

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF INTELLIGENCE AND SECURITY STUDIES



MANAGEMENT CONTROL SYSTEMS AND THEIR EFFECTIVENESS AGAINST
INTERNAL FRAUD. A CASE STUDY OF ZB BANK 2020- 2022.

BY

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Approval Form

The Undersigned certify that they have read and recommend to Bindura University of Science Education for acceptance, a research project entitled: Management Control Measures and their effectiveness against internal Fraud. A Case Study of ZB Bank 2020-2022

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DEDICATIONS

This paper is dedicated to my mother Priscilla Murasiranwa.

ABSTRACT

This dissertation investigates the relationship between management control systems (MCS) and their effectiveness against internal fraud within the banking industry, using ZB Bank Zimbabwe as a case study. Internal fraud is a considerable threat to the banking industry, potentially resulting in significant financial losses and reputational damage to the organization. MCS can provide the necessary tools and framework to deter and detect internal fraud. The research is conducted using a mixed-method approach, including qualitative interviews with management-level employees and an analysis of secondary data. The findings suggest that MCS is effective in mitigating internal fraud within the banking industry, with budgeting, internal audit trails, risk management, performance measurement, and fraud detection software being the most effective control mechanisms. However, the research also highlights the challenges faced in implementing MCS and the need for a strong culture of compliance in any MCS system. The study was conducted in the central business districts of Kadoma.

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CHAPTER 1

GENERAL INTRODUCTION

1.0 Introduction

The research topic is introduced in this chapter, which focuses on the study's background, problem statement, goal, and research questions. The research itself is supported by the chapter. The summary and the definition of words signal the conclusion of the chapter.

1.1 Background

Internal fraud within the banking industry is a considerable threat, with the potential to cause significant financial losses and damage to the reputation of the organization. Therefore, it is essential for banks to implement effective management control systems (MCS) to prevent, detect, and respond to internal fraud. MCS is defined as a set of practices and procedures designed to ensure the organization's goals are achieved while managing risks and ensuring compliance with laws and regulations. The banking industry is a highly regulated industry, requiring strict adherence to laws and regulations, making MCS essential.

ZB Bank is one of the most prominent banks operating in Zimbabwe, with a commitment to providing innovative and reliable financial solutions to its customers. The bank has invested considerably in its MCS in response to the increased risk of internal fraud. However, the effectiveness of ZB Bank's MCS in preventing internal fraud is unknown, highlighting the need for research in this area.

1.2 Statement of the problem

The banking industry is becoming more and more vulnerable to internal fraud over time due to ineffective control measures being put in place because bank employees are now fraudsters who are more skilled and versatile in designing other means of breaking these effectively, according to the Association of Certified Fraud Examiners ACFE (2014).

Weak internal control systems, according to KPMG (2009), Beasley (1996), and ACFE (2014), are the main causes of internal fraud, whereas weak corporate governance practices, according to Beasley and ACFE (2014), are the main causes. Ajala, Amuda, and Arulogun (2015) draw the conclusion that the best method for combating internal fraud in the banking industry is an effective and efficient internal control system.. But as banking industries move on with a wide range of activities, internal fraud can therefore occur from both internal and external sources, which without missing words have a negative effect on the organization's going concern. Therefore, the banking industry should not limit itself to internal control and corporate governance alone as opined by various existing studies, but also ensure compliance with banking ethics, which is the knowledge gap this study tends to fill. In the light of the above,

1.3 Research objectives

The broad objective of this study is to examine how internal fraud can be prevented in the banking sector through the effective implementation of management internal controls. While the specific objectives are to:

1. To explore whether internal fraud in the banking sector of Zimbabwe is a problem
2. To explore why internal fraud in the banking sector of Zimbabwe is becoming a major issue
3. To recommend an effective management control system of minimizing internal fraud.

Commented [P1]: explore

1.4 Research questions

The following questions are asked:

1. What are the ways in which internal Fraud is committed?
2. To what extent can strong management control systems prevent fraud occurrence in

The banking sector?

3. How does good corporate governance influence internal fraud prevention in the banking sector?

4. To what extent does compliance with banking ethics prevent internal fraud in the banking industry?

1.4 Justification of the Study

The study will benefit the banking sector since it is of paramount importance in revealing the effectiveness of management control systems against internal fraud. The findings of the study are expected to be important to the management of ZB bank in maintaining an enhanced controlled environment by helping managers and employees to establish and maintain an environment throughout the bank that sets a positive and supportive attitude toward internal control. Future researchers and scholars may be able to use this research study as a guiding factor or base for future research. Also scholars and researchers, the findings of the study are expected to contribute to the existing literature about Internal Controls and fraud prevention in banks.. The government through the ZB bank may use the study findings to formulate policies on risk management and Internal Control Systems.

1.5 Assumptions

The research assumes that: -

- Responses on questionnaires will meet the expectations of the study.
- All the questions on the questionnaire will be fully understood and responded to.
- Respondents will give the researcher enough time to complete the interviews.

- Correct statistics will be obtained from the intended stakeholders.

1.6 Delimitations

The research will be based in Kadoma and Bindura areas which are easily accessible to the researcher. This research intends to help address the challenges which management face in trying to implement measures to curb internal fraud, which has been proved by other scholars that there is an upsurge in the rates of internal fraud by bank employees. The targeted respondents will include risk officers, bank tellers, bank managers, IT officers as well as private security officers inside the bank system. The research will cover the period of 2020 to 2022.

1.7 Limitations

These hinderances will affect the smooth running of the study hence will be highlighted in this discourse.

- **Time scarcity**

Time constraints will be expected because the researcher will be focused on social and professional difficulties in addition to enrolling in additional courses at Bindura University that are connected to this project. However, the researcher will set aside time each day to guarantee that the research program is completed successfully..

- **Financial constrains**

Due to the harsh economic environment prevailing in the country, financial challenges will not spare the researcher. Preparation of data collection instruments, distribution and collection of data will involve some funds hence it may be unfavorable to the researcher as the study will be self-funded. Money from personal savings will be used towards the sponsorship of the whole programme.

- **Personnel**

The researcher will accomplish the task alone to ensure the credibility of results despite the size of the area to be covered which requires the assistance of other people. This research will likely be an uphill task as the researcher will be dealing with a wide respondent base. To mitigate this challenge, the research will be based on samples to ensure much ground is covered.

- **Openness by respondents**

Some of the employees at ZB bank will not be at liberty to divulge their thoughts hence data will be difficult to collect. This will be countered by ensuring that data collection instruments are structured in a manner acceptable to any group.

1.8 Definition of Terms

□ In the context of this study words and phrases assume the meaning as stated in this document.

Internal fraud – is the risk of unexpected financial material or reputational loss as the result of fraudulent activities of persons internal to the firm

Internal Fraud can also be defined as losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law of company policy, excluding diversity/discrimination events, which involves at least one internal party(Basel II standards)

Management Control Systems are systems that gather and use the information to evaluate the performance of different organizational resources like human, physical, financial, and also the organization as a whole in light of the organizational strategies pursued.

Internal Controls- are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and prevent fraud

Commercial Bank- a bank that offers services to the general public and to companies

1.9 Summary

The results of this dissertation will show how successful the efforts commercial banks in Zimbabwe have made to reduce internal fraud are. A high-level overview of the research is provided in Chapter 1, which also lays the groundwork for Chapter 2's presentation of the literature review from various writers. In-depth topics related to data collecting from primary and secondary sources will be covered in the third chapter. In chapter four, data presentation and analysis will take place. Chapter five concludes with a summary, findings, and suggestions related to the topic at hand.

CHAPTER 11

LITERATURE REVIEW

2.0 Introduction

This chapter provides a comprehensive review of the literature on management control systems (MCS) and their effectiveness against internal fraud, with a particular focus on the case of ZB Bank. The chapter begins with an overview of the concept of MCS, followed by a discussion of the relationship between MCS and internal fraud. It then reviews the empirical evidence on the effectiveness of MCS against internal fraud and identifies gaps in the literature. The chapter concludes with a summary and a list of Harvard-style references.

