RECORDS MANAGEMENT AND RISK MANAGEMENT AT KENYA COMMERCIAL BANK LIMITED, NAIROBI AREA

BY

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DECLARATION

DECLARATION BY CANDIDATE

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DEDICATION

This work is dedicated to my mother Hellen for her invaluable support, love, care and prayers.

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ABSTRACT

Risk management has become a major point of focus in the banking industry. Despite increasing efforts and strategies for mitigating risk in the banking industry, there continues to be a sense of neglect of records and records management as an essential component of risk management.

This study investigated records management and risk management at Kenya Commercial Bank (KCB) Ltd, Nairobi. The specific objectives of the study were to: establish the nature and type of risks KCB is exposed to; conduct business process analysis and identify the records generated; establish the extent to which records management is emphasized within KCB as a tool for managing risk; identify vital records that need protection because of their nature and value to the Bank.

The study was informed by Frank Upward's (1980) Records Continuum Model and the Government of Canada (2000) Integrated Risk Management Model.

The study population sample size constituted thirty six (36) respondents drawn from five KCB Nairobi braches and five Head Office units comprising management and non-management cadres of staff. Face-to-face interviews were used as the data collection method. Qualitative and quantitative approaches were used to analyse, present and interpret data. Analysis of data was done by use of thematic method.

Key findings of the study were that: KCB is exposed to a wide range of risks by virtue of its business; KCB generates a lot of records in the course of its business activities; there are inadequate records management practices and systems, which undermine risk management function. Recommendations include: KCB Operations Division should develop a comprehensive enterprise-wide records management programme for the Bank; KCB Risk Management Division should include Records Management as part of its risk management strategies.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AML -   Anti-Money Laundering

CBK –   Central Bank of Kenya

CCC –   Central Clearing Centre

CPC –   Central Processing Centre

CRO –   Chief Risk Officer

EFT –   Electronic Funds Transfer

ERM –   Electronic Records Management

ERMP –   Electronic Records Management Programme

HR –   Human Resources

HRM -   Human Resource Management

IBV –   Interbranch Voucher

IT –   Information Technology

KCB –   Kenya Commercial Bank

KYC -   Know Your Customer

RM –   Records Management

RTGS –   Real Time Gross Settlement

TT –   Telegraphic Transfer

CHAPTER ONE
INTRODUCTION AND BACKGROUND INFORMATION

1.0   INTRODUCTION

This chapter provides background information to the study. It gives an overview of records management and risk management and background information about Kenya Commercial Bank (KCB) Limited. Other areas covered include statement of the problem, aim and objectives, research questions, significance and assumptions of the study, scope and limitations, and ethical issues.

1.1   RECORDS AND RECORDS MANAGEMENT

1.1.1   Records

Loadman (2001) and Yusof and Chell (1999), all indicate that there is no standard definition of a record, though a standard definition would benefit the records management profession.

However a number of scholars and institutions concerned with records and archives management have presented some relatively good working definitions of a record (Roper and Millar, 1999; ISO 15489, 2001; Duranti, 2001; Shepherd and Yeo, 2003; Yusof and Chell, 2005).

The ISO 15489-1 standard defines a record as information created, received and maintained as evidence and information by an organization or person in pursuance of legal obligations or in the transaction of business. Yusof and chell (2005) say that records are all those documents, in whatever medium, received or created by an organization in the course of its business, and retained by that organisation as evidence of its activities or because of the information contained apart from fulfilling the requirement to comply with the relevant laws and regulations.

Roper and Millar (1999) define a record as a document, regardless of medium or form, created, received, maintained and used by an organization either public or private or an individual in pursuance of legal obligation or in the transaction of business of which it forms part or provide evidence.

The three elements or characteristics of records are: content, context and structure (McKemmish and Glenda, 1999). Content refers to the facts to which the records relate, context is the information about the circumstances in which the record was created whereas structure is the relationship between a record's contents.

Records are the natural by-products of the activities of an organization. They are the means by which the evidence of past and current action, decisions, procedures and policies are preserved for future use. The absence of records and Records Management can easily lead to inefficiencies or failure in operational procedures. It will also impact heavily on accountability, transparency and decision-making.

1.1.1.1 The Value of Records

Records are created as a result of the day-to-day official work transacted by agencies. As by-products of these daily activities, records therefore are created and received to serve several functions from which its value emanates.

Wamukoya (2007) states that for a long time, the historical value of records took precedence over the evidential and other values that records contained, hence the recognition of records as arsenals of history. However, in recent years, a major paradigm has taken place giving primacy to the business and accountability values of records. In view of this, records are recognized to have three primary values besides many secondary uses. These are business, accountability and research values.

As business value, records provide identification and evidence of business transactions. The records identify people, services and goods in the recording of economic transactions (Lundgren and Lundgren, 1989). According to Kemoni, Ngulube and Stilwell (2007), records are required for developing and implementing policies, planning, keeping track of

actions, achieving consistency in decision making, providing effective service to citizens and achieving greater efficiency. In modern industrial world, records are indispensable for daily operations and activities. Accurate and reliable information is essential for nearly every transaction. Records demonstrate and confirm the decisions taken by the organization, the actions carried out in the course of business and the results of those actions. As such records can be produced in court to support legal action and for regulatory authorities to show compliance with regulations.

With regard to the accountability value, records are ways by which performance measurement is done. They are the basis upon which we can ascertain whether the right thing was done or not. Accountability is the onus, requirement or responsibility to provide an account (by no means necessarily a financial account) or reckoning of the actions for which one is held responsible (Gray et al, 1992; Seiler, 1990). Records help expose corruption, fraud, embezzlement and all manner of waste and mismanagement. They are the basis upon which corporate entities are able to defend their decisions and actions (Wamukoya, 2007).

In reference to financial records, Akotia (1996) observes that financial reporting in public financial administration is a product of well structured financial records management systems, a critical element in the accountability of government. The key objective of financial reporting has always been to provide the legislature and the public with the assurance that there has been conformity with legal and other mandatory requirements in the government's management of resources. It provides the basis for accountability, retrospective reporting, planning and authorization information.

Regarding the research value, records embody and re-live society's collective memory and experiences. Records enable scholars and the general public to use records for all manner of research including historical, cultural, sociological, demographic, scientific, medical and technological (Wamukoya, 2007).

1.1.1.2 Characteristics of a Good Record

In order for records to demonstrate their business, accountability and research values, they must bear essential characteristics. These characteristics include (Wamukoya, 2007):

- Integrity – an assurance that the information or content has not been interfered with.
- Accuracy – an assurance that the records accurately reflect business activities they represent.
- Authenticity – provision of an accurate account of an activity, decision or transaction.
- Adequacy – that organizational activities and/or transactions are documented in full.

1.1.2 Records Management

Yusof and Chell (1999) state that there is as yet no single definition of records management acceptable to all. They note that the difficulty in arriving at a widely agreed definition is compounded by the fact that there is not as yet an acceptable broad theoretical model amongst records management professionals and information scientists as to what constitutes a valid core of records management.

However, there are many, though similar, definitions of records management presented by various authors and institutions (ISO 15489, 2001; Roper & Millar, 1999; NARA,2007; Cook, 1993; Tombs, 1999; Akussah, 2002; Duranti, 2001) that could serve as working definitions.

The ISO 15489-1:2001 Standard defines records management as a field of management responsible for the efficient and systematic control of the creation, receipt, maintenance, use and disposition of records, including processes for capturing and maintaining evidence of and information about business activities and transactions in the form of records.

According to United States National Archives and Records Administration (NARA), records management is the planning, controlling, directing, organizing, training, promoting, and other managerial activities involved in records creation, maintenance and use, and disposition in order to achieve adequate and proper documentation of the policies and transactions of the (organization) and effective and economical management of operations (NARA, 2007).

Records management, according to Roper and Millar (1999) is that area of general administrative management concerned with achieving economy and efficiency in the creation, maintenance, use and disposal of the records of an organization throughout their entire life cycle and in making the information they contain available in support of the business of that organization.

Cook (1993) defines records management as the direction of a programme designed to provide economy and efficiency in the creation, organization, maintenance, use and retrieval and disposition of records, assuring that needless records will not be created or kept and valuable records will be preserved and available.

Records management has a number of objectives whose purpose is to promote the care and use of records. These are: setting policies and procedures; assigning responsibilities for RM at various level within the organization; setting best practice standards; processing and maintaining records in safe and secure storage; implementing access policies; implementing a records retention and disposal policy; integrating records management into business systems and processes; assigning, implementing and administering specialized systems for managing records; providing a range of services relating to the management and use of records (ISO 15489-1:2001; Wamukoya, 2007).

Sanderson (2001) further adds that records management aims to understand and control the information collected or generated by an organization so that all appropriate information required for the conduct of business is acquired, made available to the people

who need it and recorded in suitable systems and that the most valuable core of the resulting records is exploitable in the long term.

1.1.2.1 Benefits of Records Management

Duranti (2001) presents a fairly holistic benefit of records by stating that records play a crucial role in most human endeavors and they are essential to all of our business and social interactions. Records are the basis of our legal system. Government functions and accountability, medical treatment and scientific research all depend on them.

Kemoni, Ngulube & Stilwell (2007) observe that records are required for developing and implementing policies, planning, keeping track of actions, achieving consistency in decision making, providing effective service to citizens and achieving greater efficiency.

Regarding public service delivery, Kemoni (2007) states that records management is the key to public service delivery. Records underpin good governance. Without proper records management, transparency, accountability and efficiency in the public service would be heavily compromised. Records are the known tools for demonstration of transparency and accountability as well as for manifestation of corruption and other irregularities public sector.

According to Stephens (1995) some of the benefits of setting up a good records management programme and practice in an organisation include:

- Control of creation and growth of Records. An effective records management program addresses both creation control (limits the generation of records or copies not required to operate the business) and records retention (a system for destroying useless records or retiring inactive records), thus stabilizing the growth of records in all formats.
- Improve efficiency and productivity. Time spent searching for missing or misfiled records is non-productive. A good records management program can help any organization upgrade its recordkeeping systems so that information retrieval is enhanced, with corresponding improvements in office efficiency and productivity.

- Ensure regulatory compliance**.** The only way an organization can be reasonably sure that it is in full compliance with laws and regulations is by operating a good records management program which takes responsibility for regulatory compliance.

- Assimilate new records management technologies. A good records management program provides an organization with the capability to assimilate new technologies and take advantage of their many benefits. Investments in new computer systems don't solve filing problems unless current manual recordkeeping systems are analyzed (and occasionally, overhauled) before automation is applied.

- Preserve the corporate memory**.** An organization's files contain its institutional memory, an irreplaceable asset that is often overlooked. Every business day, you create the records which could become background data for future management decisions and planning.

The ISO 15489-1:2001 Standard states that a systematic approach to management of records is essential for organizations and society to protect and preserve records as evidence of transactions. A records management system results in a source of information about business activities that can support subsequent activities and business transactions.

According to Mufutu (2002) records enable organisations to: conduct business in an orderly, efficient and accountable manner; deliver services in a consistent and equitable manner; provide protection and support in litigation including the management of risks associated with the existence of or lack of evidence of organization activity; provide continuity in the event of a disaster; protect the interest of the organisation, the rights of employees, clients and present and future stakeholders.

1.2   RISK MANAGEMENT

Risk refers to events or conditions that may occur and whose occurrence has a harmful or negative impact. It also refers to situations in which it is possible but not certain that some undesirable event will occur (Glyn, 2004; Hansson, 2007).

The Government of Canada (2000) Integrated Risk Management Model defines risk as the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives. Risks exist as operational, strategic, compliance or reputational risk (Central Bank of Kenya, 2000; Mwisho, 2001; Central Bank of Kenya, 2005).

Risk management, is a systematic process of making a realistic evaluation of the true level of risks to the business. It is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues. It also involves the process of employing appropriate strategies and systems to curb possible risks, besides just evaluating realistic levels of risk. (Standards Australia and Standards New Zealand (2004); United States Environmental Protection Agency (2005); Government of Canada (2000) Integrated Risk Management Model)

Risk management has presently become necessary in organizations and public sector institutions due to the increasing demand for good corporate governance, greater accountability, efficiency and effectiveness in service delivery and utilization of resources (Busby, 2008; Lennart, 2008).

In the banking industry, risk management has become even more essential due to the nature of banking business, which is essentially to safeguard people's money (Ioannis, 2008). By their very nature of business, banks deal with sensitive financial services that are equally marred by various risk issues that impact on their services to their clientele (Nyaoma, 2005; Gup and Kolari,2005). These risk issues are threatening the customer base for commercial banks as well as their own internal processes that direct the quality of service they offer.

In Kenya, the need for stringent risk management strategies has necessitated the directive by Central Bank of Kenya that all banking institutions should establish risk management

units to be responsible for the function of risk mitigation (Njuguna, 2007; CBK,2006; CBK, 2005). This was more influenced by continued cases of frauds within banks, increasing bad debts and in extreme cases, collapse of commercial banks.

Consequently commercial banks in Kenya are establishing strategies that are intended to support their risk control. Among these strategies include the establishment of units within the commercial banks to specifically handle the risk function, training of staff in risk management and restructuring of operational procedures to mitigate risk. These procedures include, strengthening supervisory mandates, stringent Know-Your-Customer (KYC) procedures and improvement in information management (The Banker, 2007; BrownBridge and Harvey, 1998).

1.3   RECORDS MANAGEMENT AND RISK MANAGEMENT

Good record-keeping practices have been neglected in many organizations hence exposing the organizations to risks from various quarters (Mat-Isa, 2006). Despite other efforts organizations continue to enroll to mitigate risks, Mat-Isa (2006), supported by Kewell (2007) and Sampson (2003), note that risk analysis would not achieve its goals in the absence of accurate records and that records management must be given priority for risk management to succeed.

Given the fact that as a service industry, commercial banks heavily rely on information to deliver services and make crucial decisions, information management is equally critical in risk management (Alexander and Sheedy,2005).

Consequently, the value of information to service delivery within commercial banks necessitates prudent information management regimes that will ensure provision of information for conduct of business. Banks deal in most sensitive aspect of the human economy, money, hence risks have to be minimized as much as possible. The need to have proper information management brings into focus records management. This is because information is held in the records, hence proper records management - whether paper or electronic - is the fulcrum of information management.

Information management is extremely essential to enhancing risk management within commercial banks. According to Gorrod (2004), commercial banks are exposed to risks like frauds, slow service delivery and failures in enforcing compliance with existing regulatory framework. These risks are usually exacerbated by weak information and record management systems and practises. Gorrod's (2004) opinion is also shared by Borodzicz (2005), Mlabwa (2004) and Richard (2006) all of whom content that effective records management is the foundation upon which institutions can demonstrate legal compliance, regulatory compliance, high standards of corporate governance and sustain operational efficiency. Records Management may also deliver additional benefits to an institution through the reduction of overheads, the protection of assets and the streamlining of business processes.

From the foregoing, the relationship between records management and risk management can be well understood considering the crucial role of information in the delivery of banking services. Because banking operations strongly depend on information, which is held in records, any weakness in records management is bound to expose the bank to more risks.

According to Cunninghan & Montana (2007), failure in records management directly results in failures in service delivery and operational flows in banking, just in as much as it would do in any other industry. Worse still is the negative impact that weak records management will have on efficiency and effectiveness in service delivery. This is because with poor records, response to clients is slow, risks of forgeries are high, the reputation of the bank remains at stake due to delayed service delivery and chances of not complying with regulatory framework are high.

Strong records management is critical in minimizing risk exposure within banks. Poor records management poses enormous challenges to banks in their effort to manage risk. A number of scholars, Makhura (2008), University of Technology Sydney (2008), Sampson (2003), Williams (2007) contend that weak records management programmes, systems

and practises have remained a problem and a major hindrance in developing watertight risk management strategies in the banking industry as well as other financial institutions and hence the challenge of managing risk in banks remains a complex matrix.

To this extent studies to investigate the role of records management are essential in helping commercial banks establish and sustain comprehensive and holistic risk management programmes and systems. This fundamental role of records management in risk management in commercial banks therefore forms the baseline of this study.

1.4   BACKGROUND INFORMATION ON KCB LIMITED

1.4.1   Historical Background

The Kenya Commercial Bank Group is the leading institution in Kenya's banking and financial sector with an asset base of over Kshs. 100 billion. The history of Kenya Commercial Bank dates back to 1896 when its predecessor, the National Bank of India, opened a small branch in the coastal town, Mombasa. In 1958 Grindlays Bank of Britain merged with the National Bank of India to form the National and Grindlays Bank (KCB, 2008a).

In 1970, the Government of Kenya acquired 60% shareholding in National and Grindlays Bank and renamed it the Kenya Commercial Bank. In 1976, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. The Government has over the years reduced its shareholding in the Bank to the current 26.2% with the public owning the remaining 73.8% (KCB, 2004).

A wholly owned subsidiary, Savings and Loan (K) Limited was acquired in 1972 to provide mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-salaam, Tanzania to provide banking and financial services and to facilitate cross-border trade within the East African region. In 2005, Kenya Commercial Bank Sudan was incorporated to provide banking services in Southern Sudan. And in late 2007, KCB Uganda was also incorporated as a subsidiary of the bank in Uganda (KCB, 2007).

Since inception, the Kenya Commercial Bank Group has endeavored to provide quality and customer friendly services geared towards meeting the ever-changing customer needs. This has ensured consistent growth in customer deposits that have, in turn, provided a strong reservoir for steady growth in customer borrowings every year.

Since incorporation, KCB has achieved tremendous growth to emerge as a leader in Kenya's banking and financial sector. In 1970, the bank had 32 full- time branches, of which 25 were located in rural areas, five in Nairobi and two in Mombasa. Today, the KCB Group has the widest network of outlets in the country, comprising 84 full-time branches and 35 satellite branches all of which represent over 55% of the total banking outlets in Kenya. Of the total outlets, 80% are located in the rural areas, with representation in all administrative districts.

All KCB branches provide a whole range of retail banking and financial services in addition to acting as agents of development through community social responsibility. In recognition of the need to strengthen the interdependence between domestic and external economies, KCB has continued to expand working arrangements with banks in other countries. Today, it has over 400 correspondent banks throughout the world (KCB, 2008b).

1.4.2   Mission, Vision and Core Values of KCB

KCB like most organisations has a vision, mission and core value statements.

1.4.2.1 Mission

To consistently deliver quality financial products and services in the interest of all stakeholders, through best practice in the dynamic markets in which we operate (KCB, 2008a).

1.4.2.2 Vision

The vision of KCB is to be the best bank in the region.

1.4.2.3 Core Values

KCB values are (KCB, 2006; KCB, 2008):

- Putting the customer first.

- Being professional in everything we do.

- Willingness to change.

- Working together as a team.

- Caring for the community.

Broad Strategies of KCB

KCB's broad strategies include (KCB, 2009):

- Create a fully aligned high performing Team

- Reap the rewards of T24 implementation

- Get customer service right

- Innovate and grow in preparation for 2010 breakout

- Develop strategic partnerships for 2010 and beyond

- Embed enterprise-wide risk management

It is worth noting that the strategic objectives of KCB do not mention anything to do with records and/or information management at KCB. This implies information and records management do not enjoy strategic support necessary in ensuring adequate records management. It therefore implies that records management may not be given the necessary attention it deserves.

1.4.4   Services of KCB

KCB is committed to offering a wide range of banking and financial services both in Domestic and International Trade. These services include (KCB,2008a):

1.   Local Currency Deposits:-Current Accounts; Fixed Deposit Accounts; Savings Accounts.

2.   Loans and Advances:-Overdrafts; Short and Medium Term Loans; Local Bills Discounts

3.   Guarantees:-Bid Bonds; Performance Bonds; Commercial Guarantees

4.   Other Local Banking Services: - Standing Instructions; Cheque Clearing; Local Travelers Cheques; Safe Deposit Services

5.   Foreign Currency Deposits: - Current Accounts; Fixed Deposit Accounts; Savings Accounts

6.   International Trade Finance: - Pre-export Finance; Opening of Import Letters of Credit; Advising on Export Letters of Credit; Collection of Bills; Forex Services.

1.4.5   Organizational Structure for KCB

KCB is headed by a Board of Director elected by the Shareholders of the company. KCB's top management structure is as indicated in Figure 1.1.
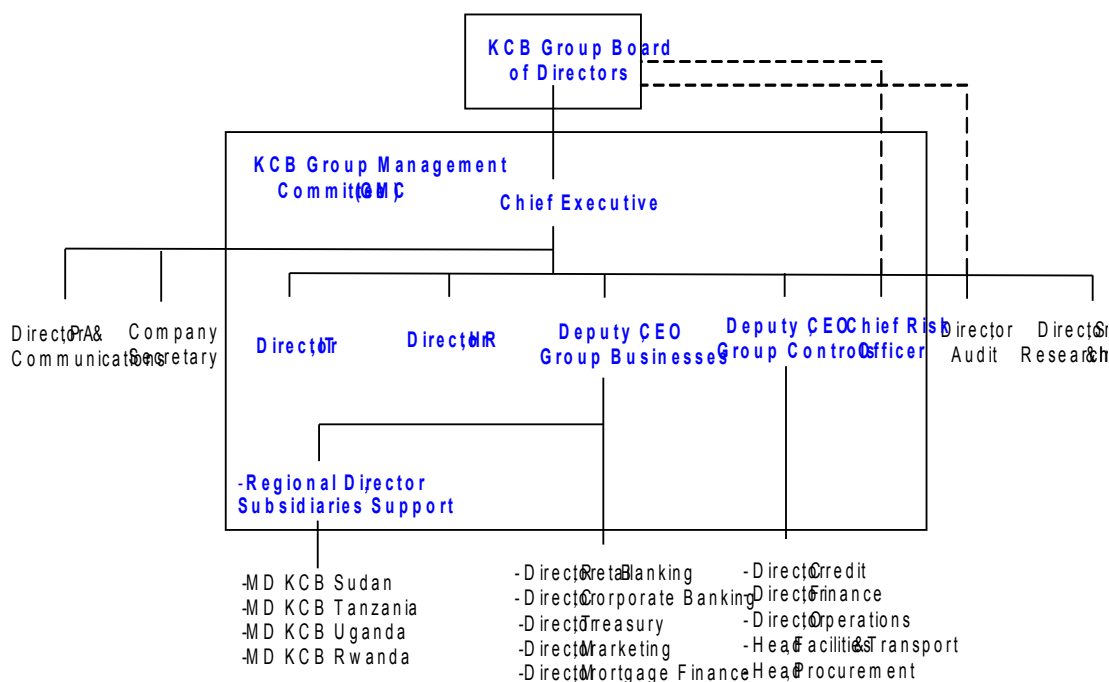
Figure 1.1: Top Management Organizational structure for KCB (Source: KCB (2010) Chief Executive Circular No.9/2010. Nairobi: KCB)

1.4.6   Risk Management at KCB

The function of risk management at KCB is managed under the Risk Division, which is headed by the Chief Risk Officer of the KCB Group. However, the Board of Directors

has the overall responsibility for the establishment and oversight of the Bank's risk management framework. This Risk Division is mandated with (KCB, 2008a):

- Establishing a group-wide risk culture.
- Defining policies and criteria for managing risk.
- Supporting the business divisions.
- Managing group-wide asset quality.
- Supporting active balance sheet management.

Risk management division is divided into five units each headed by a Head. The units are: Lending Risk unit, Operational Risk, Market Risk, Reputational Risk & Ethics and Compliance Risk (KCB, 2008a).

1.4.6.1 Lending Risk Unit

Lending Risk unit discharges the function of maintaining independent oversight over the bank's lending portfolio risks. This includes credit risk monitoring and reporting, control of risk concentrations and limits, developing credit scoring and pricing models and stress testing.

1.4.6.2 Operational Risk Unit

Operational Risk unit develops the framework necessary to identify, assess, control and report on the risk of loss arising from inadequate information systems, technology failures, breaches in internal controls, fraud, unforeseen catastrophes or other operational problems that may arise from unexpected losses.

1.4.6.3 Market Risk Unit

Market Risk is the risk arising from adverse changes in market variables, such as interest rates, foreign exchange rates and the prices of debt securities, equities, currencies and commodities. The unit provides centralized monitoring and reporting framework for risks that occur from the operations of the Treasury Division. It maintains independent oversight over liquidity risk, interest rate risk, price risk and foreign exchange risk.

1.4.6.4 Reputational & Ethics Risk Unit

The Reputational & Ethics Unit in intended to proactively establish and safeguard the Bank's reputation. This includes the management of strategic risk (relating to the execution of business strategy or lack thereof), Reputational risk (relating to adverse publicity), the proper conduct of business (ethics) and environmental related risks.

1.4.6.5 Compliance Risk Unit

Compliance Risk Unit focuses on holistic development and management of the framework necessary to manage risks arising from legal or regulatory sanctions as a result of failure to comply with laws, regulations, rules, related self-regulatory Bank policies and standards and codes of conduct applicable to its activities.

