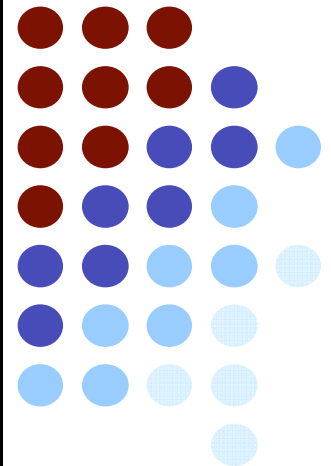




Accountants Professional Ethics Management - APEM

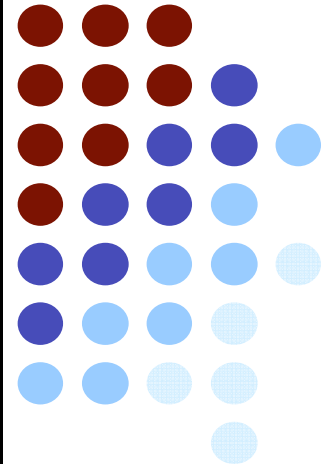
Joseph Patterson Okhako
Executive/CEO – Ethics Institute
of East Africa

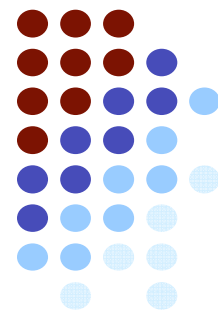




BACK GROUND OF SPEAKER

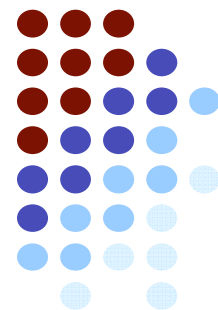
- ▶ BORN ON 17TH JULY, 1972
- ▶ BBA – HR MAJOR
- ▶ MBA – STRATEGIC MANAGEMENT
- ▶ POSTGRADUATE – CORRUPTION STUDIES - HKU
- ▶ PHD – GOVERNANCE & LEADERSHIP (ON-GOING)
- ▶ CERTIFIED ETHICS OFFICER
- ▶ CERTIFIED ETHICS & INTEGRITY TESTING PROGRAM OFFICER
- ▶ A MOTIVATIONAL SPEAKER
- ▶ A MORALIST
- ▶ A HUSBAND AND FATHER





COURSE CONTENT

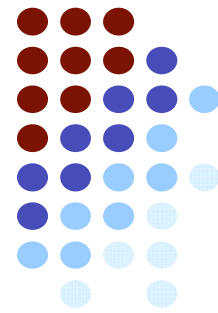
1. Ethics and Integrity
2. Ethics and Integrity in Business
3. Accounting Ethics
4. Ethics Institutionalization
5. Key Strategic Pillars of Ethics Management



TOPICS

- ☐ Program Objective(s)
- ☐ Life's Reflections
- ☐ Definitions and Understanding Ethics and Integrity
- ☐ Basic Concepts
- ☐ Reasons for Unethical Behaviour
- ☐ Ethics and Integrity Concerns
- ☐ Corruption as form of unethical Behaviour
- ☐ Ethics Institutionalization
- ☐ Accounting Ethics
- ☐ Key Strategic Pillars in Ethics Management

Accountants Professional Ethics Management Program - APEM

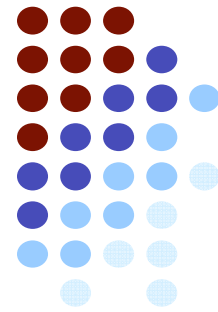


OBJECTIVE

**CREATE ETHICAL ACCOUNTING
PROFESSIONALS**

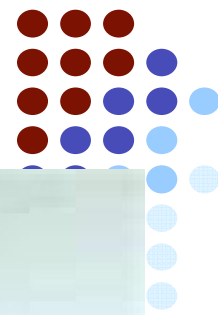
APEM

LIFE'S REFLECTION

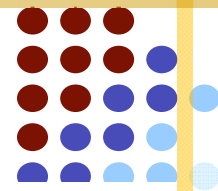


- ▶ Why are we here on earth?
- ▶ Are we fulfilling our purpose here on earth?
- ▶ What are we doing that is not right?
- ▶ Why do we conduct businesses the way we do?

