

## FRAUD ALERT

# UNIVERSITY OF NAIROBI



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### **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.

## **Development of the annual work plan by Internal Audit**

- 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.

## **2. 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.

### **Ways to Reduce Fraud, Waste and Abuse**

- Reduce opportunities through stronger internal controls
- Create a sense of honesty and ethics in your area
- Report fraud, waste and abuse when it is detected
- Partner with the wider university community to increase their sensitivity to such and their propensity to report

## **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.(Fraud)

## **FRAUD ALERT**

### **1. PROTECTION OF ASSETS DURING HANDING OVER OF OFFICE**

With the advancement of technology some of the office equipments have become more mobile and personalized; e.g. Laptops, Ipads, Digital camera etc.

#### **Risk**

The outgoing officer may fail to disclose such items in their custody during handing over.

#### **Effect**

Loss of such equipment, hence financial loss.

#### **Precaution**

- All assets including laptops, iPads, etc should be properly recorded and marked upon purchase. Location and custodian of such assets should be clearly indicated.
- An asset movement register should be maintained.
- An approved list of assets, consistent with the register, should be displayed in each particular office e.g. behind the office door.
- During handing over, the list mentioned above should be used as guide to account for assets . There should be a witness to handing over.

### **2. ONLINE LEAVE APPLICATION**

#### **Risk**

Staff may proceed on leave without applying for leave especially if previous leave has not been fully processed on the system (OLAPIS) or if the system is down.

#### **Effect**

If the supervisor does note those days and demand application for them, the staff will have gone on leave yet their entitlement will not be reduced. At the end of the year, he/she will carry forward days that do not exist.

#### **Precautions**

- Leave application should be done several days before the effective date.
- Should the system be completely unavailable at a time when a staff is applying for leave, and he cannot postpone, then the supervisor should note the days and ensure the staff applies at the earliest opportunity.
- Departments should have a backup copy of the days staff members have gone on leave. This can be by maintaining a manual register where the leave days are also entered so that that record can be used to know the balance of days left for the members of staff.

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