1.5 STATEMENT OF THE PROBLEM

In Kenya, it is a requirement by the Central Bank of Kenya (CBK) that all commercial banks in Kenya must establish a risk management unit dedicated to risk management within the banks (CBK Risk Management Guidelines, 2005). The Central Bank of Kenya notes that Risk-taking is an inherent element of banking and, indeed, profits are in part the reward for successful risk taking in business. Poorly managed risk can lead to losses and thus endanger the safety of a bank's deposits (CBK, 2005).

This study was necessitated by increasing neglect of records management at KCB despite wide exposure to risks by the Bank. The nature of KCB's banking activities expose it to a variety of risks, including credit risk, liquidity risk, market risk, operational risks and interest rate risks. KCB has consequently and in pursuant to requirements of Central Bank of Kenya (CBK,2005), established a Risk Management Division, entirely dedicated to the function of risk management.

The Risk Management Division has instituted a number of measures to mitigate risks in the Bank. However, no decisive action has been taken by the Division to improve records management in the Bank as a risk management strategy. Consequently, records management in the Bank remains low key, poorly administered and not a priority of the

division in its risk management activities. Lack of enforcement of strong records management systems and practices, continue to expose the Bank to enormous risks accruing from weak records keeping regimes, ultimately undermining the entire function of risk management.

There is no comprehensive records management policy and/or programme to guide the function of records management in KCB. In addition, KCB's strategic objectives do not mention anything to do with records or even information management. The management of current records in decentralised, with every department or branch entirely responsible for its records. There is no central control or supervision to ensure standardization of records management practices across the Bank. This is inspite of the fact that risk management at KCB enjoys central control from the Risk Management Division in Head Office which enforces uniformity across the KCB network.

Consequently, managing of risks, existing records management systems and practices continue to undermine risk management efforts at KCB. This is especially so for those risks accruing from inadequate records management.

The problem of weak records management at KCB therefore presents a potential research area that needs intensive and extensive investigations. This is necessary to establish the place and role of records management in risk mitigation in KCB and subsequently submit appropriate recommendations to improve the situation in KCB and by extension other commercial banks.

1.6   AIM AND OBJECTIVES OF THE STUDY

1.6.1   Aim of the study

The aim of the study was to investigate records management in risk management at KCB and suggest recommendations and a framework to enhance management of records and risks at KCB.

1.6.2   Objectives of the study

The specific objectives of the study were to:

1. Conduct a business process analysis and ascertain records created or received by the institution.

2. Establish the nature and types of risks KCB is exposed to in the course of discharge of its services and performance of its activities.

3. Establish the extent to which records management is appreciated within KCB as a tool for managing risk.

4. Identify risks that the bank is exposed to due to the current state of records management practices.

5. Identify vital records of KCB that need protection because of their nature and value to the Bank.

6. Provide recommendations and a framework to enhance current records management and support the risk management function.

1.7   RESEARCH QUESTIONS

The study was guided by the following research questions:

1. What are the main business activities of KCB and what records are generated out of these activities?

2. What are the types of risks that KCB is exposed to in its activities?

3. What is the nature of records management systems and practices at KCB?

4. How adequate do existing records management practices support risk management?

5. What policy framework informs records management and risk management at KCB?

1.8   ASSUMPTIONS OF THE STUDY

The study was based on the following assumptions:

- Although risk management is a critical business function at KCB, there is no integration of records management within the risk management function.

-      Current records management practices at KCB adequately support risk management at KCB.

1.9   SIGNIFICANCE OF THE STUDY

The findings of the study are expected to help KCB strengthen risk management strategies by more specifically emphasizing on records management as a critical component in scaling up risk mitigation.

The study will enlighten the management and staff of KCB on the importance of records management in risk management. The study has revealed the impact of recordkeeping systems and processes on staff performance and their subsequent influence on risk management. This may be useful in guiding the KCB Risk Management Division when formulating their risk management strategies.

The research contributes to the body of knowledge on records management and risk management and informs the development of policy, practice and theory of records management as an integral part of risk management in the banking industry.

The study has also made appropriate recommendations useful in supporting risk management and has provided a records management model within the context of risk management that will foster risk management at KCB.

1.10 SCOPE AND LIMITATIONS OF THE STUDY

In terms of scope, the study area was limited to KCB Branches within Nairobi area and KCB Head Office Units. All the five KCB Branches in Nairobi, Moi Avenue, River Road, Kipande, Sarit Centre and Jogoo Road were involved. Head Office units were: Risk Management Division, Credit Risk Unit, Central Archives, Central Processing Centre (CPC) and Information Technology Unit. The study was limited by scarcity of literature in the study area because few studies have been done on records management and risk management in Kenya.

1.11 CONCLUSION

This chapter has provided the introduction and background information to the study. The chapter has provided information that set the pace for the study and served as the basis for subsequent chapters and all other activities conducted during the research. The themes covered by the chapter are: relationship between records management and risk management, background information on KCB, statement of the problem, the aim and objectives of the study and significance of the study. The key issue that emerged in the chapter was that there is a close relationship between records management and risk management and that inadequate records management undermines risk management.

CHAPTER TWO
LITERATURE REVIEW

2.0   INTRODUCTION

This chapter presents a review of relevant literature in the area of records management and risk management. The theoretical models that inform the study are provided. The literature review themes include: purpose of literature review; records management; risk management; nexus between records management and risk management; review of empirical studies and business process analysis.

2.1   PURPOSE OF LITERATURE REVIEW

Literature review is an account of what has been published on a topic by accredited scholars and researchers (Dellinger, 2005; Dellinger and Leech, 2007; Zina, 2004; Kothari, 2004; Mugenda and Mugenda, 2004). It is the review of all relevant literature materials in the field of study. These literature sources could be books, newspapers, journal articles, audio-visual materials or even primary sources through interviews.

Literature review is therefore a critical account designed to convince a particular audience about what published (and possibly also unpublished) theory, research, practice or policy texts indicate is and what is not known about one or more questions framed by the reviewer.

According to Taylor (2008) the main purpose of a literature review is to convey to the reader what knowledge and ideas have been established on a topic, and what their strengths and weaknesses are.

In the view of Afolabi (1992), literature review is a crucial element of all researches. So important is this chapter that its omission represents a void or absence of a major element in research.

The review of relevant literature is nearly always a standard chapter of a thesis or dissertation. The review forms an important chapter in a thesis where its purpose is to provide the background to and justification for the research undertaken (Bruce 1994).

A literature review according to (Needham, 2000) must be characterized by: a logical flow of ideas; current and relevant references with consistent, appropriate referencing style; proper use of terminology; and an unbiased and comprehensive view of the previous research on the topic.

Besides expanding the researcher's knowledge about the topic of study, Taylor (2008) and Kothari (2004) further observe that writing a literature review lets one gain and demonstrate skills in information seeking (the ability to scan the literature efficiently, using manual or computerized methods, to identify a set of useful articles and books) and critical appraisal (the ability to apply principles of analysis to identify unbiased and valid studies).

Lyons (2005) and Bourner (1996) suggest that the purposes of conducting literature review include:

- Placing each work in the intellectual context of its contribution to the understanding of the subject under review hence position the study relative to other works.
- Describing the relationship of each work to the others under consideration.
- Identifying new ways to interpret and shed light on any gaps in previous researches. This helps in reviewing the field which allows the researcher to build on the platform of existing knowledge and ideas.
- Resolving conflicts amongst seemingly contradictory previous studies.
- Placing one's original work (in the case of theses or dissertations) in the context of existing literature.

Therefore that a literature review must do the following: be organized around and related directly to the research topic; synthesize literature into a summary of what is and is not

known; identify areas of controversy in the literature; formulate questions that need further research.

In tandem with these purposes, Elwood (2006) suggests that a good literature review should therefore be focused, structured, critical, accurately referenced, clearly expressed, reader-friendly, informative and balanced. From the foregoing, it is evident that literature review constitutes an essential and critical component of any research. This component will help the researcher deepen the understanding of the study and also help the recipients of the study findings understand previous findings on the topic under study.

2.2   THEORETICAL FRAMEWORK

The study was based on triangulation of records management and risk management theories. These were the Records Continuum theory and the Integrated Risk Management model. These theories and other theories in records management and risk management have been discussed in subsequent sections.

The word theory has a number of distinct meanings in different fields of knowledge, depending on their methodologies and the context of discussion (Douglas, 2008).

A number of authors have however presented definitions of the word theory both from a scientific or general viewpoint (Mugenda and Mugenda, 1999; Johnathan, 2005; Kothari, 2004; Stoner et al,2003; Eagleton, 2008). The thrust of their definitions is that a theory is a set of hypotheses, assumptions or propositions, logically or mathematically linked, offered as an explanation in general terms for a wide variety of connected natural observable phenomena.

In common usage, the word theory is often used to signify a conjecture, an opinion, or speculation that explains a group of observed facts in a particular field (Eagleton, 2008; Nonaka, 2005). A theory makes generalizations about observations and consists of an interrelated, coherent set of ideas and models.

In science, Cleland (2006) indicates that a theory is a mathematical or logical explanation, or a testable model of the manner of interaction of a set of natural phenomena, capable of predicting future occurrences or observations of the same kind, and capable of being tested through experiment or otherwise falsified through empirical observation (Brullouin,2004). For example, it is a fact that Isaac Newton observed an apple drop on earth from an apple tree. In this case, the dropping of the apple is the observed fact. From this observation, a theory that was developed to describe and explain this behavior is Newton's theory of Universal Gravitation. In scientific research, Kemoni (2008) says that theories serve four purposes: description, explanation, prediction and control.

2.2.1 Theories in Records Management

Various records management theories have been advanced to support the management of records. Among existing theories in records management are the Records Life Cycle Concept, The Records continuum Model and The Integrated Records Management Model (IRMM). Records management theories were modelled from the Records Life Cycle theory and the Systems theory (Shepherd and Yeo, 2003:5; Tough, 2004; Tough and Moss, 2006; Kemoni, 2008).

2.2.1.1 The Records Life Cycle Concept

This theory was articulated by Theodore Schellenberg and has been the prominent theory for North American Archivists and Records Managers since the 1960s (Bantin, 1998).

According to Xiaomi (2003) the lifecycle model uses a birth-to-death analogy to describe records as passing through a series of stages. It provides a fragmented framework for recordkeeping by: artificially dividing the mission of records and archives management; dismantling the responsibilities of records managers and archivists into distinct roles; limiting ways of thinking about custody through narrow selection criteria; viewing records as tangible physical objects in a paper world and static environment.

It was developed as a way of conceptualizing records creation, maintenance and disposal processes in ways which coped with the increasing bulk of the records that were being

created. The life-cycle concept has been widely embraced in North American (McKemmish, 1997; Kent, 2002).

The theory explains the existence and management of records as undergoing through distinct life-cycle phases that can be viewed in two perspectives of age and use. The age perspective asserts that records go through three stages of current, semi-current and non-current stages. The use perspective asserts that a record goes through the three phases of its usability which are active, semi-active and non-active use.

Because of this distinction of phases, it has been argued that the theory also demarcates the role of records managers and archivists and regards the stage when the archivist intervenes in the cycle occurring sometime towards the end of the lifecycle when the record becomes inactive and archival (Kent, 2002). The weaknesses of the Records Life Cycle theory in contrast with the Records Continuum Concept are presented in Appendix I.

This model was not adopted for this study because of a few weaknesses. The model creates separation between records managers and archivists. It also does not emphasize on the need to integrate records management within business activities of an organisation. Besides the lifecycle concept is considered not to cater for electronic records, which are a reality in all organisations including KCB.

2.2.1.2 The Records Continuum Concept

The records continuum as a model way of thinking was formulated in the 1990s by Australian archival theorist, Frank Upward (Xiaomi, 2001).The development of this theory was in reaction and criticism of the life-cycle concept.

The Australian Records Management Standard AS4390 defines the continuum model as a consistent and coherent regime of management processes from the time of the creation of records (and before creation, in the design of recordkeeping system) through to the preservation and use of records as archives (AS4390 1996, Part1: clause 4.22).

The continuum therefore advocates for a records management process where both records managers and archivists are involved in the ongoing management of recorded information. Consequently, the continuum concept is more ideal for management of electronic records unlike the life cycle that was based on paper records (Xiaomi, 2001). Indeed in the present world, electronic records are becoming a major component of the records management activity.

Frank Upward offered a variant of records continuum model that he considered a paradigm shift. It consists of four dimensions and four continue axes. The four dimensions are create, capture, organize and pluralize while the four axis are identity, transactional, recordkeeping and evidential (Upward, 2000). Figure 2.1 provides an illustration of the continuum model.
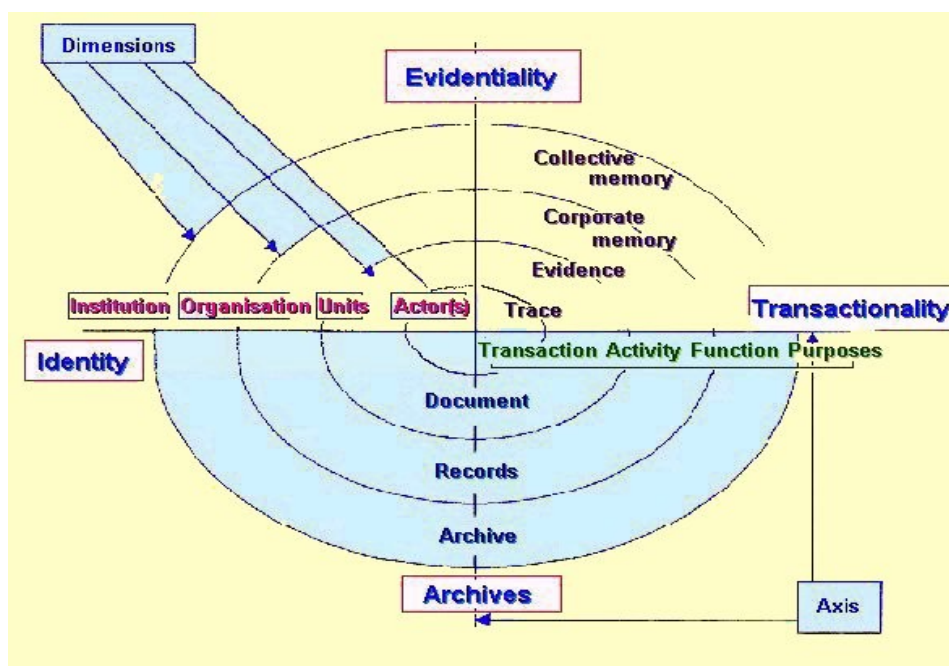
Fig.2.1: The Records Continuum Model diagram (Adapted from McKemmish S (1998) Yesterday, Today & Tomorrow: A Continuum of Responsibility. Available at http://www.sims.monash.edu.au)

In the opinion of McKemmish (1998), for recordkeeping professionals, the records continuum provides a descriptive term referring to:

- establishing, managing and monitoring coherent regimes of integrated recordkeeping and archiving processes
- the capture, maintenance and delivery of records of social and business activity that satisfy business needs, social needs, cultural needs   for essential, accessible, useable evidence.
- Delivering recordkeeping frameworks that facilitate governance; underpin accountability; constitute memory; construct identity; provide authoritative sources of value-added information.

Flynn (2001) explains that the records continuum model is significant because it:

- Broadens the interpretation of records and recordkeeping systems offered by the lifecycle model. Such broadening is helpful, given the variety of contexts in which archivists and records managers operate and in which archives and records are used.

- Reminds us that records (including archives) are created and maintained for use as a result of business and administrative functions and processes, rather than as ends in themselves.

- Emphasizes cooperation beyond the walls of repositories especially between the closely related professions of archives administration and records management - a cooperation that is more important than ever in the contemporary climate of outsourcing and cross-sectoral working.

The RCM was the model that informed this study. The justification for the use of this model for the study is as discussed in section 2.3.4.

2.2.1.3 The Integrated Records Management Model

The Integrated Records Management Theory was advanced by Roper and Millar (1999). According to Roper and Millar (1999), it portrays a matrix of relationship between the

records life-cycle and the records continuum models. This theory argues that records follow a life cycle and their care follows a continuum. This could perhaps be justified by the argument by Jay Artheton (1985) as quoted by Xiaomi, (2001) while defending the continuum, where he said that the "stages of records are interrelated, forming a continuum".

The Integrated Records Management Theory was not adopted for this study because of its lack of clarity in explaining the actual relationship of lifecycle and continuum. To an average person, understanding the Integrated Records Management Model is not easy and therefore its application may be a challenge. The model appears to basically contain the life-cycle and continuum models.

2.3   RISK MANAGEMENT MODELS

This section discusses models in risk management. It specifically focuses on three models namely: Government of Canada (2000) Integrated Risk Management Model (IRMM), The Coast Guard (2006) Risk Management Model and the Australian/New Zealand (2004) Risk Management Model.

2.3.1   Integrated Risk Management Model (IRMM)

The model was proposed by the Government of Canada in 2000 under its then new management framework, entitled *Results for Canadians.* Integrated risk management is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about making strategic decisions that contribute to the achievement of an organization's overall corporate objectives.

IRMM does not focus only on the minimization or mitigation of risks but also supports activities that foster innovation, so that the greatest returns can be achieved with acceptable results, costs and risks (IRMM, 2001). The IRMM is comprised of four related elements: developing a risk profile; establishing an integrated risk management function; practicing integrated risk management; ensuring continuous risk management learning.

Element 1: Developing the Corporate Risk Profile:

- The organization's risks are identified through environmental scanning.
- Current status of risk management within the organization is assessed.
- The organization's risk profile is identified.

Element 2: Establishing an Integrated Risk Management Function:

- Management direction on risk management is communicated, understood and applied.
- Approach to operationalize integrated risk management is implemented through existing decision-making and reporting structures.
- Capacity is built through development of learning plans and tools.

Element 3: Practicing Integrated Risk Management:

- A common risk management process is consistently applied at all levels.
- Results of risk management practices at all levels are integrated into informed decision-making and priority setting.
- Tools and methods are applied.
- Consultation and communication with stakeholders is ongoing.

Element 4: Ensuring Continuous Risk Management Learning:

- A supportive work environment is established where learning from experience is valued, lessons are shared;
- Learning plans are built into an organization's risk management practices;
- Results of risk management are evaluated to support innovation, learning and continuous improvement; and
- Experience and best practices are shared, internally and across government.

The IRMM was the risk management model adopted for this study. The justification for the use of this model for the study is as indicated in section 2.3.4.

2.3.2   Coast Guard Risk Management Model

The Coast Guard Risk Management model was developed by The United States Coast Guard (USCG) which is a department of the United States Armed Forces in 2006. The model presents a 6-step risk management model for organizations as shown in Figure 2.2.
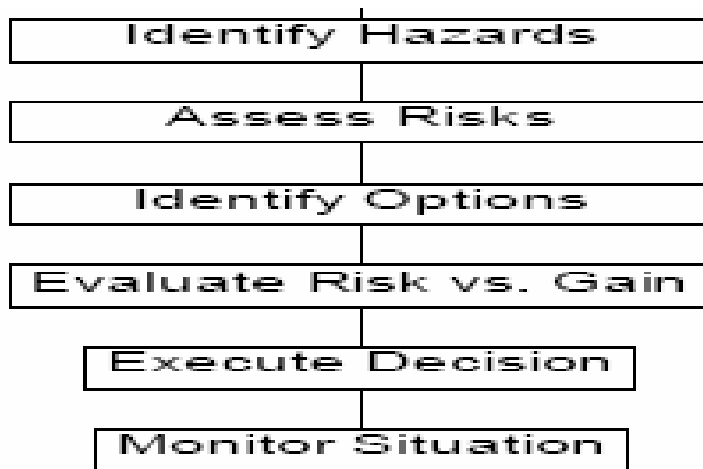
Fig.2.2: Coast Guard's Risk Management Model

- Step 1: Identify the Hazard

A hazard is defined as any real or potential condition that can cause degradation, injury, illness, death or damage to or loss of equipment or property. Experience, common sense, and specific analytical tools help identify risks.

- Step 2: Assess the Risk

The assessment step is the application of quantitative and qualitative measures to determine the level of risk associated with specific hazards. This process defines the probability and severity of an accident that could result from the hazards based upon the exposure of humans or assets to the hazards.

- Step 3: Identify Options (Analyze Risk Control Measures)

Investigate specific strategies and tools that reduce, mitigate, or eliminate the risk. All risks have three components: probability of occurrence, severity of the hazard, and the exposure of people and equipment to the risk. Effective control measures reduce or eliminate at least one of these. The analysis must take into account the overall costs and benefits of remedial actions, providing alternative choices if possible.

- Step 4: Evaluate Risk vs Gains (Make Control Decisions)

Identify the appropriate decision-maker. That decision-maker must choose the best control or combination of controls, based on the analysis of step 3.

- Step 5: Execute Decision (Implement Risk Controls)

Management must formulate a plan for applying the controls that have been selected, then provide the time, materials and personnel needed to put these measures in place.

- Step 6: Monitor Situation

Once controls are in place, the process must be periodically re-evaluated to ensure their effectiveness. Workers and managers at every level must fulfill their respective roles to assure that the controls are maintained over time. The risk management process continues throughout the life cycle of the system, mission or activity.

This model was not considered suitable for this study because the model does not capture the scholarly and professional approach that may be useful in this study. This model was developed mainly for the armed forces. It focuses mainly on handling of disasters/hazards and fails to emphasize on need for adequate planning in disaster and risk mitigation.

2.3.3 AUSTRALIAN/NEWZEALAND RISK MANAGEMENT MODEL (AS/NZS 4360-2004)

The Australian/New Zealand Risk Management Model was developed by the Australian Standards Organization in 2004 under the Australian/New Zealand Risk Management Standard (AS/NZS 4360: 2004) (Standards Australia and Standards New Zealand, 2004). The standard defines risk as "the chance of something happening that will have an impact upon objectives".

The standard provides a "generic guide for the establishment and implementation of a risk management process". This standard can be applied to a wide range of organisations for a number of applications, including risk management of information systems. The risk management standard provides a: "logical and systematic method of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimize losses and maximize opportunities" (AS/NZS, 2004, p.1).

Figure 2.3: Australian/New Zealand Risk Management Model (Source: AS/ NZS 4360: 2004 p11 as cited by Davidson and Lambert (2004)
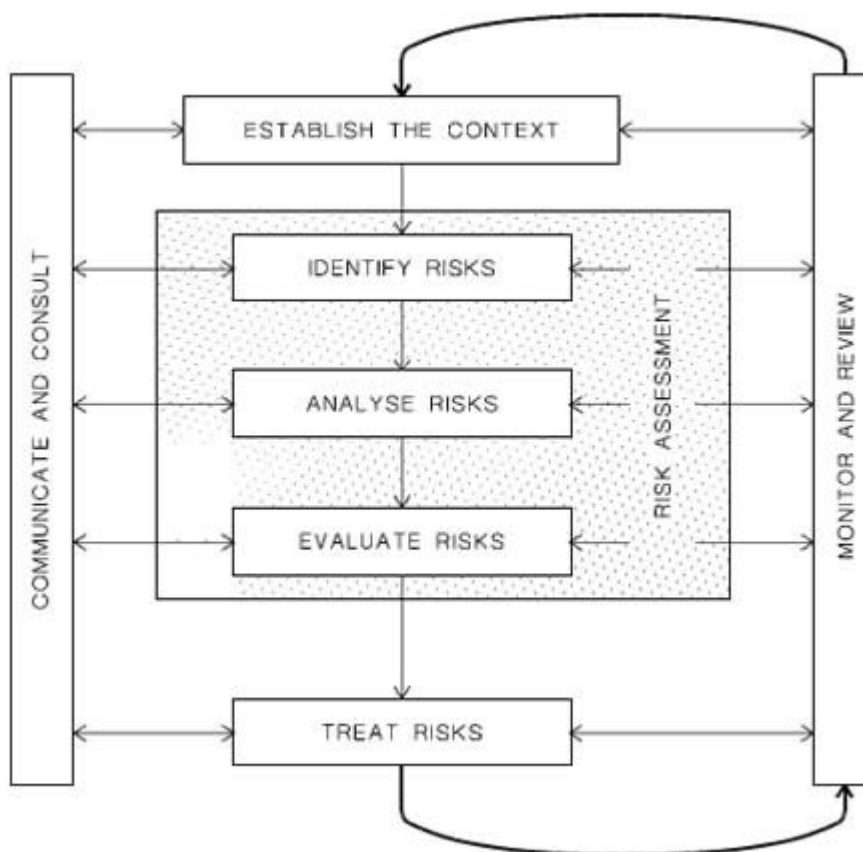
Phase 1: Establish the context in which the Risk Management Process will take place

Establishing the context involves defining the strategic context, the organizational context and the risk management context in which the risk management process (RMP)

will take place. Criteria against which risks will be evaluated and the structure of the analysis should also be defined at this stage (AS/NZS 4360: 2004, p.7). The strategic context provides a description of the organisation; where it sits within the industry, who controls it, who its customers are, how big it is, its employee profile and the major strengths, weaknesses, threats and opportunities that face the organisation (AS/NZS 4360: 2004, p.9).

