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Marrying Banking Structure, Security Environment and Control Management in Zimbabwe: The Case of Commercial Banking Sector During The Multi-Currency Era (2009 To 2015)

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Abstract*: The changing landscape of operations in the commercial banks in Zimbabwe has led to phenomenal changes in the banking structures and internal control management strategies. This change has various impacts in the performance of the banking sector and has necessitated this research. The descriptive survey method was adopted for the study. Managerial and non-managerial employees were used as research subjects. The population of the study was onthe commercial banks in Harare, Zimbabwe. The main research instruments used in the study were self-administered questionnaires. A representative sample of thirty respondents from the retail and corporate banking departmental functions and the Bankers Association of Zimbabwe was selected to participate in the study of which comprised of two opinion leaders for each commercial bank was considered. The study findings indicated that the internal controls used in the commercial banks were effective and satisfactory, the level of organizational performance was found to be adequate and a significant positive relationship between internal controls and organizational financial performance to some extent.*

I. Background Of Study

Commercial banks are important financial intermediaries serving the public in any society, and in most cases, hold more assets than any other financial institution. Apart from their many function, commercial bank facilitates development, contribute to investments, employment creation and by extension, the process of economic growth. Hence the success of country's growth is inevitable once bank's internal controls are prioritised. Due to globalization and advancement of technology around the world, the business and the commercial banks have experienced various limitations so as to reach their organizational objectives. Fraud, money laundering and terrorism activities affect the corporate mission and vision. Ndamenenu (2011) asserts that due to the technological advancement, company's and corporations establish the strategies within and out of their organization including modern way of dealing with customers, provision of service, corporate social responsibilities and successful procedure of control system. In June 2014 Renaissance bank was placed under curatorship after it had failed meet depositor demands, its senior management awarded themselves huge salaries and perquisite perks which did not tally with the bank's cash inflows. More so, Allied Bank faced closure in December 2014 when their licence was revoked by the regulatory authorities, Reserve Bank of Zimbabwe after it had failed to meet the capital reserve demands as the directors of the bank had embezzled depositors funds.

Statement Of The Problem

To what extent is the commercial banking structure relevant and coping with the fragile security and control management environment in Zimbabwe? Are the internal checks and internal controls adequate in the current banking sector?

Objective(S)

- The impact of the banking structure, authority, delegation and responsibility in control management.
  To determine the appropriate operational and security environment for the commercial banks.
- To evaluate the appropriateness, and independence of the commercial bank's internal audit and compliance function as a control strategy

Research Questions

To achieve the above objectives, the research study was guided by the following research questions:-

- What is the impact of the banking structure, authority, delegation and responsibility in control management?

- Why is appropriate operational and security environment required for the internal controls for commercial banks?
- Can appropriate, and independent internal audit and compliance function be a control strategy for the commercial banks?

Theoretical Framework

Structure, Authority, Delegation, Responsibility and Control.

Impact of structure on management

According to Bhattacharyya and Kumar (2009), a structure of an organisation illustrates the form of an organisation and is evident from the way various divisions, departments, functions and people are linked together and interact. Traditionally, an organisation structure shows vertical operational responsibilities with horizontal linkages and represented by an organisation chart. Max Weber elaborated by Kumar said that vertical representation of organisation structure is synonymous to Max Weber's theory of bureaucracy. They however, in complex business environment, today find more modern forms of organisation structure like: flat, networked, matrix, and even virtual organisations. Changing business environment, not only emphasizing on the change in reporting relationships and corresponding changes in the structure in an organisation, it also necessitates periodic organisational restructuring, manpower downsizing, job compositional shift and making the need for reporting to the boss redundant