2.1 Management Control Systems (MCS)

Management control systems (MCS) are the processes and tools organizations use to ensure their objectives are achieved effectively and efficiently. MCS includes budgeting, performance measurement, reporting, and internal control systems. MCSs are designed to help organizations make informed decisions, monitor performance, and manage risks.

The effectiveness of MCS depends on the extent to which they are aligned with the organization's objectives, culture, and strategy. Effective MCS provide managers with timely and accurate information that enables them to make informed decisions and take appropriate actions. They also help employees to understand their roles and responsibilities and to align their actions with the organization's objectives.

2.1.0 MCS and Internal Fraud

Internal fraud is a serious problem that can have significant financial and reputational consequences for organizations. Internal fraud can be defined as the misuse of an organization's assets for personal gain by its employees or others within the organization. Internal fraud can take many forms, including embezzlement, theft, and financial statement fraud.

MCS can play an important role in detecting and preventing internal fraud. MCS can provide managers with the information they need to identify potential fraud risks and take appropriate actions to mitigate them. Effective MCS can also deter fraudulent behavior by creating a strong internal control environment and promoting a culture of ethical behavior.

2.1.1 CONCEPTUAL AND THEORETICAL FRAMEWORK

2.1.2 Management Control Systems (MCS)

Management control systems (MCS) refer to formal systems that are intended to help organizations achieve their goals by providing information about the organization's performance and progress toward those goals. In other words, MCS are the processes and procedures that managers use to measure and monitor the performance of their organization and make changes as necessary to improve its performance (O'Dell et al., 2011). MCS includes a wide range of tools, such as budgets, performance reports, feedback systems, and incentive plans, among others.

2.1.3 Types of MCS

There are different types of MCS used in organizations, depending on their goals, structure, and operations (Simons, 1995). One of the most common types of MCS is financial control, which emphasizes financial performance measures and is used to control costs, manage resources, and ensure accountability (Merchant and Van der Stede, 2007). Other types of MCS include strategic control, which focuses on the organization's strategy and its alignment with its goals; cultural control, which emphasizes the organization's values, norms, and beliefs; and personnel control, which seeks to align employees' behaviors with the organization's goals and objectives.

2.1.4 Effectiveness of MCS in Preventing and Detecting Fraud

Several studies have investigated the effectiveness of MCS in preventing and detecting fraud. One of the key findings in the literature is that there are no single MCS that is effective in all situations or organizations (Cascini and Previtali, 2016). Instead, the effectiveness of MCS depends on various factors, such as the organization's goals, culture, operations, and external environment. For example, financial controls may be effective in preventing and detecting fraud in organizations that are vulnerable to financial fraud, such as banks and financial institutions. However, cultural controls may be more effective in preventing and detecting fraud in organizations that value integrity and honesty.

2.1.5 Case Study: ZB Bank

ZB Bank is a leading commercial bank in Zimbabwe that offers a wide range of financial services, such as commercial banking, treasury services, and asset management, among others. The bank has

implemented several MCS to prevent and detect internal fraud, including financial, personnel, and cultural controls, among others.

Financial controls: ZB Bank has implemented several financial controls to prevent and detect internal fraud, such as budgetary controls, performance measurement, and cost controls. The bank regularly reviews its financial statements and key performance indicators to identify any deviations and anomalies that may be indicative of fraud.

Personnel controls: ZB Bank also has personnel controls in place to prevent and detect internal fraud. These controls include employee background checks, segregation of duties, and regular training and development. The bank also has a code of conduct that emphasizes integrity, honesty, and ethical behavior.

Cultural controls: ZB Bank has a strong culture of integrity and ethical behavior, which is reinforced through regular communication and training. The bank's leaders model the desired behaviors and values, and the bank has established a whistleblowing hotline that encourages employees to report any suspected fraud or misconduct.

2.2 Internal Fraud

Internal fraud is not peculiar to the banking industry alone, it is a general phenomenon. Some multinational organizations such as Enron, Worldcom, etc. have been affected negatively due to internal fraud occurrences, therefore many organizations have made so many attempts to restore their goodwill and images by instituting ethical guidelines and code of ethics to prevent unethical behavior. Internal bank fraud can be committed in so many ways and most of the time it involves both insiders (employees) and outsiders coming together to successfully commit unethical behavior.

According to Ovuakporie (1994), the most typical internal bank frauds include theft and embezzlement, defalcation, forgeries, unauthorized borrowing, foreign exchange fraud, impersonation, voucher manipulation, status report falsification, money laundering, fake payments, and computer fraud. Internal control issues, lax corporate governance, and a disregard for banking ethics are the main contributors to internal banking fraud. Internal bank fraud has a detrimental impact on banks' ability to grow and causes financial distress since it may cause customers' deposits to decline, which lowers the banks' capital base. An inadequate

working environment and poor administration of rules and procedures are some of the things that lead to bank employees becoming irritated, according to research by Idowu (2009).

Employee fraud is mainly characterized by cash theft from bank tills, forgery of customer signatures with the intention of withdrawing money from the customer accounts, opening and operating fictitious accounts, and illegal transfer of funds to other accounts Tichankova (2002) Akinyomi (2012); Adeyemo (2012)

2.3 Internal Controls

A system of Internal Control consists of policies and procedures designed to provide management with reasonable assurance that the company would achieve its goals and objectives Basel Committee (2011). These policies and procedures are often called controls, and collectively they comprise the entity's Internal Control. The operational standard practices committee of the UK defined Internal Control as the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.

From a diversity of definitions, the term Internal Control refers to any combination of measures, policies and procedures that the management of an organization adopts in order to ensure that the assets of such organization are duly protected and that all operations are carried out in the most efficient manner. These measures are adopted to enhance the realization of organizational objectives.

Prevention of fraud and management countermeasures ICAN (2010) defines internal control as the entire system of financial or other controls put in place by the management to conduct the operations of an enterprise in an orderly and effective manner, ensuring adherence to management policies, protecting the assets, and securing to the greatest extent possible the completeness and accuracy of records.

According to COSO (2010), management internal control is the procedure set up by an organization's board of directors and management with the goal of providing a reasonable assurance in order to achieve their goals and objectives in an effective and efficient manner, as well as ensuring the accuracy of their financial statements and compliance with applicable rules and regulations.

Campbell and Harther (2010) opined that internal control is established in order to put management on alert towards likely problems, to ensure they are being controlled before it got escalated to a big issue. Though these controls cannot totally eradicate all the errors and misappropriation but can minimize its occurrence. The problems encountered by the financial institution nowadays are both financial and non-financial and are mostly as a result of ineffective system of internal control. The antidote for the problems in banking industry is a strong system of internal control, many banks had failed due to lack of effective internal control Tunji (2013). Khanna and Arora (2009) observed that weak system of internal control is the loopholes that fraudsters normally identify before committing their unethical act.

According to Hartman (2014), the banking sector has lost so much money as a result of a deficient internal control system. Since they must eliminate or drastically reduce immoral behavior both internally and externally, bank institutions must implement effective internal control systems. In order to fulfill the goal of preventing fraud, COSO (2013) outlines a number of assessments that should be strengthened, including risk assessment, control environment, information and communication, and continuous monitoring.

2.3.1 Components of Internal Controls

Woolf (2005) defines Internal Control as having five components:

- Control Environment-sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of Internal Control.
- Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed.
- Information and Communication-systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities
- Control Activities-the policies and procedures that help ensure management directives are carried out.

2.3.2 Classification of Internal Controls

ICAN (2006) categorized controls into three major classifications as follows:

Preventive controls: These are controls that predict potential problems before they occur and make adjustments. They also prevent an error, omission or malicious act from occurring. Examples of preventive controls includes: using well- designed documents to prevent errors, segregation of duties, authorizations and approvals etc.

Detective Controls: These controls are designed to detect and report the occurrence of an omission, an error or a malicious act. An example of detective controls includes; duplicate checking of calculations, review of performance, reconciliations, audits etc.

2.4 Possible causes of internal fraud.

Despite the fact that fraudsters are employing sophisticated strategies to gain access to, take advantage of, and penetrate management control systems, new technologies are available to assist banks in preventing and detecting fraud. According to rational choice theory and criminological theory, in order for any countermeasures against crime to be effective, it is necessary to comprehend the underlying causes of crime first.

