

MAKERERE UNIVERSITY
COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

TOPIC

**THE ROLE OF OPERATIONAL RISK MANAGEMENT STRATEGIES IN
COMBATING FRAUD IN FINANCIAL INSTITUTIONS.**

CASE STUDY

STANDARD CHARTERED BANK

BY

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ABSTRACT

The study aimed at establishing the role of operational risk management in combating fraud in banking institutions focussing on Standard Chartered Bank Ltd. The specific objectives that guided the study were: to assess the impact of operational risk management in combating fraud, to establish the relationship between operational risk management and fraud, to explore creative measures of operational risk management in combating fraud to acceptable level and to assess the effectiveness of operational risk management in combating fraud.

Operational risk is not new. However significant operational risk events in the recent years have high lightened the need to manage operational risk more effectively. Banks should take a broader and a more holistic approach to operational risk management. Operational risk must be managed throughout the whole organisation in order to minimise losses resulting from frauds

Effective operational risk analysis is an integral process covering analysis of causes and events. Analysis should be designed to assist greater understanding of risks and improve management's ability control risks and allocate resources appropriately

Banking operations are further monitored by Bank of Uganda which is mandated by the financial institutions act 1993 to intervene in the activities of all banking institutions in order to minimise risks of fraud, insolvency, unsatisfactory corporate governance and gross mismanagement.

A cross sectional research design was used to collect data from various departments at Standard d bank such as Operations, Credit, risk/ Audit and Treasury departments.

Purposive sampling technique was used to select 50 respondents from the staff of Standard Chartered bank. Information on each of the variables was examined using the analytical research design.

Data was analysed by using S.P.S.S (Statistical Package for social scientists. The findings of the study are represented in graphs and pie charts. The decisions were made basing on highest percentages and frequencies from primary data gathered to establish the role operational risk management strategies in combating fraud in financial institutions, more especially Standard Chartered Bank.

Findings revealed that operational risk management strategies greatly impact on the risk of fraud, hence the risk of fraud reduces greatly as operational risk management measures are strengthened

Findings from the study revealed that fraud is still persistent in banking institutions as a result of system failures, failure to implement operational risk management programs, lack of motivation among the members of staff, lack of training and awareness programs, low levels of ethics and

integrity among members of staff, lack of technological advancements and failure incorporate all staff at levels while designing policies and coming up with operational risk management strategies.

In their drive to combat the risk of fraud, banking institutions should put emphasis on departments that are directly involved in operational risk activities. This could be done through regular trainings and awareness programs to equip the staff members concerned with the necessary skills for successful mitigation of the risk of fraud. The staff in the various departments should be motivated to encourage them to minimise fraud by being vigilant while attending to customers, reporting any suspicious transactions, emphasising best practises, sharing personal experiences

It is therefore very important for banking institutions to come up with strategies to address operational risk management measures to combat the risk of fraud. Banking institutions should also endeavour to review all strategies in place periodically.