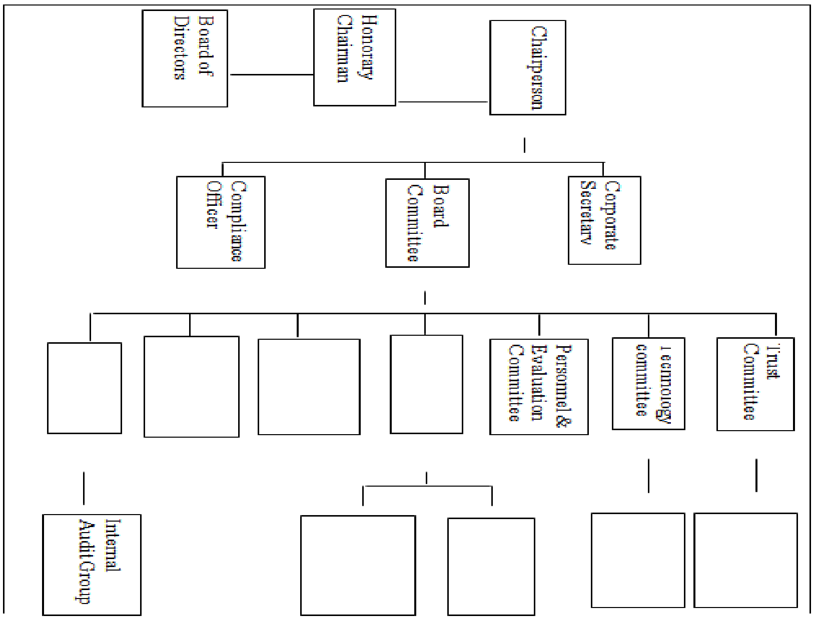
However Randall and Raghuram (1995) viewed organisational structure, as the different activities undertaken by organisation are formally linked. One aspect of organisational structure is hierarchy: Does the managers of the division undertaking one activity report to the manager of the division undertaking another? Do they have common supervisors or boards of directors? Can they independently raise and allocate capital or is there a common allocation process? Burgstaller (2011) explored that, the influence of the financial system on regional structures and disparities has long been neglected due to the predominance of the neoclassical view of space-neutral money. The role of information in assessing borrower quality and related technological advances is one main topic in this respect; a second deals with competition in banking markets and the effects of consolidation tendencies on bank efficiency, customer welfare and economic growth.

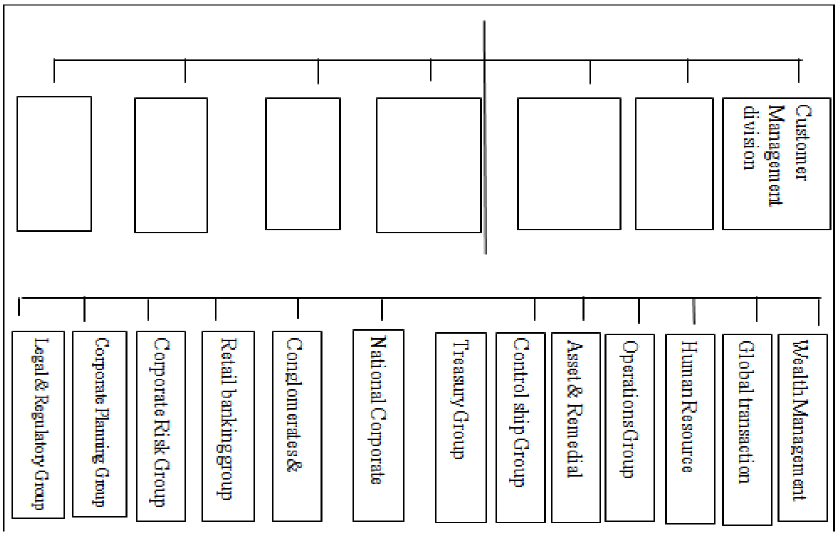
Somashekar (2009), illustrate a noble example as per the Reserve Bank of India Act, the organisational structure of the Bank comprises: Central Board Local Boards and the Central Board of Directors is the leading governing body of the bank. It is entrusted with the responsibility of general superintendence and direction of the affairs and business of the Reserve Bank. Their salaries, allowances and other perquisites are determined by the Central Board of Directors in consultation with the Government of India

Commercial Banks Organisational Structure

Rizal Commercial Banking Corporation (2014). At the helm of the Corporate Governance Framework of the Bank are management levels as shown in the table below:

Rizal Commercial Banking Corporation (2014)'s Organisational Structure. (Adopted)





Authority

According to Bloom, Howard (2010),authorityis (derived from the Latin word auctoritas can be used to mean power given by the state (in the form of government, judges, police officers, etc.) or by academic knowledge of an area (someone can be an authority on a subject). They further elaborated that the word Authority is used in the name of a commercial bank sector, this name usually refers to the governing body upon which such authority is vested.

Stephen P. Robbins and Mary Coulter (2002) further explored organising as "determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made." L.A. Allen (1958) earlier put across organising as "the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling employees to work most effectively together in accomplishing objectives of control measure." They establishment authority as relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure."

Focusing on the problem of default, Max Weber (1922) which was elaborated by Bloom, Howard (2010), in his sociological and philosophical work, identified and distinguished three types of legitimate domination (Herrschaft in German, which generally means 'domination' or rule), that have sometimes been rendered in English translation as types of authority, because domination isn't seen as a political concept in the first place. Weber defined domination (authority) as the chance of commands being obeyed by a specifiable group of people. Legitimate authority is that which is recognized as legitimate and justified by both the ruler and the ruled.Weber divided legitimate authority into three types below:

- **Rational-Legal Authority.**

According to Webber (1922) rational-legal authority is that form of authority which depends for its legitimacy on formal rules and established laws of the state, which are usually written down and are often very complex.

- **Traditional Authority**

According to Bloom, Howard (2010), traditional authority is one which is derives from long-established customs, habits and social structures. The Tudor dynasty in England and the ruling families of Mewar, in Rajasthan (India) are some examples of traditional authority.

