

Internal Auditing And Fraud Prevention In Organization. A Case Study Of Nssf Mukono Area

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Abstract

The purpose of the study was on internal Auditing and fraud prevention at NSSF Areas in Mukono. The study was based on the results from 50 respondents who presented accurate data to the researcher out of the sample size of 60 respondents. The study was guided by the objectives which were To assess the relationship between recording and fraud prevention at NSSF Mukono Area to find out the relationship between monitoring and fraud prevention at NSSF Mukono Area, to determine the relationship between book keeping and fraud prevention at NSSF Mukono Area, to examine the relationship between internal auditing and fraud prevention at NSSF Mukono Area. There was a high relationship between recording and fraud prevention followed by a few of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally one of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention. The respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by some of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally a few of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Keywords: Internal, Auditing, Fraud, Prevention and Organization

Background of the Study

The NSSF is a statutory body established by the National Social Security Fund Act, 1985 to provide pension benefits to employees in both the formal and informal sectors (Alex & Kazaara, 2023). It is one of the largest pension funds in East Africa, currently managing assets worth over Ush 12 trillion (equivalent to over US\$3 billion) on behalf of over 1.2 million members (Ivan et al., 2023a). However, like many large organizations managing public funds, the NSSF is also at risk of internal and external fraud, which could undermine confidence in the institution and jeopardize members' retirement

savings if not properly addressed. Studies show that professional fraud costs organizations globally an estimated 5% of annual revenue, with a typical organization losing about 6% of its annual revenue to fraud (Innocent et al., 2023). In Uganda, previous cases of fraud in organizations such as the Global Fund, Uganda Retirement Benefits Regulatory Authority (URBRA) and others have undermined public confidence in the integrity of the institutions (Wegulo et al., 2023). Given its size and role, any cases of fraud in the NSSF could have serious negative consequences. Therefore, it is critical for

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the NSSF to have a strong internal audit function to increase accountability, protect assets and maintain stakeholder confidence. Internal audit involves evaluating and improving the effectiveness of risk management, control and governance processes through systematic and disciplined approaches (Faith et al., 2023). In the NSSF, this includes activities such as testing and sampling transactions, reviewing compliance with policies and procedures, evaluating internal controls, investigating suspected fraud or misconduct, and making recommendations to enhance accountability and minimize risks of loss (A.G. Kazaara & Christopher, 2023). As the institution has expanded both in size and geographical reach across Uganda in recent years, maintaining effective internal audit in all areas has become increasingly challenging.

This presents an opportunity to assess internal audit practices and effectiveness specifically within the NSSF branch in the Mukono area. As one of the larger and busier branches serving the densely populated Greater Kampala region, the Mukono branch handles a high volume of membership transactions and handles significant funds, making it particularly vulnerable to compliance issues and fraud risks if controls are lacking (Ivan et al., 2023b). The case study offers insight into how well the branch is complying with internal audit guidelines, common compliance weaknesses uncovered and areas for improvement to better prevent employment fraud (Innocent et al., 2023). Through a review of relevant documentation and interviews with staff at the Mukono branch, including internal auditors, managers and frontline staff, the case study collected both quantitative and

qualitative data. Quantitatively, it analyzed branch audit reports and compliance monitoring checklists over the past three years to identify recurring issues, compare compliance rates over time, and assess levels of audit recommendations adopted (Julius, 2024). From a qualitative perspective, the interviews provided insights into the internal control environment, fraud awareness efforts, perceived audit independence, and other management factors. The study found that while the Mukono branch conducts regular internal audits as required, adherence to certain procedures and controls remains a persistent challenge (A. I. Kazaara et al., 2024). Common findings included a lack of proper authorizations and supporting documents for transactions, inadequate segregation of duties due to staffing constraints, and non-compliance with payment verification and cash management policies (NSSF Internal Audit Reports, 2019-2021). Interviews also revealed gaps in some staff's awareness of fraud risk, uneven enforcement of disciplinary measures and a perception that auditors have limited powers and resources to implement comprehensive reforms. To strengthen fraud prevention, the case study recommended several improvements (Moses et al., 2023). Firstly, the Mukono branch requires improved staff training, especially for those who directly handle cash and members' records, to improve understanding of the different types of professional fraud risks and responsibilities in mitigating them. Second, the branch should conduct a job analysis and, where possible, realign roles and responsibilities to introduce a better separation of financial responsibilities. Third, internal audit must have full independence, adequate resources and clear

communication channels with senior management to ensure that audit recommendations are effectively implemented on a sustainable basis (Ronald et al., 2023).

