AN INVESTIGATION INTO THE CAUSES AND MANAGEMENT OF INTERNAL BANK FRAUDS: A CASE STUDY OF BANKS IN HARARE CENTRAL BUSINESS DISTRICT (JANUARY 2011-DECEMBER 2012)

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ABSTRACT

Policing fraud is a daunting task which requires training and skills considering today’s sophistication of criminal activities due to technology and the organised nature of white collar crime. The general upsurge of internal bank frauds in Zimbabwe albeit the existence of control measures in banks has led many question to be raised regarding the capacity of banks in combating internal bank fraud. This study aimed at investigating the causes of internal bank frauds and their management in the Zimbabwean banking sector. The study covered period January 2011 to December 2013. In the process the study identified types and nature of internal bank frauds prevalent in the banking sector, causes and applicable internal bank frauds controls. A descriptive research design was used to gather data through use of questionnaires and interviews. The target population comprised three commercial banks in Harare CBD. The total population was 90 employees where a sample of 31 respondents was drawn using stratified random sampling. The sampled data was analysed scientifically using a Scientific Package for Social Sciences (SPSS) and Microsoft Excel package was used in data presentation. The study established that internal bank frauds prevalent in Zimbabwean banking sector were computer frauds, wire fraud, accounting fraud, theft and embezzlement, defalcation, forgeries and manipulation of vouchers while rogues traders and forged or fraudulent cheques were not prevalent. The study also revealed that internal banks frauds were being caused by a combination of both institutional and environmental causes. Furthermore the study established that components of COSO fraud control model are useful in controlling internal bank frauds. The study then concluded that the institutional and environmental causes have weakened the capacity of banks to effectively manage internal bank frauds. The study therefore recommended enforcement of internal controls, pre-employment screening on bank staff, and training of bank staff on fraud causatives and management and adoption of sound corporate governance by top management of the banks as possible measures to address bank frauds. Further studies are required in order to develop more control frameworks that can be employed by banks.