- **Charismatic authority**

Stephen P. Robbins and Mary Coulter (2002) asserted that charismatic authority is one which is derived from "the gift of grace" or when the leader claims that his authority is derived from a "higher power" (e.g. God or natural law or rights) or inspiration, that is superior to both the validity of traditional and rational-legal authority and followers accept this and are willing to follow this higher or inspired authority, in the place of the authority that they have hitherto been following.

Delegation

According to Bhattacharyya andDipak Kumar (2009), delegation refers primarily to the entrustment of authority and creation of responsibility from one individual to another. They further asserted that delegation can take place from one individual to another and lead to complete process.

Angstand Borowiecki (2013) definedthat delegationis the assignment of responsibility or authority to another person (normally from a manager to a subordinate) to carry out specific activities. They however advocated that, the person who delegated the work remains accountable for the outcome of the delegated work. In general, delegation is good and can save money and time, help in building skills, and motivate people. Poor delegation, on the other hand, might result in poor internal controls, frustration and confusion to all the involved parties. Angst Lukas identified six effective Principles of Delegation in enforcing internal controls in commercial banks as listed below:

- Clarity of Delegation
- Delegation to be consistent with results expected
- Responsibility cannot be delegated
- Parity of Authority and Responsibility
- The Exception Principle
- Share Authority

Responsibility

According to Feltus (2014), Responsibilityis a charge assigned to a unique actor to signify its accountabilities concerning a unique business task. Feltus further alluded that responsibility of an agent is defined as the subset of tasks allocated to him by a manager and it is shown that rent seeking considerations lead the manager to allocate the few tasks to the agent. Responsibility exists when a superior holds a certain subordinate responsible for a task, when he announces his beliefs that this subordinate contributes most to control measure task.

Sandra Waddock and Charles Bodwell (2007) quantified that managing responsibilities goes well beyond traditional ‘do good’ or discretionary activities associated with philanthropy and volunteerism, which are frequently termed ‘corporate social responsibility’ and some-times associated with narrow definitions of corporate citizenship. From this perspective, managing responsibility means building trusting relationships with key stakeholders, such as employees, customers, suppliers and communities, and ensuring that, despite power differences that may exist, the commercial bank’s impacts are positive rather than negative.

Visser, Wayne, Matten, Dirk, and Pohl, Manfred (2010), also described responsibility as a concept in ethics with several meanings, often used synonymously with such concepts as answerability, accountability, responsibility, liability and other terms associated with the expectation of account -giving. They alluded that term responsibility associated with compliance, transparency, responsiveness, willingness and ability to respond to legitimate expectations to effective internal controls in the commercial banks.

Thomas and DiNapoli (2010), identified responsibility, this may come as a surprise to some readers, but external auditors are not responsible for an entity’s internal controls. External auditors evaluate internal controls as part of their audit planning process, but they are not responsible for the design and effectiveness of your controls. The governing board’s responsibilities for internal controls primarily involve oversight, authorization and ethical leadership. Generally, governing boards do not design internal controls or prepare the written policies they adopt. The governing board relies upon management, especially the chief executive officer (CEO), to create the policies needed to ensure that services are provided effectively and assets safeguarded.

Control Management.

Henri Fayol (1949), the father of management, defined Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring

Fayol further elaborated that control, or controlling, is one of the managerial functions like planning, organizing, staffing and directing. It is an important function because it is an internal control measure to check the errors and to take the corrective action so that deviation from standards are minimized and stated goals of the commercial banks are achieved in a desired manner. Control in management means setting standards, measuring actual performance and taking corrective action.

Robert J. Mockler (1970), presented a more comprehensive definition of management control as a systematic effort by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objective.

Planung&Unternehmenssteuerung (2010), covers such topics as: the role of management control systems in the management of companies and non-profit organizations; the design and use of planning systems for production, marketing, logistics and other fields of use; the interaction between strategic and operational aspects of management control; and the role of management accountants and other internal and external service providers.

Operational and Security control environment.

The following literature of operational and security control environment for the commercial banks was discussed below:

Operational Environment

Magnus Weurlander (2015) who is charge of banking products and processes, says “We want to be best in class in customer service and to improve our cost-efficiency in order to enhance our competitive advantage.” He stated thatcommercial banking sector is currently facing many changes such as low interest rates, the tightening regulation of banking operations and the harsh economic climate make the operational environment extremely challenging.

Brundtland (1987) says that commercialbanks are profit-making institutions operating in a competitive financial market place characterized both by incomplete information and the pressure of the work flow. Introducing a system of environmental cost-benefit analysis into banks' operating procedures would clearly have far reaching implications, on both practical and theoretical levels. With regard to the latter, Brutland is of the view that there is the problem of mitigating the inherent clash between commercial gain and social need.