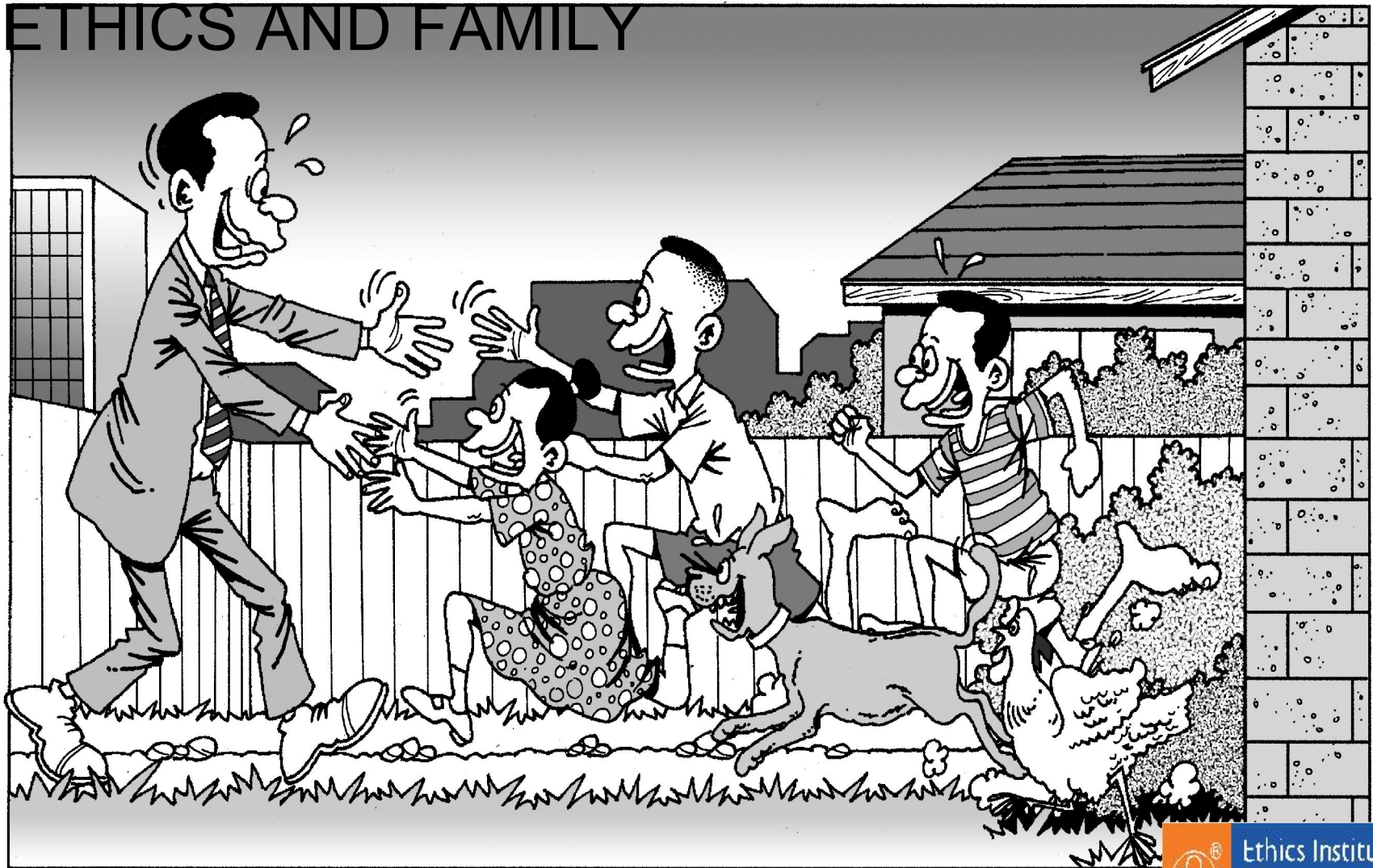
Is it True to Say Its our Turn to eat?