The organizational context refers to "the capabilities, goals and objectives of the organisation and the strategies that are in place to achieve them" (AS/NZS 4360: 2004, p.9). The organizational context in which the RMP is to be implemented must be defined and understood so that the RMP can be designed to complement, or at least not conflict with, organizational goals and objectives.

The risk management context refers to establishing the "goals, objectives, strategies, scope and parameters of the activity, or part of the organisation to which the RMP is being applied" (AS/NZS 4360: 2004,p.10). Determining the risk management context requires the definition of a "risk unit(s)" or part of the organisation or that function of the organisation to which the RMP is to be applied.

Phase 2: Identify risks

The aim of the risk identification stage is to generate a comprehensive list of all risks facing the organizational unit regardless of whether they are or are not under the control of the organisation. It is essential that a well-structured process be used, so that all significant risks are identified; if they are not identified at this stage they are excluded from analysis (AS/NZS 4360: 2004, p.12).

To be confident that all risks have been identified, a properly applied structured analysis technique will ensure all risks are identified. This involves separating the activity into a set of elements, which provides a logical framework for identification and analysis (AS/NZS 4360: 2004, p.12)

Phase 3: Analyze risks

This phase involves attaching value to every risk in order to assess the significance of a potential risk. For each potential risk, an estimate must be made of the resulting consequences or loss should the threat be realized and an estimate of the likelihood or frequency of the vulnerability being exploited. Estimates can be made based on historical evidence and from the judgements of personnel with knowledge of the relevant threats and vulnerabilities. The estimates can be quantitative, semi-quantitative or qualitative (AS/NZS 4360: 2004, p.13).

Phase 4: Evaluate risks

This stage of the RMP compares the level of risk found during the analysis process with the risk evaluation criteria established in the "Establish the Context" stage discussed in Phase 1 (AS/NZS 4360: 2004, p.15).

Phase 5: Treat risks

This phase involves actual resolution of risks that have materialized. There are three steps in treating risks:

> Step 1. Identify treatment options;
>
> Step 2. Evaluate and select treatment options; and
>
> Step 3. Prepare and implement treatment plans.

Step 1: Identify Treatment Options

Treatment options available can be: avoid the risk; reduce the likelihood of the occurrence; reduce the consequences; transfer the risk; or retain the risk (AS/NZS 4360: 2004,p.16).

Step 2: Evaluate and Select Treatment Options

The risk treatment options must be assessed in terms of the effect they will have on the organisation and the cost of implementing them. The benefits obtained from implementing the treatment options should outweigh the costs (both monetary and non-monetary). Identifying appropriate treatment options requires both business and technical IS skills and knowledge.

Step 3: Prepare and Implement Treatment Plans

The risk treatment plan documents the controls that have been chosen to treat the risks. It also states who has responsibility for implementing the plan, what resources are to be utilized, budget allocation and the timetable for implementation. The plan will also include details of how compliance with the treatment plan will be reviewed (AS/NZS 4360: 2004, p.41).

Whereas the Australian/New Zealand Model is fairly elaborate in dealing with risks, its key weakness is its failure to recognize the need to adequately profile risks in an organisation in order to develop effective strategies for anticipating and mitigating risks. Consequently it was not considered suitable for this study.

2.3.4   Relevance of the Records Continuum Model and the Integrated Risk Management Model to the Study

This study was based on a triangulation of the RCM and IRMM models. Triangulation is the combination of methodologies in the study of the same phenomenon. It is the use of multiple theories in tandem to study an organizational phenomenon. It mixes theories, methods, and multiple data sources to strengthen the credibility and applicability of findings (Hoque, 2006).

According to Marchall (2000) the records continuum's primary focus is the multiple purposes of records. It aims for the development of recordkeeping systems that capture, manage and maintain records with sound evidential characteristics for as long as the

records are of value to the organization, any successor, or society. It promotes the integration of recordkeeping into the organizations' business systems and processes.

Within the view of the continuum concept, an archival document can be retrieved and returned to a current status just as a newly created recorded can be archived immediately after its use.

This scenario is more practical in the banking sector, where an archival record may be returned back to current use, for example when a customer whose bank account had been closed is reactivated or when there is reemergence of an old case for audit or legal purposes. Some of these cases could relating to transactions initiated over ten years ago.

In addition, the continuum concept captures the modern definition of records that is inclusive of the key elements of content (the facts about the activity), context (information about the circumstances in which the record was created) and structure (relationship between the constituent parts).

The IRMM provides a clearer and wholistic step by step model for risk management. This model provides a clear pattern within which the function of records management can be evaluated as a tool for risk management. The model's presentation is such that it advocates for establishment of risk management frameworks across the organization right from the first step of developing a corporate risk profile.

The RCM and IRMM models also address the needs that were to be met by the objectives of the study. For instance, the IRMM first step in risk management is defining a corporate risk profile. This is essential in understanding the nature of business activities of an organisation and the risks encountered in course of delivering these activities. This step ties in well with the first objective of the study, conducting business process analysis, which is also meant to understand business activities and put records management within the context of these activities.

The approach given by the RCM to RM is a wholistic one, integrating RM within the business activities other than seeing RM in isolation. This approach is very close to the aim of the study because the study is also viewing RM as an integral part of risk management because of the role of RM in delivering banking services and achieving operational resilience.

2.4 BUSINESS PROCESS ANALYSIS

Business Process Analysis (BPA) also known as Business Systems Analysis (BSA) is the process of identifying and examining business activities with an aim of understanding the activities, the outcomes of the activities, the significance and value of the activities and determining solutions to any business problems. It involves gathering information about business systems and subjecting that information to formal analysis. The essence of BPA is to improve work processes and increase efficiency and effectiveness in an organization's operations, whether all or specific. BPA provides an insight into how the organisation functions and the interrelationships between various tasks, jobs, people, structures and other elements. By examining the system, BPA also helps in identified threats or risks facing an organisation.

Therefore it is essential that in conducting any research to improve processes like records management, BPA is conducted to gain a proper understanding of existing records management practices and systems to enable the research make adequate recommendations for improvement. In records management, BPA assists records managers map the relationship between an organization's mission, objectives, functions, processes and records management. With the understanding of the business processes, it becomes easy to improve the state of records management in the organisation hence supporting risk management and promoting organizational performance. (Roper and Millar,1999; Darnton and Darnton, 2000; Madison,2005)

2.5 RISK MANAGEMENT

This section discusses the concept of risk management. It provides the definition of risk and risk management and discusses the state of risk management in commercial banks, globally and in Kenya.

2.5.1 Risk and Risk Management

Risk is the uncertainty of future returns. In the financial sense, risk is a measure of the variability or uncertainty of a transaction or portfolio (Montana, 2008; Myler, 2008). Mat-Isa (2006) defines risk as the uncertainty that surrounds future events and outcomes. It is the expression of likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.

Risk management is the practice of defining the risk level a firm desires, identifying the risk level it currently has and using derivative or other financial instruments to adjust the actual risk level to the desired risk level (Chance, 2004)

Sampson (1992) as quoted by Mat-Isa (2006) defines risk management as a business management function or process that analyses the costs, risks and benefits of alternatives in order to determine the most desirable or appropriate course of action. It is about making decisions that contribute to the achievement of an organization's objectives at the individual activity level and in functional areas.

According to Lore & Borodevsky (2000) risk management has three dimensions:
- Upside management-creating and capitalizing on opportunities where an institution has distinct advantages to achieve positive gains with improved chances of success
- Downside management- instituting controls and counter measures to prevent or mitigate losses as a result of the constraints posed by t he organization's operating environment.
- Uncertainty management-applying methods and techniques to reduce the variance between anticipated financial outcomes and actual results.

According to Hillson (2006), effective implementation of integrated risk management can produce a number of benefits to an organisation, which are not available from the typical limited-scope risk process. These benefits include:

- Identifying risks at the strategic level which could have a significant effect on the overall organisation and enabling these to be managed proactively.

- Enabling opportunities to be managed proactively as an inbuilt part of business processes at both strategic and tactical levels, rather than reacting too little and too late as often happens.

- Creating space to manage uncertainty in advance, with planned responses to known risks, increasing both efficiency and effectiveness and reducing waste and stress.

- Allowing an appropriate level of risk to be taken intelligently by the organisation and its projects, with full awareness of the degree of uncertainty and its potential effects, opening the way to achieving the increased rewards which are associated with safe risk-taking.

- Bridging the strategy/tactics gap to ensure that project delivery is tied to organizational needs and vision.

- Focusing projects on the benefits they exist to support, rather than simply on producing a set of deliverables.

- Development of a risk-mature culture within the organisation, recognizing that risk exists in all levels of the enterprise, but that risk can and should be managed proactively in order to deliver benefits.

Lore & Borodovsky (2000) further posit that an effective risk management framework balances the infrastructure aspects of risk management such as roles, responsibilities, accountabilities, policies, methodologies, controls and information tools with more qualitative aspects of risk management such as philosophy, culture, training, awareness and appropriate behavioral reinforcement.

2.5.2   Risk Management in the Banking Industry

2.5.2.1 Overview

Risk Management is a discipline at the core of every financial and banking institution and encompasses all activities that affect its risk profile. According to Greuning and Brajovic (2003), the management of financial institutions should attach considerable importance to improving the ability to identify, measure, monitor and control the overall levels of risks undertaken.

According to Greuning & Buajovic (2003) rapid innovations in financial markets and the internationalization of financial flows have changed the face of banking almost beyond recognition. Technological progress and deregulation have both provided new opportunities for and increased competitive pressures among banks and non-banks alike. These developments have increased the need for and complicated the function of risk measurement, management, and control.

Santomero (1997) says that the past decade has seen dramatic losses in the banking industry. Firms that had been performing well suddenly announced large losses due to credit exposures that turned sour, interest rate positions taken, or derivative exposures that may or may not have been assumed to hedge balance sheet risk. In response to this, commercial banks have almost universally embarked upon an upgrading of their risk management and control systems.

Greuning & Buajovic (2003) posit that it has been said that risk rises exponentially with the pace of change, but that bankers are slow to adjust their perception of risk. In practical terms, this implies that the market's ability to innovate is in most circumstances greater than its ability to understand and properly accommodate the accompanying risk. Traditionally, banks have seen the management of credit risk as their most important task, but as banking has changed and the market environment has become more complex and volatile, awareness has developed of the critical need to manage exposure to other operational and financial risks.

By their very nature of work, commercial banks are exposed to enormous risks in their duty to deliver financial products to their customers and secure a competitive place in the expanding banking industry. As a result of increasing risk levels in the commercial banks, most of the banks are moving to institute risk management strategies. These strategies cut across operational procedures and efficiencies, as well as regulatory and compliance aspects (BrownBridge and Harvey, 1998; Kupper, 1999; Mlabwa, 2004).

There are four main categories of risks: compliance; reputational; operational/transactional; and strategic (Chance, 2004).

Compliance risk, according to Chance (2004), is the risk to earnings or capital arising from violations or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards. The risk also arises in situations where the laws or rules governing certain bank products or activities of the bank's clients may be ambiguous or untested. Compliance risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to a diminished reputation, reduced franchise value, limited business opportunities, lessened expansion potential, and lack of contract enforceability (Comptroller Handbook, 2002).

Reputation risk is the risk to earnings or capital arising from negative public Opinion (Lore & Borodovsky,2002; Buttle, 1999). This affects the institution's ability to establish new relationships or services, or continue servicing existing relationships. This risk can expose the institution to litigation, financial loss, or damage to its reputation. Reputation risk exposure is present throughout the organization and is why banks have the responsibility to exercise an abundance of caution in dealing with their customers and community (Panus & Panus,2006). This risk is present in such activities as asset management and agency transactions.

According to Comptroller's Handbook (2002), strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between an organization's strategic

goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities.

Transaction risk is the current and prospective risk to earnings and capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information (Comptroller's Handbook,2000). Transaction risk encompasses product development and delivery, transaction processing, systems development, computing systems, complexity of products and services, and the internal control environment. Transaction risk is also referred to as operating or operational risk (Chance, 2004). This risk arises every day as transactions are processed and transcends all divisions and products in a bank.

As a service industry, banking requires upto standard information management systems to ensure mitigation of risks (Gehard, 2002). Frauds for instance are concealed through destruction or forgery of transaction vouchers. Poor storage of customer files and other records impact on speed of service delivery as well as costs of managing information. The same scenario manifests where there are no proper retention and disposition schedules for the records (Sampsom, 2003).

2.5.2.2 Risk Management in Commercial Banks in Kenya

The Central Bank of Kenya conducted a study in 2004 to establish the state of risk management in commercial banks in Kenya (CBK, 2004). Forty-one out of forty-eight (85%) institutions responded to the questionnaire. The responses brought out a number of gaps that demonstrate the need for enhancing risk management in financial institutions. These include:

- Inadequate risk management policies and procedures, particularly for non-credit risks.

- Not all institutions have functions and personnel dedicated for risk management

- Several institutions have not developed their own risk management reports and are relying only on Central Bank of Kenya prudential returns to monitor risks.

- Besides Contingency Planning, the other risk management tools are not commonly applied.

- Not all institutions utilize independent review of their risk management functions

- A number of institutions have not set aside specific budgetary allocations to fund risk management activities.

According to Irungu (2008) scarcity of risk management professionals is holding back the implementation of international banking regulations codenamed Basel II. Irungu (2008) further observes that in Kenya, actuaries are in short supply and accountancy and auditing firms have reported serious lack of professionals, with poaching becoming the industry norm. The shortage has seen salaries for qualified accountants nearly quadruple within four years of graduation. On the negative side it has spawned a lucrative business for quacks that pass off as experts and handle accounts for small and medium level firms.

2.6   RISK MANAGEMENT AND RECORDS MANAGEMENT

According to Mat-Isa (2006), the success of risk management is partly dependent on the accuracy of records in organizations, as every judgment made must be based on reliable information.

Whereas most banks have put in place strategies to curb risks (Bessis, 1998; Angelopoulos & Panos, 2001), records management remains a low-key function with minimum emphasis on professional records management within the banks. Yet by nature of their functions, banks heavily rely on records to perform their services and manage other activities (Sampson,2003; CBK, 2005).

The National Archives of Australia (2004) notes that records provide information of actions performed and decisions taken.   Creating and managing records helps your agency do business and manage the risks associated with that business. Without adequate records, the organisation will have difficult providing evidence of its actions and decisions.

Rush & Vednere (2008) observe that records management has become an integral aspect of how most large organizations do business - in fact, it's increasingly taking center stage. This view is supported by Myler (2008) who note that in this new era of corporate accountability, many organizations are establishing corporate governance programs for managing records and information as part of their risk management and compliance strategies.

While many organizations have implemented or are in the process of implementing enterprise records management solutions, there seems to be varying degrees of utilization, success, and return on investments. Establishing a sound records management program in today's environment requires not only a thorough understanding of the fundamental records management principles but also the legal, regulatory, financial, and operational requirements of the organization (Montana, 2008; Williams,2007).

According to Brett (2007), risk management and records management are becoming inextricably intertwined. New laws, regulations and court rulings combined with the increasing challenge of managing electronic records and unstructured content present significant risks to enterprises in terms of compliance, market performance and their strategic goals. Brett (2007) further notes that too few enterprises are taking preventive action to address the potential risks in their approach to records management, because they are unsure about what steps to take and concerned about whether they will get a concrete return on their investment. Comprehensive risk management especially within service industry like banks must involve proper records management since service industries largely rely on information to serve their clients.

The National Archives of Australia (2000) states that records and risks should be considered in two contexts. One is the records for mitigating business risks and the other is the business risks associated with managing records.

However, Mat-Isa (2006) notes that most organizations have neglected good record-keeping practices thus exposing themselves to risks from various quarters. Records are not given proper retention periods, thus making monitoring and control of record movement ineffective.

In the context of records management, Rush & Vednere (2008) observe that risk plays an important role in determining the exposure of an organization to its legal, financial, and operational well being. The appetite of an organization to deal with the risk of failure of a records management control is usually limited and, in these days of highly litigious environments, it makes organizations wary of not being able to demonstrate proper records management.

Brett (2007) further observes that the benefits of mitigating risks often ripple throughout the enterprise. When you improve your enterprise content and records management systems, you generate an immediate return on your investment with lower IT costs and dramatically improved operational efficiencies - faster access to your critical information, savings on document production, storage and distribution and a reduced threat of compliance penalties.

Records serve as a good measure of accountability and transparency levels in an organization. According to Seiler (1990) accountability means "explaining or justifying what has been done, what is currently being done and what is planned and it therefore involves giving information". This information is held in records. Cox & Wallace (2002) and Akotia (2005) observe that accountability - which is a key ingredient in risk management-can be served or undermined by record keeping in many contexts. This is possible when there are no records, there is selective creation of records, there exists incomplete records or there is deliberate mismanagement of records. McKinnon (1994)

asserts that poor record keeping attracts corruption like flies to a carcass. And the best way of hiding corruption is hiding or destroying records. Indeed in many organizations and even within government systems, irregular transactions have been hidden by destroying the records.

According to University of Edinburg (2007), RM supports risk management and business continuity planning. Records management identifies which records are vital to the running of the business and supports the business continuity or disaster plan, which not only helps to reduce the risks of a disaster occurring but also ensures the ongoing operation of the business if a disaster does occur.

The University of Edinburg (2007), reports that 10 years ago, when the following statistics were compiled, 40% of organisations which suffered a disaster went out of business within a year; 43% never re-opened and 29% ceased trading within 2 years; 93% of firms that had a major data processing disaster were out of business within 5 years.

These statistics demonstrate how important records are to business continuity and why it is crucial to identify which records need priority measures taken to protect and recover them as a risk management strategy more than a disaster management approach.

2.7   DISASTER MANAGEMENT AND RECORDS MANAGEMENT

Most disasters, both natural and human, directly impact on records. Many of the natural disasters that have occurred the world-over in most organizations, whether fire, floods, earthquakes, bomb blast or storms have resulted to some destruction of records, the nature and value of records notwithstanding (ARMA,2008).

A disaster is defined as any event that creates an inability on an organization's part to provide critical business functions for some predetermined period of time (Government of South Australia, 2008). Disasters affecting records may include: Natural events such as earthquakes, cyclones, bushfires, floods, vermin; Structural or building failure such as malfunctioning sprinklers, heating or air conditioning systems, leaks in roof, poor wiring;

Industrial accidents such as nuclear or chemical spills; Technological disasters such as viruses and computer equipment failures; Criminal behaviours such as theft, arson, espionage, vandalism, riots, terrorism and war; Accidental loss through human error. Disasters may also be caused by storage conditions that are unsuitable for the media stored, and by the natural decay of materials (National Archives Australia,2000).

Disaster management is a comprehensive activity that refers to preparing for disaster before it happens, disaster response (e.g. emergency evacuation, quarantine, mass decontamination, etc.), as well as supporting, and rebuilding society after natural or human-made disasters have occurred (Federal Emergency Management Agency (FEMA), 2007). In general, any Emergency management is the continuous process by which all individuals, groups, and communities manage hazards in an effort to avoid or ameliorate the impact of disasters resulting from the hazards. Ordinarily, disaster management includes the following steps: prevention; preparation; response; recovery.

Disaster management is a critical component for risk management because disasters expose organizations, including commercial banks, to risks. Therefore managing disaster is managing risk.

As a component of records management, disaster management is critical in ensuring that an organization is well prepared in safeguarding its records and information to ensure it is not destroyed in the event of a disaster. And in case records are destroyed, there are strategies for continuity and that business does not halt or organization does not collapse as a result of the disasters.

In records management, disaster management involves: Assessing risks affecting records and records system, initiating subsequent activities to reduce the probability of a disaster and reducing the probability of loss should a disaster occur; Developing a disaster response plan to assist the agency to respond to an emergency or disaster event; Identifying and protecting vital records of the agency; Planning and initiating resources to protect or secure the agency from loss and resorting records and operations, so that normal business operations can resume (NARA,1996; FEMA,2007).

2.7.1 Components of a Records Disaster Management Plan

According to State Records Authority of New South Wales (2002) & University of Missouri (2004) a disaster response plan should include: List of vital records, their location and control documentation; List of equipment and material available for use in disaster salvage and recovery; The function, composition and chain of command of the salvage and recovery team and their contact details; Procedures for the identification and declaration of a disaster situation and initiation of the disaster response chain of command; Provision for the training and current awareness of the salvage and recovery team; List of sources of back up resources, including expertise, trades people, materials, equipment, vehicles and accommodation; Procedures for updating and testing the plan; Simple technical information on the handling of damaged material, directed towards establishing priorities for early action.

In addition the plan should contain specific procedures for staff to follow from the time a disaster is discovered until the preparation of the final report.

2.8   VITAL RECORDS MANAGEMENT

Vital records refer to records containing vital information necessary for an organization to continue its key functions and activities in case of an emergency/disaster (Brett, 1999). Vital records include records that are needed to:

- operate the organisation during a disaster
- re-establish the organization's functions after a disaster, or
- establish and protect the rights and interests of the organisation and its clients.

According to Brett (1999), vital records can be categorized as emergency records and rights and interests records. Emergency operating records are records essential to the continued functioning of an organization during (emergency response activities) and after an emergency to ensure the continuation of the organization. Examples of these records include licenses, certificates of registrations, academic certificates, manufacturing

formulae, emergency operating records, equipment inventories (NARA,1996; Brett,1999).

Rights and interests records are records essential to the protection of the legal and financial rights of an organization and of the individuals directly affected by the organization's activities. Examples of such are payroll records, accounts receivables, insurance records, retirement records and any records relating to contracts, entitlement, leases, or obligations whose loss would pose a significant risk to the legal and financial rights.

A small percentage of business records are vital, that is, essential to emergency functioning and to business continuance, and are difficult or impossible to replace (North Georgia College & State University, 2005). The Association of Records Managers and Administrators (ARMA) and the National Archives and Records Administration (NARA) estimate that in most organizations, only 1-10% of their records are deemed vital. Some units may have no vital records (University of Missouri, 2006). The length of time the records are kept (retention) does not necessarily indicate that a record is not vital, nor does a record designated as vital always remain vital.

The American National Standards Institute (ANSI) standard (ANSI/ARMA 5-2003) sets the requirements for establishing a vital records program. It includes requirements for: identifying and protecting vital records; assessing and analyzing their vulnerability; determining the impact of their loss on the organization

According to Brett (1999), a vital records management programme is critical in dealing with the following issues:

- determining the most critical activities that the agency must perform if it must operate under other than normal business conditions and in a facility other than its normal place of business;
- identifying which records support those critical activities and the resumption of normal operations;

- identifying which records series or electronic information systems contain information needed to protect the legal and financial rights of the agency and persons directly affected by the agency's actions and preserving copies of such records; and

- establishing and implementing a plan to recover records (regardless of the medium of recording) that are damaged in an emergency or disaster.

2.8.1   Identifying Vital Records

The first phase in protecting vital records is to identify what is 'vital' to the organisation including electronic records. There are a number of strategies that can be used to identify vital records (State Records of South Australia,2007):

- Assessing business continuity and resumption planning strategies, as some records will have been identified as essential in restoring critical functions

- Assessing risk assessments, as some records will have been identified as essential or critical

- Assessing organizational charts and related documentation to identify functions that are vital to the organisation

- Assessing functions and records as part of the process of preparing disposal authorities or coordinating retention-oriented management actions for records in any format and reviewing organizational documentation.

REVIEW OF EMPIRICAL STUDIES

This section presents empirical studies that have been conducted on risk management. The significance and relevance of these researches are indicated.

A study was conducted by the Wharton Financial Institutions Center in 1996. The aim of the study was to review and evaluate their financial risk management systems in commercial banks and the process of risk evaluation that is in place. The commercial banking analysis covered a number of North American super-regionals and quasi-money center institutions as well as several firms outside the U.S (Wharton, 1996).

The key finding of this study was that records management is a major contributor to operational risk in commercial banks. Other types of risks that banks are exposed to other than operational were: systematic/market risk; credit risk; counterparty risk; liquidity risk and legal risks. The significance of the study to this research is its indication that record keeping is a key contributor to operational risks in banking industry. This finding indicates the need to strengthen records management as an integral part of risk management which is the focus of this research.

Another study was conducted in Kenya by the Financial Institutions Supervision Department (FISD) of The Central Bank of Kenya (CBK) in September 2004. The study was intended to determine the needs of the local banking sector with regard to risk management. The aim of the study was to provide a status position on the extent to which risk management is practiced in the financial institutions operating in Kenya. Forty-one out of forty-eight (85%) institutions responded to the study.