Defence Science Board (2009) says that “In a net-centric world, no deployed information technology(IT) systems are islands unto themselves they exist as part of a shared IT environment. They are usually interconnected to several others through a network, sometimes a global network that provides global interconnection. More and more, these IT systems are being constructed of common elements.”

Security Environment

Sanjeev, William, Clark and Raad(2003) asserted that a great deal of human security is tied to peoples’ access to natural resources and vulnerabilities to environmental change and a great deal of environmental change is directly and indirectly affected by human activities and conflicts. They argue that work in the field of ‘sustainable development’ has been fundamental in capturing the emergent scientific and social understandings of the intimate coupling of nature and society.

Although controversies abound King, Gary and Murray, Christopher (2002) went on to say that, the fundamental insights that launched the idea of ‘sustainable development’ two decades ago are even more firmly established today: efforts to protect nature will fail unless they simultaneously advance the cause of human betterment; efforts to better the lives of people will fail if they fail to conserve, if not enhance, essential resources and life support systems. However Sen and Amartya (2002) implored that in computing, a secure environment is any system which implements the controlled storage and use of information. In the event of computingdata loss, a secure environment is used to protect personal and confidential data.

Ramos (2004) refers control environment as one of the key components of an entity’s internal control, it sets the tone of an entity, influences the control consciousness of all people within the organization and is the foundation for all other components of internal control system. Aquila, (1998) & Ramos, (2004), say that some of the components of control environment for this study are; corporate culture, competence levels, quality of audit committees and integrity and ethics.

According to Rae andSubramaniam (2006), the core of any organisation is its people and they are the engine that drives the organisation. They further assert that individual attributes (integrity, ethical values and competence) and the environment in which they operate determine the success of the institution and that the control environment as established by the organisation’s administration sets the tone of an institution and influences the control consciousness of its people. In relation to Subramaniam et al, (2006) organisational values cannot rise above the integrity and ethics of the people who create, administer and monitor them.

Control activities

According to Jenkinson (2008), control policies and procedures must be established and executed to help ensure that actions necessary to achieve the institution’s objectives are effectively carried out. He further argued that control activities are the policies and procedures that help ensure that management directives are carried out and also controlled activities occur as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Ramos (2004) suggests that a variety of control activities should be performed to check the accuracy and completeness of information as well as the authorisation of transactions. Development of new systems and changes to existing ones should be controlled. Additionally, access to programs and data should be restricted.

Physical controls include control of equipment's, inventories, securities, cash and other assets which should be secured physically and periodically counted and compared with amounts shown on control records.

Internal audit and compliance function

The following literature on internal audit and compliance function is as follows:

Internal audit

According to Lahsansa, Ahcene and Wiley(2014),compliance means to conformto all relevant laws, rules, regulations, and regulatory guidelines. They further assert that compliance refers to proper supervision and a competent system of internal controls within an organisation to mitigate the risk and to preserve the Bank's reputation as well as safeguarding of its assets and compliance with all relevant regulatory requirements. Matamande (2012) believes that one important aspect of internal control is the internal audit. Commercial banks carries out internal audits regularly and randomly in all departments. Internal audit is an effective tool in revenue management because internal auditors are employees by commercial banks hence they are better placed to understand the accounting systems, the control procedures and the control environment. Matamande further assumed that internal controls induce discipline in the organisation's workforce. Basel (2012) alluded that risk resulting from failure to safeguard assets from theft and failure to maintain adequate controls to ensure adequate accounting records are mitigated or reduced.

Quality of Audit Committees

According to Blue Ribbon Committee on Improving Effectiveness of Corporate Audit Committees (1999), it recommends that each audit committee should have at least one financial expert as its member, hence, the importance of financial literacy and expertise of audit committee members.Dezoort and Salterio (2001) found that audit committee members with financial reporting and audit knowledge are more likely to understand auditor judgements and can fruitfully get involved in auditor-management dispute solving, than members without such knowledge. Krishnan (2005), presents evidence that audit committees with financial expertise are less likely to be associated with the incidence of internal control problems and conflict of interest. According to Beasley & McMullen (1996), good quality audit committee will impact positively on the transparency and disclosure accountability with minimum reconciliations, internal checks and audits at monitoring transactions and activities.

Compliance function

According to Greenberg and Michael (2010), compliance function are those areas that included adopting the necessary infrastructure to drive compliance with law, to build a stronger-ethical culture within organisations, and to ensure that company management undertakes appropriate risk management activity and risk decision making.

Wiley and Sons (2010), stated that many concepts and practices described in this text are products of a growing compliance discipline that does not proceed directly from any regulatory rule or guidance, regulation is undoubtedly the founding spark and ultimate justification of all compliance activity in the financial services industry.