The Fraud Triangle's three components are rationalization, opportunity, and pressure, according to rational choice theories. It advocates that extortion happens when one with monetary need (pressure) gains inappropriate admittance to reserves (valuable open doors) and can legitimize the demonstration of themselves or potentially others (justification). Cressey came to the conclusion that three conditions exist for fraud: 1) a financial need that cannot be shared, 2) the perception of an illicit opportunity, and 3) an individual justification for the act. Cressey says that trusted people break trust when they think they have a non-shareable financial problem, know that this problem can be hidden solved by breaking the position of financial trust, and can use verbalizations to change how they think of themselves as trusted people and how they think of themselves as users of the money or property they were given.

Behaviorism has some foundation in theories of crime. According to B.F. Skinner's behavioral theory, an individual's interactions with others shape their behavior over time. Any demonstration criminal or in any case can be made sense of as the result of a singular's longing and the's comprehension individual might interpret outcomes, similar to an individual will play out any demonstration that delights want without incurring agony or causing hardship.

The differential association theory of Edwin Sutherland claims that criminal behavior may be taught. Criminal behavior is acquired through speech and engagement with other people. The majority of criminal behavior is learned within close-knit social groups, and when criminal behavior is learned, it includes (a) sometimes sophisticated, sometimes straightforward

methods of committing the crime, as well as (b) the precise direction of motivations, drives, justifications, and attitudes. Sutherland contends that the definitions of the legal codes as favorable or unfavorable teach us about the precise direction of motives and drives. A person becomes delinquent when definitions that are more advantageous to breaking the law than those that are unfavorable to breaking the law predominate. He goes on to say that differentiating relationships could exist.

2.5 Empirical Evidence (Previous Research Findings)

Internal fraud is a significant threat to organizations, and it can lead to financial losses, legal liabilities, and reputational damage. According to the Association of Certified Fraud Examiners (2018), internal fraud accounts for approximately 40% of all fraud cases. In addition, research by Albrecht, Albrecht, and Zimbleman (2018) found that internal fraud can go undetected for up to 18 months, leading to significant financial losses.

Several studies have been conducted on the topics of MCS and internal fraud in the banking industry. According to Cheong and Lee (2010), the effectiveness of MCS in preventing internal fraud is dependent on the level of monitoring and control applied. They argue that monitoring of transactions is essential in preventing fraud and that a combination of automated and manual monitoring is necessary for effective control.

Kerschner, Hirsch, and Heiler (2013) also affirm the importance of MCS in preventing internal fraud, by providing a comprehensive framework for control mechanisms. Their framework includes elements such as management responsibility, cultural factors, internal controls, and audit assessments, among others. They found that organizations that adopt such frameworks are better equipped to prevent internal fraud.

Similarly, research by Farajzadeh (2016) focused on the impact of MCS on corporate governance and their effectiveness in detecting internal fraud. The study found that a combination of automated and manual controls, including employee training and internal auditing, were effective in preventing internal fraud. However, the study also found that the effectiveness of MCS is dependent on the commitment of top management to implement and enforce them.

Data Loss Prevention (DLP) is another control mechanism used by organizations to prevent internal fraud. According to Rountree and Caetano (2015), DLP systems are effective in preventing sensitive information from leaving the organization. They argue that DLP systems are necessary

due to the increase in cyber threats, especially in the banking industry. DLP systems can be in the form of software, hardware, or a combination of both.

Data encryption is also an important control mechanism in preventing internal fraud. According to Khan and Qayyum (2016), data encryption is beneficial to both the organization and its customers. Data encryption ensures that sensitive information is protected from unauthorized access and misuse. This prevents internal fraud incidents from occurring and protects the organization's reputation

Further empirical evidence suggests that management control systems can be effective in preventing internal fraud. A study by Zhang, Wong-On-Wing, and Li (2019) found that effective management control systems have a significant negative relationship with the likelihood of internal fraud. The study also found that internal audits, segregation of duties, and staff training are essential components of effective management control systems.

2.6 Gap Analysis

Gap analysis is a tool used to determine the difference between the actual and desired performance of an organization or system. In the case of Management Control Systems (MCS) and their effectiveness against internal fraud in ZB Bank Zimbabwe, the following are the identified gaps:

1. Lack of a comprehensive and updated MCS: The current MCS used by ZB Bank Zimbabwe is not comprehensive enough to cover all areas of internal fraud. There is a need for an updated MCS that includes all types of fraud and is regularly reviewed to ensure its effectiveness against new types of fraud.
2. Insufficient training on MCS: The bank's employees, particularly those in the risk management department, lack adequate training on using and implementing MCS. This gap leaves the bank vulnerable to fraud, as employees may not know how to leverage available MCS to detect and prevent fraudulent activity.
3. Over-reliance on manual processes: Based on the current policy, much of the bank's risk management involves manual processes. This approach makes human error more likely to happen, and the fraud may go undetected.

4. Limited use of technology: Despite the availability of cutting-edge technology, Zb Bank Zimbabwe has limited investment in innovative solutions for cybersecurity. For instance, the bank lacks an automated fraud detection tool that can help identify and prevent internal fraudulent activities.

5. Ineffective communication and collaboration: There seems to be a siloed organizational structure in which communication and collaboration between departments are not effective. This gap can lead to lapses in MCS implementation that can leave the bank vulnerable to internal fraud.

6. Lack of continuous monitoring: One of the critical components of an effective MCS is a well-implemented monitoring system. The bank's current policy does not specify the frequency of checks and monitoring to be done, which can lead to slow or no detection of fraudulent activity.

Despite the growing body of empirical evidence on the effectiveness of MCS against internal fraud, there are still gaps in the literature. Another gap is the lack of research on the relationship between MCS and the motivation of employees to commit fraud.

There is also a need for more research on the effectiveness of specific components of MCS, such as performance measurement and reporting systems, in detecting and preventing fraud. Finally, there is a need for more research on the impact of organizational culture on the effectiveness of MCS in detecting and preventing fraud.

Addressing these gaps in the MCS will help ZB Bank Zimbabwe achieve a more effective strategy against internal fraud.

2.7 Summary

The chapter looked at the literature review. The chapter also looked at a theoretical review where the researcher looked at various theories put in place by the various authors who have written about effective management control systems and fraud prevention and detection mechanisms implemented in an effort to minimize internal fraud. The researcher also looked at the empirical framework. The next chapter will look at research methodology.

CHAPTER 111

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology employed in this study to investigate the effectiveness of management control systems against internal fraud in ZB Bank Zimbabwe. The

purpose of this research is to identify the key components of the bank's management control system, examine their effectiveness in detecting and preventing internal fraud, and provide recommendations for improvements. The chapter presents the research design, population and sampling, data collection methods, data analysis techniques, and ethical considerations. Research methodology describes the study's research design, data gathering procedures, sample strategies, and data analysis methods Babbie (2017)

3.2 Research Design

According to N.Muwodzeri(2019) a research design is the conceptual structure on which a research is conducted on and it constitutes parameters of data collection, data measurement and analysis of data. This study will adopt a mixed-method research design that entails the utilization of both qualitative and quantitative data. The study employs a case study research design, focusing on ZB Bank Zimbabwe as the unit of analysis. A case study approach is suitable for this research as it allows for an in-depth investigation of a specific context, exploring the complex interactions between management control systems and internal fraud prevention efforts in a real-world banking environment. This design enables the researcher to gain a comprehensive understanding of the research problem and address the research objectives. According to Bryman and Bell (2015:28), a research project's design provides a foundation for data gathering and assessment.

3.3 Population and Sampling

The population for this study comprises the employees at ZB Bank Zimbabwe, specifically those involved in the implementation and oversight of management control systems and internal fraud prevention measures. The sample was selected using a purposive sampling technique, targeting employees with relevant knowledge and experience in the bank's management control systems and fraud detection.