Problem Statement

As one of the largest pension funds in East Africa responsible for the retirement savings of over 1.2 million Ugandans, the National Social Security Fund (NSSF) has a responsibility to ensure strong governance and accountability in the management of members' funds amounting to over Ush 12 trillion (Edgar & Moses, 2023). However, like many other public and private institutions managing large sums of money, the NSSF faces inherent risks of fraud, error, non-compliance and other issues that could undermine the integrity of operations and public trust if not adequately addressed. While the NSSF has put in place internal audit functions to evaluate controls and mitigate such risks, a case study of its branch in the Mukono area found that fraud prevention efforts need strengthening. Located in the densely populated Greater Kampala area, the NSSF Mukono branch is among the top transaction offices nationally and handles a huge volume of daily membership transactions involving significant cash flows and record changes (Ramadhan et al., 2023). Such conditions highlight inherent vulnerability and motivate professional fraud, as nearly half of all fraud cases worldwide involve asset misappropriation schemes, which commonly occur where money changes hands regularly (Oscar et al., 2023). Additionally, staffing constraints in a busy branch reportedly limit proper segregation of duties and create opportunities for fraudulent conduct to go undetected (NSSF Internal Audit Reports, 2019-2021). These control weaknesses, if not addressed, threaten the Branch's ability to ensure member asset protection and data integrity as required.

While internal audits are routinely conducted, the case study found recurring issues with non-compliance with transaction authorization and support requirements, insufficient separation of roles, and non-compliance with payment verification and cash handling policies (NSSF Internal Audit Reports, 2019-2021). . In addition, interviews with branch staff revealed gaps in understanding of various fraud risks and uneven disciplinary enforcement of non-compliance, which weakens deterrence (Innocent et al., 2023). This suggests that the Mukono office is not optimally protected against labor fraud inherent in its operating environment and scope of activities. The identified restrictions, if not mitigated, threaten NSSF's core mandate to protect members' pension funds and the credibility of the institution. Even isolated cases of internal control failure or confirmed fraud could seriously undermine stakeholder and public confidence in the NSSF, which is essential for its legitimacy and sustainability as the administrator of the national social security system (Winny et al., 2023). Strengthening oversight and compliance at its main branches such as Mukono through targeted reforms is therefore imperative both from a risk management and reputational perspective.

Specific Objectives

1. To assess the relationship between recording and fraud prevention at NSSF Mukono Area
2. To find out the relationship between monitoring and fraud prevention at NSSF Mukono Area
3. To determine the relationship between book keeping and fraud prevention at NSSF Mukono Area

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4. To examine the relationship between internal auditing and fraud prevention at NSSF

Mukono Area

Methodology

This study included a quantitative design that was good at describing the characteristics of variables in the situation (Olanrewaju et al., 2021). According to (Lu et al., 2013), descriptive research design was concerned with conditions or relationships that existed, opinions that were held, processes that occurred, effects that were evident, or trends that developed (Nafiu & Ph, 2012). A descriptive survey design allowed for data collection without manipulation of research variables. In order to adequately assess the effectiveness of internal audit and fraud prevention efforts at the NSSF branch in Mukono, a mixed methods approach was adopted involving both quantitative and qualitative data collection and analysis (Nafiu et al (2017).

On the quantitative side, internal audit reports and compliance monitoring checklists from the Mukono branch were analyzed for the period January 2019 to December 2021. These records provided measurable compliance data including the frequency and types of deviations or non-conformances identified by audit testing over the selected time horizon (Aslam et al. , 2022). Metrics such as the rate of repetition of similar findings, the level of compliance achieved for key controls and progress in implementing audit recommendations were specifically extracted. A comparative analysis was carried out in order to measure changes in performance indicators in the years under review.