According to Basel (2012), a "largely compliant" assessment is given when there are only minor shortcomings, which do not raise serious concerns about the authority's ability to achieve the objective of the principle and there is clear intent to achieve full compliance with the principle within a prescribed period of time.Wachtell, Lipton, Rosen & Katz (2005)stated that compliance starts at the top and it will be most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the board of directors and senior management lead by example.Basel (2012) alluded that a bank should hold itself to high standards when carrying on business, and at all times strive to observe the spirit as well as the letter of the law. Rosen et al (2005) further believed that failure to consider the impact of its actions on its shareholders, customers, employees and the markets may result in significant adverse publicity and reputational damage, even if no law has been broken.

Basel Committee on Banking Supervision (2004)defined compliance risk as "the risk of legal or regulatory sanction, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its commercial banking activities."

Control strategy

According to Reufli, Timothy and Sarrazin, (1981), Strategic control is a term used to describe the process used by organisations to control the formation and execution of strategic plans; it is a specialised form of management control, and differs from other forms of management control (in particular from operational control) in respects of its need to handle uncertainty and ambiguity at various points in the control process.

According to Mitchael and Balotelli (2014), a control strategy is a set of discrete and specific measures identified and implemented to achieve reductions in air pollution. These measures may vary by source type, such as stationary or mobile, as well as by the pollutant that is being targeted. The purpose of these measures is to achieve the air quality standard or goal. Costs and benefits are assessed in the development of the control strategy.

According to Peter Lang, (2012)Issues of banking supervision, control, and governance came to the fore with the 2008 banking crisis. Furthermore, Peter believed that the established supervisory mechanisms did not limit the magnitude of the financial crisis. Management monitoring and control is of particular importance for German banks because the prevailing two-tier system separates management and supervision (Köhler, 2010).

Research Methodology

According to Rajasekar, Philominathan, and Chinnathambi (2013) research methodology is a systematic way to solve a problem. They go on to say that essentially research methodology is the procedures by which researchers go about their work of describing, explaining and predicting phenomena.

Research Design

Burns and Grove (2003) define a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. Polit et al. (2001) on the other hand described a research design as the researcher's overall for answering the research question or testing the research hypothesis.

Crowe et al. (2011) define a case study as a research that is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life. According to Oladeji (2012) a case study is a detailed analysis of the development changes of a single person, institution, organization, and event or programme whose sample is usually smaller than that of a research. Shuttleworth (2008) on the other hand defines descriptive research design as a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way. Shuttleworth goes on to say that descriptive survey is a precursor to quantitative research designs, the general overview giving some valuable pointers as to what variables are worth testing quantitatively. A descriptive survey has no manipulation or control of variables or conditions, as is the case in experimental research.

The researcher used descriptive survey for this study. To be precise the instruments used were the questionnaire for bank officers from commercial banks under review and interview for expert leaders at Bankers Association of Zimbabwe (BAZ). The interview was used because the researcher felt that the questions asked required further probing. It was not the intention of the researcher to manipulate or control variables but collection of data in its purest condition.

The Population

A research study population is a well-defined collection of individuals or objects known to have similar characteristics. Biology Online (2012) define a population as a summation of all the organisms of the same group or species, which live in a particular geographical area, and have the capability of interbreeding. Oswala (2001) refer to population as the number of persons or objects covered by the study or with which the study is concerned. In this study the population was made up of all commercial banks officers concerned with retail and corporate banking functions at the following Commercial banks in Harare Province.

Foreign owned linked: -Ecobank Zimbabwe, Barclays Bank of Zimbabwe, Standard Chartered Zimbabwe, Stanbic Bank Zimbabwe Limited

Indigenous owned linked: - Agricultural Development Bank of Zimbabwe (Agribank), BancABC Zimbabwe, CABS,CBZ Bank Limited, FBC Bank Limited, MBCA Bank Limited, Metbank, NMB Bank Limited, Steward Bank, ZB Bank Limited

THE study was premised on retail and corporate banking functions because the researcher believed that the internal control variables being investigated where more prevalent in these departments compared to other departments such as Treasury and Information Technology.

Sample

When conducting research, it is almost impossible to study the entire population one might be interested in and as a result one has to make a sample of the population. According to Crossman (2014) a sample is a subset of the population being studied which represents the larger population used to draw inferences about that population. Berinsky (2008) defined a sample as astatistics, quality assurance, & survey methodology, and is concerned with the selection of a subset of individuals from within a statistical population to estimate characteristics of the whole population.

