



Operational risk management and fraud mitigation

A case study of Housing Finance Bank (U) Limited

By

John Bosco Sekabira

BSAS (Muk)

2011/HD06/3165U

**A REPORT SUBMITTED TO THE GRADUATE SCHOOL IN PARTIAL
FULFILMENT FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION DEGREE OF MAKERERE UNIVERSITY**

ABSTRACT

The study investigated Operational risk management, and its role in fraud mitigation among financial institutions. The literature reviewed defined fraud, its various types, highlighted the methods of fraud detection, and also gave an insight on how operational risk is managed within financial institutions.

The study employed the purposive sampling technique to draw respondents among bank staff. Both qualitative and quantitative data was analysed to derive meaningful conclusions and recommendations.

Study findings revealed that operational risk management is effective in mitigating fraud, and that the most common fraudulent cases among banks include suppression of customer deposits, forgery of signatures and impersonation by customers, among others. It was also established that most frauds in financial institutions are perpetrated by internal members of staff.

The study recommended that banks should understand the importance of risk management to their business, develop whistle blowing policies, and also develop incentive schemes to reward staff. Financial institutions should further endeavour to train their staff in risk management and above all strengthen their internal audit departments.