APEM

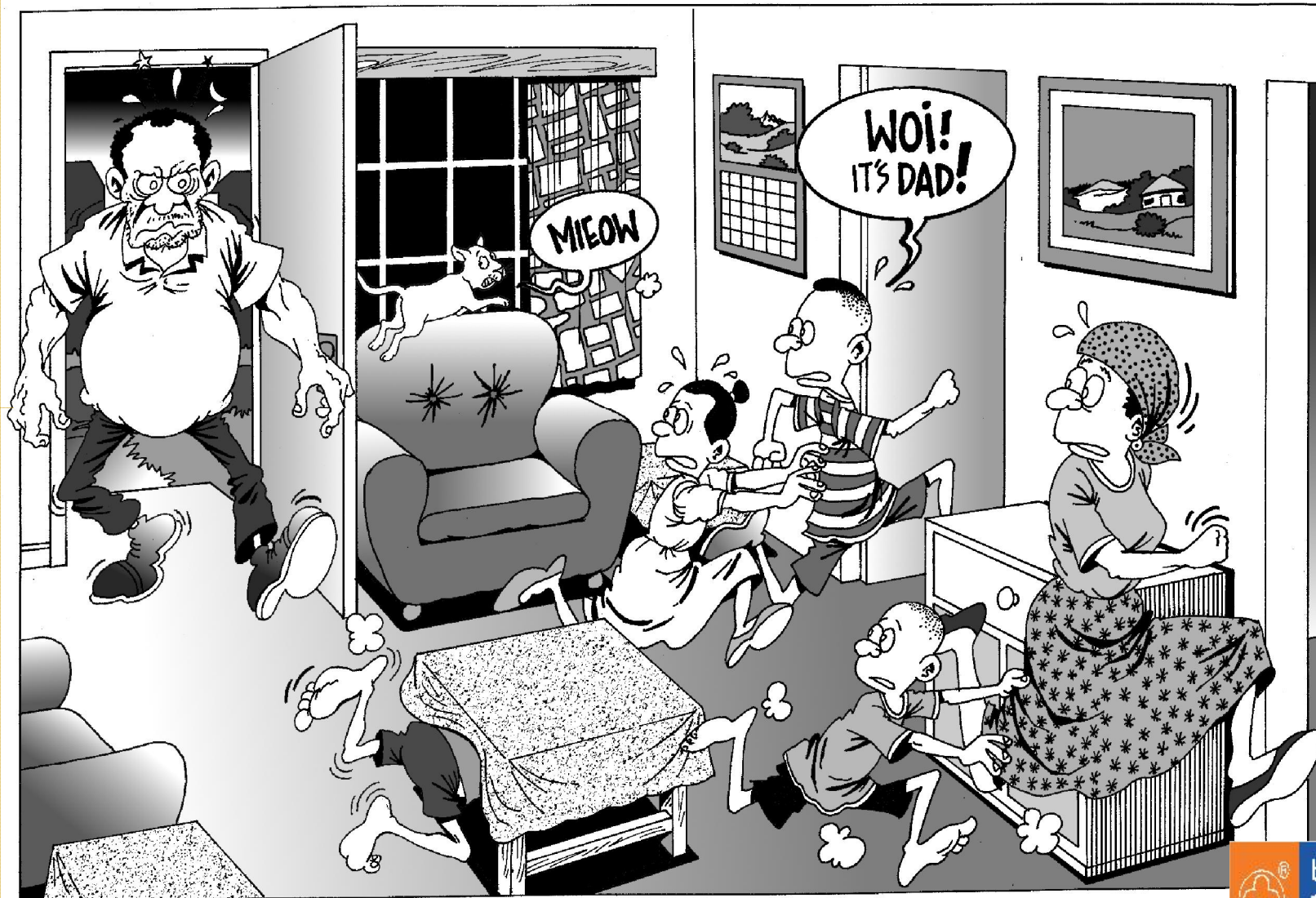
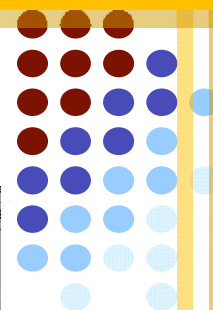


ETHICS AND FAMILY



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DEFINITIONS & UNDERSTANDING ETHICS & INTEGRITY

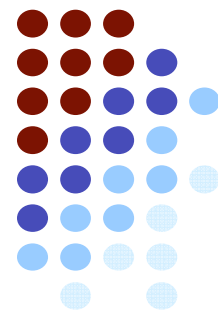
Integrity

An internal system of principles which guides our behavior. No rules and regulations; **intrinsic guides**.

