out control functions of which fraud management is part and parcel. A well-functioning board will therefore continuously critique, develops and recommends, and enforces policies which they believe can prevent, detect and respond to various sorts of fraud. Therefore, this study informs policy makers of the need to appoint active board members who are able to perform their designated roles effectively.

Furthermore, this study revealed a positive association between board independence and fraud management among BOU supervised institutions. This means that board independence is necessary in stimulating fraud management within institutions. In the same context, this research argues that board independence is important because it enables board members to institute and enforce policies without fear or favour, which creates an environment where

everyone is held accountable for their actions irrespective of the position they hold. The relevance of board independence has in fact received a lot of prominence. Scholars such as Adigwe and Stanley, 2018; and Pamungkas et al., (2018) emphasize that ability of corporate governance practices to deal with fraudulent actions depends on the degree of independence of the board. This research provides evidence to affirm that board independence remains a relevant corporate governance practice in addressing fraud among institutions, especially those supervised by the BOU. It informs policy makers of the need to embrace ignitors of board independence, such as instituting a board which is largely dominated by non-executive members, and setting a clear line between management and the board in terms of roles and responsibilities executed.

The study further demonstrated that there exists a positive relationship between board expertise and fraud management. Based on these findings, it means that improving board expertise increases the extent to which institutions, especially those supervised by the BOU are able to improve fraud management. In the same manner, this research expresses that for any board to be able to execute its roles, it must possess specific skills, knowledge and abilities. For instance, to deal with fraud, the board must understand the different frauds and the manner in which they manifest within a financial institution setup. This argument corresponds with Flowerastia et al., (2021) who denote that for any board to deal with fraud, it must possess skills and knowledge to interpret and identify fraudulent transactions that call for management explanation.

Therefore, as policy makers, this study emphasizes the need to exercise vigilance when appointing board members. It strongly proposes that members appointed should be experienced in the nature of the business, balanced in terms of skills possessed, and should have served or

must be serving in similar capacities elsewhere because they will have adequate exposure and experience, they can apply to deal with fraud.

Likewise, this research found that board composition is positively associated with fraud management. These findings postulate that the more well-composed an institutional board is, the more it will be able to manage fraud. In support, this research emphasizes that since the board serves as the watchdog of management and a source of strategic decisions, it necessitates to have supreme knowledge, experience, diversity of skills, and members who come from different backgrounds to pool important ideas and information of how to deal with fraud. Indeed, Adigwe and Ogoun (2018) along with Alperovych et al., (2018) emphasize that a well-composed board is able to predict and anticipate potential fraudulent action and behaviour. This is so because they are full of skills, diversity and experience. The consistence expressed between this research and prior studies demonstrated that board composition remains a core attribute for consideration as policy makers decide on the members who should serve on the board. From an empirical reasoning, the study provides empirical evidence to clearly demonstrate that board composition is an inevitable corporate governance practice in addressing fraud tendencies.

5.2.2 Ethical Environment and Fraud management

It was established that ethical environment is positively associated with fraud management among financial institutions, especially those supervised by the BOU. In essence, the findings demonstrated that enhancing ethical environment increases the effectiveness of fraud management among financial institutions. In congruence, this study stresses the environment within which personnel work plays a crucial role in shaping behavior and action. This means that personnel who work in institutions with strict ethical policies are bound to avoid engaging in unethical behaviour such as committing fraud because of the consequences they are bound

to experience in case they are found. The findings are in line with Sajari et al., (2019) who reveal that an ethical environment propels employees to follow rule and regulations because they presume it is the morally acceptable behaviour, which translates in fraud mitigation. The findings also clearly interconnect with the social identify theory's expression which reveals behaviour and actions exhibited by individuals is a function of social environment they relate with (Tajfel, 1982). In other words, organizations which set up strict ethical values and standards will encourage employees to shape their actions towards the same, which will minimize unethical practices such as those related to fraud.