The key findings of the study were that: there is inadequate risk management policies and procedures in Banks in Kenya, particularly for non-credit risks; not all institutions have functions and personnel dedicated for risk management; several institutions have not developed their own risk management reports and are relying only on Central Bank of Kenya prudential returns to monitor risks; besides Contingency Planning, the other risk management tools are not commonly applied; a number of institutions have not set aside specific budgetary allocations to fund risk management activities.

The significance of this study is the revelation of the study findings that there are enormous gaps with regard to risk management in commercial banks in Kenya. The study provides a clear picture of risk management scenario in the banking industry in Kenya. Being a local study, it adds much significance and relevance to this research because the case study chosen for this research is one of the local banking institutions that were surveyed under the CBK study. The findings are an indication to the inadequacy in emphasis on records management as a risk management tool because RM is a non-credit risk and is strictly outside contingency (disaster) planning. This affirms the

need to not only conduct research on RM and risk management but also to strengthen RM in banking industry to support risk mitigation.

2.11   CONCLUSION

This chapter has provided a review of literature on the topics of records management, risk management and the nexus between records management and risk management. The review of literature has revealed that there is a strong link between records management and risk management and that records management has a critical role to play in the demanding activity of risk management in banks. To this extent, the literature sources consulted are unanimous that records management should be harnessed as an essential success factor in risk management in organizations.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0   INTRODUCTION

This chapter discusses the research methodology adopted for the present study.   It presents the study population, sampling, data collection instruments, data collection procedures and data presentation, analysis and interpretation techniques and ethical considerations.

3.1   RESEARCH METHODOLOGY

This study was qualitative in nature. According to Kothari (2004), when we talk of research methodology, we not only talk about the methods used to collect data but also "consider the logic behind the methods we use in the context of the study and explain why we are using a particular method" to draw a sample and collect data and not another method.

Research methodology encompasses the steps, activities and tools involved in the conduct of a study and collecting data appertaining to the study and the logic behind these steps, activities and tools (Bryant & Miron, 2006). These steps and tools include, identification of the research population, sampling, data collection tools and data analysis tools and the justification of each of the tools selected (Jespersen, 2005; Lauriol, 2006; Blaikie,2007).

Research Methodology is complemented by a research design. Trochim (2006) states that research design can be thought of as the structure of research. It is the "glue" that holds all of the elements in a research project together. Research design is used to structure the research, to show how all of the major parts of the research project work together to try to address the central research questions.

3.2   STUDY POPULATION AND JUSTIFICATION

A research population is the complete set of individuals, cases or objects with some common observable characteristics. It is a group of individual persons, objects or items from which samples are taken for measurement, for example, a population of teachers, banks or students. Population therefore refers to the larger target group to which the research seeks to focus on. In defining a population for study, such a population must be specific enough to provide readers a clear understanding of the applicability of the study to a particular situation affecting the population and also build an understanding of the same population. The population is defined in keeping with the objectives of the study (Mugenda & Mugenda,1999; Brown & Sice, 2005; Rowlands, 2005; Jerspersen, 2005; Dale, 2006).

The Population sample size constituted thirty six (36) respondents selected from five KCB Branches in Nairobi, four units from the Head Office namely: Risk Management Division, Credit Risk Unit, Information Technology Division and Central Clearing Centre, and the KCB's Central Archives in Industrial Area. The summary of the population sample size is indicated in Table 3.1.

3.2.1   Sampling

Trochim (2005) states that "sampling is the process of selecting units (e.g. people, organizations) from a population of interest so that by studying the sample, we may fairly generalize our results back to the population from which the sample was chosen". Therefore, a research sample is a specific unit/section of the population that we take to study basically because it is practically difficult to study the entire population. A research sample is expected to mirror the population from which it comes. However, there is no guarantee that any sample will be precisely representative of the population from which it comes (Mugo, 1995; Mendy, 2007).

3.2.1.1 SamplingTechnique

There are two categories of sampling techniques namely probability and non probability sampling. Probability sampling techniques refers to sampling methods that use some form of random selection. They depend on the theory probability. Examples of probability sampling methods are simple random sampling, stratified random sampling and systematic random sampling, cluster (area) random sampling and multi-stage sampling. Non-probability sampling on the other hand does not involve random sampling. This method approaches sampling with a specific plan in mind. Examples of non-probability sampling methods are convenience and purposive sampling (Mugenda & Mugenda, 1999; McNeil & Chapman, 2005; Kothari,2004; VanWynsberghe & Khan,2007; Trochim, 2008; Hughes,2008; Seaman,2008; Denise, Keri & Rachel,2008; Richards, 2008; Bhattacharyy, 2008)

This study utilized simple random sampling and purposive sampling. A simple random sample is obtained by choosing elementary units in search a way that each unit in the population has an equal chance of being selected (Hughes, 2008). Simple random sampling was used in this study specifically in selecting the clerical and Section Head staffs.

In purposive sampling according to Mugo (1995), a researcher handpicks subjects to participate in the study based on identified variables under consideration. This sampling technique was extremely useful in this study in selection of interviewees within the head office of KCB and branches. The interviewees chosen were those with a direct role either strategic or operational in both risk management and records management, like Branch Managers, Branch Operations Managers and Risk Management Managers. Nairobi area was suitable for the study because it has both head office and Branch network that comprises of small, medium and large branches hence providing a representative mix for the study. Table 3.1 indicates the population sample size as drawn from the KCB branches and head office units in Nairobi Area.

Table 3.1: Sample Size (N=36)

Category	Population	Sample	Percentage
Risk Management Managers	5	2	40.00
Human Resource Managers	2	2	100.00
IT Manager, Office Automation	1	1	100.00
Branch managers	5	5	100.00
Branch Operations Managers	5	5	100.00
Manager, CPC Archiving	1	1	100.00
Manager, Central Archiving	1	1	100.00
Section Heads	17	8	47.06
Clerical	53	11	20.75
TOTAL	**90**	**36**	**40.00**

3.2.1.2 Justification of the Sample Frame

1.   Branch Staff

The four respondents from each branch included one branch manager, one operations manager, one clerk and one Section Head. Therefore the branch network provided a total of 20 respondents constituting 55.56% of the total sample size. This is because the branch network constitutes a bulk of KCB's activities and contributes to almost 80% of the Bank's income (KCB, 2008).

The Branch Managers have the overall strategic management role in management of the Branch; hence were useful in providing information on strategies for management of records and risk management.

The operations managers are in charge of daily operational activities. They provided information on challenges faced in risk management and records management in the branch especially with regard to operational risks resulting from the branch's daily activities.

The Clerks and Section Heads provided information with regard to how existing records management practices impact on the work environment and assist staff in mitigating risk.

2.   Risk Management Division

Risk Management Division is the unit in KCB responsible for the Bank's overall risk management function. Respondents from the unit included two managers drawn from Operational Risk Department and Compliance Risk Department.   They provided information regarding how records management has been considered as a tool in risk management.

3.   Credit Risk Unit (CRU)

The unit is responsible for management of KCB's loan portfolio and therefore creates a lot of records relating to all loans issued to individual clients in the entire bank. The respondents from CRU were one Section Head and two filing clerks. They were useful in providing information relating to management of the records created during credit administration.

4.   Central Archives

Responsible for management of non-current transaction vouchers from all KCB Branches, the unit was instrumental in providing information relating to the practice of archives management within the bank and also provide statistics on utilization of the archives in risk related matters like litigations. The respondent interviewed was the Manager of the unit.

5.   Information Technology Office Automation Department

One respondent-the manager-was interviewed from the IT Division, Office Automation Department. Office Automation Department is responsible for setting up and maintenance of hardware and software in KCB offices across the business to ensure smooth performance of work activities by staff. The department is responsible of ensuring that all ICT systems used in the bank sufficiently support risk management. It is also responsible for set up of systems for electronic records management. The respondent

was useful in providing information relating to electronic records management and risk management.

6.   The Central Processing Centre - Archiving Section

This unit is responsible for clearing of all payments moving in and out of KCB Bank customer accounts. It therefore keeps enormous records relating to payments and receipt of funds from KCB to other Banks or vice versa. Respondents from this unit included the Manager, Archiving, one section head and two clerks. They provided information on whether existing records management regime in the unit sufficiently serves risk management functions and also cited experiences on risks accruing from their activities.

7.   Human Resource Management Division

The Human Resource Division is responsible for personnel management function in KCB. It is therefore responsible for personnel records management as well as management of all risks accruing from personnel records. Two respondents were interviewed from HR Administration, which is the department responsible for personnel records management.

3.3   DATA COLLECTION INSTRUMENTS

Data collection is a term used to describe a process of preparing and collecting data (Freeman & Haddow, 2008). A formal data collection process is necessary as it ensures that data gathered is both defined and accurate and that subsequent decisions based on arguments embodied in the findings are valid.

There are a number of data collection tools used in research. These include questionnaires, interviews (face-to-face and telephone), observation, focus groups, document review and self-administered surveys (Kothari, 2004).

3.3.1   Face to face Interviews

Face to Face interviews were the main data collection method for the study. This is because the study was qualitative in nature and interviews would provide a good means of probing information. An interview is a conversation between two or more people (the interviewer and the interviewee) where questions are asked by the interviewer to obtain information from the interviewee. It is the process of gathering information by asking questions face-to -ace. (Hawryszkiewycz, 2001; Day, Sammons & Gu, 2008)

The most commonly used interview techniques are structured, semi-structured and unstructured interviews. The study utilized the semi-structured interviews. Semi-structured interviews involve a combination of both structured and unstructured interviews. The researcher developed questions for purposes of gathering information on the essential areas required to be later compared with responses from other respondents or interviewees and at the same time created room for unstructured environment where the interviewee can give additional information that may not have been anticipated by the researcher. Semi-structured interview are the most commonly used interview technique in qualitative researches (Raudenbush, 2005; Guest, Bunce & Johnson, 2006; Wray, Markovic & Manderson, 2007).

Interviews were conducted amongst the various staffs of KCB as indicated in population sample-size in Table 3.1. The study employed the semi-structured approach to ensure collection of relevant information in tandem with the research objectives and research questions and at the same time create room for probing more information that was useful to the research objectives.

3.4   DATA COLLECTION PROCEDURES

Data was collected through the face-to-face interviews through physical visits to the selected branches and respondent offices by the researcher on diverse dates from 10th February 2009 to 2nd July 2009. Approval for data collection was approved by the KCB Divisional Director Human Resources, through HR Manager Compensation and Benefits on 23 December 2008 (see appendix VIII). Respondents were approached for consent for

data collection through emails, telephone and personal visits prior to collecting the data. Voluntary participation by respondents in the study was accepted during physical visits where the respondents volunteered to give data after understanding the objectives of the study. This applied with three clerical staff.

3.5   DATA VALIDITY AND RELIABILITY

Reliability refers to the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Validity in research means an indication of how sound the research is. Validity in data collection means that your findings truly represent the phenomenon the researcher is investigating. Valid claims are solid claims. Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are.

Validity is achieved through: divergence from initial expectations; extensive quotations; other research data like secondary sources; independent checks of the data; multiple researches; and counter checking of the findings with respondents to verify correctness of data captured. Reliability of data is achieved through ways like: multiple respondents on similar question, conducting similar interviews on the same respondent several times. (Creswell, & Miller, 2000; Joppe, 2000; Healy & Perry, 2000; Winter, 2000; Patton, 2002; Golafshani, 2003).

The study ensured validity by comparing the findings with assumptions of the study, verbatim quoting of the respondents, reviewing of previous empirical studies and reviewing relevant literature on the subject area. Data reliability was ensured through interviewing several respondents on the same aspects.

3.7   DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Data analysis is the process of looking at data and summarizing it with intent to extracting useful information. Carl & Louise (2003) state that data analysis is the act of transforming data with the aim of extracting useful information and facilitating conclusions.

The process of data analysis involves the following steps: describe the sample populations; order and reduce/code the data (data processing); display summaries of data in such a way that interpretation becomes easy, e.g., by preparing compilation sheets, flowcharts, diagrams or matrices; draw conclusions, relate these to the other data sets of the study and decide how to integrate the data in the report; and if required, develop strategies for further testing or confirming the (qualitative) data in order to prove their validity (Amaratunga et al, 2002; Gibbs, 2002;   Lewins, Taylor & Gibbs, 2005).

Analysis and presentation of data for this study was done based on the objectives of the study. Tables and figures were used in presentation of the study findings.

3.8   ETHICAL CONSIDERATIONS

Resnik (2007) defines ethics as norms for conduct that distinguish between acceptable and unacceptable behavior. According to Shamoo and Resnik (2003) ethics can also be defined as a method, procedure, or perspective for deciding how to act and for analyzing complex problems and issues. From a research perspective, Walliman (2005) defines ethics in terms of a code of behavior appropriate to academics and the conduct of research. They refer to the appropriateness of the researcher behavior in relation to the rights of those who become the subject of the study or those affected by it.

Walliman (2005) however notes that these behaviors will vary depending on the norms of behavior that prevail which will in reality allow for a range of ethical positions. One therefore needs to consider ethical issues throughout the period of research and to remain sensitive to the impact of the research on those whom the researcher seeks help, those who provide access and cooperation and those affected by the study results. Ethical

concerns will emerge as the researcher plan for the research, seek access to organizations and to individuals, collect, analyze and report the data.

Ethical concerns in research include confidentiality, plagiarism, honesty, objectivity, respect of intellectual property, dissemination of findings, anonymity, non-discrimination, voluntary and informed consent, academic freedom, social responsibility and respect for colleagues (Mugenda and Mugenda, 1999; Saunders, Lewis & Thornhill, 2003; Dooley, 2004; Hart, 2005).

This study was based and observed ethical values of integrity, honesty, objectivity, confidentiality and anonymity. This was achieved through seeking respondents' consent before collecting data, reporting findings accurately and non-disclosure of names of respondents. The researcher intends to disseminate the findings through publication of the findings in journal articles and submission of copies of the research report to the KCB Risk Management and Human Resource Management Divisions. The researcher will also conduct briefing sessions for management staff of KCB especially those involved in risk management on the findings of the study.

CONCLUSION

This chapter has presented the study methodology. The chapter has elaborated on how the study population sample size was identified, how data was collected, presented, analyzed and interpreted.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This chapter presents analysis and interprets the findings of the study. Data was collected through face-to-face interviews. Data presentation is descriptive in nature and analysis has been done according to study objectives. The presentation of the data has been done according to the way the questions were structured on the interview schedules following the study objectives and as per the respondents' categories. Tables and figures are used to present data.

4.2 CHARACTERISTICS OF RESPONDENTS AND INTERVIEW RESPONSE RATE

4.2.1 Characteristics of Respondents

A total of 36 respondents were interviewed. These included 17 (47.22%) management staff and 19 (52.78%) non management staff.

The management staffs interviewed included five Branch Managers (13.88%), five branch operations managers (13.88%), two Human Resource managers (5.56%), Manager Central Processing Centre (CPC) Archiving (2.78%), one manager from Information Technology Division Office Automation (2.78%), one manager from Central Archives Unit (2.78%) and two Risk Managers from Risk Management Division (5.56%).

The Branch Managers and Branch Operations Managers were drawn from Moi Avenue, KICC, Kipande, Sarit, University Way, Jogoo Road and River Road Branches. The non management staff included one clerk and one Section Head drawn from each of the five branches, two clerks from CPC, two clerks from Custody Services department and two clerks from Credit Unit. They also included one Section Head each from Audit, CPC Archiving and Credit units.

4.2.2 Response Rate

The total number of respondents interviewed was 36 as per the study's intended population sample size giving a response rate of 100.00% as per the categories indicated in Table 3.1.

4.3 BUSINESS PROCESS ANALYSIS

The first objective of the study was to conduct a business process analysis to understand the kind of activities the respondents conduct and records created out of these activities. An understanding of business activities was essential in establishing the importance of risk management and records management. It was also intended to give a view of the nature of functions in KCB and reveal how records management and risk management underpin the activities. When asked about the activities conducted and the records created out of these activities, the respondents responses varied as indicated in the following discussion.

4.3.1 Data from Clerks and Section Heads

Five (45.45%) of the 11 clerical staff interviewed, were involved in teller activities, two (18.18%) in clearing activity at CPC, two (18.18%) in back office operations at Custody Services and two (18.18%) in filing at credit unit. Figure 4.1 indicates the composition of clerical staff interviewed.

Figure 4.1: Composition of Clerical Staff
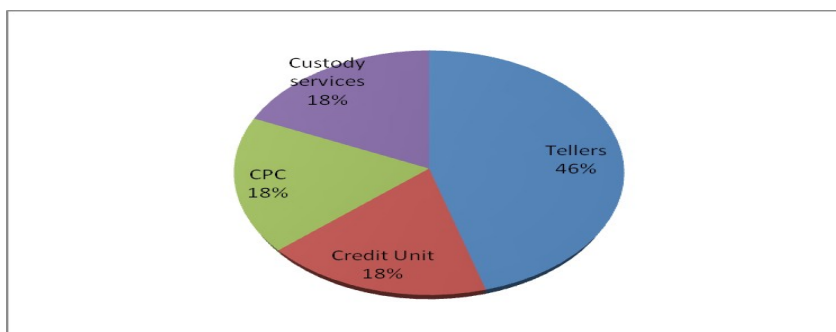
Teller activities conducted by tellers include:

- depositing cash;
- withdrawing cash;

- depositing cheques;
- issuing bankers' cheques;
- Cashing open cheques.

Records created out of these activities include: cash deposit vouchers; cash deposit slips; withdrawal slips; cheque deposit vouchers; cheque deposit advices.

Clearing activities conducted by the clerks interviewed from CPC include:

- Transmission of electronic funds transferred in and out of KCB
- Clearing of cheques deposited in all KCB accounts

The records generated out of these activities include: daily Electronic Funds Transfer (EFT) reports; Rejected EFT reports; cheque deposits reports.

The back office activities conducted by clerks interviewed from Custody Services department included:

- Settlement of equity trades done at the Nairobi Stock Exchange
- Recovery of commission from all equity transactions
- Settlement of money market trades (treasury bonds, treasury bills, commercial papers).

Records created out of these activities include: Shares Purchase and Sale Contract notes; Settlement Schedules; EFT vouchers; Bankers cheques; Interbranch Vouchers (IBVs); Telegraphic Transfer vouchers (TTs); Treasury Bonds application forms; Treasury Bills application forms; client trade instructions; letters to counterparties.

The filing activity done by the respondents from Credit Unit involve filing all loan applications and approvals and any other correspondences in respective client files. The records generated in this activity include: loan application forms; loan approvals; individual client loan performance reports.

The Section Heads within non-management category perform supervisory duties and they are the first supervisors for the clerical staff. Five (62.50%) out of the 8 section heads interviewed, were charged with supervision of cash management at the Branches, while the other three were charged with auditing, supervising archiving activities at the Central

Processing Centre and supervising filing and credit administration at the credit department respectively. Cash management activities are all those activities relating to handling of money in the bank including deposit and withdrawal of cash money and cheques. The records generated out of these activities conducted by Section Heads include:

- Daily cash reports
- Daily cheque deposits reports
- Audit reports
- Suspense account vouchers
- Loan performance reports

4.3.2 Data from Branch Managers and Branch Operations Managers

Branch managers are responsible for the day to day management of the respective branch. The Branch Operations Managers report to the Branch manager and are responsible for daily operational activities. A total of five Branch Operations Managers were interviewed. Most of the core banking activities that relate to funds management such as deposits, withdrawals, transfers and even loans, fall directly under the Operations Managers. Therefore they are the staff in the Branch under which majority of core banking functions fall. When asked on their key responsibilities, the Branch Managers are cited their duties to include:

- "Providing leadership and management at the branch".
- "Approving of all transactions exceeding authorization limits of Operations Managers"
- Driving staff development and performance management within branches
- "Ensuring operational efficiencies and compliance to controls and procedures".
- "Developing and implementing the branch annual plan"
- "Ensuring seamless world class customer service".
- Identification and development of new and profitable business within the spoke

The major responsibilities and activities of the Branch Operations Managers:

- "Managing operational risks."
- "Maintaining and growing the customer base"

- "Ensuring compliance to business controls."
- "Lead staff development and performance management."
- "Manage custody of assets in the branch".
- "Ensure adherence to bank procedures and regulations to reduce frauds and forgeries."
- "Ensure proper cash management at the branch".

Records generated and/or received from these activities include:

- transaction vouchers,
- account statements,
- customer files,
- cheques,
- daily ledger books,
- investment reports,
- loan performance reports,
- fraud reports,

4.3.3 Data from Human Resource Management Managers

The HR managers interviewed were drawn from the department of Compensation and Benefits. This is the department responsible for Human Resource Division administration. Regarding their job duties, the HR managers indicated their job activities to include:

- "Conducting administrative activities for the HRM division".
- Handling all issues relating to staff salaries.
- "Handling issues in staff benefits other than salaries like allowances, medical cover and bonus rewards".
- "Management of personnel records and the HR registry".
- Management of the Human Resource Information Management System.

Records created during these activities include:

- Staff biodata forms
- Applications for employment;

- interview schedules;

- letters of appointment (together with signed letter of acceptance);

- academic documentation i.e. certificates and testimonials;

- curriculum vitaes;

- employee performance appraisal reports;

- letters of commendation;

- letters of resignation;

- leave records;

- letters of promotion/demotion/redeployment/transfer;

- medical records (confidential);

- authorization for exceptional salary actions; loan application forms and approvals;

- HR memos to the Business;

4.3.4   Data from Manager CPC Archiving

The Manager CPC archiving business activities involve overall responsibility for the central management of all vouchers raised in the Head Office, Moi Avenue Branch and in the CPC itself. The Manager's duties include both administrative and operational. Administrative duties included staff supervision, staff appraisal, and resource management. Operational duties included authorizing transfer and disposition of records and reconciliation of daily batches of vouchers against transactional statements to which the vouchers related. CPC is the main clearing centre for all funds being transmitted within, in and out of KCB. The centre receives all moneys to be sent to bank accounts in and outside KCB and remits the funds to the respective accounts. It is also responsible for clearing of cheques. As a result, CPC itself generates a lot of records detailing all money transmissions done daily.

These records include funds remittance files; ledger account statements; cheque clearance reports; vouchers; unpaid cheques; cleared cheques; Real Time Gross Settlement (RTGS) statements; Quickpay reports; swift payment statements. Other records created by the Archiving Section include reports on vouchers received; reports on vouchers archived; reports on vouchers destroyed.

Data from the respondents indicated that KCB accounts for 25% of all financial transactions reported at CBK daily. The rest of the banks in Kenya share the other 75%. Given that Kenya has over 40 commercial banks, this implies that KCB has enormous transactions which all pass through CPC for clearing. The CPC archiving section is therefore responsible for ensuring that all records created in these transactions and those created by preceding activities are well managed.

4.3.4 Data from Risk Managers

Two Risk Management managers were interviewed during the study, constituting 5.56% of the study population sample size. These respondents were drawn from the Risk Management Division, which is responsible for enterprise-wide risk management within the KCB Group. The division is headed by The Chief Risk Management Officer (CRO).

The duties of the Risk Management Managers, working under the CRO,   involve developing, enforcing and monitoring risk mitigation strategies within KCB. They also conduct training on risk management for KCB staff. Their roles are therefore largely strategic and supervisory. Records created out of these activities include: reports on risk exposure levels within KCB; rating reports on branch performance on risk management; strategic plans for risk management.

4.3.5 Data from Central Archiving

The Central Archiving Manager is tasked with the following duties:

- Staff supervision
- Authorizing all activities in receiving and processing of records from across the business network.
- Appraisal of staff performance measurement balanced scorecards

Records generated at the Central Archives are vouchers transferred to it from all KCB branches for semi-current storage prior to destruction as required by the operational manual.

4.3.6   Data from IT Manager

The respondent from IT division was from Office Automation department, which is the IT department responsible for supporting all KCB Branches and business units by installing and maintaining automation systems necessary for delivering services and performing other duties. The activities conducted by the Office Automation department include:

- "Installing and maintaining all office automation systems like email, e-learning system, credit quest system and Intranet".
- "Maintaining all servers used to keep KCB electronic records."
- "Resolving all staff calls (queries) regarding system performance across the bank."
- "Create all authorized users on all automation systems."
- "Installing and updating antivirus software."

The records generated out of the activities of Office Automation department include:

- Monthly certificates of branch compliance with system usage guides.
- Reports on call resolution turn-around-time (TAT).
- Customer (users) satisfaction reports.
- Branch antivirus update report

When probed further whether the Office Automation department has any role in managing electronic records in KCB, the respondent reported that the department only provides and maintains the servers onto which branches and head office units keep their electronic records. However the department has no control on the kind of records stored on the servers since the decision on what is to be stored on the servers is determined by the branches and business units.

4.3.7   Discussion of Findings

Business Process Analysis (BPA)   also referred to as Business Systems Analysis (BSA) is   defined by Roper and Millar (1999) as an analytical framework that involves analyzing organisations as systems or the process of systematically and objectively gathering information about business systems and subjecting that information to formal

for under section 1137:1-7 of the KCB Operations Manual. The department is headed by the Manager, Central Archiving. All KCB Branches and departments are required to transfer all their records to Central Archives two years after audit. The Central Archives then appraises the records to determine what to be destroyed and what to be retained as per the Bank's record keeping regulations in the Operations Manual.

