UNIVERSITY OF NAIROBI
FINANCE DEPARTMENT

SENSITIZATION ON CORRUPTION RISKS & PREVENTION STRATEGIES IN FINANCIAL MANAGEMENT PRESENTED TO UNIVERSITY ADMINISTRATORS ON 9th 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

Investment
Internal Audit
Expenditure Control
Accounting
Cost management
Budgeting
Financing
Procurement
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 discretionery 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, 7
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
• 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.