AN ASSESSMENT ON THE EFFECTIVENESS OF INTERNAL CONTROLS IN FRAUD PREVENTION AND DETECTION IN A COMMERCIAL BANK (A CASE STUDY OF STANDARD CHARTERED BANK IN ZIMBABWE)

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ABSTRACT

This study sought to assess the effectiveness of internal control system in fraud prevention and detection for the period 2009-2013. In order to harness meaningful data, the study took a case study approach. The researcher used a case study of Standard Chartered Bank as a representative of the commercial banks in Zimbabwe. The main objective of the study was to ascertain the effectiveness of Internal Control System to help in deterring and preventing bank frauds. The researcher used both qualitative and quantitative research methods. Twenty-five questionnaires were hand delivered to the Standard Chartered Bank of Zimbabwe head office’s five departments, with nearly twenty staffers each, for completion. Five questionnaires were completed in each of the five departments namely finance, fraud and security, audit, risk management and human resource. Five interviews (one per department) were conducted and results were collected immediately after completion for analysis. A summary conclusion drawn from the study revealed that the bank implemented Internal Control which was more preventive, with all five components operating. It came to light that major cause of bank frauds was a result of opportunity which Internal Controls were not sufficiently able to detect and prevent in time. Results show that Internal Controls could not detect past frauds of greater value (i.e. during the period of study 2009-2013), or to some extent be able to prevent and detect them in time. It also came to light that, while the internal audit unit was responsible for monitoring internal controls and compliance, management assesses fraud risks. The internal audit unit was/is not part of branch operations, as they only visit the branches on monthly basis. The recommendations drawn from the study was that the Standard Chartered bank of Zimbabwe should set internal audit units at their various branches across the country, so that there shall always be internal audit personnel to ensure compliance to the internal controls. In view of this, the internal audit personnel’s should also be rotated at regular intervals to avoid any form of malpractices.