These findings reveal that a bulk of banking activities are in core business operation activities of financial transactions, where majority of the staff are deployed. Discussions with respondents from KCB HR department revealed that out of 3,768 staff population in KCB, only 1,071 (28.42%) are based in Head Office. The rest 2,697 (71.58%) are based in the Branches around the region. The KCB Branches basically focus on core business of the Bank, which is bringing business to the Bank. This implies that for KCB, 71.58% of staffs are involved in activities dealing directly with money.

These findings are a reflection of views shared by authors on banking like Sampson (2007) and Viswanathan (2008), who observe that the heart of banking is managing people's money. The core business of any bank is to safeguard people's savings and advance financial support and related services. Consequently, any bank must invest heavily in this core areas both its physical resources and human capital.

The significance of these findings is an indication of the sensitive nature of banking service, which affirms the critical role of risk management and records management to the banking industry. By having majority of staff in core operational financial-oriented functions, these findings imply that risk management should be at the core of KCB business to safeguard customers' money (Gorrod, 2004). It also means that records management therefore is of primary importance to the Bank in supporting risk mitigation as observed by Mlabwa (2004) and Richard (2006).

4.4   NATURE AND TYPES OF RISKS

The study sought to find out from the respondents the types and nature of risks they are exposed to in the course of their duties. Respondents' views are as indicated below.

4.4.1   Clerical Staff and Section Heads

The non-management staffs were asked how often they are exposed to risks and the types of risks. Four (21.05%) out of the 19 respondents indicated they are least exposed to risks, 10 (52.63%) said they are often exposed and 5 (26.32%) said they are more often exposed to risks. This means 15 (78.95%) of the responses are generally exposed to risks. Figure 4.2 indicates frequency of exposure to risks by clerical and Section Head staffs.

Figure 4.2: Frequency of Exposure to risks by Clerks and Section Heads
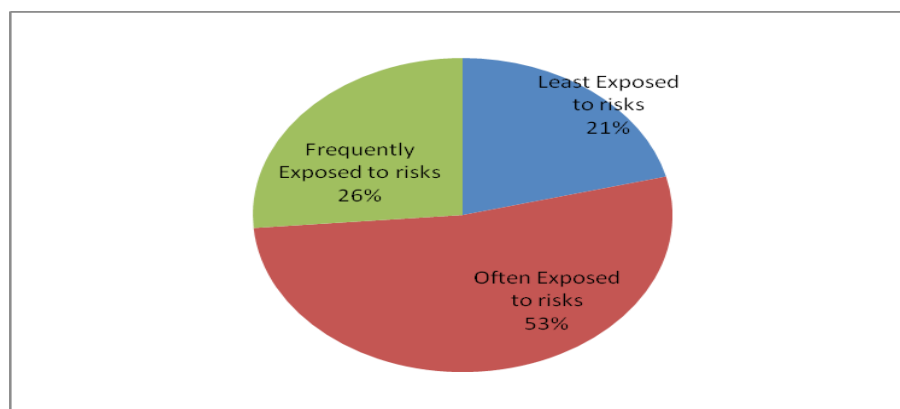
With regard to types of risks, 12 out of 19 (63.15%) indicated that they are often exposed to operational risks and seven (36.84%) said they are exposed to compliance risk. Operational risks included such risks like: frauds, system failures, unbalanced entries, wrong payments, inadequate information management, inadequate equipment and machinery. Compliance risks include such risks as non-conformance to procedures, delays, process circumvention.

Those exposed to operational risks (misposting, overpayment, underpaying, frauds, ICT system failure, forgeries by clients) were mainly the staff from the branches involved in operational activities like tellers and back office operations.   Staffs exposed to

compliance risks (wrong procedures, inadequate documentation, delays, process breakdowns) are those based at CPC, those in credit and those in account opening at the branch who prepare account opening records. These activities involve a lot of compliance requirements in meeting Know Your Customer (KYC) requirements and Anti Money Laundering (AML) regulations.

4.4.2 Data from Branch Managers and Branch Operations Managers

When asked whether their branches are exposed to risks Branch Managers and Branch Operations Managers, totaling 10, (100.00%) acknowledged exposure to risks.

With regard to categories of risks they are exposed to, the respondents cited one or a combination of the risk types as indicated in Table 4.1.

Table 4.1: Types of Risks cited by Branch and Operations Managers (n=10)

Type of Risk	Times Cited	Percentage
Compliance Risks	3	30.00
Operational Risks	7	70.00
Reputational Risks	1	10.00
Strategic Risk	2	20.00

Table 4.1 indicates that operational risk exposure was heavily noted by the respondents from the branches. This is because branches basically conduct core banking activities relating to money transactions. Therefore issues like errors, ICT system failures, inadequate information management, frauds by clients, internal frauds were noted as common.

4.4.3 Data from HR Managers

With regard exposure to risk at the HR Division, both respondents (100.00%) indicated they are exposed to risks. The types of risks cited by the respondents were as indicated in Table 4.2.

Table 4.2: Types of Risks cited by HR Managers (n=2)

Respondent	Risks Cited

| HR Manager 1 | "risks of losing data through fire, computer crush and viruses". "Unauthorized access to records" |
| HR Manager 2 | "Frauds committed by staff who did not go through thorough vetting process" |

4.4.4   Data from Risk Managers

The Risk Managers were asked how they would describe the level of risk exposure and risk management strategies in KCB. One out of two respondents noted that KCB is exposed to "people risks, systems risks, process risks and threats from external events". The respondent also noted that the Risk Division has put in place adequate risk frameworks which include "policies, tools and governance structure" which define the process of risk identification and mitigation, responsibilities and accountability and escalation levels for all identified risks.

The other one respondent reported that KCB is at the stage where risk culture sensitization and embedment are taking place, involving communicating on risk practice and culture, couching risk approaches in terms of value creation and preservation, identifying the risks, analyzing and evaluating the risks, and "is putting in place and implementing frameworks and policies for treating risks, and monitoring and reviewing the risks".

4.4.5   Data from IT Manager

1. Level of risk exposure and risk management strategies

The respondent was asked about the level of risk exposure and risk management in KCB. The respondent was not aware of rate of exposure and actions being taken by Risk Management Division to reduce risks. The respondent remarked that "our mandate is IT work and not risk management and we are not interested so much in risk management issues. The Risk Division would know better".

When probed further on whether there have been frauds materializing through the ICT platforms, the respondents indicated that "there have been frauds and attempted frauds in

the bank but all have been discovered through the audit trails in the core banking system which are able to show the source and destination of every transaction".

4.4.6   Discussion of Findings

Research findings revealed that 15 (78.95%) out of 19 of the Clerical and Section Head staffs acknowledged exposure to risk. All the 10 (100.00%) Branch Managers and Operations Managers as well as all the 2 (100.00%) respondents from HR acknowledged exposure to risks.

According to the Canadian Integrated Risk Management Model (2001), organizations are faced with many different types of risk (e.g., policy, program, operational, project, financial, human resources, technological, health, safety, political). This is reflected by the findings of the study as revealed by the levels of exposure to risk as cited by the respondents.

From these findings, operational risk ranks highest with 63.15% (12 out of 19) citing it as most predominant type of risk in their jobs. Seventy percent (70%) of the Branch and Operations Managers cited operational risk as most prevalent while all the 2 (100%) respondents from HR also cited it.

The predominance of operational risks results from the fact that operational activities constitute the largest percentage of business in KCB. Most business activities, both in Head Office and Branches involve operational financial transactions involving movement of funds.

Also referred to as transaction risk, operational risk is risk arising from fraud, error, inability to deliver products or services, human error, management failure, inability to maintain competitive advantage, faulty controls and inability to manage information (Comptroller's Handbook, 2000).

The prevalence of Operational Risk is in line with observations made by Crouchy, Galai & Mark (2006) who state that many of the risks and large losses in banks over the last

decade are the direct consequence of operational failures. Alexander & Sheedy (2004) also observe that the need for better understanding of operational risk in banking is driven primarily by two factors, the growing sophistication of financial technology and the rapid deregulation and globalization of the financial industry. These factors contribute to the increasing complexity of banking activities and therefore, heighten the operational risk profile of the banking and financial service industry. Over the past few years, a significant number of high-impact and high profile losses some leading to the demise of once revered, well-respected institutions, have pointed consistently to failure in operational risk management (Dunnett, Levy & Simoes, 2005). According to rating agency Fitch Reports (2003) as cited by Alexander & Sheedy (2004) operational risk is as old as the banking industry itself, and therefore it will always be most prevalent of the risk types and most demanding in any banking institution.

The assertions by Alexander & Sheedy (2004), Crouchy, Galai & Mark (2006) and Dunnett, Levy & Simoes (2005), and the findings from respondents not only just point to the reality of prevalence of operational risk as revealed in the study, but also signifies the need to invest heavily in operational risk mitigation. Operational risks have a huge potential of upsetting shareholders and can lead to decline market value.

Compliance risk was noted as the second most prevalent risk type to operational, with 30.00% of the Branch and Operations Managers and 36.84 % of Clerical and Section Heads citing it. These respondents indicated that they attach a lot of value on compliance both internally and external. Compliance risk is risk arising from violation or nonconformance with laws, rules, regulations, prescribed practices or ethical standards (Chance, 2004).

The findings with regard to prevalence of compliance risk are understandable given the fact that KCB and any other bank operates within strict regulatory framework from Central Bank of Kenya, Basel II, Laws of Kenya, International Anti-Money Laundering Policy, Business Continuity Standards and specific regulations like Insider Trading Policy and SWIFT standards (Advanced Micro Devices, 2007).

Besides these external influences, internal regulations within banks are strongly enforced to ensure compliance to operations including financial transactions and communication systems. These compliance needs impact on staff performance as well as regulate risk exposure.

According to Ioannis (2008) compliance risk management is an integral component of enterprise-wide risk management. Its goal is to minimize the effects of violation of or non-conformance with the many rules that govern how financial service business activities are properly supposed to be conducted.

Financial institutions worldwide have long been required to have written policies and procedures to ensure compliance with various rules and regulations.

An exposure to operational and compliance risks as revealed by the findings means the entire risk management function needs comprehensive strategies to address. As noted by Gup & Kolari (2005), a lot of other risks like frauds and reputational are as a result of weaknesses in either operational or compliance aspects of the business. All the 10 (100%) Branch Managers and Branch Operations Managers said that KCB attaches a lot of value on service standards and these impacts on overall branch and individual staff performance. Compliance risks reported included failures to observe timelines and failures to observe partially or in entirety, operational procedures, processes and standards as defined internally or by regulatory authorities.

A more notable finding of the study was that all respondents reported exposure to more than one type of risks, with a number citing operational, reputational and frauds as risks they are exposed to, with varying degrees of prevalence. This is understandable given for instance the branch environment, which conduct a multiplicity of activities that touch on routine operations, reputation issues in relation to customer service and compliance issues on matters like credit service and anti-money laundering.

The Risk Managers indicated that KCB is at the stage where risk management sensitization and embedment are taking place. They also reported that KCB is putting in place and implementing frameworks and policies for treating, monitoring and reviewing the risks. These findings add more value and credit to the study. At this stage of risk policy formulation the findings of the study will be useful in providing valuable input in developing comprehensive strategy for risk management to include records management.

The response from the IT respondent to the extent that the respondent was not fully aware of state of risk exposure and risk management in KCB is worth noting. These findings revealed a disconnect between the risk management and IT departments yet the Bank's core business runs on a highly automated platform. This also revealed that the risk management activity in KCB may not be fully inclusive of all critical departments in risk mitigation.

4.5   EXTENT TO WHICH RECORDS MANAGEMENT IS VALUED AT KCB

The study sought to investigate the state of records management at KCB. This objective was essential in establishing the actual state of records management at KCB, which then provided the baseline for interpreting the sufficiency of existing RM practices in risk mitigation.

4.5.1   Data from Clerks and Section Heads

The study sought to find out from these respondents data on availability of a formal records management programme at the branch or department, level of awareness of the provisions of the KCB Operations Manual on records management, level of satisfaction with the programme, how the existing records management practices support staff efficiency and any challenges faced with records management systems.

1.   Availability of Records Management Programme

In relation to availability of a formal records management programme in their respective units/departments, 15 (78.95%) out of the 19 Clerks and Section Heads interviewed

indicated that their departments have a formal records management programme. Two (10.52%) said they do not have such a programme and 2 (10.52%) said they are not aware. However, when probed further, the respondents revealed that the RMP being referred to were the records keeping guidelines provided for by KCB's Operations Manual and internal departmental/branch practices and not a formally and professionally drawn RMP for the Bank. The scope of these guidelines was limited to retention and disposition of vouchers after audit.

2.   **Awareness of KCB Records Management Regulations**

With regard to the degree of awareness on provisions of the KCB Operations Manual on records management, 11 (57.89%) staff indicated that they are fully aware whereas eight (42.11%) indicated that they have no knowledge of the provisions. Those who reported awareness indicated they gain awareness of the provisions through experience and also out of crisis in the course of their duties when risks arose that needed regulatory guidance. Those who reported non-awareness were relatively new staffs who have served KCB for not more than two years. They reported that no one oriented them to such provisions and they are not terms of reference in their tasks hence they have no idea of their existence.

3.   **Satisfaction with RM Practices and Systems**

In relation to satisfaction with existing RM practices and systems, one (5.26%) respondent expressed satisfaction, eight (42.11%) said they are entirely not satisfied whereas 10 (52.63%) said they are partially satisfied as indicated in Figure 4.3. Majority of the respondents felt that existing RM systems do not enhance efficiency and effectiveness. They reported frustration in retrieval of records, inconsistent storage arrangements for files, misfiling of records, lack of standard practices in their departments with almost every staff having his/her own way of managing the files in their custody, uncentralised storage of files making access and retrieval difficult and inadequate management of electronic records. When probed further on implications of these inadequacies on risk management, the 18 (94.74%) respondents who expressed a measure of dissatisfaction noted that the systems undermine effective risk management

due to operational and reputational risks associated with slow access to and retrieval of information.

Figure 4.3: Satisfaction of Clerks and Section Heads with existing RM systems.
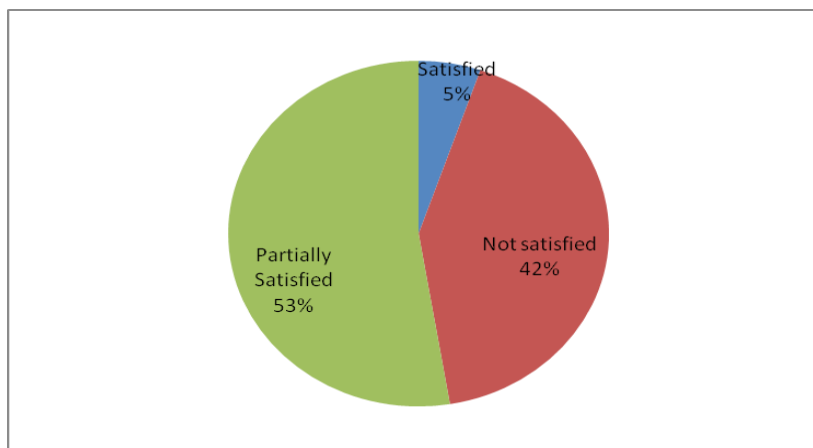
4. **Benefits of Records Management**

The respondents were also asked to indicate how records management is beneficial to their activities and the responses were as indicated in Table 4.3.

Table 4.3: Benefits of RM to clerical staff and Section Heads

Benefit	Number Cited	Percentage (N=19)
Customer Service	3	15.79
Compliance	1	5.26
Decision Making	2	10.53
Information Access/ tracking	11	57.89
None	2	10.53

5.   **Challenges Facing Existing RM Systems**

When asked what challenges they face with existing RM systems, the experiences cited were long retrieval times, misfiling of records, misplacement of files, poor storage of records, lack of standardization of filing, lack of appraisal of records and lack of updating of files with current records. Respondents cited any or a combination of these experiences as indicated in Table 4.4.

Table 4.4: RM challenges faced by Clerks and Section Heads (n=19)

Problem	Times Cited	Percentage
Long retrieval periods	7	36.84
Misfiling and misplacement of records	7	36.84
Lack of standardization	2	10.53
Poor storage	1	5.26
Lack of appraisal	1	5.26
Lack of updating files	2	10.53
Mutilation of records	1	5.26
None	1	5.26

The challenges were mainly blamed on not only lack of comprehensive RMP but also lack of enforcement of compliance with existing guidelines in the KCB Operations Manual. The challenges also result from failure of individual staff to take RM seriously. For instance, even though the provisions of the Operations Manual were not comprehensive and were outdated, there was little evidence of full compliance to these procedures. Adherence to the procedures in the first place, despite their weaknesses, could provide some considerable degree of checks and balances in RM in KCB. These challenges were noted by respondents to undermine effective risk management.

6. **General View on Records Management in KCB**

The respondents, 19 in total, were asked their general views on records management in KCB. Their responses were as indicated in Table 4.5.

Table 4.5: General Views on RM by Clerical and Section Head staffs

View	Frequency	Percentage N=19	Remarks
Average/fair	7	36.84	"Needs improvement"
Poor	8	42.11	"No innovation in this area"; " reduce paperwork"
Very Good/Satisfactory	3	15.79	" cascade the records management policy"
None	1	5.26	

4.5.2 Data from Branch Managers and Operations Managers

The study sought to find out from the Branch and Branch Operations Managers existence of formal records management programme, availability of dedicated staff for records management at the sampled branches and units, impact of existing RM systems on branch/department performance and level of staff awareness on importance of records management.

1.   Availability of a Records Management Programme

Regarding availability of a formal records management programme, six (60%) respondents said their branches/departments have a programme in place while four (40%) said they do not have a programme. The programmes in place however were reported to be guides extracted from KCB Operations Manual and internal guidelines drawn by respective department.   The respondents however indicated that there is no strong centrally developed RM programme from KCB Head Office.

2.   Availability and Training of Dedicated Staff for RM

With regard to availability of dedicated staff for records management in their branches, seven (70.00%) managers indicated they have a dedicated staff whereas three (30.00%) said they do not have. However a majority noted that even the dedicated staffs still have other core banking duties to perform and that filing and management of record stores are

additional duties. Consequently, as a result of a combination of duties, there are lapses as the staffs try to balance their duties and quite often what is compromised is the records management duty.

Of the seven respondents with dedicated staff for RM, five (71.43%) indicated the staffs have no any form of training in RM whereas 2 (28.57%) said the staffs have just undergone on the job training. Figure 4.4 shows the training levels of records staff in branches. However none had formal training in records management. It was further noted with concern by all the seven respondents that there have been no efforts in KCB to offer to staff any training in records management despite the difficulties the branches and departments are facing. The respondents noted that even with a lot of investment in ICT training, there has been no training in management of electronic records let alone general records management. One respondent remarked:

> "We are suffering. We have asked for training in this area or even a consultant but nothing is forthcoming. I pray your study may be an eye opener to the bank"

Figure 4.4: Training levels of branch staff on records management.
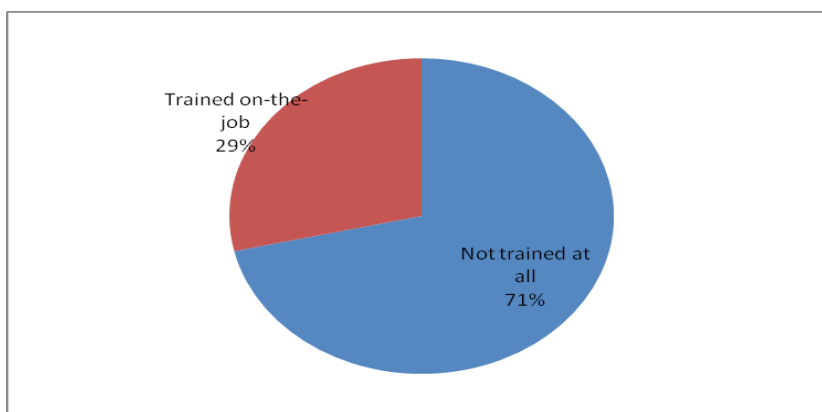
3. **Awareness of Importance of RM amongst Staff**

The respondents were asked whether the staffs in their branches are adequately enlightened on the importance of records management in their activities. Eight out of the 10 respondents (80.00%) said their staff are well enlightened on the value of records management whereas two (20.00%) said their staff are not enlightened.

4. **Impact of Existing RM systems on Branch Performance**

The study sought from the respondents the impact of the existing RM systems on respective branch/department performance. All the 10 (100.00%) respondents acknowledged inadequacy of existing systems in fostering efficiency and effectiveness. Table 4.6 indicates the effects cited by the respondents.

Table 4.6: Impact of Existing RM systems on performance as cited by Branch Managers and Branch   Operations Managers (n=10)

Impact	Cited times	Percentage
"Too much paperwork in causing inefficiency"	5	50.00
"Difficulty in retrieval of records due to poor arrangement"	4	40.00
"Lack of standard description and storage of files affects staff morale due to long times in retrieving"	3	30.00
"Delayed service delivery, hence impacting negatively on customer service".	7	70.00
"Existing RM processes effectively support and boost our performance"	1	10.00

Table 4.6 reveals that the most cited impact of existing RM systems on branch performance was delayed service delivery and that only one respondent felt the existing RM systems boost performance.

5. General View on Records Management in KCB

The respondents were requested to give their general views on records management within their branches. The responses were as indicated in Table 4.7.

Table 4.7: General Views on Records Management in Branches by Branch and Operations Managers

Respondent	View
Branch Manager 1	"OK"
Branch Manager 2	'Inefficient. Need radical surgery"
Branch Manager 3	"Good but needs improvement"
Branch Manager 4	"average"
Branch Manager 5	"Working for us but needs many improvements"
Operations Manager 1	"It has poor technology"
Operations Manager 2	" inadequate poor standards"
Operations Manager 3	"Excellent"
Operations Manager 4	"fair enough, but needs upscaling"
Operations Manager 5	" very vital but not well administered"

4.5.3   Data from Central Archives Staff

1.   Availability of Archives Management Programme/Guidelines

Central Archives did not have any form of documented guidelines on Archiving of the records under their custody. The respondent reported to "have all the information in the head" and nothing documented for reference. Indeed even the KCB Operations Manual's provisions on RM do not cater for archiving and archiving management.

2.   Staff Training

With regard to professional training of staff in records and archives management, the respondent noted that the staff undergo on-the-job training on internal archiving processes but have no any professional training in archiving. Neither have they undergone any in-house course organized by KCB for archives management.

3.   Top Management Support to Archives Management

In relation to support accorded to the unit by top management, the respondent noted sufficient support with regard to resource and other non-archiving roles but minimal support on archiving work. For instance the respondent noted:

"the staff responsible for archiving have never been taken for any training. Besides, we have no mandate to push branches to forward their archival vouchers to us. This should be done by the officers to whom branches report. But it doesn't seem to happen".

4. Development of Rules, Policies and Regulations

In relation to responsibility for developing of rules, policies and regulations governing archiving work, the respondent noted that that responsibility lies with Business Systems Reengineering (BSR) department which develops KCB Operations Manual and Operations Division. The respondent indicated that the unit's role is to communicate the activities it does and leave development of procedures to BSR. In some cases regulations are developed without their input at all and they only receive the directive just like the rest of the business.

5. Electronic Archives Management Strategy

The respondent from Central Archives reported absence of strategy for managing electronic archives. The respondent observed that:

"we only receive vouchers, which are in paper form. We do not receive diskettes or any other form of electronic records".

6. Challenges

With regard to challenges faced during management of the records at the central archives, the respondent cited the following challenges:

- "Too much paper work that creates inefficiency in retrieval of records."
- "Inconsistencies in why records are managed in branches create difficulties in harmonizing them at the Central Archives."
- "Lack of proper state-of-the-art storage equipment."

7. General View

The respondent from Central Archive's general view on records management at KCB was that "records and archives management at KCB is below average and needs a lot of efforts to improve".

4.5.4 Data from CPC Archiving Staff

1. Availability of Records and Archives Management Programme/Policy

"Yes there is a bank policy in the operations manual stipulating the procedure for archiving and the retention period for the items archived"

2. Dedicated Trained Staff for Archiving

In relation to availability of professionally trained staff in records and archives management, the respondent noted that the staff learn on the job and are not professionally trained. The respondent said that the practices meet KCB's standards:

> "existing practices meet the bank standards but we are not privy whether they meet professional standards".

3. Responsibility for Developing Rules and Procedures

The responsibility for developing rules and procedures for CPC Archiving rests with BSR and Audit Division. The respondent indicated that the two units engage CPC Archiving when drafting the rules and process maps for CPC Archiving.