In this case, this research cautions policy makers and managers within institutions to always take action against any suspicious fraud so that others know that any violations will cost them significantly. Otherwise, failure to take actions against perpetrators of fraud will wash away ethical morals among personnel which will increase fraud. Specifically, findings obtained a positive association between egoism and fraud management in BOU supervised institutions. The findings suggest that an ethical environment dominated by egoism is associated with an increase in fraud management. Nonetheless, these findings contradict with Kabeyi (2018) and Teresi et al., (2019) who indicate that egoism tends to drive individuals to think about self-interests rather than interests of others. This is bound to propel individuals to engage in behaviour which is fraudulent as they seek to address financial needs.

Amidst the prevailing contradictions, this research argues that the influence of egoism on fraud management depends on the perspective from which personnel exhibit egoism, either letting their self-interests or organizational interests override their moral reasoning. This research is of the view that egoism driven by organizational interests propels personnel to consider organizational interests over their personal, which stimulate behaviour aimed at minimizing fraudulent dealing because it is not acceptable within organizations. On the other hand, egoism

driven by self-interests is bound to propel fraudulent dealings simply because employees are less bothered about the organization. Similarly, as Victor & Cullen (1988) earlier stated, actions and moral reasoning depend on the degree of perception. Accordingly, this research concludes that egoism most personnel are exhibiting within BOU supervised institutions is organizational rather than self-interest driven.

Likewise, this research established a positive relationship between principled ethical environment and fraud management. These findings emphasized enhancement of principled ethical environment within institutions enhances fraud management. According to this research, this is justified because when an institution is principled ethically, it sets clear standards, laws and regulations which personnel must comply, and endeavors to take action against any form of unethical behaviour as prescribed. This is bound to create fear among employees from engaging in fraudulent tendencies because they know will cost them significantly. Similarly, Christy and Utami (2020) emphasize that principled ethical environment contributes significantly to the minimization and prevention of fraud. Therefore, it is a lesson to policy makers and managers of institutions to ensure that institutions do not compromise with any form of violation of rules and procedures exhibited by personnel because it will minimize on tendencies of fraud.

Other findings revealed that there exists a positive relationship between benevolence and fraud management. This meant that promoting benevolence ethical environment improves fraud management, especially among BOU supervised financial institutions. In the same context, this research indicates that a benevolence ethical environment makes employees personal accountable and responsible for their actions. Because of this, employees are less likely to engage in behaviour and actions which are not considered good for the organization, or deprive customer and public image. This is consistent with Al Halbusi et al., (2021) who highlighted

that a benevolence propels employees to evaluate the benefits and consequences of their actions and behaviour before they undertake a given decision. According to this research, this assessment is bound to minimize fraudulent tendencies especially in an environment where actions against fraudulent practices are severe. On that note, the research further informs policy makers and managers of the relevance of intensifying ethical values and standards in institutions, such as those governed by the BOU.

5.2.4 Mediation of ethical environment in the relationship between corporate governance practices and fraud management

Findings reveal that ethical environment mediates the relationship between corporate governance and fraud management, especially among BOU supervised institutions. From these findings, it meant that an ethical environment facilitates the relationship that manifests between corporate governance practices and fraud management. The implication to that effect is that much as corporate governance practices have the capacity to influence the extent to which institutions are able to deal with fraud, its contribution becomes more pronounced when the institution has a good ethical environment. With the same reasoning, this research reveals that one of the major reasons for instituting corporate governance practices within institutions is to ensure its actions and behaviour are streamlined towards achieving institutional interests. However, this objective can hardly be achieved in an environment which compromises fundamental ethical standards and values because it serves as a breeding ground for unethical practices such as fraudulent dealing. In this case, it can be argued that corporate governance practices will always target to address ethical issues within an institution because it will build a strong commitment towards preventing, detecting and responding to various forms of fraudulent dealings.

Prior studies have instead deduced the mediation of ethical environment in the relationship between corporate governance practices and fraud management. Notably, Kesuma et al., (2020) and Rossouw (2020) conclude that corporate governance has a connection with ethical values and standards expressed within institutions. On the other side of the coin, Musoke et al., (2020), Lwanga and Basemera (2021) affirm the connection between ethical environment and fraud management. On that note, this research contributes to literature by proving that a partial mediation exists ethical environment in the relationship between corporate governance practices and fraud management. It unleashes to policy makers of institutions to consider both corporate governance practices and ethical environment as key preconditions which intensify fraud management. Moreover, it alerts policy makers that however much corporate governance practices are essential, its relevance will better be realized if an ethical environment prevails. Moreover, it notifies board members to direct much attention towards revamping ethical environment, as this will automatically revive fraud management.