According to Explorable Statistics (2011), a target population is typically a substantial number of people or things that are the subject of a specific scientific inquiry. The sample size will comprise approximately 40 participants, including employees from various departments, such as internal audit, risk management, compliance, and finance. This diverse sample will provide a rich

understanding of the management control systems in place at ZB Bank Zimbabwe and their effectiveness in combating internal fraud. According to Wilson (2014), a sampling approach is a method that involves taking a smaller sample from a large target population that is thought to share the population's characteristics.

3.4 Data Collection Methods

In line with the research design being adopted, both survey and interview methods will be used in this study. The open and closed questionnaires were used for the survey, while the interviews comprised open-ended questions. The survey questionnaire was composed of Likert scale-type questions to allow us to gain valuable insights into employee perceptions towards the management control systems in place against internal fraud.

On the other hand, the interviews involved qualitative data from the key personnel, such as internal auditors and risk management to obtain a deeper understanding of the bank's control systems effectiveness. The data collection covers two years, 2020-2022, this allows for the study to compare the effectiveness of the control systems before and during the Covid-19 pandemic, which leads to a rise in fraud cases.

3.4.1 Semi-Structured Interviews

Semi-structured interviews will be conducted with the selected participants, allowing for a flexible exploration of their experiences and insights about management control systems and their effectiveness against internal fraud. The interview questions will be open-ended, encouraging participants to provide detailed and contextualized responses. Interviews will be recorded, with the consent of the participants, and transcribed for data analysis.

3.4.2 Secondary Data

Secondary data was collected from ZB Bank Zimbabwe's internal documents, policies, and reports related to management control systems and fraud prevention. This data provided valuable context and background information, supporting the analysis of the primary data collected through interviews.

3.5 Data Collection Procedures

Before the interviews took place, the schedules were sent. To boost the response rate, some of the questionnaires were sent and some were delivered by hand. The questionnaires were to be filled out by the respondents and mailed to the researcher. In order to gather secondary data, a literature study was used.

3.6 Research Instruments

- **3.6.1 Interview method**

An interview is a form of data gathering that comprises the presentation of oral-verbal stimuli and reactions in terms of verbal responses, according to Kothari, C.R. (2019). First, in order to understand internal fraud and its effects on the socioeconomic environment, interviews were conducted. The chosen bank manager and supervisors decided that all possible applicants would receive the interview schedule before an interview could be scheduled in order to gain access to key individuals. The Bindura University Security and Intelligence Chairperson's formal consent was acquired in order to guarantee the participation of these important persons. Every schedule for an interview included this consent. Additionally, I reaffirmed that the information would only be utilized for this study and that all respondents' anonymity would be protected.

To keep the interview schedule's attention on the important set issues, wide titles were used. These included specialized fraud training, awareness of and use of existing laws, specialization, the use of technology to combat fraud, and finally, national as well as global cooperation in the battle against fraud.

For the actual research endeavor, some of the information gathered from the preliminary interviews was used to create questionnaires. The information gathered using the questionnaire method was also supplemented and verified by the interview method. The interview schedules have to have clear questions and clear parts to focus the attention of the respondents because fraud is a complicated crime that can cross national and international authorities. The interview method has the following drawbacks, including a high time, energy, and financial demand as well as issues with data qualification and generalization.

3.6.2 Questionnaire method

A questionnaire is described by Delport et al. (2011) as a series of well-constructed questions selected following extensive testing in an effort to obtain accurate replies from the respondents chosen. This study assessed the efficiency of previously established controls for preventing internal fraud in commercial banks. English was used to conduct the tests.

The recommended approach for gathering data for the study's objectives was through questionnaires. It allowed for greater coverage with the least amount of effort and money invested. Additionally, the use of questionnaires increased anonymity and decreased biasing errors. Another benefit was that respondents were free to voice their opinions without undue interference from the researcher or other respondents. Greater comparability of responses was made possible using questionnaires.

3.7 Data Presentation and analysis procedures

Following data collection, the researcher critically evaluated the data to define replies, compute percentages, and determine patterns in order to convert the raw data into an understandable format for the analysis of the data that would follow. Microsoft Excel was used to present and analyze the survey responses. The fundamental process for doing this is to first construct a framework for the analysis of the raw data that is fed into the framework from the questionnaires. In certain instances, the data needed to be rebuilt before analysis. The data were tabulated and organized in tables, pie charts, and graphs to make understanding easier.

3.8 Summary

The background information about the research's methodology was provided in the chapter. Analysis of the study's instruments followed by a thorough discussion of the validity and

reliability of research tools. It described the methods for getting data in terms of sampling the respondents, distributing the questionnaires, and gathering them as a practical method.

To decrease the problems that the chosen approaches caused, all the essential adjustments were done. Since maintaining the material's privacy and confidentiality was so important to the researcher, they took great care to do so. An explanation of the data analysis and presentation procedure served as the chapter's conclusion, and it is anticipated that the next chapter will add new views to the body of knowledge on the topic of interest.

Chapter IV

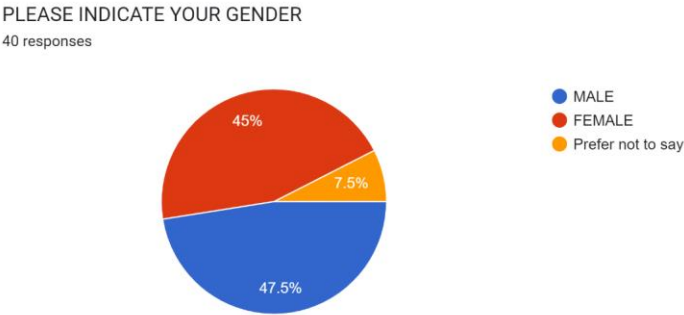
PRESENTATION OF RESULTS

4.1 Respondent profile

The sociodemographic features of the sample must be clearly understood in order to properly collect, analyze, and comprehend the data used in this study. The majority of the sample population—47.5. percent of the sample—were men and 45% of the sample population were

female with 7.5% preferring not to disclose their gender. The bulk of respondents (30.8%) were between the ages of 31 to 40 years, then were also respondents of the age group 41 to 50 years (23.1%) followed by the groups of people who were 30 years of age and below (28.2%), and finally the group of people who were 51 years and above (17.9%).

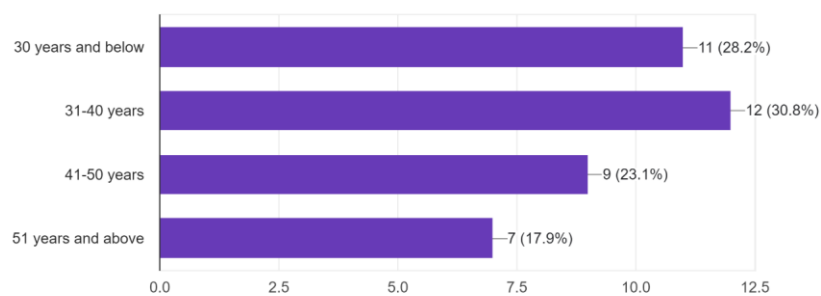
Fig4.1.0 Gender of Respondents



Source: primary data

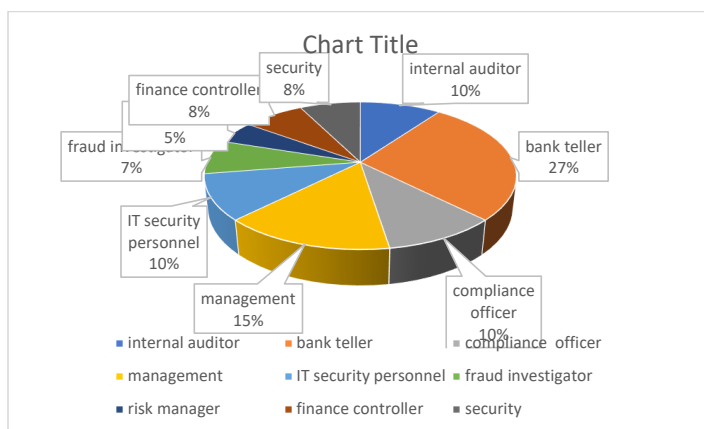
Fig 4.1.1 Age Distribution of Respondents

Please tick the age bracket in which you fall
39 responses



Source primary data

Fig 4.1.2 Distribution of Respondents



Source primary data

Table 4.2 Interview response rate

Scheduled Meetings	Meetings Done	Response Rate
25	22	88%

Source: Primary Data

Table 4.2.1 Types of Respondents

4.2.1 Questionnaire's Rate of Response

Type of respondents	Questionnaires sent	Questionnaire received	Response rate
Bank management	5	5	100%
Board members	1	1	100%
IT Systems personal	4	4	100%
Bank tellers	14	11	78.58%
Internal auditors	4	4	100%
Compliance officers	4	4	100%
Finance controller	3	3	100%
Risk management	2	2	100%
Fraud investigators	3	3	100%
Security	3	3	100%
Total	43	40	97.86%

Source: Primary Data

4.2.2 Questionnaire's Rate of Response

All five of the hand-delivered and postal bank management questionnaires were returned, yielding a 100% response rate. Positive responses came from the system's staff as well, with a 100% response rate. With 78.58% coverage, the bank tellers' response rate was generally acceptable. Generally speaking, the overall response rate for all questionnaires (97.86%) was high enough to ensure the validity and representativeness of the research's findings.