4. Electronic Archives Management

CPC Archiving manages electronic archives in form of CDs and Diskettes that are delivered every day with the cheques sent for clearing from branches. There is no documented strategy for managing electronic files.

5. Challenges Faced

When asked on the challenges the CPC Archiving units faces in management of the records, the respondent cited the following:

- "Lack of formal training of staff on archiving."
- "Prolonged periods for access to records due to purely manual records management systems."

6. General View on RM at CPC and KCB

Asked on general view on records management within the CPC Archiving section and KCB at large, the respondent reported:

> "Within my department, records management is efficient. Within KCB at large it is efficient. However at Central Archiving section, the archiving is wanting as it takes a lot of effort to track records there when needed".

4.5.5   Data from HRM Managers

1.   Availability of Records Management Policy

The two respondents (100.00%) in this category indicated that there is a formal policy for managing personnel records in KCB. On further probing on the elements of the policy, the respondents indicated that the policy covers the following aspects:

- Description of file – numerical description using staff numbers.
- Components of personnel files
- "Access controls to personnel information"
- "Access to HR registry".
- Retention of personnel files.

When probed on what aspects the respondents felt should be in the policy, which are missing, the respondents indicated the following aspects as missing:

- Management of electronic personnel records
- Management of e-mails, "which are often used in handling personnel issues".

The availability of the policy was noted by all respondents to have a positive impact on managing risks associated with personnel records management. The policy provided direction that helps the HR safeguard its function from RM related risks that could impact negatively on the Bank.

2.   Training level of HR RM staff

The HR Division has one staff dedicated to records management. However when asked whether the staff is professionally trained in records management, the respondents

indicated that the staff had no professional training in records management but had been trained on-the-job on records keeping practices within the HR unit.

3. Awareness Levels of RM Importance by HR Staff

The two respondents (100.00%) noted that all staff in the HR Division were reported to be well enlightened on the value of records management to their activities of Human Resource Management.

4. Impact of RM to HR Activities

With regard to the impact of existing records management practices on efficiency, effectiveness and customer satisfaction, one respondent out of the two (50%) noted that:

> "there is a lot of paper work in the process which causes inefficiency in storage and retrieval of records."

The other one respondent (50%) however noted, "we have had improved efficiency in our services with improved records management."

5. Challenges Faced

The respondents were asked some of the challenges they face in managing of records in their unit. The following were cited by the respondents:

- "Difficulties in accessing records in good time due to the manual nature of the records keeping systems and a lot of paper records."
- "Lack of clarity in managing electronic records."
- "Huge volumes of records with increasing rate of employment of new staff."

6. General View on RM in HR Department

The respondents in this category were asked their general view on records management within the HR Department. Their responses were as indicated in Table 4.8.

Table 4.8: General View by HR Managers on Records Management in HR Department

Respondent	View
HR Manager 1	" Currently, records management is not efficient

	because of challenges experienced in storing and retrieval of paper records"
HR Manager 2	" maintained well but needs a modern computerized way of records management to enhance faster and safer records keeping"

4.5.6   Data from Risk Managers

1.   Availability of formal Records Management Programme

With regard to a formal framework for managing records, one respondent (50%) reported absence of such a framework. The other one respondent (50%) noted that each risk management discipline and each branch provide detailed records management frameworks for the particular area of interest.

The variations in responses from the two respondents, revealed existence of a gap in coherence in communication on records management issues within the Risk Division. This finding points to the fact that there is inadequate education within the Bank on RM issues just as revealed in variations on RM practices amongst branches and departments.

2.   Emphasis on RM by Risk Management Division

Regarding the degree to which Risk Division emphasizes RM as a risk mitigation strategy, all the two (100.00%) respondents noted that proper record keeping is treated as a cornerstone of risk management by the Risk Division. One respondent further noted that although there is no central policy drawn by the Risk Division on RM, RM is one of the key principles of Anti Money Laundering policy. Therefore it is generally expected that business units should observe adequate proper record keeping. However there were no internal systems within the Risk Management division to enforce proper RM across KCB network.

3.   Impact of RM on Efficiency and Effectiveness

The respondents were also interviewed on their views on the impact of existing RM systems and practices on business functions from a risk management viewpoint. All the two respondents cited concerns that the RM systems and practices in place do not

adequately foster efficiency and effectiveness. Their actual views were as indicated in Table 4.9.

Table 4.9: Impact of RM on Efficiency and Effectiveness on KCB Business activities cited by Risk Managers.

Respondent	Remark
Risk Manager 1	"Many records are paper based, resulting in delays sometimes occasioned by the necessary movement of paper records".
Risk Manager 2	"The current records are incomplete and some are untraceable hence lack of dependable source of information for decision making."

4. General View on Records Management at KCB

The respondents were asked to give their general views on RM in KCB as an integral part of risk management. Their responses were as in Table 4.10.

Table 4.10: General Views on RM in KCB by Risk Managers

Respondent	View
Risk Manager 1	"I would rate it satisfactory because it meets the regulatory requirements. However the risk division needs better monitory mechanisms to ensure compliance to records keeping procedures."
Risk Manager 2	"The systems are not working very well and lack proper control mechanisms."

4.5.7 Data from IT Manager

1. Availability of Electronic Records Management Programme

Asked whether there is a formal electronic records management programme to guide management of the e-records held in servers, the respondent indicated there is no harmonized programme. The respondent reported:

"Every department and branch in KCB takes care of its records and develops a system of storing them on the server. All we do is to provide storage space on the server".

But when probed further on retention and disposition scheduling of the records on the servers, the respondent reported that the Office Automation department uses the KCB Operational Manual, to determine what to delete and what to retain on the server.

2. **Guarantee of quality of E-records**

The respondent was asked whether the existing ICT infrastructure guarantees authenticity and integrity of e-records. The respondent indicated that the systems guarantee qualities of records because every business unit and branch have right to save their records on the servers without going through IT staff. The respondent further remarked:

"Whether those records serve the business well or not is an issue that can only be determined by the business units and the branches themselves. We are not aware of the value of those records to their respective creators. To us the systems are excellent because no record has ever been saved in the server and reported lost on demand. And even if a record disappears from the storage area, we can always trace it. They are actually safe."

3. **Challenges faced in fostering e-records management**

With regard to the challenges faced in fostering electronic records management, the respondent cited the following challenges:

- "There is uncontrolled access to records by staff from branches and other business units. Anyone can access anything saved on the server"
- "The decentralization of records management has led to unnecessary records being stored on the server hence consuming storage space unnecessarily."

When probed on whose responsibility it is to control access to e-records, the respondent said that access control is the responsibility of the creators of the records i.e. the branches and departments. The respondent noted that would the Office Automation Department be instructed to control access, it will implement access control. However in the circumstances, it has not been instructed and so it cannot restrict access because it does

not know the entitlements by staff to access the records and "in any case we have no such authority".

4.5.8   Discussion of Findings

These findings generally revealed inadequacy in records management in KCB. Whereas majority of the respondents acknowledge presence of a records management programme in their units (78.95% of the Clerical and Section Heads, 60% of the branch and operations managers, all (100%) HR respondents), further probing revealed that the programme referred to were the regulations stipulated in the KCB Operation Manual section 1137. These regulations only cater for retention and disposition of records in their semi-current state after audit. This inadequacy in the records management programme reflects concerns expressed by Keokopa (2002) that most of the regulations and/or policies developed by organizations to manage records are not adequate and quite often tend to address only one or few aspects of records management like registry management and retention disposition.

Four out of the 10 Branch and Operations Managers observed that the provisions they use as provided by the Operations Manual are somehow outdated since there have been remarkable changes in bank stationery and vouchering system. They also noted that the KCB Operations Manual does not serve the needs of electronic records management. This also ties in with Keokopa's (2002) observation that one of the challenges brought about by computers in automated records systems is that there is no legal and administrative framework within which to operate electronic records.

The reference to the Operations Manual for guidance in RM, creates a major risk because given the fact that the provisions of the Operations Manual focus on retention-disposition alone, the Business Units end up establishing their own internal mechanisms to manage records during the current phase. Consequently, due to varying internal RM practices across business units, there are a lot of cases of variations in how records are managed across branches/departments even where the departments/branches perform similar functions like in the Branches.

Lack of a comprehensive professionally drawn Records Management Programme could be cited as one of the major reason why there is inadequate records management in KCB because such a programme would provide overall guidelines to records management. An effective records management program benefits an organization "in terms of gaining a competitive edge, positioning to make consistently correct management decisions, minimizing expenses, avoiding costs, being in legally defensible positions in a litigation society, and in increasing profits (McBratney, 1998). The findings also confirm concerns by McBratney (1998) that "although organizations are aware of the importance of internal and external information, there are still many corporate executives, managers and upper-level administrators that have little or no understanding of what a comprehensive records management program should be. As a result of this ignorance, these people are also unaware of the impact a comprehensive records program can have on an organization".

The findings also revealed the high value attached to records management in organizations. For instance 52.63% of the Clerical and Section Head respondents indicated that they are partially satisfied with RM in KCB and 42.11% said they are not. In addition, 57.89% of the Clerks and Section Heads also said they were aware on the importance of RM to their functions. This implies that the respondents have certain expectations of the RM processes given their dependence on them for service delivery. It is the degree of their expectations that enables them to draw judgment on satisfaction levels.

The decision by 7 (70.00%) out of 10 Branch and Operations Managers to have dedicated staff is an indication of the high value attached to records management despite weaknesses in management of the records.

The findings on value of RM as viewed by staff confirm assertions by the ISO 15489 Standard (2001) that adequate records management results in information about

business activities that can support subsequent activities and business decisions as well as ensuring accountability to present and future stakeholders.

A noteworthy observation in these findings was also inadequacy in staff trainings. Out of the seven Branch Managers and Branch Operations managers with dedicated staff, five (71.43%) of these staff were not trained at all in RM. The other two had undergone on-the –job training on specific activities. All the seven had no professional training in RM. This finding points to the minimal investment in training of staff in RM. This is a reflection of the minimal management commitment to RM in KCB as alluded by Githaka (1996) and Mnjama (2002) that despite high value of RM, there is a tendency to see RM as a trivial activity, that is routine and not core to business functions. Consequently it is not accorded necessary leverage and support. Lack of training in RM is one of the reasons for overall inadequate RM in KCB as could be the case with most organizations. As Bailey (2001) observes, successful and flexible RM, able to deal with rapidly changing technology of modern recordkeeping, is due to a large measure, the skills and experience of the staff that work within it and their own ability to adapt to the changing environment.

The findings from the IT Manager revealed weaknesses in management of the e-records. First there is no programme for management of e-records. Secondly, the IT officers are not aware whether the authenticity and integrity of the e-records is sustained. And thirdly there is uncontrolled access to records by staff. These findings show that the e-records management is weak and can be a major source of risks for KCB. The element of uncontrolled access in itself beats the purpose of records classification and categorization in security levels (secret or confidential).

The disconnect between the IT unit and the other business units and branches, who are the creators of the records, confirms Hussain (2000) observations that many organizations do not have a corporate information management strategy. In this scenario Hussain (2000) observes, each functional area is responsible for its own technology needs with little or no regard for corporate level integration. This means that systems are

decentralized and badly coordinated which present substantial difficulties when trying to integrate data for risk management purposes.

The current state of records management in KCB potentially exposes the bank to a wide range of operational, reputational and compliance risks like: delayed service delivery; slow management decision making; increased RM costs; exposure to frauds; reduced staff productivity.

4.6 RECORDS MANAGEMENT AND RISK MANAGEMENT

The focus of the study was to establish the extent to which existing records management supported the risk management function in KCB. Respondents were therefore interviewed on the impact of existing records management systems on risk management and their views varied as indicated below.

4.6.1 Data from Clerks and Section Heads

1. Exposure to Risks due to Records Management

Eighteen (94.74%) respondents out of the 19 indicated that they are exposed to risks arising from records management inadequacies while one (5.26%) respondent reported lack of exposure to any risk due to records management.

2. Actual Types of Risks caused by RM Inadequacy

In relation to the actual types of risks they are exposed to as a result of inadequate RM, the respondents cited operational, reputational and compliance risks. Some respondents reported exposure to more than one type of risk. Some reported exposure to all whereas others to one type. The responses were as indicated in Table 4.11.

Table 4.11: Risk Categories affected by Records Management Cited by Clerks and Section Heads

Risk category	Times Cited	Percentage (N=19)
Operational	12	63.16
Reputational	3	15.79
Compliance	5	26.32

3. Effectiveness of RM Systems in Risk Mitigation

On whether existing RM systems sufficiently serve to mitigate risks, seven (36.84%) observed that existing RM infrastructure do not mitigate risks at all. Six (31.58%) said they partially mitigate whereas 6 (31.58%) said they sufficiently mitigate risks. On further probing of the respondents on how the existing RM infrastructure does not mitigate risks, the 13 respondents who stated the systems do not or partially mitigate risks indicated the following:

- "The existing systems do not enable faster access to information."
- "There are many loopholes for loss of information".
- It is not clear how long some records should be retained, "compromising compliance with internal and external regulatory requirements".

Inadequacy of the RM systems to mitigate risks as observed reflect earlier submissions by the respondents to the extent that they are frequently exposed to risks accruing from RM.

4. Impact of RM systems and Practices to Customer Service

The degree to which existing RM practices contribute to customer satisfaction was revealed as in Figure 4.5.

Figure 4.5: Views of Clerks and Section Heads on impact of RM on Customer Satisfaction.
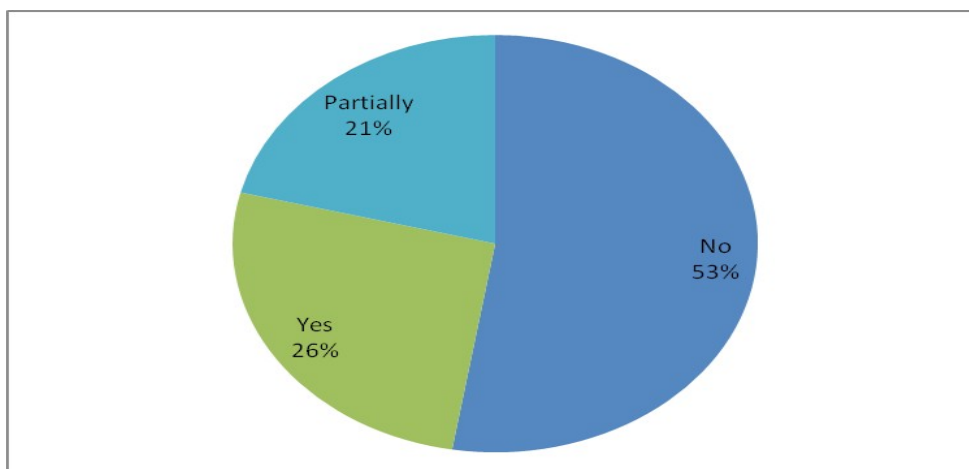
5. Impact of RM on Respondent Motivation

Asked whether RM systems and practices impact on their motivation in work, 17 (89.47%) respondents agreed that the RM systems impact on their motivation indicating that poor storage, misfiling and misplacement of files is frustrating to them and negatively impacts on their work morale. Two (10.53%) respondents said their motivation is not affected by the existing systems.

6. Value of Improved RM on Risk Management

These respondents were asked whether they agree or not agree that improvement in records management could boost risk management and improve efficiency and effectiveness in their activities. All the 19 (100.00%) respondents agreed that strengthening of records management could greatly improve their ability to manage risks.

4.6.2 Data from Branch Managers and Operations Managers

1. Effectiveness of RM Systems in Branch Risk Mitigation

With regard to extent to which records management practices support the branches in risk mitigation, three out of 10 respondents (30.00%) said the practices sufficiently support, two out of 10 (20.00%) said they do not support and five (50.00% said the existing RM practices in their branches partially support risk mitigation.

One (20.00%) out of five who felt the existing RM systems partially support risk management opined that although the systems maybe weak, they are however being used on a daily basis in their state to support business transactions and are still the basis upon

which a lot of risks are arrested. Therefore the RM systems need to be strengthened but they have been useful despite need for urgent improvements. One respondent noted:

> "The systems may be poor but they deserve credit since they have brought us this far. We are still making profits and also able to counter and arrest a good number of frauds after all. But RM systems in KCB need urgent improvement".

2. Risks most affected by Records Management

The branch managers and branch operations managers were asked which of the risk categories (operational, reputational, compliance, strategic) are most affected by records management in their branches. Out of the 10 respondents 6 (60.00%) cited Operational, one (10.00%) reputational, 2 (20.00%) cited compliance and one (10.00%) cited strategic.

As indicated in Figure 4.6, operational risk was cited as most dominant risk type affected by records management.

Figure 4.6: Risk Profiles in KCB Branches
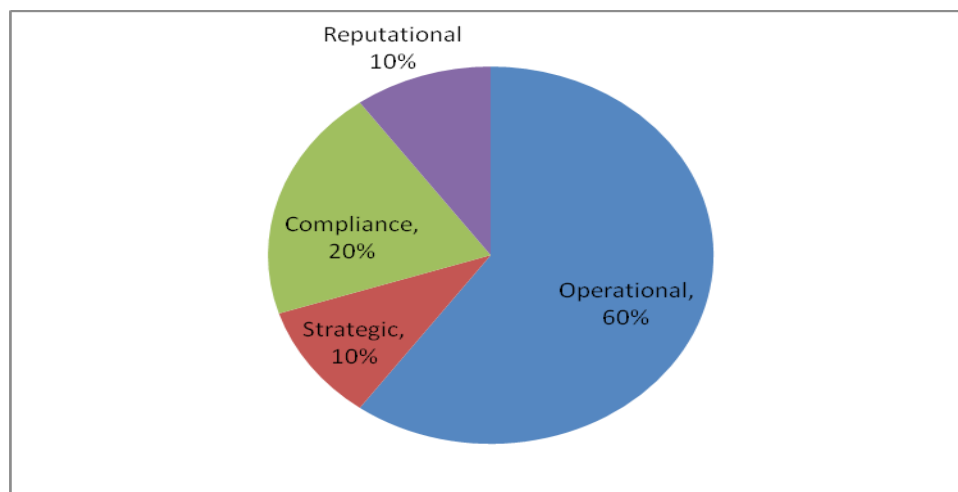
3. Value Accorded to RM

Regarding the degree to which RM is valued as a risk management strategy, seven (70.00%) respondents reported high value whereas three (30.00%) noted the value accorded to RM for risk management is very low.

Respondents who noted high value of RM in KCB asserted that it is appreciated by all that records management is essential in service delivery and risk management. However they further observed that even though RM is valued, this value is not reflected in actual RM practices within the Bank and even in individual staff practices in RM. They noted that the challenge facing RM has been failure to implement strong RM systems despite appreciation of the value of records and records management.

Those respondents who reported low value of RM in risk mitigation (3 out of 10), noted that quite often all risk management efforts in KCB have neglected RM as an integral part of risk management. That most risk management efforts have focused on ethics, work culture, ICT systems and operational procedures with negligence of records management.

4.6.3 Data from CPC Archiving

1. Relationship Between CPC Archiving and Risk Management Division

The respondent reported there was a working relationship between CPC Archiving section and Risk Management division. It was reported by the respondent that the risk division "vets existing procedures at CPC Archiving Section and flag risk areas that need mitigation."

2. Support of CPC Archiving to overall KCB Risk Mitigation

When asked on whether the activities of CPC Archiving adequately support KCB in risk mitigation, the respondent noted that the activities of CPC Archiving fully support the Bank in risk mitigation.

4.6.4 Data from HR Managers

1. Influence of HR RM Practices on Risk Mitigation

Asked whether the existing records management practices support the department in risk mitigation, one (50.00%) respondent out of the two said "not fully" whereas the other one respondent remarked "no".

When further probed on reasons for weaknesses in the RM systems, the respondents cited the following reasons:

- "The existing RM systems are manual, making access and retrieval of records tedious".
- "Management of electronic records relating to HRM is not proper".
- "With minimal training in RM, the degree of professional is low hence it is not clear whether the RM practices meet professional standards or not".

2. Risk Types Most affected by RM in HR

The most risk categories affected by records management as cited by the HR respondents were operational, compliance and reputational. All the respondents (100.00%) cited operational risk while compliance risk was cited by one (50.00%) and reputational by one (50.00%) respondent as indicated in Figure 4.7.

Figure 4.7: Impact of RM on risk management by HRM managers
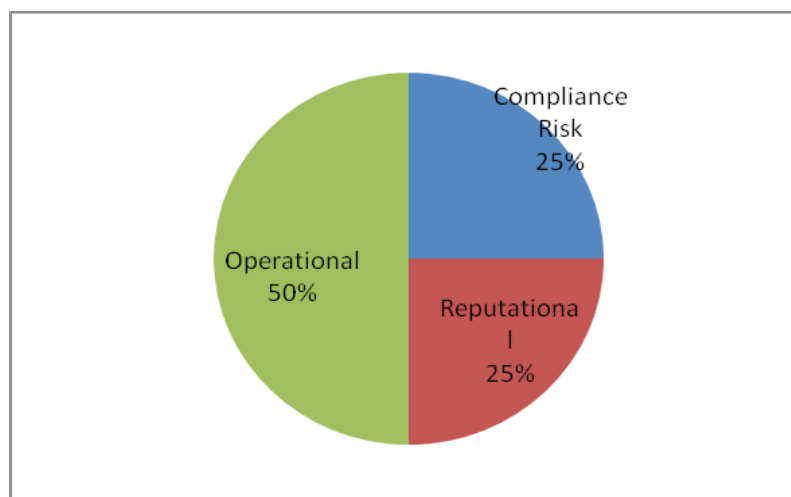
3. Value of Improved RM on Risk Management

When asked about their opinions on whether improvement of records management may have a bearing on risk management, the respondents' remarks were as indicated in table 4.12.

Table 4.12: Impact of improvement in RM on risk management by HRM Managers?

Respondent	Remark
HR Manager 1	It will significantly boost management of risks
HR Manager 2	"I strongly agree"

4.6.5 Data from Risk Managers

1. Impact of RM on Risk Management

With regard to impact of RM on risk management efforts as administered by the Risk Management Division, one of the respondents (50.00%) noted that the existing RM systems undermine risk management because "the current records are incomplete and some are untraceable and the overall effect of this is lack of a dependable source of historical data for future planning".

2. Efforts by Risk Management Unit to Strengthen RM

On the efforts put in place by the Risk Management Unit towards having strong RM systems, one respondent of the two noted that RM is highly recognized as an essential part of operational risk management and the unit is therefore in the process of procuring a database to help the Unit manage its data more effectively. However there were no indications on the efforts being made towards addressing RM in the entire KCB.

The other one respondent reported that the Risk Division had engaged IT, Facilities, and other areas of business to explore the best options to enhance records and document management. The respondent remarked that "digitizing records and planning for comprehensive document management software are among the options being considered for development".

4.6.6   Data from Central Archiving

1.   Working Relationship Between Central Archiving and Risk Division

The respondent was interviewed on the nature of working relationship between the Central Archives and Risk Division in risk mitigation through RM. The respondent reported that there is no any direct working relationship with Risk Management with regard to the Central Archives Unit's work and risk management.

2.   Existing RM in Central Archives and risk mitigation in KCB

With regard to capability of existing RM systems and practices at Central Archive to support KCB towards risk mitigation, the respondent noted that the systems partially support risk mitigation. However the respondent noted that due to the manual nature of the RM systems at the unit, there are enormous challenges around storage, preservation and retrieval of records characterized by long search and retrieval times and physical destruction of records through. The respondent further noted that there are no adequate internal control mechanisms with KCB to ensure that all branches deposit their semi-current records at the Archives for central management. Consequently, some records are destroyed at Branch level before getting to the Archives and "this is only discovered when there is a case that requires the vouchers relating to it to be retrieved and available to investigators".

4.6.7   Data from IT Manager

1.   Impact of ERM on Risk Management

When asked how ERM is impacting on bank-wide risk management, the respondent indicated that the decentralization of ERM responsibilities to branches and business units work wells for KCB with regard to ICT resource optimization and security of the records. The respondent observed that this has enabled every business unit to take ownership of their records and enabled IT Department to focus on stabilizing the hardware and software needed to support management of the records.

The respondent reported that KCB has very strong servers with big storage capacity capable of storing all records created from head office and all its 190 branches across the six countries where KCB has presence. The systems also have very strong processors to facilitate faster access and downloading of records.

However when probed on impact of the challenges cited above on risk management, the respondent noted that lack of access levels at branches and departments exposes the bank information to potential risks including reputational and even operational risks. The respondent remarked:

> "When you allow everyone to access any information, then chances of that information being used for wrong purposes are high and that can be used to the bank's disadvantage. From that viewpoint, the electronic record keeping fails to protect the bank against risks".