5.3 Conclusion

Financial institutions need to put in place corporate governance practices to manage and control fraud. It has been clarified that institutional boards play an important role of overseeing all activities and evaluating effectiveness of decisions by management, and subsequently providing advice related to counteracting unethical behaviour such as fraud. Importantly, it is emphasized herein that what makes the board effective is instituting a board that is independent, well-composed, full of expertise, and one which executes roles as prescribed. When the board is instituted along these principles, it will have ultimate power, authority and capability to minimize fraud significantly. It is also shown that the ethical environment which prevails in a given financial institution will have a strong inclination to fraud management. Institutions which clearly demonstrate strong commitment to principles, rules and regulation and take action against any violations create an environment where it is widely accepted that fraud is

unacceptable and punishable, which significantly reduces fraudulent tendencies. Moreover, this research has demonstrated that egoism, principled, and benevolent ethical environments will create an environment in which fraud is easily prevented, detected and responded to. It is also clear that one of the preconditions for ethical environment is corporate governance. When prevalent, corporate governance practices will lead to effective formulation of policies, rules and regulations which promote ethical standards and values. Lastly, as much as corporate governance practices have the potential to determine the effectiveness of fraud management within financial institutions, their full potential will be realized in an ethically upright environment.

Importantly, this research informs policy makers of the relevance of corporate governance practices and ethical environment in preventing and fighting fraudulent practices within institutions. Moreover, its contribution towards literature cannot be overemphasized. The research provides empirical evidence to prove that the relevance of corporate governance and ethical environment towards fraud management applies to financial institutions as well. This research also goes ahead to empirically test and affirm a partial mediation of ethical environment in the relationship between corporate governance practices and fraud management. Theoretically, it proves that corporate governance practices can address the agency problems through the emphasis on the Board's oversight role on managers so that they implement appropriate rules and regulations which are capable of dealing with unethical behaviour such as fraud. The research also complements the social identify theory by revealing that personnel who operate within a morally upright ethical environment will be influenced to desist from any practices which violate this environment. That way, the personnel are accepted and considered as part of institution.

5.4 Recommendations

Based on the conclusion, the following recommendations are proposed;

1. Financial institutions must continuously improve their corporate governance practices, by promoting board independence; having the right expertise on the Board, ensuring proper composition of board members, and facilitating board members to execute their oversight roles. The Chief Executive Officer must not serve as the Board Chairman and non-executive members should occupy more seats on the Board to promote independence. The board must have experienced, highly knowledgeable and skilled members preferably who have served as board members in other financial institutions or have worked for a reasonable duration within the industry.
2. Financial institutions should promote an ethical environment if they are to limit opportunities for fraud. All personnel should be frequently availed with and sensitized about the company code of conduct. In addition, employees, irrespective of their position who engage in unethical behaviour such as fraud must be dealt with severely as stipulated in the company policies, rules and regulations.
3. Bank of Uganda should directly monitor and control supervised financial institutions on corporate governance issues. It should setup a centralized approval committee which all personnel intended to be appointed as board members are approved before they take on such roles
4. Bank of Uganda should lobby for the inaction of stringent fines, penalties and punishments for violation of guiding rules, regulations and procedures for financial institutions for violation of corporate governance policies, and fraudulent tendencies.

5.5 Limitations of the study

Much as this study comprised of different financial institutions, the results presented do not comprehensively demonstrate how the studied variables influence the dependency across these institutions. As such, the results presented are more general rather than specific. Accordingly, it could be likely that policy implications may not necessarily apply in the different financial institutions as depicted in this study.

Some of the respondents targeted by this study were difficult to get. As such, few responses were obtained from respondents including board members and Executives. Accordingly, the findings expressed herein do not give a clear representation of the responses from some respondents, much as they were considered crucial in understanding the phenomenon.

This research self-developed items under fraud management due to a lack of clear items from previous researches. As such, it is possible that some of the researchers may perceive some of the items used herein as not good enough to measure the construct under which they were presented. This may compromise the viability of the results.