4.3 Presentation and data analysis

4.3.1 The types of management control systems implemented by the bank

Bank managers, systems administrators, bank tellers, executive officers, compliance officers, fraud investigators, and internal auditors were asked about the types and ways in which management control systems are currently implemented at their bank as a measure against internal fraud. Below are the illustrated responses

Table 4.3.1 Types of Management Control Systems Implemented by the Bank

Management control system	Number of respondents	Response rate
Budgeting	21	52.5%
Performance measurement	34	85%
Risk management	37	92.5%
Internal audit	35	87.5%
Information and communication management	10	25%
Document management system	2	5%
Other	1	2.5%

Source: primary data

From the research findings, 37 of the questionnaire respondents (92.5%) thought that the bank uses risk management as a control system against internal fraud. 87.5% also thought the bank implemented internal audit as a management control system. Performance measurement was also selected by 85% of the respondents as a management control system being used by the bank. Moreover, 52.5% of the respondents thought budgeting was another control system by the bank's management to prevent and detect internal fraud in the organization. Information and communication management was selected by 25% of the respondents and also document management systems were thought to be another management control system implemented by

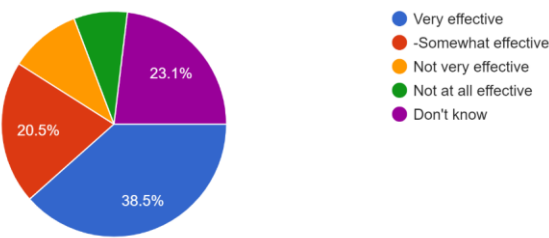
the bank by 5% of the respondents, only 2,5% of the respondents were not so sure and selected other.

4.3.2 The effectiveness of the management control systems

Internal auditors, executive officers, compliance officers, fraud investigators, and bank tellers were polled to learn more about the types and methods of management control systems that are being used at their bank to prevent internal fraud. The responses are depicted below.

Fig4.3.2 Respondent opinions on the Effectiveness of management control systems

. In your opinion, how effective are these management control systems in preventing internal fraud?
39 responses

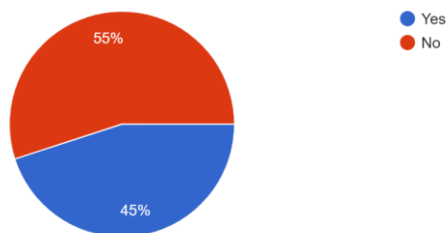


Source: primary data

Of the total sample responses, 38% of the respondents thought that the MCSs were effective in preventing internal fraud at the bank.20.5% of the respondents had the opinion that management control systems already in place were somewhat effective in preventing internal fraud. However, also, 10.3% were of the opinion that these management control systems were not very effective in preventing internal fraud as well 7.7% implied that the management control systems implemented by the Bank were not effective at all in preventing internal fraud. Lastly, 23.1% of the respondents were not sure and did not know how effective the MCSs were in preventing internal fraud at the bank. According to research E. Caperchione and M. Pizzurno, an integrated system of management control can help the organization prevent and detect fraud by reducing the opportunity to commit fraudulent acts

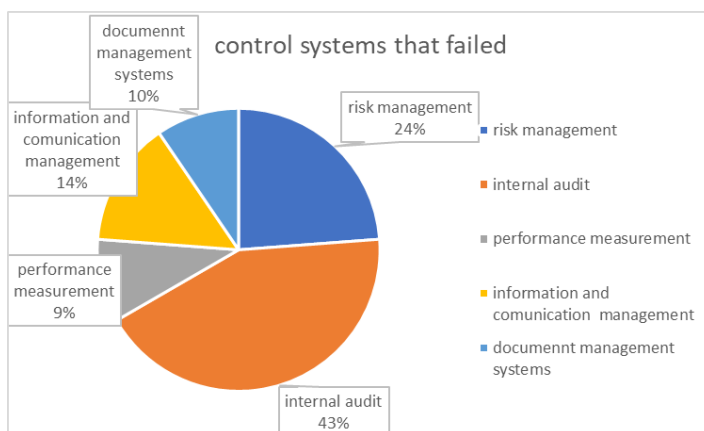
Fig 4.3.3 Instances of Fraud in the Bank in the Last 5 Years

Have there been any instances of internal fraud in your organization in the past 5 years?
40 responses



According to fig 4.3.3, the research responses from the questionnaire survey on the instances of internal fraud in the bank, 55% sample population were of the opinion that there were no cases of internal fraud in their organization whilst on the other hand, the remaining 45% believed there were instances when internal fraud indeed occurred.

Fig 4.3.4 Responses on which control systems failed



Source :primary data

Fig 4.3.4 shows the control systems that failed when they were instances of internal fraud in the last five years in the organization.

Only 17 respondents affirmed instances of internal fraud where the above management control systems failed to prevent internal fraud in the organization in the past 5 years.

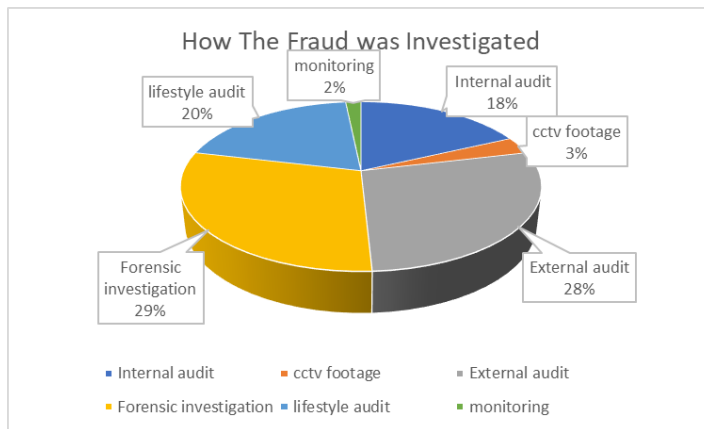
Internal audit had the highest rate of failure 43% where incidents of fraud occurred, this was likely due to corruption and misrepresentation of information by the internal audit department.

Risk management is another tool that was noticed to have failed during the incidents of fraud in the last 5 years of which 24% of the respondents agreed. In those incidents, according to secondary sources, management failed to effectively assess the identified possible risk areas in terms of potential impact on the organization, the likelihood of further occurrence and the ease with which it could have been detected.

Performance measurement had the lowest rank of the control systems which failed at 9%. This implied that unusual patterns or trends in the organization's financial performance were somehow effectively identified and detected as potentially fraudulent activity. The organization can detect any anomalies or irregularities that may indicate fraudulent activity by setting performance targets and regularly monitoring and evaluating progress toward those targets.

Performance measurement can be used to incentivize employees to behave ethically and discourage fraudulent activities. When employees are held accountable for achieving performance targets, they are less likely to engage in fraudulent activities that may jeopardize their performance evaluations and incentives. Studies by Albrecht et al (2011) and by Kaplan (2001) also indicate that performance measurement can be an effective management control system in detecting and preventing internal fraud.

