

UNIVERSITY OF NAIROBI INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT WORKSHOP TO SENIOR
MANAGERS IN THE COLLEGE OF BIOLOGICAL AND
PHYSICAL SCIENCES ON 6TH OCT 2009

Presented by Nyatuga Aileen,
Deputy Chief Internal Auditor

EMERGING ISSUES OF CONCERN TO UNIVERSITY MANAGERS

MANDATE

- To provide independent, objective assurance and, consulting services designed to add value and improve the University of Nairobi's system operations, control and governance processes as a service to the university to assist it accomplish its objectives.

VISION

- A department within the University, that aspires to be respected within and worldwide, for its exemplary professionalism in the discharge of its duties

MISSION

- To assist the management in establishing and maintaining policy and procedures that; adequately protect the assets of the University, encourage their efficient utilization, improve the effectiveness of risk management and ensure compliance with relevant government rules and regulations.

INTRODUCTION

- The University's Internal Audit department provides an *'assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources'*.

- To ensure the opinion formed is adequately supported the Internal Audit Department plans the audit to ensure adequate coverage of areas that are critical to the opinion.

CRITERIA FOR DETERMINING THE AUDIT OPINION

- To determine the Audit Opinion the Internal Audit department will review, appraise and report upon:
 - The adequacy of risk identification, assessment and mitigation
 - The adequacy and application of controls
 - The extent of compliance with relevant legislation, the University's policies, plans and procedures

- The extent to which the University's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money
- The quality and integrity of financial and other management information utilised within the organisation.

INDEPENDENCY

- Internal Audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgments and recommendations.

ETHICAL PRINCIPLES

- integrity,
- objectivity,
- competence
- and confidentiality.

DEVELOPMENT OF THE ANNUAL WORK PLAN

- Focuses on high risk activities
- Includes coverage of activities and strategic initiatives which have a significant impact on the university's overall mission
- Provides proactive coverage of emerging areas of risk/ opportunities
- Provides a comprehensive program of audit coverage of regulatory compliance risks
- Provides appropriate audit attention to projects and areas, which have significant financial impact/risk.

FRAUD , WASTE AND ABUSE

Fraud

- Is a dishonest and deliberate course of action that results in the obtaining of money, property or an advantage to which the person committing the action would not normally be entitled. Intentional misleading or deceitful conduct that deprives another of his/her resources or rights. Fraud always involves intent and some violation of trust
- Fraud in the workplace is occupational fraud. It can be as simple as pilfering office supplies or as complex as sophisticated IT or financial statement fraud

Waste

- Waste occurs when someone makes careless or extravagant expenditures, incurs unnecessary expenses, or grossly mismanages resources. This activity results in unnecessary costs. It may or may not provide the person with personal gain.
- Waste is almost always the result of poor management decisions and practices or poor accounting controls.Examples;
 - Unlimited phone
 - Repairs

Abuse

- Abuse involves most often involves an employee exploiting loopholes in policies and procedures for personal gain. Abuse is very close to fraud, but is often not prosecutable as such. Abuse includes but is not limited to the misuse or destruction of resources, using the powers of an official position inappropriately, or any other serious improper practice that cannot be prosecuted as a fraud or other illegal act.

THE COST OF WASTE FRAUD AND ABUSE

- It is difficult to compute but is collectively a sizeable portion of our budget

EXAMPLES OF FRAUD WASTE AND ABUSE

Overtime

- **Employee works some prior approved overtime in order to complete a project that is on a strict deadline (acceptable)**
- The manager requires the employee to work overtime even if there is no good reason to do so(waste)

- The employee knows that overtime during a critical time is usually allowed in a particular unit. Hence he simply sits through though he has no work or can finish the work during normal working hours. This is so as just to earn extra pay (abuse)
- The employee adds extra time to her sheet even though he didn't work extra hours(fraud)

Research project

- The researcher on a project buys some needed equipment even though most of the research team believe other needed equipment should be bought first. (acceptable)
- The equipment was purchased even though some older equipment was available that would still meet the team’s needs and safety requirements (waste)

- The research team uses the equipment for research but also uses it including the reagents to conduct experiments in private consultancies for which they are paid. (abuse)
- The principal researcher purchases the equipment, then spirits it away and sells it quietly to his professional colleagues who are in private practice and pockets the money. (fraud)

Seminar/ conference

- An employee attends a training conference at Mombasa (acceptable)
- The employee chooses the Mombasa location even though the same conference would be held in Nairobi and travel costs are cheaper. (waste)
- The employees book the most expensive conference hall even though there are cheaper rooms with suitable facilities. (Abuse)
- The employees submit multiple travel reimbursement requests for the training trip to Mombasa.

SOME EXAMPLES OF COMMON AUDIT FINDINGS

- Inadequate separation of duties, ie one employee responsible for all aspects of a specific transaction.
- Revenue deposits not made in a timely manner.
- Revenue used in expenditure instead of being banked intact.
- Bank accounts not reconciled in a timely manner.
- Administrative policies, procedures, rules not followed.
- Expenditures/disbursements not properly authorised.

- Lack of records/ inadequately updated records to facilitate management decision making

- Fraud, Waste, Abuse

○ Procurement

- Related quotations
- 3 quotations higher than market price
- Specifications were not clear enough
- Delivery of poor quality products to university units
- delivered items not well recorded

- Delivered items not well accounted for.
- Evidence of waste and abuse

EMERGING AREAS OF RISK

- Procurement
-new dept., many new members of staff, regulations not understood, significant budget
- Research grants
-different donors, regulations, terms, work field based, individual discretion – significant.
- Information and Communication technology
the possibility of risk related to the use of information and communication technology such as IT Security risk, including resilience and continuity, when undertaking any planned or ad hoc audit work.
- Staff Movement -risk of overpay

PROCUREMENT

PROCUREMENT COMMITTEE

- Following procedure
- Draw up proper and unambiguous specifications
- Role in technical evaluation
- Avoiding waste, abuse and misuse
- Procurement plan, budget

RECEIVING AND INSPECTION COMMITTEE

- Inform them when goods are received
- Confirm compliance to specifications
- Maintain proper records
 - Stores Requisition and Issue Note
 - Stores Received Note
 - Consumables Register
 - Fixed Asset Register

ACCOUNTING FOR RESEARCH FUNDS

- Research funds are not personal. Their usage is subject to scrutiny
- Passing documents through heads of department
- Attach copy of advance form, copy of budget
- Expenses to be within budget
- Follow procurement procedures

STAFF MOVEMENT ADVICE

- Importance of
- Role of university managers and supervisors
- Raise it when staff leave and join

CONCLUSION



INTERNAL CONTROL, ROLE OF DEPARTMENT

- Set up an adequate procedure for identification and management of risks.
- Ensure the procedure used to identify, measure, classify and report financial and operating information is reliable and has integrity.
- Ensure compliance to policies, plans, procedures, laws and regulations that could have a significant impact on operations of the organization/ department.



- Ensure the means to safeguard assets is adequate and effective
- Ensure economy and efficiency in the way resources are acquired and used.
- Ensure operations and programs are designed and operated to enable achievement of established objectives.



- THANK YOU.
- COMMENTS?
- QUESTIONS?

