

# UNIVERSITY OF NAIROBI FINANCE DEPARTMENT

SENSITIZATION ON CORRUPTION RISKS &  
PREVENTION STRATEGIES IN FINANCIAL  
MANAGEMENT PRESENTED TO UNIVERSITY  
ADMINISTRATORS ON 9<sup>th</sup> JUNE 2011  
CENTRAL CATERING UNIT

PRESENTED BY: KENNETH GITAU

# OBJECTIVES

- Definitions
- Components of Financial management
- Corruption prone areas in finance
- Signs of Corrupt financial systems
- Corruption prevention strategies
- Conclusion

# WHAT IS FINANCIAL MANAGEMENT

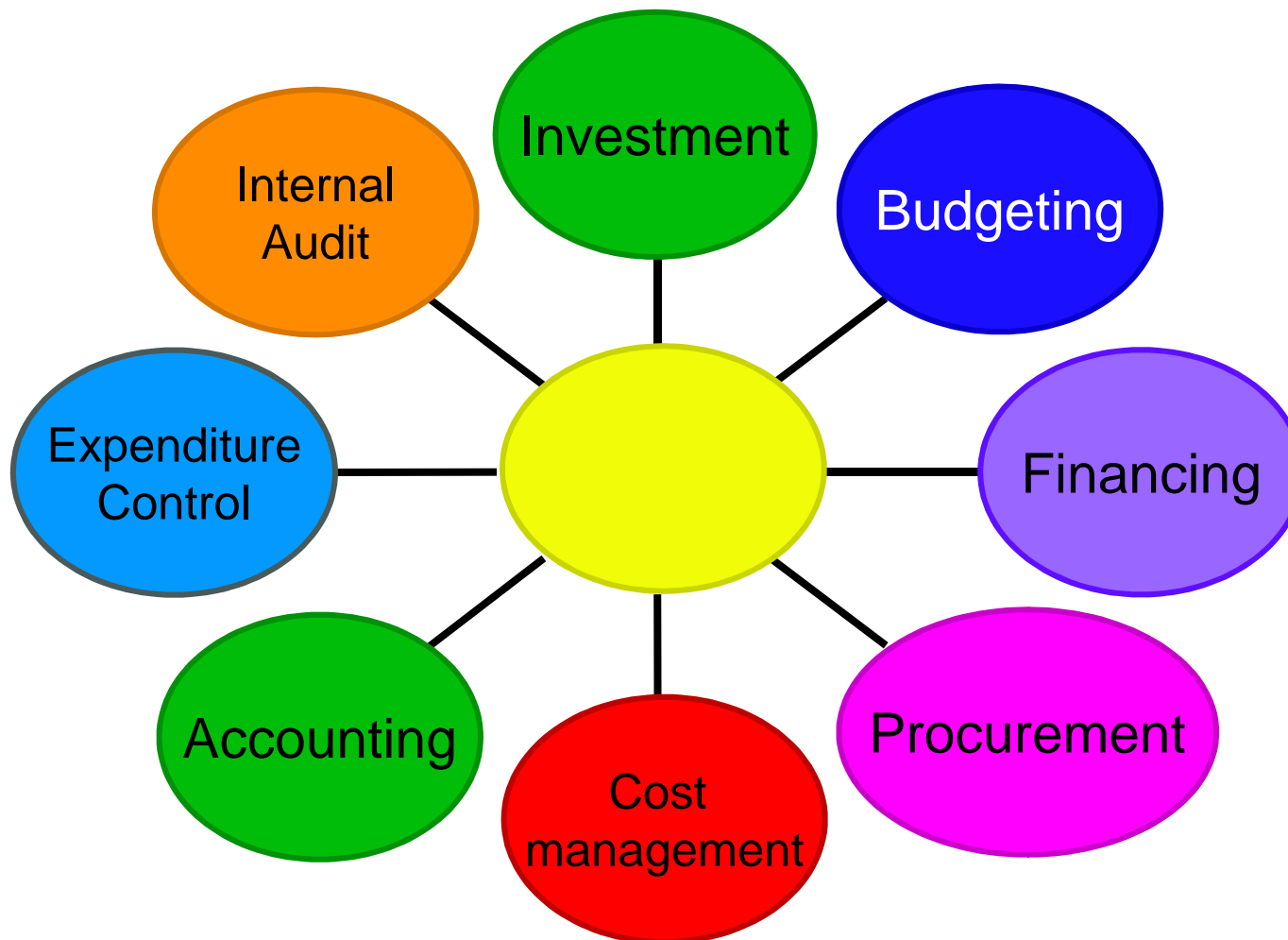
Financial management is the **process** of planning, controlling and making decisions regarding acquisition, safeguarding & use of **monetary and other resources** of an organization

# CORRUPTION

- Misuse of public office for profit or advantage, act of commission and omission in your employment resulting in loss or disadvantage to your employer and a private gain to you.
- The abuse of power for personal gain or for benefit of a group to which one owes allegiance.

# COMPONENT OF FINANCIAL MGT

5



# Manifestations of Corruption in Finance

- Fraudulent transactions – misrepresenting information
- Bribes & Kickbacks
- Extortion
- Creative accounting e.g presentation doctored petty cash
- Blatant theft of funds – at cash collection points
- Favoritism - Nepotism, tribalism
- Abuse of office e.g. favourism, use of descretionary powers

## CONTINUED

- Procurement of goods & services
- Payroll management – inserting un authorized benefits
- Revenue and Debtors e.g bookshop debts, vegetables, milk e.t.c.
- Fictitious overtime claims – hours not worked
- Donor funded projects – accounting for advances
- Devolved funds such as e.g. Bursary, cdf,

# continued

- Imprest – non-surrender, extensions,
- False accounting,
- Fictitious imprest, petty cash
- Stores- accounting for fixed assets and consumable
- Fraudulent accounting and window dressing accounts



## SIGNS OF A RISKY FINANCIAL SYSTEM

- Poor financial planning (budgeting) processes- failure to apply 1/12 rules
- Unqualified and incompetent finance staff manning key accounts offices
- Ineffective HR disciplinary mechanisms
- Poor book keeping & accounting systems
- Absence of relevant governance instruments – approved regulations
- Disregard of governance instruments e.g financial regulations

# CONTINUED

- Weak internal controls
- Weak internal audit function
- Collusion with external auditors

# HOW TO ADDRESS CORRUPTION LOOPHOLES

- Maintain proper up to date books accounts
- Strengthen internal control systems
- Formulate, implement and enforce financial policies and procedures manual
- Proper budgeting and budgetary control
- Enhance discipline in management of UON resources
- Strengthen supervision of staff e,g cashiers

CONTINNUED.

- Strict adherence to relevant laws and regulations
- Managers should be role model to staff under them
- Strengthen Internal Control systems within the University
- Strengthen audit function
- Regular staff rotation within the University
- Appreciate and reward hard work, honesty and integrity
- Keep constant watch over staff in their duty station
- Strengthen University Audit committee
- Improve organization culture in the University towards a more responsible  
Citizenship

# CONCLUSION

Financial management is central to sound organizational management.

Sound financial management involves implementation of the best practices in financial management which is vital in preventing corruption in the organization.