Fig 4.3.5 Responses to how FRAUD was investigated



Source:primary data

Fig 4.3.5 shows how the fraud was investigated when respondents affirmed there were instances of fraud

Forensic auditing was the top-ranking method 29%, that was used to investigate fraud in the organization as preferred to external audits which were also utilized to carry out the investigation according to the gathered information.

Forensic investigation involved, the use of investigative techniques such as data analysis, interviewing, and document review to uncover fraudulent activity. External audits offered an independent and objective assessment of the bank's financial statements, internal controls, and compliance with laws and regulations, which was the second-ranking investigative tool 28%, that was used to investigate the fraud

Some of the fraud was also looked at through lifestyle audits of the suspected individuals as insight was brought up from CCTV footage and close monitoring of the suspected fraudulent behavior. lifestyle audits were used to detect any unexplained wealth or financial activity that may indicate fraud.

According to secondary sources from the bank's records, on the other hand, more emphasis was put on internal audits to focus on identifying and re-assessing risk, re-evaluating internal control systems, and providing recommendations to improve the effectiveness of the organization's processes and hence the fraudulent activities were noticed during those investigative processes.

Table 4.4 Fraud Prevalence

Fraud prevalence	Response rate
Very prevalent	18.4%
Somewhat prevalent	31.6%
Not very prevalent	36.8%
Not at all prevalent	0%
Do not know	13.2%

Source primary data from questionnaire

Respondents were further asked to what extent fraud was prevailing. 18.4% of the respondents thought fraud was and is very prevalent in the bank as well as in the industry. Furthermore, 31.6% were also of the idea that fraud was and is somewhat taking place in the bank. The greater proportion of the respondents, 36.8% were confident in the control systems implemented by commercial banks and thought that fraud was not very prevalent. However, 13.2% of the respondents were indecisive and did not know whether fraud was prevailing at the bank.

Table 4.4.1 The most common types of internal fraud in the organization

TYPES OF FRAUD in the BANK	AFFIRMATION
ASSET MISAPPROPRIATION	45%
CORRUPTION	72%

FINANCIAL STATEMENT FRAUD	90%
CYBERCRIME	25%
FORGERY	50%
IDENTITY THEFT	18%
LOAN FRAUD	23%
PHISHING	12%
CHEQUE FRAUD	20%
SKIMMING	20%
EMBEZZLEMENT	35%
ACCOUNT TAKEOVER	11%

Source:primary data

From the finding in Table 4.4.1, when asked about the types of fraud that were prevailing within the bank currently, the findings indicated that it is notable that financial statement fraud and corruption are the most common types of fraud. Financial statement fraud can be committed in various ways, including revenue recognition fraud, inventory fraud, and improper asset valuation. A study by Albrecht et al (2012) found that financial statement fraud can undermine the effectiveness of internal systems and lead to a breakdown in the overall control environment. It is however important to keep these fraudulent activities in check as their distortions can mislead investors, creditors, and other stakeholders. This type of internal fraud is a significant concern for management control systems as it can lead to severe job losses as well as reputational damage for the ZB Bank's brand.

Corruption was also noticed from the study as the second most prevalent type of fraud in the organization, with 72% of the respondents responding to that agreement. Implementation of effective management control systems that typically involve a combination of policies, procedures and internal controls that are designed to ensure compliance with laws and regulations can help against corruption as a form internal fraud in the banking industry. This may be possible as such kind of systems promote ethical behavior and integrity within the organization as was suggested as well according to the information gathered from interviews during the study.

25% of the respondents thought another interesting type of fraud noticed in the industry was cybercrime. Not many people are fully aware of it, but has been a growing threat to the banking industry as of lately as it has significant impact on management control systems. According to ACFE.(2020), cybercrimes is the fastest growing form of fraud, with 38% of organization experiencing it in 2020. It encompasses a variety of tactics as phishing, malware and social engineering. Cybercrime compromises the integrity of financial data, as cybercriminals can manipulate financial data to hide fraudulent activity making it difficult for management to detect and prevent the fraud. Additionally, cybercrime can disrupt the normal functioning of management control systems, leading to delays in reporting, inaccurate data and other issues.

50% of the respondents also thought Forgery was amongst the common fraud ravaging their organization and industry. According to a study by the Association of Certified Fraud Examiners (ACFE), forgery was involved in 9% of all fraud cases, with a median loss of \$25000 per case ACFE (2020). This study showed that forgery involves falsification of documents, signature or other information for personal gain. Forgery can however be prevented by implementing effective internal controls such as segregation of duties, dual authorization requirements and regular reviews of financial records.

35% of the respondents also thought embezzlement was prevalent in the industry

Other forms of fraud included, identity theft, skimming, loan fraud, and others. As indicated above, there are many ways in which employees can execute internal fraud in the bank. The recent upsurge in technological changes across the globe has led to increases in cases of fraud like phishing, account takeovers, and even cybercrimes of identity theft and skimming through card cloning by bank employees. The digitalization of the industry has also given fraudsters the opportunity to exploit clients in a number of ways like phishing in which bank employees due to access to client accounts can send malicious emails to the bank client requiring them to send their bank details disclosing even their pin numbers for maintenance routines by the bank. Asset misappropriation is also another common type of internal fraud due to corruption also prevailing in the organization

Account takeover did not seem to be a common and prevailing type of fraud in the bank and the industry at large, with only 11% of the respondents claiming to have noticed it.

Table 4.4.2 Bank Employees' Responses in Response to incidents where fraud was Thought to have taken place

Fraud detection tool	Response rate
Internal audit	10(56.6%)
Whistleblowing	16(88.9%)
Anonymous tip	16(88.9%)
Other	0(0%)

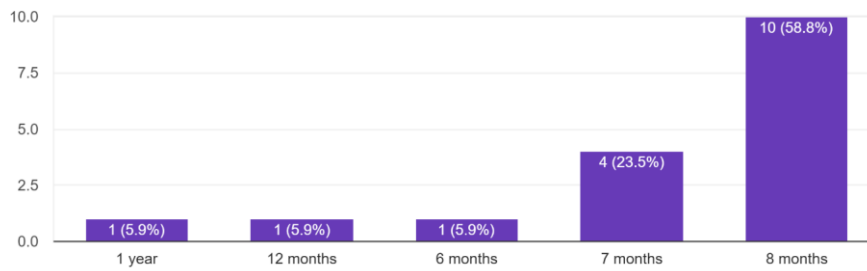
Source: primary data

Of the 18 respondents who responded positively to incidents of fraud to have taken place in the organization in the last 5 years. 56.6% thought the fraud was successfully investigated through an internal audit. 88.9% of the respondents thought it was because whistleblowing was brought to light as well also 88.9% of those respondents acknowledged anonymous tips have led to the unveiling of fraud within the organization

Fig 4.4.3 How long did it take to investigate the fraud

How long did it take to detect the fraud?

17 responses



Source:primary data

58.8% of the respondents thought it took 8 months to detect the fraud, with 23.5% of the respondents as well claiming that it took the organization 7 months to detect the fraud. 11.85 of the respondents thought it took a year or 12 months to detect fraud in the organization. Only 5.9% thought it took 6 months to detect the fraud. Overall, it took the organization roughly half a year to detect the fraud which was quite reasonable taking into account the complexity of the bank's operations and its size, taking into account that according to a Study by KPMG, 61% of fraud cases are detected within the first year, while the remaining 39% detected after a period of one year or more.

4.5 INTERVIEW RESPONSES

The researcher managed to conduct a total of 22 interviews out of 25 that were originally planned.

Respondents during the interviews were asked what were some of the causes of internal fraud at the bank

Table 4.5.1 Possible Causes of Internal

	Response rate
Lack of job rotation	15(68%)
Poor Segregation of duties	17(77%)
Poor internal controls	8(36%)
Poor remuneration	18(82%)
Other	3(13%)

Source primary data from interviews

The majority of the interviewees 82%, said fraud in the bank mostly is the manifestation of poor remuneration, it is because the employees in most cases would be trying to make ends meet by exploiting any means possible that can make them earn more for themselves in their circles of work. In confidentiality, one of the interviewees went on to say, " Inofurira payaka sungirirwa", which translates to, "It grazes where it is tied"

More so, 77% of the interviewees went on to say internal fraud is occurrent as a result of the organization failing to properly segregate the duties and roles of employees hence in so doing employees could indulge in fraudulent activities as an employee could have unrestricted access to quite a number of documents they can be able to temper with, without anyone noticing and picking up on their unusual activity. This was the case with some of the management officials.