- The rewards are intrinsic. It is a choice rather than an obligation, it is from inside us, e.g. While doing business deep inside feeling not to bribe for you to get a service – forget cultural expectations

Integrity helps one to do what is right - even when no one is watching.

The core principles include; dependability, generosity, honesty, kindness, loyalty, respect and trust.



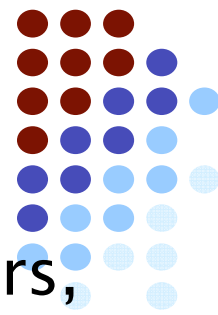
Ethics;

A branch of philosophy that addresses issues of morality; a moral Philosophy.

- i. Meta – Ethics; ethical judgement and properties responsible for truth.
- ii. Normative Ethics; Moral theory that deals with right and wrong
- iii. Applied Ethics; deals with real life situations, e.g. business ethics, bio-ethics and so on.

Accounting Ethics; a form of applied ethics

Philosophy; The study of the general fundamental problems concerning existence, knowledge, values, language and mind.



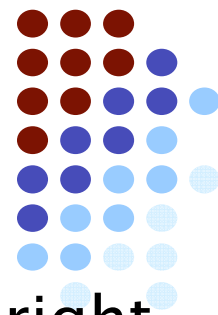
Morality

Comes from Latin word “*moralitas*” meaning manners, character, or proper behaviour.

- Morality therefore is a system of conduct.
- Descriptively, refers to personal cultural values
- Normatively, refers to what is right and wrong no matter what people may think

CODIFIED ETHICS put into a formal system of rules, adopted by a group of people becomes, “Professional Ethics”, e.g. Medical Ethics. NOT Professional morals. The link between Ethics and professionalism can be established when one becomes unethical. He/she is referred to as ‘unprofessional’.

(APEM)



Values

- Rules that help us decide right and wrong.
- They are peoples' beliefs of what they consider right and wrong.

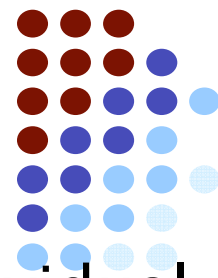
Moral judgements

- Are expressions of what one values.
- However, Not all expressions of values are moral judgements. To understand morality, find out what people value most and why?

Moral Values

Are standards of good and bad that govern ones behaviour and choices he makes.

(APEM)



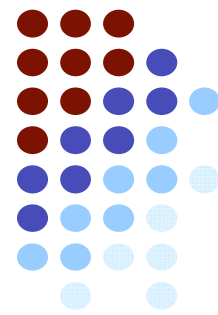
Ethics

- Generally therefore, refers to aligning an individual or a group's collective conduct with impartial ***standards*** or objective ***values*** about what is good, right, and fair.

Values/standards/norms

Refers to;

- Respect
- Honesty/truthfulness/integrity
- Responsibility
- Accountability i
- Fairness/justice/equality

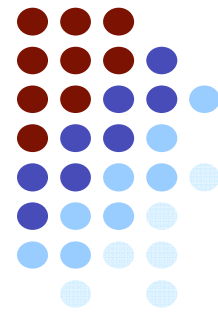


Virtues

- Virtue comes from the Greek word “VIRTU” which when translated, means “Moral Excellence”
- It is a character trait known to be good.
i.e. He is a man of virtue, meaning, he is;
 - Honourable
 - Excellent
 - Gentle
 - Respected
 - Trustworthy

(APEM)

CODE OF CONDUCT AND ETHICS

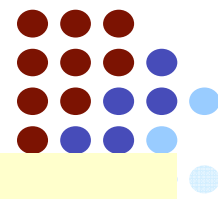


WE AGREE THAT;