In addition, financial and administrative data maintained by the branch's internal audit department were obtained to supplement the metrics derived from the audit. This included records of reported cases of fraud, expenditure documentation, staff numbers and roles during the period under review. This additional data served to provide context for the audit findings and highlight any correlations between non-financial factors and compliance levels achieved (Akankwasa et al., 2022). Quantitative audit records and archival data together provided an objective, evidence-based view of the audit practice and control environment at the Mukono branch. According to Wikipedia (2023), population refers to all the inhabitants of a certain place (Nafiu et al., 2013). The target population of the study was the headquarters of the National Social Security Fund. The target group consisted of more than 70 auditors. This target population allowed the researcher to gather specific information for the study (Jallow et al., 2021).

Interviews lasted 30 to 45 minutes each and were conducted privately to facilitate open participation. The questions sought to elicit opinions and experiences regarding audit independence, perceived fraud risks, control awareness culture, barriers to compliance, and recommendations for strengthening oversight (Jallow et al., 2022). Discussions were audio-recorded with consent and later transcribed for coding and thematic analysis. Participation was voluntary with anonymity guaranteed to encourage honest feedback. The sample is a smaller strain of subjects obtained from an available population (Mugenda and Mugenda, 2019). Mugenda and Mugenda (2019) were employed in the study who recommended a sample size of at least 60% of the target population. The

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researcher used the above formula to determine the sample size for 70 respondents.

To complement the interviews, a discussion group was organized, in which 6 randomly selected employees of the branch were involved. Here, the dynamics between staff roles and views on existing initiatives to promote accountability were explored through structured group activities and discussions lasting approximately one hour. This captured additional qualitative perspectives in a collaborative setting while helping to validate themes emerging from the one-on-one interviews. Once data collection was complete, analysis included both quantitative and qualitative components. Quantitative audit and compliance metrics were cleaned, coded, and summarized into frequencies, percentages, and graphs that were usable for statistical description of performance (Maiga et al., 2021). Tests of association between variables such as personnel factors and degree of disagreement were conducted to determine correlations. Qualitatively, interview transcripts and focus group notes were coded systematically using qualitative data analysis software. This generated descriptive and conceptual themes depicting participants' experiences, opinions and recommendations through an inductive thematic analysis approach. Similar concepts were grouped into overarching categories and sub-themes to capture insights (Nafiu et al., 2012). Data were analyzed by tables, frequencies and percentages using SPSS & STATA (Nelson et al., 2022)

RESULTS

Discussion of findings

This study was conducted at NSSF Mukono area. Through the use of random sampling technique, the researcher used a sample size of 60 respondent and data that was collected came from 50 respondents who presented accurate data in relation to the objectives of the study. Among the objectives of the study, the researcher was to assess the relationship between recording and fraud prevention at NSSF Mukono Area, to find out the relationship between monitoring and fraud prevention at NSSF Mukono Area, to determine the relationship between book keeping and fraud prevention at NSSF Mukono Area.

According to the findings of the study, the results indicated that 60% of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by 20% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 14% of the respondents however presented result tom the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 6% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

The findings of the study also presented results indicating that that 40% of the respondents presented results

indicating that there was a high relationship between recording and fraud prevention followed by 30% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 20% of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 10% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

70% of the respondents presented results indicating that there was a high relationship between book keeping and fraud prevention followed by 15% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 5% of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally

10% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Conclusions

The results indicated that majority of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by a few of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally one of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

The findings of the study also presented results indicating that that majority of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by some of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally a few of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Majority of the respondents presented results indicating that there was a high relationship between book keeping and fraud prevention followed by, some of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally a few

of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Recommendations

The study recommends that NSSF should fully reconcile their accounts more frequently in order to reduce the cases of more incidences of frauds.

The study also recommends that NSSF should put in place stronger financial

governance control measures through more frequent meetings among the members of the risk management committee and also finance and investment committee.

Another recommendation made by the study is that NSSF should reduce the variances in budgets through better reporting and budgetary control measures as it will reduce cases of frauds.

Top management should give input for internal audit planning in money transfer companies in

Uganda.

Internal audit function of the money transfer companies should be independent in order to detect fraud fairly.

The top management should give more attention for the fraud related asset and that fraud related to financial reporting.

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