When probed on why the IT Office Automation Department cannot advise business units to control access, the respondent said this has been suggested but the business units have not taken up the idea. He remarked:

> "Like in the case of the core banking system, we have controlled access. Same to email system where for instance only designated staff can send an email to entire KCB network, the rest are restricted. The same applies to Credit Quest system for managing loans. And this is because the users asked for these restrictions and gave guidelines. So when it comes to other ordinary records held in servers, the owners of the records have to see the need and initiate the restrictions. Ours is to

simply implement in the ICT system. After all the records owners take responsibility of how the records are used."

2. Actions taken by IT to strengthen ERM

With regard to actions being taken by the IT department to strengthen ERM, the respondent indicated that the IT department is constantly reviewing the servers used to store the records to ensure they are capable of delivering sustained support to business units by proving enough storage space. However the respondent noted that the IT department does not have any focus on records management per se. Neither does it have any working relationship with risk management division with regard to ERM. The respondents noted that "our role is to facilitate the other departments do their work effectively and efficiently. Therefore the issue regarding the principle of records management rests with the business units. They tell us what they need and we provide." When probed on whether there are any plans for digitizing records in KCB, the respondent noted that so far no such plans have been envisaged until a business case is presented by the business units.

4.6.8   Discussion of Findings

According to Brett (2007), risk management and records management are becoming inextricably intertwined. New laws, regulations and court rulings combined with the increasing challenge of managing electronic records and unstructured content present significant risks to enterprises in terms of compliance, market performance and their strategic goals. Mat-Isa (2006) notes that the success of risk management is partly dependent on the accuracy of records in organizations, as every judgment made must be based on reliable information.

The above findings clearly revealed the nexus between RM and risk management. As opined by Mat-Isa (2006) that RM must be given priority for risk management to succeed, 18 out of 19 (94.74%) of the Clerical and Section Head respondents did acknowledge that they are exposed to risks as a result of existing RM practices. Out of the 19 respondents 17 (89.47%) further noted that the RM systems in place impact on

their morale and hence their work performance. Yet 11 (53%) of them still were concerned that the RM systems and practices in place undermine customer service.

The fact that RM exposes staff to risks is a reason enough to streamline RM practices at KCB. Staff morale and motivation has a huge bearing on mitigating operational and compliance risks, especially at non-management levels like clerical. Customer service on the other hand has a strong bearing on reputational risk. When customer service is delayed, the Bank is at risk of upsetting the customer and ultimately loosing the customer. But besides that, it also has the risk of its reputation depreciating and loosing even more customers.

Amongst the 10 Branch and Operations Managers intervened, five (50.00%) said that the existing RM practices partially support risk management while two (20.00%) stated they simply do not support risk management. The two respondents from HR said "no" and "not fully" when asked if existing RM practices within their unit sufficiently support risk mitigation. A deduction can be made from these findings that if the RM practices in KCB were adequate, then risk mitigation could also be enhanced. The gap left by RM implies a deficiency in achieving total risk mitigation. These findings show that adequate RM does not mean absolute risk management, but it reinforces and complements other risk management strategies. A weakness in RM consequently also implies a weakness in risk management because the other risk management strategies are not complemented with adequate information management.

The findings from the IT Manager raise concerns on ability of e-records management systems in supporting risk mitigation. Whereas the respondent reported that the bank has modern and capable hardware to handle huge volumes of records, findings to the extent that there is uncontrolled access, raises fundamental concerns. One of the challenges of records is insecurity due to vulnerable to unauthorized access due to networking capabilities. However, when this access is not restricted in anyway, it creates free room for misuse of information and exposure of the organisation to risks (Williams, sawyer & Hutchinson, 1997; Hedstrom, 2003; Chalmers, 1999). The respondent indicated lack of working relationship between IT Department and Risk Division in relation to ERM. This

would imply that there are possibilities that all risk management plans drawn by Risk division fall short of ICT input. This may compromise quality of risk mitigation strategies with regard to electronic records and information. The indication by the findings that the IT department does not have focus on records management and that this is left to records creators (branches and departments) again reveals a gap in risk management. The IT officers set up ICT infrastructure for keeping the e-records. If they are not aware of RM needs especially in ensuring authenticity and integrity of records, chances of setting up systems that fall short of standards are high (Bailey 2001; Mutiti, 2001). This may have a negative impact on risk mitigation.

This reinforces Gorrod's (2004) view that risks like frauds, slow service delivery and failures in enforcing compliance with existing regulatory framework in commercial banks are usually exacerbated by weak information and record management systems and practices.

The findings also reaffirm suggestions by Borodzicz (2005), Mlabwa (2004) and Richard (2006) that effective records management is the foundation upon which institutions can demonstrate legal compliance, regulatory compliance, high standards of corporate governance and sustain operational efficiency

4.7   VITAL RECORDS MANAGEMENT

Vital records are those critical records of an organization required for continuity of the organization in the event of a disaster. The study sought to establish the existence of vital records within the sampled business units and RM systems in place for management of the vital records.

4.7.1   Data from Clerical Staffs and Section Heads

Thirteen (68.42%) out of the 19 Clerks and Section Head staffs interviewed reported to have vital records in their units and five (26.32%) said they do not hold vital records. One (5.26%) respondent reported to be unsure of whether the department has vital records or

not. Those who reported to have vital records cited such records to include client security documents like title deeds, company registration certificates in safe custody, academic certificates in safe custody and collateral documents like car log books for clients afforded car loans.

However, out of the 13 who acknowledged availability of vital records, only eight (61.54%) reported to have a vital records management programme while four (30.77%) said they have none. One (7.69%) respondent was not aware. When probed further on the elements of the vital records management programme, the eight respondents who acknowledged availability of the programme indicated that the programme covers the following areas:

- "registration of vital records in safe custody registers"
- Authority responsibility for control, registration, auditing and withdrawal of documents from safe custody.
- "storage of vital records in safes"
- "charges on storage of vital records i.e. safe keeping charges"
- "withdrawal of security documents from safe custody"
- Access to safe custody vaults.

4.7.2   Data from Branch Managers and Operations Managers

1. Vital Records Management

Out of the 10 Branch Managers and Operations Managers, six (60.00%) reported to have vital records and vital records management programmes while four (40.00%) said they are not clear on the status of vital records in their units.

The vital records cited include title deeds, wills, academic certificates, vital agreements and contracts, lease documents and other documents as clients may wish, all for customers deposited for safe custody. All the five branches sampled in the study have strong fireproof safes for storage of the vital records.

2. Disaster Management for Records

The study also sought to find out disaster management for records levels within KCB branches as part of overall vital records management. Eight (80.00%) respondents out of the 10 respondents expressed deep concern that the state of disaster management for records was only better for vital records in safe custody and very inadequate for the bulk of other records- those not in safe custody. The strong rooms with fireproof safes had controlled access and the safes only accessed by the managers.

Four (40.00%) respondents noted that some of the records storage areas had no controlled access and that anyone could access the rooms. The storage areas were also reported to lack fire extinguishers despite holding a lot of paper work and some with electrical lines that can easily cause fire especially due to tendencies to pile files even of floors where power sockets are. Two (20.00%) respondents noted that their records repositories were susceptible to water leakages since they were located in the basement areas since sewage and clean water pipes have been fixed along the roof lines.

Observations made by the researcher in five branches visited with regard to records storage revealed poor storage of records, compromising location of some of records repositories, lack of fire extinguishers and general untidiness of the records repositories. In three out of five (60.00%) cases, the records rooms were also used to store non-record materials like obsolete computers, broken furniture, and typewriters. One room had a shredder connected and operational, yet it had no controlled access. This means should someone malicious decide to destroy evidence, this would be relatively easy since a shredder is already available to destroy the records.

One records store on a top floor of the Head Office (Kencom House) had windows opening to the very exterior of the buildings yet files had been piled along the same windows. This implies that if a file slips out of the window, it would fall down on the street.

In all the five (100.00%) branches visited during the study, there were no file classification systems hence conducting file audits was difficult. This meant if a file got

lost, it would take some time before realizing the loss. Some of the observed storage areas were dusty due to location and provided a fertile ground for biological agents of records deterioration.

With regard to electronic records, all the 10 (100.00%) respondents noted there were no substantial guidelines for managing e-records. Staffs created and stored e-records in their personal computers. This compromised the safety of company information since unauthorized access becomes tricky to control under such circumstances. Again it means if the individual staff computer crashes, the information is lost since the records are only stored in the single computer.

4.7.3   Data from Risk Managers

The respondents were asked on whether the Risk Division holds any vital records of the Bank and whether there is a vital records management programme. All the 2 (100.00%) respondents reported Risk Division does not hold any vital records and that there is also no programme for management of vital records. They noted that it is the responsibility for every branch and department in KCB to acquire fireproof safes and cabinets to store their vital documentation.

4.7.4   Data from Central Archives

1.   Availability of Vital Records at Central Archives

The one respondent interviewed from Central Archives reported that the unit does not hold any vital records. The unit only holds semi-current transaction vouchers awaiting destruction.

4.7.5   Data from HR Managers

1.   Availability of Vital Records and Vital Records Programme

With regard to availability of vital records at the HR department, all the two (100.00%) indicated they do not hold any vital records and that they do not have a vital records management programme in place.

4.7.6   Data from IT Manager

1.   Availability of Vital E-Records

The respondent was interviewed on whether there are any vital records held in electronic form.   The respondent indicated that he is not aware of availability or lack of such records since the department does not create records but just provides storage space for the business units.

4.7.7   Discussion of Findings

Vital records refer to records containing vital information necessary for an organization to continue its key functions and activities in case of an emergency/disaster (Brett, 1999). Brett (1999) further states that vital records can be categorized as emergency records and rights and interests records.

Emergency operating records are records essential to the continued functioning of an organization after a disaster while Rights and interests records are records essential to the protection of the legal and financial rights of an organization and of the individuals directly affected by the organization's activities. In most organizations, only 1-10% of their records are deemed vital. Some units may have no vital records (University of Missouri, 2006).

The presence of strong fireproof safes in branches for storage of vital records is not only an indication of the importance of vital records management but also shows the significance attached to the vital records by KCB. The findings on the other hand also provide an indication of the minimal commitment accorded to ordinary RM by virtue of being viewed as trivial activity as viewed by Githaka (1996). Because vital records management forms core business of the bank as a safekeeping service and relates directly to customers and a source of revenue, the bank feels obliged to invest into it as opposed to ordinary records keeping which has much to do with staff performance, is not considered a core business and brings no revenue.

The findings reported by the IT respondent revealed a worrying disconnect between the IT department and other business units in relation to management of vital records. Given that the IT officers are not aware of the value of the e-records held in servers, it follows that not much attention is given to the records by the IT officers other than just providing storage space. This poses a challenge in managing the records because, there could be records that require more stringent controls but are exposed to unauthorized access because the IT personnel responsible and who watch over the e-records storage area are not even aware that the records exist in the first place.

The inadequacy in disaster management for records as indicated by the findings confirms earlier concerns by Przybyla & Huth (2004) that many organizations assume they will never experience a disaster, so they never develop a strategy for preventing or responding to one. Even if they do have a formal disaster response plan, chances are it does not address the need to protect one of their most valuable assets: their records. This underscores the need for KCB as well as other organisations to review their disaster management plan for records as part of company-wide disaster and risk management initiatives. By their very nature, disasters are sudden, unexpected and unwanted (University of Missouri, 2006). For a service oriented institutions like a commercial bank that rely on information in delivering their service, disaster management must be prioritized.

Inadequacy in vital records management and disaster mitigation has serious implications on risk management of any business. According to NARA (2005) and Swartz (2006), the vital records program is intended to do two basic things. First, the program provides an agency with the information it needs to conduct its business under other than normal operating conditions and to resume normal business afterward. Second, the program enables agency officials to identify and protect the most important records dealing with the legal and financial rights both of the agency and of persons directly affected by the agency's actions.

Whenever there is a disaster, the business is usually exposed to risks. It is however, expected to recover and proceed with operations. Continuity of the business operations is based on the vital records that provided information to propel the organisation. Therefore when vital records are not well managed, continuity of the business is at risk and this exposes the organisation to possibilities of collapse.

4.8   RESPONDENTS' RECOMMENDATIONS

The study sought recommendations from the respondents in relation to how KCB could strengthen records management to support the risk management function.

4.8.1   Recommendations from Clerical and Section Heads

Among the recommendations made by the respondents included:

- "Computerization of the records management processes".
- "Standardization of arrangement and description of records and files".
- "Staff training in records management".
- "Establishment of a formal records management programme for KCB".
- "Centralization of records management".
- "Improvement of records security and disaster management".
- "Appraisal of records to prevent accumulation of unnecessary records".
- "Designate specific staff to RM activities in all branches and departments".
- "Improve security of electronic records".
- "Establish methods to establish records authenticity".

4.8.2   Recommendations from Branch and Operations Managers

Recommendations by respondents under this category included:

- "computerization"
- "Training of staff on records management".
- "Centralization of management of records".
- "Microfilming."
- "Improvement of disaster management for records".

4.8.3 Recommendations from HR Managers

Recommendations by HRM managers were:

- "More investment in electronic records which are easily stored, retrievable and accessed".
- "Increased training on records management".
- "Use of technology in records management".

4.8.4 Recommendations by CPC Archiving Staff

The respondent from CPC Archiving suggested that, "as a way forward, I feel we may need software that manages the system of the records archived".

4.8.5 Recommendations from Risk Managers

The Respondents from Risk Management Division made the following recommendations:

- "Digitizing records and planning for comprehensive document management software".
- "KCB should adapt modern records management practices especially digitizing critical records and instituting comprehensive records management systems with successive levels of offsite and secure electronic backup systems."

4.8.6 Recommendations from Central Archives

The recommendations made by the respondent from Central Archives were:
- "Automation the records management".
- "Invest in training of staff on importance and technical skills for records management".
- "Enforce internal controls and professional records management standards".

4.8.7 Recommendations by IT Manager

The IT manager made the following recommendations:
- "There is need to control access to the e-records based on authorities within the various business units and branches that create and own the records."

- "A more comprehensive programme for managing e-records should be developed to match technology changes and business changes instead of relying on the operations manual which may have aspects which are already obsolete".

- " Given increasing risk exposure, there is probably need to rethink the entire process of managing records and create better working relationship regarding records management between IT, Risk Division and business units."

CHAPTER FIVE

SUMMARY OF RESEARCH FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0   INTRODUCTION

This chapter provides a summary of research findings of the study, conclusions and recommendations. Suggestions for further research are also given. The following discussion presents each of these aspects.

5.1 SUMMARY OF RESEARCH FINDINGS

This section provides a summary of the research findings based on the research questions that were formulated by the study.

5.1.1   Research question one: What are the main business activities of KCB and what records are generated out of these activities?

- KCB's core banking services, which are those services involving direct financial transactions, constitute approximately 80.00% of business activities of KCB.

- Core banking includes activities that relate to movement of funds in and out of the bank or across the client accounts within the bank.

- There are other support activities like Human Resources Management, Procurement, Central Archiving and IT.

- There are also business activities under what KCB refers to as Business Controls. This includes Audit, Security and Financial Management.

- There are enormous volumes of records generated daily from the banking activities of KCB including transactional records (vouchers, statements), administrative records (memos, letters, circulars, manuals) and strategic records (reports, plans).

5.1.2   Research Question two: What are the types of risks that KCB is exposed to in its activities?

- KCB is exposed to a variety of risks by virtue of its business activities. The risks present in the bank are operational, compliance, strategic and reputational risks.

- The most prominent type of risk within the Bank is operational risk.

- The bank has a Risk Management Division responsible for company-wide risk management through formulation, implementation and monitoring of risk management strategies.

- KCB, through the Risk Management Division, places a lot of emphasis on risk management.

5.1.3 Research Question three: What is the nature of records management systems and practices at KCB?

- KCB generates a lot of records in the course of its business activities and relies on the records for delivery of banking services to its clients.

- The bank, through its IT department, has invested in sufficient computer hardware and software to provide for storage of electronic records created within the various branches and departments.

- KCB has established a Central Archiving department for storage of semi-current records and archival records from all the branches and departments.

- KCB has established regulations within its Operational Manual on records management to guide retention, storage and disposition of records. This is under section 1137:1-7 titled Storage and Destruction of Records.

- There is no official records management programme for the entire bank.

- Operationalisation of the provisions of the Operational Manual on records management within the Bank is not centralized.

- Every department and/or branch tends to have its own internal mechanisms of managing the records.

- There is no training programme on records management within KCB despite the bank having an elaborate training programme for its staff.

- Majority of filing clerks in KCB branches and departments have not been professionally trained in records management, neither general nor financial records management.

Research Question four: How adequate do existing records management practices support risk management?

- The existing records management systems and practices at KCB do not sufficiently support risk mitigation.

- Records management has not been adequately considered as an integral part of risk management at KCB.

- Existing records management practices across KCB are in themselves a considerable source for risks.

- Records management is characterized by misfiling, misplacement, lack of filing standardization, poor storage, lack of retention scheduling,

- There is no programme for management of electronic records at KCB.

- Access to electronic records stored in central servers is uncontrolled, which compromises confidentiality of the bank's information.

- Existing records management practices impact on staff motivation especially due to inadequate filing systems that lead to long frustrating retrieval times.

Research Question five: What framework informs the activities of vital records management and disaster management for records at KCB?

- KCB business departments and branches hold vital records in their custodies.

- The vital records held by the branches specifically include security documents for clients which have been deposited in the bank for safe keeping. These include such documents like title deeds, share certificates, academic certificates, wills, lease agreements. These documents are particularly useful to the bank's clients hence decisions to deposit them in the bank for safe keeping.

- Management of vital records is administered in accordance to provisions of KCB operational Manual.

- There is no formal vital records management programme.

- The bank has invested strongly in security equipment to safeguard the vital records, especially fire proof safes.

  - Disaster management for vital records and other records is inadequate.

- Whereas vital records enjoy some degree of safety through use of fire proof safes, disaster management for other records is inadequate.

- In all the five records rooms observed, there were no fire extinguishers despite compromising storage of records that would clearly lead to massive destruction in the event of such a disaster. Indeed respondents in the Head Office indicated that cases of fire eruptions have occurred severally at Head Office building. There were also no sufficient measures to protect the records against environmental effects like dust, water and biological agents of deterioration.

5.2   CONCLUSION

This section provides conclusions drawn from the study findings qualified by limited key data from the study findings.

5.2.1   Business Process Analysis

The bulk of business activities in KCB are in direct financial activities. Risk management is a critical business activity within the banking industry. This implies that by nature of these business activities, the need for adequate risk management is high. Consequently, the need for records management in principle is also high despite the inadequacies revealed in the study. From the findings of the study, it can be concluded that records management is a critical activity for KCB given the need for strong risk management of which records management underpins.

5.2.2   Nature and Types of Risks

The most prevalent type risk in the banking industry is operational risk. Operational risks do not only include frauds, management failures, weak systems and human error but also include inadequate records management. Out of the 19 Clerical and Section Head Staffs 63.15% cited Operational Risk and 70.00% of Branch and Operations Managers cited operational risks as the most prevalent risks affecting their performance. The operational risks cited included frauds, delayed service delivery, loss of records, incomplete records, system failures and unnecessary costs. It can be concluded from these findings of the study that there is a high risk exposure in KCB.

5.2.3   Records Management

The study revealed inadequacies in RM at KCB. There is no comprehensive professionally drawn Records Management Programme (RMP) other than the Operations Manual, which is limited. There are no professionally trained records managers in the bank as cited by all the 10 (100.00%) Branch and Operations Managers interviewed and respondents from other units in Head Office, in as much as there could be similarly trained professions working in other assignments in the Bank. The levels of satisfactions in existing RM systems are also very low (only 1 respondent, 5.26%, of the 19 clerical and section heads interviewed is satisfied with the systems). Yet most of the staffs were aware of importance of RM to the banking activities (80.00% of Branch and Operations Managers). From these findings, it can be concluded that records management in KCB is inadequate and that it requires strengthening to sufficiently support risk management

5.2.4   Records Management and Risk Management

The study findings revealed that there are enormous risks that arise as a result of inadequate RM management in KCB. 94.74% of Clerical and Section Heads respondents acknowledged exposure to risks as a result of weak record keeping systems. The study revealed that existing RM systems and practices do not sufficiently support risk mitigation as observed by 50.00% of Branch and Operations Managers and 68.42% of Clerical and Section Head respondents. It can be concluded from these findings that existing records management systems and practices at KCB do not adequately foster risk management and that they in fact contribute to risk exposure within KCB.

5.2.5   Vital Records Management

The findings of the study revealed that KCB emphasizes on management of vital records given the investment made in storage equipment and authority controls for handling of vital records. The bulk of vital records held in the Bank are those belonging to clients who have deposited their important documents for safe custody. These include title deeds, academic documents, wills, partnerships, agreements and investment certificates.

Every KCB Branch has a security safe - fireproof- to protect the vital documents as revealed by all the Branch Managers. Registers to control access to the safes have also been prepared and are audited periodically.

The emphasis on the vital records could be as a result of the direct financial implication of the vital records given they are a source of business to the bank and therefore a core area to focus on, as opposed to ordinary records, which are viewed to be secondary.

It can be concluded from this findings that the bank has given priority to vital records management but not to ordinary daily transactional records, which apparently tend to be the channel for most frauds and causes of most operational risks.

5.3 RECOMMENDATIONS

The study revealed gaps and weakness in records management systems and practices at KCB which undermine risk management. The study made the following recommendations that could be useful in strengthening records management as a critical success factor and integral part of risk management at the KCB Head Office and Nairobi area branches.

5.3.1 Records Management

- There is need for KCB Operations Division, which is responsible for developing all KCB operational procedures and standards, to develop a comprehensive enterprise-wide records management programme for KCB to control and standardize records management practices across the bank. This will address the weakness of lack of a records management programme as revealed in the study findings.

    The programme will ensure that records management is done in a professional manner which will in turn support risk management by eliminating all risks arising from adequate uncoordinated records management.

    This programme should capture all the business process activities in the bank. It should strive to set RM operational standards throughout the records continuum from creation to disposition of the records across the unique and general business

activities. The programme should also capture the ISO 15489 standard on RM as well as legal provisions of the laws of Kenya.

- There should be central office established within the Operation Division and recruitment of a professionally trained records manager to the office to control records management activities in the Bank. This will address the gap of lack of standardization of records management procedures and ensure application of harmonized RM procedures and practices across the bank's network. Such an office will take the approach that has been taken by IT Division which has central control over all ICT infrastructure of the bank. Such an officer should be placed at higher level in the management structure of the bank preferably reporting to Deputy Chief Executive Officer, Group Controls or reporting to the Chief Risk Officer. This will support risk management through enforcing standardization of records management practices and compliance to all records management procedures in KCB. This will prevent exposure of the Bank to records management related risks accruing from uncontrolled records management activities.

- KCB Training and Development department should invest in staff training in records management preferably for all the staff of the bank. This is because every staff is involved in creation of records and their use. This is essential in address the weakness of inadequate professionalism in RM in the bank as revealed by the study findings, which will in turn support risk management by creating an understanding on the importance of records management in risk management.

- KCB Retail Division, Risk Management Division and HR Division should facilitate establishment of positions of records officers in the departments and/or branches or review the duties of filing clerks with a view of expanding them to cater for all day-to-day records management functions. These staff should be sufficiently trained and be prepared to oversee and provide leadership in records management within the business units. Such an action will address the revealed gap of lack of authority responsibility for records management in branches and departments. This will protect KCB from operational, compliance and reputational risks arising from loss, misplacement, misfiling and poor storage of records.

- There is need for IT Division in conjunction with Operations Division to automate file tracking activities by introduction of computerized file tracking systems. This will address concerns raised by the respondents of long retrieval periods due to misplacement and misfiling of records. This will be support risk management function by avoiding reputational risks arising from delayed service delivery due to difficulties in accessing records. It will also prevent strategic risks arising from inadequate or delayed management decision making due to lack of or delayed delivery of records.

- KCB IT Division together with Operations Division should develop and implement a comprehensive electronic records management programme (ERMP). Given the enormous amount of electronic records created and received by KCB and the move towards electronic banking, an e-records management programme is vital to support the KCB deal with all challenges posed by e-records. The programme will also be vital for curbing electronic frauds in KCB. This will promote risk management function by supporting prevention of transactional and compliance risks arising from weaknesses in e-records management like uncontrolled access to e-records databases.

- The Risk Management Division and Audit Division should ensure enforcement of procedures to ensure consistent appraisal of records is paramount to avoid accumulation of records for unnecessarily long hence compromising physical and intellectual control of the records and expose KCB to risks.

5.3.2   Records Management and Risk Management

- There is urgent need for the Risk Management Division to integrate records management within the KCB's enterprise-wide risk management strategy. Currently the bank is conducting a business-wide training on ethical and reputational risk. Similar efforts should be expended on records management given its huge impact on operational, compliance and reputational risks.

- A central office to oversee records management is essential as recommended above. However an alternative to this, at minimum, should be a department to cater for records management under the risk management division.