In this respect the researcher used purposive sampling to choose commercial banks officials to respond to questionnaires as they were perceived to be knowledgeable about internal controls of commercial banks.From the commercial bank population, the researcher targeted three international banks and three indigenous banks in Harare as shown on the table below: -

Table 1.1: Targeted sample of Commercial Banks and Bankers Association of Zimbabwe

	Name of banks	Number of retail banking officers	Number of corporate banking officers
Internationally linked banks	Stanbic Bank	2	2
	Eco bank	2	2
	Standard chartered	2	2
Indigenous linked banks	CBZ Bank Ltd	2	2
	CABS Bank	2	2
	Steward Bank	2	2
	Total	12	12
Banker Association of Zimbabwe-BAZ		6	

Source: Primary data

Give that four banking officers per each bank where chosen, it implies that our total sample was twenty four -24 banking officers. In addition the researcher interviewed six (06) BAZ expert personnel.

Research Instruments

Pierce (2009) described a research instrument as a survey, questionnaire, test, scale, rating, or tool designed to measure the variable(s), characteristic(s), or information of interest, often a behavioural or psychological characteristic. Research instruments can be helpful tools to your research study.

Wilkinson and Birmingham (2003) cited enlisted the following instruments used in research study:

- Questionnaires
- Interviews

IV: Data Presentation, Analysis And Discussions

The data was analysed and presented in tabular, graphical and percentages form. Beneath each table or graph the findings were explained and their implication pointed out. The findings from open ended questions were narrated factually. Some of these findings were presented in tabular form while others were simply narrated.

Structure, Authority, Delegation and Responsibility

Table 1.2: Structure, Authority, Delegation and Responsibilities

STRUCTURE, AUTHORITY, DELEGATION AND RESPONSIBILITY		7 Strongly agree	6 Agree	5 Uncertain	4 Disagree	3 Strongly disagree	2 Non response	1 Total
1	Organisational structure influence the performance of a bank	42%	54%	0%	4%	0%	0%	100%
2	One aspect of organisational structure is hierarchy	33%	67%	0%	0%	0%	0%	100%
3	Authority determine the successfully completion of task by employees	30%	58%	8%	4%	0%	0%	100%
4	Traditional authority is derived from long-established customs, habits and social structures.	38%	50%	8%	4%	0%	0%	100%
5	Delegation can save money and time, help in building skills, and motivate people	50%	38%	8%	0%	0%	4%	100%
6	Poor delegation result in poor internal controls, frustration and confusion to employees	54%	38%	4%	0%	0%	4%	100%
7	Person who delegated work remains accountable for the outcome of the delegated work	58%	34%	4%	4%	0%	0%	100%
8	Responsibility is compliance, transparency, responsiveness and willingness	38%	46%	4%	4%	4%	4%	100%
9	Control sets standards, measures actual performance and taking corrective action.	42%	54%	4%	0%	0%	0%	100%

Source: Primary data (2015)

- The variable, respondents on organisational structure influence the performance of a bank confirmationsa 96% affirmative and a 4% negative response. The high positive response rate is evident indication that most of the commercial banks officers are within banking organisational structures from the way various divisions and departments functions.

- ❖ Results from table 1.2 accounted for 100% optimistic respondents that organisational structure is an aspect of hierarchy. This shows that all the respondents are within the banking structure
- ❖ An 88% of respondents believed that authority determine the successfully completion of task by employees and traditional authority is derived from long-established customs, habits and social structures.8% respondents were uncertain and 4% negative respondents was seenon the study.
- ❖ A 38% strongly agreed, 50% agreed. 8% uncertain and a 4% disagreed the on variable, traditional authority is derived from long-established customs, habits and social structures. This is a clear indication that banks had their own customs, habits and social structures that they practice.
- ❖ 92% of the respondents agreed that person who delegated work remains accountable for the outcome of the delegated work, while 4% were uncertain and 4% were negative. The results showed that many employees were very responsible for their delegated work.
- ❖ The study revealed that responsibility compliance, transparent, responsiveness and willingness accounted for an 84% positive response, 4% uncertain response, 8% negative response and 4% non-respondents.
- ❖ A 96% affirmative and a 4% uncertainty was accounted for control sets standards, measures actual performance and taking corrective action. This divulges that most of the commercial banks are employing internal controls to ensure the effectiveness adherence of internal control management

Appropriate operational and control environment

Figure 1.1: Appropriate operational and control environment

Source: Primary data

Results from the above table 4.8 obtained a 96% positive response on Control of assets, equipment, cash inventories, and securities is essential while 4% was account for non-respondents. This is a clear indicator that most bank controls the movements of its assets and equipment. And failure of control of movement of assets would result in a very high negative response.

Notably 84% affirmative response, 8% uncertain, 4% negative response and a 4% on non-response. The results reaffirms the need for suitable operating environment for the success of the commercial bank.

Errors checks minimize standards deviations variable had a 100% optimistic responsiveness rate. The high responsiveness could have been influenced by the rapidly control checks for errors by the commercial banks.

