

UNIVERSITI TEKNOLOGI MARA

**THE EFFECTIVENESS OF THE INTERNAL
CONTROL SYSTEM, RISK MANAGEMENT
STRATEGY AND STAFF CODE OF
CONDUCT OF ONE OF MALAYSIA'S
BIGGEST COMMERCIAL BANKS IN
MINIMIZING FRAUD**

MOHD HAZIZEE BIN SHAHRI

This applied research is submitted in partial fulfilment of the
requirement for the degree of
Master in Forensic Accounting and Financial Criminology

Faculty of Accountancy

JUNE 2014

CANDIDATE'S DECLARATION

I hereby declare that this paper is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

In the event that my applied research is found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree to be subjected to the disciplinary rules and regulations of the Universiti Teknologi MARA.

Name of Candidate: **MOHD HAZIZEE BIN SHAHRI**

Candidate ID No: **2011280722**

Programme: **AC773- Master in Forensic Accounting And
Financial Criminology**

Faculty: **Accountancy**

Applied Research Title: **The Effectiveness Of The Internal Control System,
Risk Management Strategy And Staff Code Of
Conduct Of One Of Malaysia's Biggest
Commercial Banks In Minimizing Fraud**

Signature of Candidate:

Date: **30 June 2014**

ABSTRACT

The best way to provide The Effectiveness of the Internal Control System, Risk Management Strategy and Staff Code of Conduct of One of Malaysia's Biggest Commercial Banks in Minimizing Fraud is the employees need understand the guidelines and procedures provided by banking industry. The internal control system includes all the policies and procedures established by management to achieve three objectives: reliability of the financial reports, operating efficiency and effectiveness, and compliance with laws and regulations.

The Financial Accountability Act 2009 requires all accountable officers and statutory bodies to establish and maintain appropriate systems of internal control and risk management. Risk management focuses on adopting a systematic and consistent approach to manage all of the risks confronting an organization

The objective of this thesis is to understand method implemented by Bank to minimizing fraud activities. The risk management function bears some of the responsibility to develop an appropriate risk aware culture within organization. This goes beyond defining and monitoring the elements of culture, determining new initiatives and directions intended to promote the desired characteristics of the culture. It has to do with the risk management area's own behaviours.

Those within risk management department, particularly in technical and financial industries, will be strong technicians. Training has been largely technical, and the rewarded behaviours have been largely technically orientated. However, communication and even marketing skills are also important attributes rational and input to business decisions.

The regulation by Bank Negara Malaysia (BNM), Malaysian Code of Corporate Governance (2012) and Financial Services Act (2013) is inclusive to minimize the fraud among banking staff. The rule and principle is direction to staff understand the method and the best way to avoid fraud in banking industry.

ACKNOWLEDGEMENTS

Alhamdulillah, all praises to Allah (S.W.T) for His blessing in completing this applied research paper. I am heartily thankful and gratefully acknowledge to my lecturer, Dr. Anuar Nawawi, for his **guidance**, support and encouragement in writing of this report.

Special thanks to the Group Project Financial Information System, RHB Bank Berhad, especially the management and all the field finance officers for their full cooperation, support and sharing of knowledge.

Last but not least, my deepest thanks to my parents, my parents in law and family for their prayers and support. Finally, I would also like to extent my gratitude to all of those who assisted and supported me in any respect during the completion of this paper. Your endless contribution and encouragement are greatly appreciated.

Thanks and wassalam

TABLE OF CONTENTS

<u>CHAPTER</u>	<u>CONTENTS</u>	<u>PAGE</u>
	CANDIDATE’S DECLARATION	
	ABSTRACT	ii
	ACKNOWLEDGEMENTS	iii
	TABLE OF CONTENTS	iv
	LIST OF FIGURES	viii
1	INTRODUCTION	1
	1.1 Preamble	1
	1.2 Problem statement	3
	1.3 Objectives of the Study	4
	1.4 Research Questions	5
	1.5 Scope of the Study	5
	1.6 Contribution of the Study	6
	1.7 Organization of the Chapters	6
2	BACKGROUND OF THE STUDY	7
	2.1 The Normal Business of RHB Bank	7
	2.2 Definition, Efficiency and Assessment of an Internal Control System of a Bank	8
	2.3 Definition and Effectiveness of Risk Management in a Bank	10
	2.4 Definition of Staff Code of Conduct According to the Financial Services Act (2013)	11
	2.4.1 Roles and Responsibilities of the Board of Directors of a Bank	12