15 of the 22 interviewees 68% responded that internal fraud in the bank was due to a lack of job rotation which gave employees the opportunity to exploit fraudulent activities with ease.

Further 36% of the interviewees shared the idea that internal fraud would only take place because internal control was poor and vulnerable to exploitation by the employee.

However, 13% of the interviewees went on to say other more causes of internal fraud which included inadequate screening of staff and poor management oversight the consequences. Poor training and lack of education in management control systems were other causes of internal fraud, as most employees were not fully aware of what was internal fraud and the consequences it had on both the bank and the employee.

4.5.2 INTERVIEWEES WERE ASKED ABOUT THE LIMITATIONS AND SHORTCOMINGS THAT CAN AFFECT THEIR CURRENT MANAGEMENT CONTROL SYSTEMS THAT NEED TO BE ADDRESSED

In the greater majority of the interviews 17 of them, 77% were in full favor and in good graces with the current management control systems at the bank and thought they were performing well enough for the organization going forward.

32% of the interviewees suggested and thought there was a need for improvement in the management control systems as they thought inadequate training and education are some of the shortcomings affecting the bank's current management control systems. They felt there was the need for regular training and education to equip employees with the necessary skills and knowledge to detect and prevent fraud.

Lastly, 14% had issues with the bank's organizational culture at the bank in Kadoma as they felt, it did prioritize ethical behavior and employees are incentivized to prioritize certain goals over others, which in some cases leads to an increased risk of internal fraud. The interviewees, therefore, felt it was important that the MCS could use and encourage a cultural establishment that values integrity and ethics.

4.5.3 INTERVIEWEES WERE ASKED, WHAT KIND OF INTERNAL FRAUD SCENARIOS COULD POSSIBLY POSE RISK FOR THE BANK AND HOW CAN THE BANKS MANAGEMENT CONTROL SYSTEMS(MCSs) ADDRESS THOSE RISKS?

Most of the interviewees thought asset misappropriation posed a high risk for the bank and they were confidently suggestive that the robust implementation of internal audit programs should be able to detect and prevent an unusual activity that seems suspicious in a timely manner

Half of the interviewees also thought of bribery and corruption posed risks to the bank however employee training and awareness programs help ensure all employees understand the risks and consequences of fraudulent activities.

Lastly, embezzlement of funds was another high-risk fraud they worried about but suggested proper segregation of duties can give the MCSs a better chance to address the risk as it prevents any one individual from having too much control or access to critical systems and processes

4.5.4 INTERVIEWEES WERE FURTHER ASKED WHAT THEY THOUGHT SHOULD BE DONE TO PREVENT INTERNAL FRAUD AND HOW CONFIDENT THEY ARE IN THE MANAGEMENT CONTROL SYSTEMS.

Firstly, the majority of the interviewees 82% were pretty confident in the effectiveness of the already put-in-place management control systems at the bank, acknowledging that they were only required to get robust a bit more in their policies and procedures to govern their operations and ensure compliance with regulations. They suggested establishing segregation of duties and clear lines of reporting to prevent conflict of interest in the daily operations and activities of the banks. Similarly, on that suggestion from the interviewees, Sarel and Tziner(2009) indicated that having clear reporting lines and the segregation of duties were two of the most effective measure for preventing and detecting internal fraud.

Secondly, 68% of the interviewees required and suggested the bank provide regular training and awareness programs for staff. They felt that the bank should provide ongoing training and awareness programs to educate employees about internal fraud risks and how to prevent them. This included suggestions like teaching staff/employees to recognize and report suspicious behavior

Another 68% thought and saw it effective enough that the bank should keep on putting more emphasis on conducting transparent regular internal audits. They acknowledged that even though the employee will always be looking for loopholes to exploit to their advantage, conducting internal audits can help the bank step ahead by identifying any weakness in the bank's internal controls and identifying opportunities for improvement as well. A study by Krahel and Titera(2019) found that internal audits can serve as an effective tool in detecting and reducing fraud risk in organizations.

Lastly, 36% of the interviewees noticed the emergence of cybercrimes in the industry and strongly suggested that the bank adapts fraud detection technologies such as machine learning algorithms and analytics to identify and prevent fraud proactively. A study by Liu and Han (2016) found that machine-learning algorithms were effective in detecting fraud in financial statements.

4.6 Conclusion

From the research findings, it was clear that budgeting, performance measurement, risk management, and internal audit are essential management control systems that can be used to prevent and detect internal fraud. Budgeting helps identify discrepancies in financial records and detect suspicious activity. Performance measurement tracks and evaluates an organization's performance against objectives, alerting management of unusual patterns. Risk management helps identify, assess, and mitigate risks that may lead to fraudulent activities. An internal audit involves independent evaluation of an organization's operations, financial reporting and compliance with laws and regulations, detecting fraudulent activities, and providing recommendations to prevent future occurrences. These systems are effective in preventing and detecting internal fraud, providing a comprehensive framework for fraud prevention and detection. In comparison to the more developed Western European banking industries and the close adjacent South African banking industries, the management control systems employed in the Zimbabwean banking sector are relatively robust in the internal fraud prevention practice. Internal fraud prevention flaws in Zimbabwean practice pointed to and signified the absence of trustworthy fraud data collecting and administration methods as well as a deficit of appropriately effective and efficient fraud detection technologies.

4.7 Summary

The primary conclusions of the study have been summarized and the data have been reviewed and analyzed in this chapter. Overall, the findings showed that management control systems were only moderately effective in preventing fraud and that there was potential for improvement in the coordination of control systems, which is necessary to stop internal fraud in Zimbabwe's commercial banks. One of the main problems is a lack of expertise in fraud and fraud detection technology like machine learning algorithms. The study's findings and recommendations are discussed in the next chapter.

CHAPTER V

5.0 Introduction

Data was introduced, examined, and critically debated in the preceding chapter. This chapter's primary goal is to determine if the research questions and objectives posed in the study of the efficiency of management control systems in preventing and detecting internal fraud by commercial banks in Zimbabwe were addressed by the findings. The summary, results, and suggestions for the study will be properly given in this last chapter to wrap it up.

5.1 Summary of Findings

In comparison to the more developed Western European banking industries and the close adjacent South African banking industries, the management control systems employed in the Zimbabwean banking sector are relatively robust in the internal fraud prevention practice. Internal fraud prevention flaws in Zimbabwean practice pointed to and signified the absence of trustworthy fraud data collecting and administration methods as well as a deficit of appropriately effective and efficient fraud detection technologies.