- Ethics is the study of what is right and what is wrong in human behaviour
- It highlights what is accepted and the expected behaviour
- Accepted and expected behaviour is good for any business.
- Since ethics is good for business, accounting profession is no different from other professions in this respect
- Codes of conduct have been developed for a wide variety of organizations
- Discussions on the Accountants' Code of Conduct and Ethics

Open Discussions

(APEM)



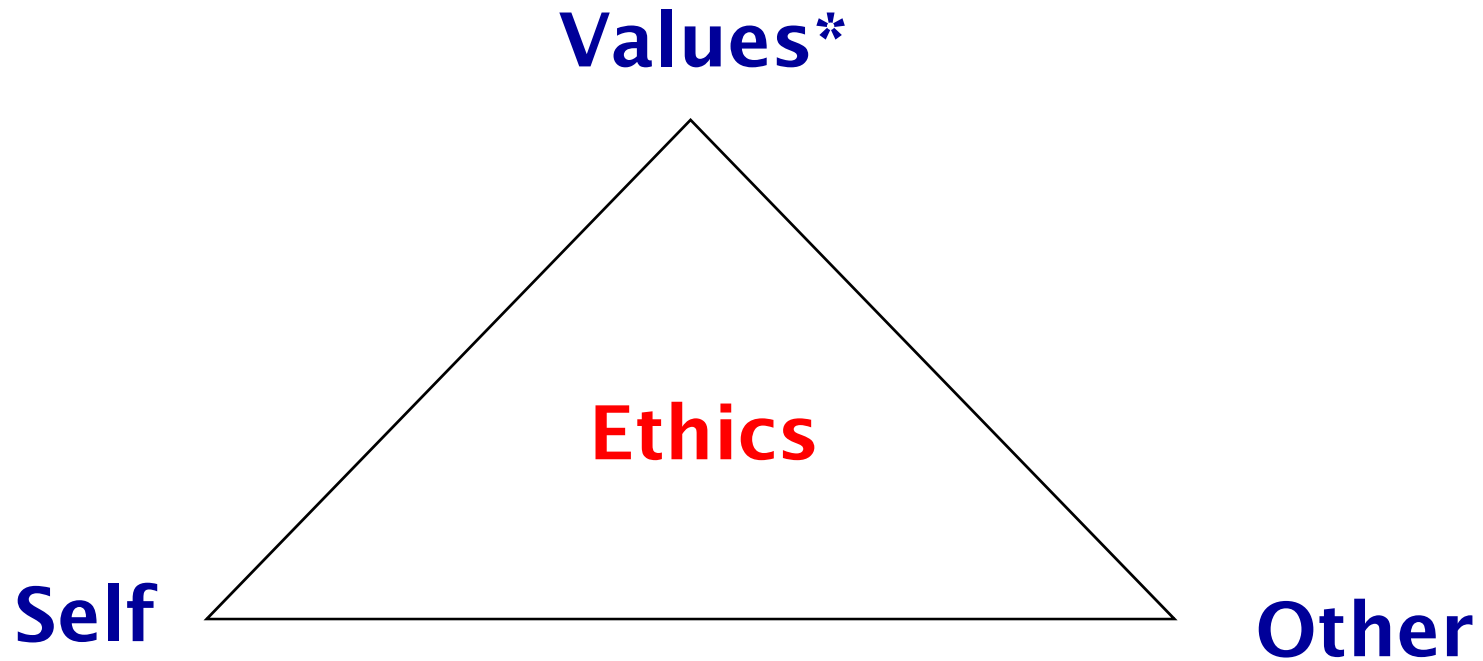
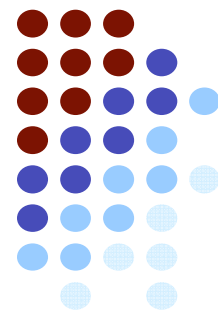
TAKE AN ETHICS POLL

- ***Do you agree?***
 1. Are you an ethical person?
 2. Do you work for an ethical organization?
 3. Is your country ethical?
- ***What do we mean by an “ethical person or organization?”***

What can be your contribution to an ethical Society?