The variable, commercial banks are profit making institutions accounted for 92% affirmative response, a 4% on both uncertain and 4% non-responses. This view demonstration that profit was the corporate mission of most commercial banks. The negative response was because of some bank who believed in the ploughing back to the community when they engage in social services among which included sponsoring the local sport and sending eligible elite students to schools. Example is the Steward bank funding the Joshua Nqabuko Econet scholarships.

From the research data, problem of the inherent clash between commercial gain and social need accounted for 58% affirmative, 38% uncertain and 4% negative response. A high ambiguous response of 38% was because of were the bank officers had divergent views about inherent clash between commercial gain and social need.

That above table indicated a positive increase by 88%, while 4% uncertain and 8% negative response on IT network is a global network that provides global interconnection. The bulk response was resulted from the increased use of internet banking and E-banking.

1.14: Internal audit and compliance function

Table 1.3: Internal audit and compliance function

INTERNAL AUDIT AND COMPLIANCE FUNCTION		7 Strongly agree	6 Agree	5 Uncertain	4 Disagree	3 Strongly disagree	2 No response	1 Total
1	Compliance conform to relevant laws, rules, regulations, and regulatory guidelines.	42%	58%	0%	0%	0%	0%	100%
2	Proper bank supervision and a competent control system mitigate the risk	33%	63%	0%	0%	0%	4%	100%
3	Internal audit preserves and safeguarding bank assets from theft	38%	54%	8%	0%	0%	0%	100%
4	Banks carries out internal audits regularly and randomly in all departments	29%	63%	4%	4%	0%	0%	100%
5	Bank may suffer due to failure to comply with laws, regulations, rules, and codes of conduct	46%	42%	8%	0%	0%	4%	100%
6	Audit committee impact positively on the transparency and disclosure transactions	33%	54%	8%	0%	4%	0%	100%

Source: Primary data (2015)

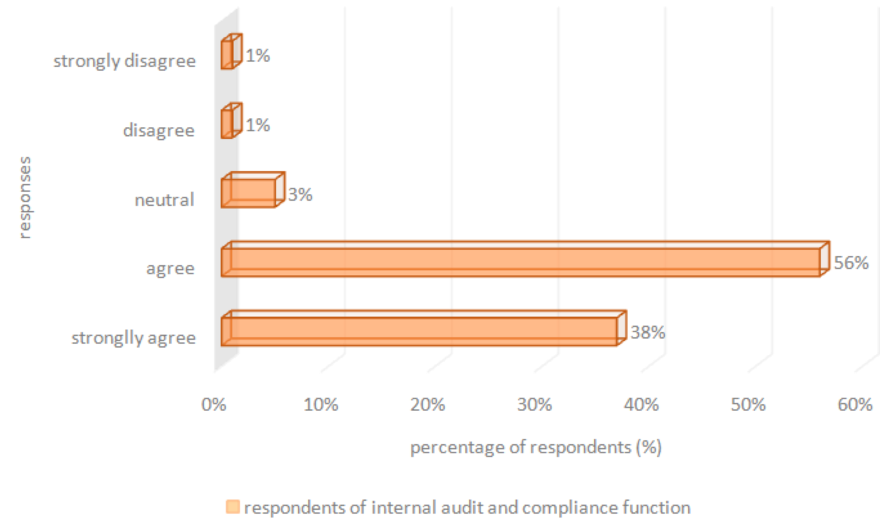


Figure 1.2: Respondents of internal audit and compliance function.

Source: Primary data (2015)

100% of the sampled respondents were of the view that the compliance variable adhered to existing banking laws, rules, regulations, and regulatory guidelines. While a 96% affirmative and 4% adverse respondents was observed on proper bank supervision and a competent control system mitigate the risk. A little respondents was because some fixed assets such like building are immovable, that means control of the title deeds was only important rather than the asset itself. Only movable properties requires strong internal controls.

The variable, internal audit preserves and safeguarding bank assets from theft observed a 92% favorable response and an 8% adverse response. This indicates that banks carries out internal audits regularly and randomly in all departments.

An 88% positive response, 4% uncertain, 8% uncertainty,4% disagree responses and a 4% no response on the variable that bank suffer as failure to comply with laws, regulations, rules, and codes of conduct for banks. This significantly aroused by the transparency and disclosure of commercial bank transactions. Beasley & McMullen (1996), affirms that good quality audit committee will impact positively on the transparency and disclosure accountability with minimum reconciliations, internal checks and audits at monitoring transactions and activities.

Figure 1.2 shows that the bulk of respondents on internal audit and compliance function accounted for an average of 3% strongly agreed, 56% agreed, 4% neutral, 2% disagreed and a 1% strongly agreed. The massive affirmative response was because most commercial banks are employing processes internal audit and compliance function.