5.2 Conclusion

From the findings, it is clear that the management control systems in place at ZB bank have been successful in preventing or detecting internal fraud. This can be attributed to the robustness for these systems that have not made it easy for fraudsters to carry out their activities undetected Bateman & Ziethaml (2014)

In addition to that the control mechanisms such the banks internal audit has the potential to be even more robust by implementing of rotations and segregation of duties to significantly reduce the occurrence of internal fraud at ZB Bank. This suggests that these control systems are effective in controlling fraudulent activities ,Cohen & Pant (2018)

Furthermore, the finding from chapter 4 suggest that the management control systems implemented at ZB provide sufficient enough accurate and reliable information for decision making. This implies that these systems are effective not only in fraud prevention but also in enhancing the overall performance, Davilla, Epstein, & Shelton (2012)

Despite the positive findings in Chapter 4, some weaknesses were observed in the bank. Some of the employees at ZB demonstrate a lack of commitment to ethical behavior, which undermines the effectiveness of the management control systems. This is evident in cases

where employees collude with external fraudsters to defraud the company, Simons & Kallapur (2019)

Moreso, there is also need for better communication and coordination between the different control systems within ZB to enhance their effectiveness in fraud prevention and detection. In addition, the management of ZB must integrate new technologies and regular conduct of risk assessment to improve the management control systems' effectiveness, Linsley & Shrives (2015)

Lastly, some weaknesses were observed in the ZB management control systems that could be exploited by fraudsters. For instance, some control mechanism are not regularly reviewed, which could to lapses that fraudsters could use to carry out their activities undetected. Brazel & Prawitt (2017)

5.3 Recommendations

Based on the findings of this research and other similar studies by other scholarly minds as well as drawing from other world economies like Europe and our close Republic of South Africa as benchmarks, and in summary, there is still some room for improvements for management control systems and fraud prevention practice being implemented by ZB Bank and in the Zimbabwean banking sector as well, that include:

- Implement more rigorous control procedure: based on the positive results from the data analysis, it is recommendable that ZB implement more rigorous control procedures to further reduce the risk of internal fraud. This could include, requiring more frequent audits, implementing more strict access controls, and increasing the oversight of financial transactions.
- Provide additional training and education: another recommendation is to provide additional training and education to employees to help them understand the importance of management control systems and how they can help prevent fraud. This can be achieved through things like mandatory training sessions, workshops and online classes.
- Develop a formal fraud prevention policy: ZB can also benefit from developing a formal fraud prevention policy that outlines the steps that the organization will take to prevent and detect fraud. This could include procedures for reporting suspected instances of fraud, guidelines for conducting investigations and consequences for employees who are found to have engaged in fraudulent activity.
- Establish a culture of accountability: Finally, it may be beneficial for ZB to establish a strong firm culture of accountability where employees are held responsible for their

actions where ethical behavior is encouraged and rewarded. This involves creating performance metrics that reward employees for ethical behavior, publicly recognizing employees who resist fraud, and creating an ethics Committee that is responsible for monitoring and enforcing ethical standards across the organization.

Additionally, as part of the analysis of the current state of management control systems implemented by ZB bank there are areas of improvement that I would like to recommend. Specifically, I would like to recommend that the bank explores and implements new fraud detections technologies that leverage machine learning algorithms and A.I, which will complement ZB's existing management control systems and better combat the risk of internal fraud. The current state of fraud within the banking industry is rapidly evolving. Fraudsters have become increasingly sophisticated in their methods and use technology to exploit vulnerabilities in the control systems. Traditional fraud detection systems are no longer enough and hence there is need to implement new technologies that can detect and prevent fraud in real time. This is where machine learning algorithms and A.I come in. According to Kshirsagar and Patil (2019), machine learning algorithms and artificial intelligence (A.I) can analyze voluminous amounts of data, identify patterns, and detect anomalies in real time, significantly reducing the risk of internal fraud. Through this approach, the bank can analyze large amounts of data and identify any red flags before a fraudulent act actually happens.

5.4 Suggestions for Future Research

In light of the recommendations made above, it is suggested that future research focus on the factors that contribute to the success or failure of management control systems in preventing internal fraud in the commercial banking sector of Zimbabwe

Also, future research could explore the use of emerging technologies, such as artificial intelligence and machine learning in enhancing the efficacy of management control systems

In conclusion, future research in these areas could help to further our understanding of the effectiveness of management control systems against internal fraud and inform the development of best practices.

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APPENDIX A: COVER LETTER

BINDURA UNIVERSITY OF SCIENCE EDUCATION
P BAG 1025
BINDURA

Dear Respondent

This letter serves to inform you that the researcher is carrying out a study on the effectiveness of management control systems against internal fraud and is appealing for your cooperation in supplying the information needed.

The research is done in partial fulfillment of Bachelor of Commerce Honors Degree in Financial Intelligence. The information sought will be used to assess and analyze the effectiveness of the measures employed by banks in minimizing credit card fraud and hence come up with recommendations that will cover the problem areas.

It would be appreciated if you complete the questionnaire, tick where necessary and fill in details in the space provided. All answers of this questionnaire will be treated with confidentiality and anonymity.

Yours Sincerely

P. MURASIRANWA
(RESEARCHER)

APPENDIX B: QUESTIONARE

MANAGEMENT CONTROL SYSTEMS

AND THEIR EFFECTIVENESS AGAINST INTERNAL FRAUD

Section A: Demographic Information

1. PLEASE INDICATE YOUR GENDER

Mark only one oval.

- ☐ MALE
- ☐ FEMALE
- ☐ Prefer not to say

2. Please tick the age bracket in which you fall

Check all that apply.

- ☐ 30 years and below
- ☐ 31-40 years
- ☐ 41-50 years
- ☐ 51 years and above

3. Current position held

4. Number of years in current position.

5. State whether your bank is foreign owned, state owned, or private

6. How many employees are there in your bank?

7. What is your bank's country of origin?

SECTION 2: MANAGEMENT CONTROL SYSTEMS

8. Have you received any training on management control systems?

Mark only one oval.

☐ YES

☐ NO

9. How would you define management control systems?

10. Which management control systems are currently implemented in your organization? (Select all that apply)

Check all that apply.

- ☐ BUDGETING
- ☐ PERFORMANCE MEASUREMENT
- ☐ INTERNAL AUDITS
- ☐ RISK MANAGEMENT
- ☐ other (please specify)
- ☐ Other:

11. How often are these systems reviewed or updated?

12. In your opinion, how effective are these management control systems in preventing internal fraud?

Mark only one oval.

- Very effective
- Somewhat effective Not
- very effective
- at all effective
- Don't know

Not

13. Have there been any instances of internal fraud in your organization in the past 5 years?

Mark only one oval.

- ☐ Yes
- ☐ No

14. If yes, which management control system(s) failed to prevent the fraud?

15. How was the fraud detected? (Select all that apply)

Check all that apply.

- ☐ Internal audit
- ☐ Whistleblowing
- ☐ Anonymous tip
- ☐ other(please specify)

16. How long did it take to detect the fraud?

17. How was the fraud investigated? (Select all that apply)

Check all that apply.

- ☐ Internal audit
- ☐ External audit Forensic
- ☐ investigation Other
- ☐ (please specify):
- ☐ Other:

18. How long did the investigation take?

SECTION 3: INTERNAL FRAUD

19. How prevalent do you think internal fraud is in your industry?

Mark only one oval.

- ☐ Very prevalent
- ☐ Somewhat prevalent
- ☐ Not very prevalent
- ☐ Not at all prevalent do
- ☐ not know

20. What do you think are the most common types of internal fraud in your organization? (Select all that apply)

Check all that apply.

- ☐ Asset misappropriation
- ☐ Corruption
- ☐ Financial statement fraud
- ☐ Cybercrime
- ☐ Other (please specify):
- ☐ Other:

21. How much financial loss has your organization suffered due to internal fraud in the past 5 years?

SECTION 4: CONCLUSION

22. In your opinion, what steps can be taken to improve the effectiveness of management control systems in preventing internal fraud?

23. Is there anything else you would like to add that has not been covered in this questionnaire?

Appendix B: INTERVIEW GUIDE

My name is Panashe R Murasiranwa, from Bindura University of Science Education doing my fourth year Honors Degree in Financial intelligence. In partial fulfilment of my degree wherein I

am expected to carry out a research study therefore the study is titled, “management control system and their effectiveness against internal fraud. A case study of ZB Bank 2020 to 2022”. The interview is merely for academic purpose to assist in the understanding of these control mechanism as they work towards preventing and detecting fraud in the commercial banking industry.

Information required is for academic purpose therefore respondent names are not essential and confidentiality and privacy of information is will be observed and acknowledged.

Section A: Demographic Information

1. What is your Gender
2. What is your age
3. What is your highest level of education

Section B: Interview Questions

1. Can you tell us about your experience in the banking industry?
2. Have you ever encountered any instances of internal fraud in your bank?
3. What is your understanding management control systems?
4. What specific types of management control systems are implemented by your bank and in your opinion how effective are these in managing internal fraud?
5. What are the most common types of internal fraud and how do management control systems address the risks of these internal fraud?
6. What can be done to make these systems make them more effective?
7. What challenges do commercial banks face in implementing effective management control systems?