5.3.3   Vital Records Management

- A comprehensive vital records management programme should be developed by the KCB Operations Division. This programme should among other things:

i.   Provide clear identification of what constitutes vital records within the Business.

ii.   Provide for standards for description, arrangement and storage of all the categories of vital records.

iii.   Make provisions for disaster management plan for vital records.

The programme will be significant in strengthening risk management in KCB because it will safeguard KCB against strategic and compliance risks arising from lose or destruction of vital records and guarantee continuity of business in the event of a disaster.

5.3.4   Disaster Management for Records

- A disaster management programme for records should be developed by KCB to establish standards for records protection. This programme should cover all aspects and types of disasters including artificial and natural.

- A training programme on disaster management and recovery for records should be developed by the Training and Development department for KCB staff or those responsible for records management. This programme should also cater for aspects of records preservation and conservation as elements of disaster planning for records within the bank.

The two programmes will support risk management through safeguarding KCB against reputation and strategic risks that could arise due to loss of records in event of disaster.

5.4   PROPOSED RECORDS MANAGEMENT MODEL TO SUPPORT RISK MANAGEMENT

The study proposes a model that could be used to ensure adequate records management in KCB to support the function of risk management. The suggested model presents eight stages that KCB would have to go through to ensure there is adequate RM support risk management. These stages and subordinate action points under each are shown in Figure 5.1

This model has been adapted from existing models on records management and risk management. The records management models include the Records Continuum Model, World Bank Model (World Bank, 2000), and Integrated Records Management Programme Model for Public Service in Namibia developed by Nengomasha (Nengomasha, 2009). The Risk Management Models that have informed this proposed model are the Integrate Risk Management Model (IRMM) (Canadian Government, 2000) and the Australian-New Zealand Risk Management Standard (SA/NZS,1999). This proposed model values RM in risk mitigation and the fact that risk management is the key driving force necessitating RM in banks.

Figure 5.1: Proposed Records Management Model for KCB

STEP 1	STEP 2	STEP 3
Definition of RM associated risk profile �operational, compliance, strategic, reputational.	**Identification of Human Capital**– RM experts, ICT experts, Risk Experts, others.	**Develop Records Management and Risk Management policies and procedures**

STEP 8		STEP 4
Continuous Development – Assimilation of technologies; Retraining of RAM and Risk Management staff; Feedback Management		**Setup of physical resources**– space, storage equipment, software, hardware, disaster management facilities.

STEP 7	STEP 6	STEP 5
Monitoring and Evaluation– Review of procedures & policies; return on investment; alignment to business strategy; Collect Feedback	**Management of records continuum (** Implementation)	**Staff sensitization and training** On Records Management and Risk Management

Step 1: Definition of RM associated risk Profile

This step will ensure adequate business analysis and establishment a strong case for need of RM.

- Identify all risks associated with records management

- Relate RM to enterprise-wide risk management

- Indicate how improved RM will assist in downscaling or eliminating the risks

- Indicate overall value of improved RM to the Bank with emphasis on risk management

Step 2: Identification of Human Capital

This is essential in addressing the problem of lack of professionalism in RM and will ensure the correct people drive the RM process from initial stages.

- Identify personnel requirements for the right people to drive the process.

- Identify RM expertise professional qualifications, including ICT skills and expected roles in RM function.

- Identify other non-RM personnel useful in the management of records like ICT staff, risk management staff/experts and legal experts.

- Orientate the selected experts to organizational broader vision, mission and strategies, business activities and company-wide risk management profile.

- Prepare and empower the experts to drive the process in subsequent steps (step 3-8).

Step 3: Development of RM and Risk Management policies and Procedures

This will give the RM function a formal existence and structured approach as well as documented processes that can be transferred to facilitate organisation learning and transfer of knowledge.

- Draw a policy statement on RM authorizing the RM function, position the RM function within the company administrative hierarchy and define authorities of responsibilities for the RM function.

- Develop an RMP for the bank to cater for all technical and administrative issues of the RM function.

- Draw procedural manuals to guide the company staff and RM staff in creation, preservation, access, use, appraisal, classification, arrangement and description, storage, retention-scheduling, archiving and disposition of records-both paper and electronic.

- Consider legal issues relating to records management

Step 4: Set up of Physical Resource

The necessary tools, equipments and infrastructure conforming to acceptable qualities and standards are essential to quality RM and must be determined and put in place.

- Establish storage areas for the records and necessary and appropriate storage equipments for all types of records – ordinary records, vital records and electronic records.

- Consider security, preservation and disaster management issues when setting up physical resources.

- Identify and set up location for records centres and archival repository.

- Establish necessary ICT infrastructure for e-records.

- Set up disaster management and response tools and equipment.

Step 5: Staff Sensitization and Training

Since individual staffs create records in the Bank and are involved in their use and that records impact on employee performance, all staff must be trained to reinforce value of RM on performance and risk management. It will also win staff support in fostering adequate RM.

- Train all company staff on the value of RM to Business growth and stability and risk management, clearly identifying risks accruing from RM.

- Relate the impact of RM on staff performance and overall company performance

- Induct all staff on RM and Risk Management policies and procedures and authority responsibilities for RM and Risk Management functions.

Step 6: Management of Records in the Continuum

This refers to full day-to-day management of records in the organisation based on established programme, policies and procedures, under set up physical resources and infrastructure and by the identified personnel and staff, from creation to disposition.

- The actual management of records to serve company needs, fostering operational efficiency, compliance and overall risk mitigation, from creation to disposition. This is the most sensitive part and the core of RM in the Bank.

- Enforce compliance of the RMP, policies and procedures developed in step 3.

- Enroll all necessary expertise from RM staff, ICT staff and consultants throughout this process to ensure RM adequately serves the Business.

- Enforce compliance with international best of practice in RM, international standards like ISO 15489:2001, professional ethics in RAM and legal issues in RM.

Step 7: Monitoring and Evaluation

This is review of the RM systems to ensure they reflect the aspirations of the organisation and contribute to overall success of the parent organisation.

- Consistent review of the RM function against the risk management function to assess adequacy and impact of RM in risk mitigation.

- Assess overall achievement of objectives of the RM function in relation to those of parent organisation and the contribution of RM in achieving efficiency, effectiveness and economy in the organisation through risk mitigation.

- Calculate return on investment (ROI) on the RM function in the organisation to justify its existence and specifically role in risk management.

- Conduct surveys to collect feedback on effectiveness of the RM systems.

Step8: Continuous Development

This involves continuous improvement of the systems to match the organizational changes, industry changes and paradigm shifts in records management and risk management professions.

- Continuous improvement of the RM systems and practices on a daily basis to ensure it matches the company mission, vision and broad strategies.

- Consistent appraisal of records to enforce retention-disposition guidelines.

- Assimilation of new technologies in RM activities e.g. digitization of records, automated file tracking systems, enrollment of electronic records management systems (ERMS).

- Continuous training of the records and archives management staff on emerging trends in ARM.

- Review of the RMP, policies and procedures including factoring in of changes in legal framework to reflect any organizational, industry and professional changes.

- Act on the feedback collected in step seven.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

Given the need for the banking industry to effectively integrate records management in risk management and the need for records management experts, risk management experts and experts in the banking industry to collaborate in enforcing professional records management in the banking industry, this study recommends a number of areas of further research.

5.5.1   Records management and Banking Service Delivery

There is need for further studies to reveal the current state of records management at KCB and its impact on service delivery. Such studies should be extended to other banks such as Barclays Bank of Kenya, Cooperative Bank of Kenya, Standard Chartered Bank of Kenya and Equity Bank. Research on nexus between RM and service delivery would have a direct impact on risk mitigation because efficiency service delivery systems contribute heavily towards risk mitigation.

5.5.2   **Research in KCB Branches outside Nairobi area**

This study limited itself to KCB Nairobi area, targeting Head Office units and five branches in Nairobi. There is need to conduct a similar study in other KCB Branches in Kenya and other countries where KCB has its presence to reveal the status of records management in these branches. This will be necessary to understand whether the findings of this study are representative of the entire bank or not. This is also necessary in helping KCN come up with a comprehensive well thought out records management programme for the entire bank.

5.5.3   Research in other banks

There are approximately 60 commercial banks in Kenya. This study confined itself to only one bank, KCB. It is suggested that a similar study could be conducted in other banks to reveal the status of records management and risk management in other banks in Kenya. This would be necessary in establishing any similarities and differences amongst banks on records management and identify factors contributing to the similarities or differences. Such a study would also be useful in enabling banks learn from each other on records management issues.

5.5.4   Electronic Records Management for Banking

This study revealed that there is enormous use of electronic platforms to transact business in modern banks including KCB. As a result there is generation of enormous electronic records. At the same time, there is also increasing electronic frauds in the banking

industry as the society becomes more digitally-informed and also as a result of weakness of the ICT systems in use.

Further research and development in the area of electronic records management in banking industry would be useful to advise the banking industry on how it can comprehensively deal with electronic records management.

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APPENDIX I

RECORDS CONTINUUM MODEL IN CONTRAST TO LIFECYCLE MODEL

Variables in perspectives	Lifecycle Model	Continuum Model
1.Origins of the model	· Evolved from the need to effectively control and manage physical records after Second World War II (half a century ago)	· Evolving from the more demanding need to exercise control and management over electronic records for digital era (today)
2.Elements of records definition	· Physical entity	· Content; Context; Structure
3. Major concerns in records management	· Records-centred, product-driven; · Focus on records as tangible physical entities, the physical existence of records and records themselves; · Paper world	· Purpose-centred, process & customer driven; · Focus on nature of records, the recordkeeping process, the behaviours and relationships of records in certain environments; · Digital world
4. Records movement patterns	· Time-based stage: records passes through stages until they eventually 'die', except for the ' chosen ones' that are reincarnated as archives · Time sequence: records processes take place in a given sequence	· Multi-dimensional: records exist in space-time not space and time · Simultaneously: records processes can happen at any point in the record's existence, or indeed precede it
5.Recordkeeping perspectives	· Exclusive · Single purpose	· Inclusive · Multiple purposes

	· Organisational or collective memory · Current or historical value	· Can be organisational and collective memory · Can have current, regulatory and historical value from the time of creation simultaneously not sequentially
6.Recordkeeping process	· There are clearly definable stages in recordkeeping and creates sharp distinction between current and historical recordkeeping.	· There should be integration of recordkeeping and archiving processes.
7. Criteria for selecting archives	· Currency or historical value	· Continuing value including current and historical value
8. Time of archival appraisal	· End of records movement	· From beginning to the end
9.Role of recordkeeping managers	· Passive and reactive · Locked into custodial role and strategies	· Proactive post-custodian lists: · Recordkeeping policy makers, · Standard setters, · Designers of recordkeeping systems and implementation strategies, · Consultants, · Educators/trainers · Advocates, · Auditors
10.Undertaking	· Things are done	· Integration of business

records management tasks	to the records in fixed stages, in a given sequence by particular professional group. · Records managers and archivists have no business in directing what records an organisation creates, only are relegated to receiving the physical objects once created. · Fragmented and disparate accountabilities of creators, users, records managers and archivists	process and recordkeeping processes, the tasks can happen in almost any sequence by any professional group. · Records managers have accountabilities to ensure not only the maintenance but also the creation of evidence of the purposes and functions of organisations. · Integrated framework for the accountabilities of players and partnerships with other stakeholders

Source: Xiaomi, A (2001) "A Chinese view of Records Continuum methodology and implications for managing Electronic Records" Paper presented at the international symposium on "OA System and the Management of Archival Electronic Records: Theory and Practice" held in Hangzhou, south east China, from November 11 to 13, 2001. At http://www.caldeson.com/RIMOS/xanuum.html [20.09.2008]

APPENDIX II

INTERVIEW SCHEDULE FOR CLERKS AND SECTION HEADS

My name is <u>Cleophas Ambira</u>. I am a Master of Philosophy student in Records & Archives Management at Moi University, conducting a research on *Records Management and Risk Management in the Banking Industry: A case study of Kenya Commercial Bank Ltd.* This is in partial fulfillment for the requirements for Master of Philosophy Degree in Records and Archives Management.

The study aims at assessing the role of records management in risk management within the banking industry.   The results of the study are anticipated to support Risk Management in KCB through strengthening of the Records Management function.

I have identified you as one of the respondents to the study. kInformation provided will be treated with utmost confidentiality.

For any query/clarification please contact me, Cleophas Ambira, on 0714-690980 or cambira@kcb.co.ke or my supervisor. Dr. Henry Kemoni on 0710-431730.

SECTION I: BIODATA

Date………………..

Department/Unit…………………………. Duties………………………………

SECTION II: BUSINESS PROCESS ANALYSIS

1. What business activities do you conduct?
2. What types of records are generated/received in the course of your business activities?

SECTION III: NATURE & TYPES OF RISKS AT KCB

3. How often are you exposed to risks in your work?
4. What are the types of risks you are exposed to mostly in your job?

SECTION IV: RECORDS MANAGEMENT

5. Does your department/branch have a formal records management programme/policy/practice?

6. Are you aware of KCB's requirements on records management as outlined in the operations manual?

7. Are you satisfied with existing records management practices?

8. How does existing records management strategies support your efficiency in service delivery?

9. What challenges do you experience with existing records management practice?

10. What is your general view on records management within KCB.

SECTION IV: RECORDS MANAGEMENT & RISK MANAGEMENT

11. a) Are there risks that you are exposed to that arise from records management practices?

   b) Which of the risk categories is most affected by records management in your branch/department/unit.

12. Does existing records management sufficiently serve to mitigate these risks?

13. Does existing records management practices sufficiently contribute to customer satisfaction?

14. Do you think existing records management practices expose you to risks?

15. Does records management practices impact on your motivation and ease of work?

16. Do you agree or disagree that improvement in records management will boost your efficiency in managing risks?

SECTION VI: VITAL RECORDS MANAGEMENT

17. Do you hold any vital records in your department/branch? Is there a records management programme for the vital records?

SECTION VII: RECCOMENDATIONS

18. Any recommendations on how records management can be strengthened to support risk management?

APPENDIX III

INTERVIEW SCHEDULE FOR BRANCH MANAGERS AND BRANCH OPERATION MANAGERS.

My name is <u>Cleophas Ambira</u>. I am a Master of Philosophy student in Records & Archives Management at Moi University, conducting a research on *Records Management and Risk Management in the Banking Industry: A case study of Kenya Commercial Bank Ltd.* This is in partial fulfillment for the requirements for Master of Philosophy Degree in Records and Archives Management.

The study aims at assessing the role of records management in risk management within the banking industry.   The results of the study are anticipated to support Risk Management in KCB through strengthening of the Records Management function.

I have identified you as one of the respondents to the study .Information provided will be treated with utmost confidentiality.

For any query/clarification please contact me, Cleophas Ambira, on 0714-690980 or cambira@kcb.co.ke or my supervisor. Dr. Henry Kemoni on 0710-431730.

SECTION I: BIODATA

Date………………..

Department/Unit…………………………. 　　Duties………………………………

SECTION II: BUSINESS PROCESS ANALYSIS

1. Broadly, what are the your business activities and responsibilities in the branch?
2. What types of records are generated/received in the course of these business activities?

SECTION III: NATURE & TYPES OF RISKS AT KCB

3. Is your branch exposed to any risks? What types of risks are they?

SECTION IV: RECORDS MANAGEMENT

4. Does the branch have a formal records management programme/policy/practice?

5. Is there a staff dedicated for the function of records management? Is the staff trained in records management?

6. Are the other staff enlightened on the importance of records management?

7. How does existing records management practices impact on the performance of your branch in terms of efficiency, effectiveness and customer satisfaction?

8. What is your general view on records management within the branch?.

SECTION IV: RECORDS MANAGEMENT & RISK MANAGEMENT

9. Do existing records management practices sufficiently support the branch in risk mitigation?

10. Which of the risk categories is most affected by records management in your branch?.

11. How valued is records management as a risk mitigation strategy in your branch/department?

12. Do you agree or disagree that improvement in records management will boost your efficiency in managing risks in your Branch and entire bank?

SECTION VI: VITAL RECORDS MANAGEMENT

13. Does your branch hold any vital records? Is there a records management programme for the vital records?

SECTION VII: RECCOMENDATIONS

14. Any recommendations on how records management can be strengthened to support risk management?

APPENDIX IV

INTERVIEW SCHEDULE FOR RISK MANAGERS

My name is Cleophas Ambira. I am a Master of Philosophy student in Records & Archives Management at Moi University, conducting a research on *Records Management and Risk Management in the Banking Industry: A case study of Kenya Commercial Bank Ltd.* This is in partial fulfillment for the requirements for Master of Philosophy Degree in Records and Archives Management.

The study aims at assessing the role of records management in risk management within the banking industry.   The results of the study are anticipated to support Risk Management in KCB through strengthening of the Records Management function.

I have identified you as one of the respondents to the study .Information provided will be treated with utmost confidentiality.

For any query/clarification please contact me, Cleophas Ambira, on 0714-690980 or cambira@kcb.co.ke or my supervisor. Dr. Henry Kemoni on 0710-431730.

SECTION II: BIODATA

Date………………..

Department/Unit………………………….   Duties………………………………

SECTION II: BUSINESS PROCESS ANALYSIS
1. Broadly, what are the business activities of the risk management division?

SECTION III: NATURE & TYPES OF RISKS AT KCB
2. How would you describe the level of risk exposure and risk management strategies at KCB?

SECTION IV: RECORDS MANAGEMENT

3. Is there a formal records management programme developed within KCB to support risk management?

4. To what extent is records management emphasized within the KCB's broader risk management framework

5. How does existing records management practices impact on efficiency and effectiveness on KCB business from a risk management viewpoint?

6. What is your general view on records management in KCB?

SECTION IV: RECORDS MANAGEMENT & RISK MANAGEMENT

7. How is records management impacting on risk management within KCB?

8. What actions is the Risk Management Division taking towards strengthening records management as an integral part of risk management?

SECTION VI: VITAL RECORDS MANAGEMENT

9. Does your department hold any vital records? Is there a records management programme for the vital records?

SECTION VII: RECOMENDATIONS

10. What recommendations would you make to improve records management as an integral part of risk management in KCB?

APPENDIX V

INTERVIEW SCHEDULE FOR MANAGERS, CENTRAL ARCHIVES & CPC ARCHIVING

My name is <u>Cleophas Ambira</u>. I am a Master of Philosophy student in Records & Archives Management at Moi University, conducting a research on *Records Management and Risk Management in the Banking Industry: A case study of Kenya Commercial Bank Ltd.* This is in partial fulfillment for the requirements for Master of Philosophy Degree in Records and Archives Management.

The study aims at assessing the role of records management in risk management within the banking industry. The results of the study are anticipated to support Risk Management in KCB through strengthening of the Records Management function.

I have identified you as one of the respondents to the study .Information provided will be treated with utmost confidentiality.

For any query/clarification please contact me, Cleophas Ambira, on 0714-690980 or cambira@kcb.co.ke or my supervisor. Dr. Henry Kemoni on 0710-431730.

SECTION I: BIODATA

Date………………..

Department/Unit…………………………. Duties………………………………

SECTION II: BUSINESS PROCESS ANALYSIS

1. Broadly, what are the business activities conducted by your department?
2. What types of records are generated/received in the course of these business activities?

SECTION III: RECORDS MANAGEMENT

3. Are your activities in managing the KCB's records informed by a formal records management programme/policy? Is it documented?

4. Are the staffs of your unit professionally trained in records and archives management work? And are the existing records management practices meet professional standards?

5. Does your department receive satisfactory support from KCB management towards your activities of records and archives management?

6. Who is responsible for developing rules, regulations and policies governing your activities?

7. Do you have a strategy for managing the archives-both paper and electronic?

8. What challenges do you face in the course of your management of records and archives?

9. What is your general view on records management within your department and KCB at large?

SECTION IV: RECORDS MANAGEMENT & RISK MANAGEMENT

10. Is there a working relationship between your department and the Risk Division towards managing records for risk mitigation?

11. Do you think existing records management systems in your department so far sufficiently support the bank in risk mitigation?

SECTION IV: VITAL RECORDS MANAGEMENT

12. Does your department hold any vital records of the bank other than ordinary transaction vouchers? Is there a records management programme for the vital records?

SECTION V: RECCOMENDATIONS

13. Any recommendations on how records management can be strengthened to support risk management?

APPENDIX VI

INTERVIEW SCHEDULE FOR HR MANAGERS

My name is <u>Cleophas Ambira</u>. I am a Master of Philosophy student in Records & Archives Management at Moi University, conducting a research on *Records Management and Risk Management in the Banking Industry: A case study of Kenya Commercial Bank Ltd.* This is in partial fulfillment for the requirements for Master of Philosophy Degree in Records and Archives Management.

The study aims at assessing the role of records management in risk management within the banking industry. The results of the study are anticipated to support Risk Management in KCB through strengthening of the Records Management function.

I have identified you as one of the respondents to the study .Information provided will be treated with utmost confidentiality.

For any query/clarification please contact me, Cleophas Ambira, on 0714-690980 or <u>cambira@kcb.co.ke</u> or my supervisor. Dr. Henry Kemoni on 0710-431730.

SECTION I: BIODATA

Date………………..

Department/Unit…………………………. Duties…………………………………

SECTION II: BUSINESS PROCESS ANALYSIS

1. Broadly, what are your business activities and responsibilities and those of your department?
2. What types of records are generated/received in the course of these business activities?

SECTION III: NATURE & TYPES OF RISKS AT KCB

3. Is your department exposed to any risks? What types of risks are they?

SECTION IV: RECORDS MANAGEMENT

4. Does your department have a formal records management programme/policy/practice?

5. Is there a staff dedicated for the function of records management? Is the staff trained in records management?

6. Are the other staffs in HR aware on the importance of records management?

7. How do existing records management practices in HR impact on work performance in terms of efficiency, effectiveness and customer satisfaction?

8. What challenges do you face in managing your records?

9. What is your general view on records management within your department?

SECTION IV: RECORDS MANAGEMENT & RISK MANAGEMENT

10. Do existing records management practices in HR sufficiently support the branch in risk mitigation?

11. Which of the risk categories is most affected by records management in your branch (Operational; Reputational; compliance or strategic risk)?

12. How valued is records management as a risk mitigation strategy in your department?

13. Do you agree or disagree that improvement in records management will boost your efficiency in managing risks in your department and entire bank?

SECTION VI: VITAL RECORDS MANAGEMENT

14. Does your department hold any vital records? Is there a records management programme for the vital records?

SECTION VII: RECCOMENDATIONS

15. Any recommendations on how records management can be strengthened to support risk management?

APPENDIX VII

INTERVIEW SCHEDULE FOR IT MANAGER – OFFICE AUTOMATION

My name is <u>Cleophas Ambira</u>. I am a Master of Philosophy student in Records & Archives Management at Moi University, conducting a research on *Records Management and Risk Management in the Banking Industry: A case study of Kenya Commercial Bank Ltd.* This is in partial fulfillment for the requirements for Master of Philosophy Degree in Records and Archives Management.

The study aims at assessing the role of records management in risk management within the banking industry.   The results of the study are anticipated to support Risk Management in KCB through strengthening of the Records Management function.

I have identified you as one of the respondents to the study .Information provided will be treated with utmost confidentiality.

For any query/clarification please contact me, Cleophas Ambira, on 0714-690980 or cambira@kcb.co.ke or my supervisor. Dr. Henry Kemoni on 0710-431730.

SECTION I: BIODATA

Date………………..

Department/Unit…………………………. 		Duties………………………………

SECTION II: BUSINESS PROCESS ANALYSIS

1. Broadly, what are your business activities and responsibilities?
2. What types of records are generated/received in the course of these business activities?

SECTION II: NATURE & TYPES OF RISKS AT KCB

3. How would you describe the level of risk exposure and risk management strategies at KCB?

SECTION III: RECORDS MANAGEMENT

4. Is there an electronic records management programme to guide management of e-records?

5. Are there adequate systems in place to guarantee quality (authenticity and integrity) of electronic records created and maintained in the Bank?

6. What challenges does IT department face in fostering adequate management of e-records in KCB?

SECTION IV: RECORDS MANAGEMENT & RISK MANAGEMENT

7. How is e-records management impacting on risk management within KCB?

8. What actions is the IT Department taking towards strengthening electronic/digital records management as an integral part of risk management?

SECTION VI: VITAL RECORDS MANAGEMENT

9. Are there any vital records held in electronic form? Is there a policy for management of these vital records?

SECTION VII: RECCOMENDATIONS

10. What recommendations would you make to improve records management in KCB especially

APPENDIX VIII

AUTHORITY TO CONDUCT RESEARCH AT KCB

From: Kioko, Fred
Sent: Tuesday, December 23, 2008 11:56 AM
To: Ambira, Cleophas
Cc: Maranga, Charles
Subject: Approval: Data Collection for Academic Research

Cleophas,

Your request to carry out the research has been approved by the HR Director

You may use a copy of this email to carry out the collection exercise

Regards

Fred Kioko - KCB HR