5.6 Areas for further Study

Examine the relationship between corporate governance, ethical environment and fraud management among financial institutions in Uganda - A board and Executive Officers' perspective.

Investigating the relationship between corporate governance, ethical environment and fraud management among financial institutions in Uganda - A comparative analysis.

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Appendix I: Questionnaire Form

Dear respondent,

I am a student at Makerere University Business School pursuing a Master's of Science in Accounting and Finance. I am researching on the relationship between corporate governance practices, Ethical environment and Fraud management in BOU supervised financial institutions. Given your unique experience and position in the banking and financial industry, you have been chosen purposely for the study. Your response is therefore very instrumental to the success of my research project. Kindly assist by answering the following questions as honestly as possible. The data sought shall be purely for research purpose and will therefore be treated with anonymity and utmost confidentiality.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

Section A (I): Individual Characteristics

1. Category of respondent.

Executive manager	Internal Audit officer	Accountant
1	2	3

2. Gender

Male	Female
1	2

3. Age bracket

<30 yrs	30-40 yrs	41-50 yrs	51-60yrs	61 and above
1	2	3	4	5

4. Education level

Diploma	Degree	Masters	PhD
1	2	3	4

5. Level of working experience.

<5 yrs	5-10 yrs	11-14yrs	15 and above	N/A
1	2	3	4	5

Section A (II): Institutional Characteristics

6. Category of financial institution

Commercial Bank	Credit Institution	Micro Deposit Institution	Money Remitter	Foreign Exchange Bureau	Credit Reference Bureaus	Non-banking payment service providers
1	2	3	4	5	6	7

7. Years in operation.

<5 years	5-10 years	11-15 years	16-20 years	21 and above
1	2	3	4	5

8. Number of branches.

Less than 10	10-20 branches	21-30 branches	31-40 branches	41-50 branches	51-60 branches	61 and above
1	2	3	4	5	6	7

9. Average number of employees.

<50 employees	50-200 employees	201-300 employees	301-400 employees	401-500 employees	501 and above
1	2	3	4	5	6

SECTION B: CORPORATE GOVERNANCE PRACTICES

Please respond to the following statements using the key below.

Key: 1-Strongly Disagree (SD), 2- Disagree (D), 3- Not Sure (NS), 4- Agree (A) and 5 represents Strongly Agree (SA).

BOARD GOVERNANCE		SD	D	N	A	SA
	Board expertise					
BE1	We have a board which is balanced in terms of skills	1	2	3	4	5
BE2	Some of our board members are also board members in other entities.	1	2	3	4	5
BE3	We have a board with members who are experienced in the nature of our business.	1	2	3	4	5
BE4	Some of our board members have accounting experience	1	2	3	4	5
BE5	Some of our board members have expertise in financial services activities.	1	2	3	4	5
	Board independence					
BI1	This financial institution's board is constituted of both executive and non-executive members.	1	2	3	4	5
BI2	The majority of this financial institution's board members are non-executive members.	1	2	3	4	5
BI3	The board and management of this financial institution have clear separation of roles.	1	2	3	4	5
BI4	The board of this financial institution works strictly in accordance with institution goals and objectives.	1	2	3	4	5

BOARD GOVERNANCE		SD	D	N	A	SA
BI5	The board of this financial institution works based on its own agenda.	1	2	3	4	5
BI6	The board for this financial institution has conflict of interest.	1	2	3	4	5
Board Composition						
BC1	The board of this financial institution is composed of members with diverse skills.	1	2	3	4	5
BC2	This financial institution's board is composed of both genders.	1	2	3	4	5
BC3	All positions of the board of this financial institution are filled with members.	1	2	3	4	5
BC4	The board of this financial institution is composed of highly experienced members.	1	2	3	4	5
BC5	This financial institution's board contains members from different backgrounds.	1	2	3	4	5
Board role performance						
BA1	Our board provides strategic direction.	1	2	3	4	5
BA2	Our board reviews the corporate strategy often.	1	2	3	4	5
BA3	Our board of directors enforces company policies.	1	2	3	4	5
BA4	Our board retains full and effective control by appointing the managing director.	1	2	3	4	5
BA5	Our board complies with rules and regulations.	1	2	3	4	5
BA6	Our board delegates authority to management and monitors implementation.	1	2	3	4	5

SECTION C: ETHICAL ENVIRONMENT

Instructions: Please choose only one answer to each question. You are provided with 5-options which are defined as follows.