Summary, Conclusion And Recommendations

The first objective was the impact of the banking structure, authority, delegation and responsibility in control management. A high affirmative response accounted for control of sets standards, measures actual performance and taking corrective action show how most effective is structure, authority, delegation and responsibility is the influence of effectiveness internal control management. The research study divulges that most of the commercial banks are employing internal controls to ensure the effectiveness adherence of internal control management

The second objective, was appropriate reasons for operational and security environment required for the internal controls for commercial banks. The research study found out that the main causes for bank losses was a result of observance of the operational and security environment, and this was seen by a huge respondents on the increased use of internet banking and E-commerce. However, the research study revealed that problemsof the inherent clash between commercial gain and social need accounted was critical to the efficiency of the commercial banks were a high ambiguous response was observed just was because some bank officers had divergent views about inherent clash between commercial gain and social need. This was alluded by Ramos (2004) who referred control environment as one of the key components of an entity's internal control, which sets the tone of an entity, influences the control consciousness of all people within the organization and is the foundation for all other components of internal control system.

The last but not least, the third objective was the appropriate, and independent internal audit and compliance function control strategies for the commercial banks. The study revealed that proper supervision and a competent system of internal controls within an organisation would alleviate the risk and to preserve the bank's reputation as well as safeguarding banks' assets and compliance with all relevant regulatory requirements. This was revealed by a wide positive response on internal audit and compliance function as a control strategy. The situation obtaining on the ground reveals that good quality audit committee will impact positively on the transparency and disclosure accountability with minimum reconciliations, internal checks and audits at monitoring transactions and activities as was alluded by Greenberg and Michael (2010).

Failure to effectively employ internal controls management results in bank collapse or un-profiteering due to swindling of company resource by employees. Hence the relationship between internal control management and commercial banks is very essential.

Conclusions

Based on the above research findings the researcher draws the following conclusions:

1.15.1 The study revealed that commercial banks had to come up with simple organisational structures which enable the efficient and effective of the work force as well one which allows proper channels of communications and allows the change in reporting relations and corresponding changes, organisational restructure and manpower downsizing. The research findings went further on examining the issues such like authority, delegation and responsibility in control management were Bloom and Howard (2010), alluded that authority mean power given by the state or by academic knowledge of an area. However the researcher objected Blood and Howard's linear explanation of authority, were the researcher believed in a broader environment of exercise of authority were banks are included. The findings obtained from the study revealed that responsibility is the act of allocation of tasks and this was described by Visser, Wayne, Matten, Dirk, and Pohl, Manfred (2010), who believed that responsibility was often used synonymously answerability, accountability, responsibility, liability and expectation of account -giving. However the researcher saw that some task should be shared responsibility between the delegate and delegator, and not individual relieving every responsivity to the one who carried the task as he was complying from the superior's command.

1.15.2 The research study revealed that operational and security control environment for the commercial banks was at the centre of the bank success as was said by the Defence Science Board (2009) that information technology (IT) systems are islands unto themselves and they exist as part of a shared IT environment. The researcher had nothing to add on the operating environment as it looks like everything was well on this variable.

1.15.3 The research study revealed that internal audit and compliance function are a useful control strategy. This was also propounded by Matamande (2012) who believes that commercial banks carries out internal audits regularly and randomly in all departments. Basel (2012) alluded that risk resulting from failure to safeguard assets from theft and failure to maintain adequate controls to ensure adequate accounting records are mitigated or reduced. The research also conceded the view from the literature and suggested for an independent audit committee that will look into the operation of the bank.

Recommendations

Pertaining to all commercial banks operating in Zimbabwe and the Bankers Association of Zimbabwe, the researcher recommends the following:

Structure, authority, delegation, responsibility and control

Commercial banks should emphasizing on changing business environment, that is change in the reporting relationships and corresponding changes in the structure in an organisation, it also necessitates periodic organisational restructuring, manpower downsizing, job compositional shift and making the need for reporting to the boss redundant. The bank should also employee contract worker especially during the month - ends when business is at pick, and the banks would enjoy the manpower economies of scale

Appropriate operational and security environment

The commercial banks and mostly the retail and corporate departments are currently facing many changes such as low interest rates, the tightening regulation of banking operations and the harsh economic climate make the operational environment extremely challenging. The current information technology (IT) systems employed by the banks are very effective and the researcher does have anything to add. This was even show from the study were a high respondents was seen on the appropriate operational control and security environment.

Internal audit and compliance function strategies

The study revealed that good quality audit committee positively impact the transparency and disclosure accountability with minimum reconciliations, internal checks and audits at monitoring transactions and activities. The researcher recommends that commercial banks management should increase its co-operation and support to the internal audit department and other department approving the internal audit charter to promote efficiency and effectiveness of internal control. Among the challenges faced by the auditors is lack of sufficient audit training. It is advisable to encourage and support internal auditors to participate in short term training such as seminars and workshops conducted by audit boards or other to facilitate some issue such as concentration risk assessment and large exposures.

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