Key: 1-Strongly Disagree (SD), 2- Disagree (D), 3- Not Sure (NS), 4- Agree (A) and 5 represents Strongly Agree (SA).

	Egoism					
EC1	In this institution, people are mostly out for themselves	1	2	3	4	5
EC2	The major responsibility for people in this company is to consider efficiency first.	1	2	3	4	5
EC3	People are expected to do anything to further the institution's interests.	1	2	3	4	5
EC4	There is no room for one's own personal morals or ethics in this institution.	1	2	3	4	5

EC5	Work is considered sub-standard only when it hurts the institution's interests.	1	2	3	4	5
EC6	In this company, people protect their own interest above other considerations	1	2	3	4	5
EC7	People are concerned with the company's interests.	1	2	3	4	5
EC8	In this institution, everyone is expected, above all, to work efficiently.	1	2	3	4	5
<i>Benevolence</i>						
BN1	In this institution, people look out for each other's good	1	2	3	4	5
BN2	Each person in this institution decides for himself what is right and wrong	1	2	3	4	5
BN3	The most important concern is the good of all the people in the institution.	1	2	3	4	5
BN4	In this institution, our major concern is always what is best for the other person	1	2	3	4	5
BN5	Our major consideration is what is best for everyone in the institution.	1	2	3	4	5
BN6	It is expected that you will always do what is right for the customer and public	1	2	3	4	5
<i>Principled</i>						
PR1	In this institution, people are expected to follow own personal and moral beliefs.	1	2	3	4	5
PR2	The most important consideration in this company is each person's sense of right and wrong.	1	2	3	4	5
PR3	People are expected to comply with the law over and above other considerations.	1	2	3	4	5
PR4	People are expected to comply with professional standards over and above other considerations.	1	2	3	4	5
PR5	Everyone is expected to stick by institution rules and procedures.	1	2	3	4	5
PR6	In this institution, people are expected to strictly follow the law	1	2	3	4	5
PR7	In this institution, people are expected to strictly follow professional standards					

SECTION C: FRAUD MANAGEMENT

Instructions: Please choose only one answer to each question. You are provided with 5-options which are defined as follows.

Key: 1-Strongly Disagree (SD), 2- Disagree (D), 3- Not Sure (NS), 4- Agree (A) and 5 represents Strongly Agree (SA).

	<i>Preventive</i>
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PV1	Authorization, custody of assets, and recording or reporting of transactions are segregated.	5	4	3	2	1
PV2	Compliance audit is carried out periodically.	5	4	3	2	1
PV3	Pre-employment screening on potential job candidates is carried out in this institution.	5	4	3	2	1
PV4	This financial institution restricts access to sensitive areas and documents.	5	4	3	2	1
PV5	Employees are restricted from using personal belongings during the office environment	5	4	3	2	1
Detective						
DE1	Every employee in this financial institution is required to take holiday.	5	4	3	2	1
DE2	This institution has a whistleblowing hotline.	5	4	3	2	1
DE3	In this institution, duties and responsibilities for employees are periodically changed.	5	4	3	2	1
DE4	This institution hires external auditor to supplement internal audit.	5	4	3	2	1
DE5	Any suspicious dealings are investigated in this institution.	5	4	3	2	1
Responsive						
RE1	This institution provides an anonymous way to report suspicious actions.	5	4	3	2	1
RE2	Disciplinary action is taken against whoever is responsible for a fraud.	5	4	3	2	1
RE3	Employees in this institution are frequently educated about the importance of ethics and anti-fraud.	5	4	3	2	1
RE4	This institution has a well-formulated fraud risk governance policy.	5	4	3	2	1
RE5	This institution continuously makes modifications to its anti-fraud strategy to prevent similar scenarios in the future	5	4	3	2	1
RE6	This institution recovers stolen funds or property from those engaged in fraudulent dealings.	5	4	3	2	1

Thank you very much for participating!