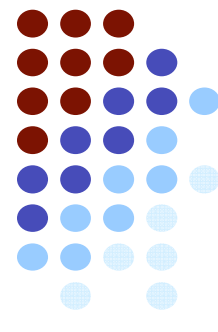
(APEM)

THE ETHICS TRIAD – CONTRIBUTING TO SOCIETAL
ETHICAL DECISIONS



***If ethical values are trumped by self-interest, sectional interest, patronage, political power, greed, etc. = UNETHICAL CONDUCT**

APEM



WHY IS ETHICS IMPORTANT IN THE SOCIETY?

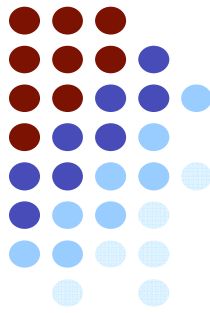
- *Individual level*

- Creates a good human being out of you
- Become fully and uniquely human being

- *Collective level*

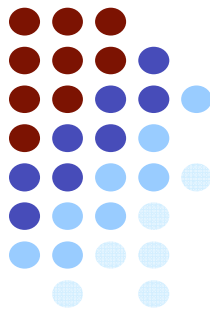
- Creates a better society for all to live in harmony; orderly ethical professions.
- Making the world a better place, where our institutions pursue human well-being, and not selfish interests.

EXAMPLE OF AN ETHICAL CHOICE – 1



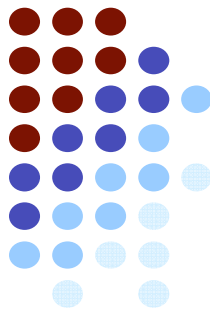
- *Through your company whistle-blowing system, you learn that a senior manager responsible for procurement allows stationery to be bought from a supplier company owned and managed by his wife. Your company Code of Ethics does not explicitly refer to conflicts of interest arising from procurement, but contains a general policy cautioning against any business conduct involving conflicts of interest.*
- **You are an ethical accountant, What should you do?**

EXAMPLE OF AN ETHICAL CHOICE – 2



- *You are a manager of an organization. Recently, you hired an employee who had been working at Dar-es-Salaam - Tanzania. On the employee's first day at work she hands you a CD. She explains that it is your competitor's complete strategy, which she downloaded on her last day as she was leaving the company in Dar-es-salaam. Ominously, she indicates that it includes a strategy for inducing strategic clients to increase their business accounts which is to be implemented at the Dar company shortly.*
- **What are your options? What should you do as an ethical person?**

APEM



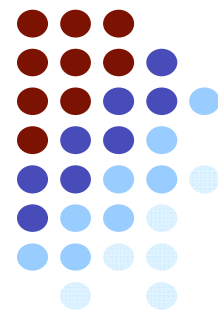
An “Ethics Quick Test”

1. Is it *legal*?
2. Do my organisation’s *Code of Ethics/Conduct* and other policies allow it?
3. Do my *professional standards* allow it?
4. What would my ethical *role model* do?
5. How would it look on the front page of tomorrow’s *newspaper*?
6. How does it make me *feel*?
7. Would I be comfortable sharing my decision with my *closest family*?



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MAKING AN ETHICAL CHOICE – 2

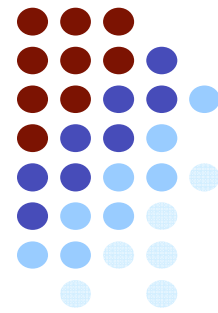
Run your options through the “PLUS filters” of value

- COMPLIANCE

- **Policy and procedure** — Codes “internal” to organization or profession
- **Law and regulation** — “External” (national or international) to organization or profession

- ETHICS

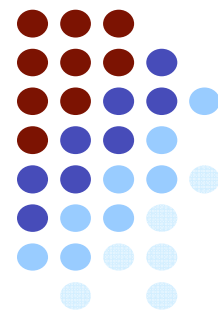
- **Universal ethical values** that underlies policy (“P”) and law (“L”) — are; integrity, honesty, respect, loyalty, truthfulness, transparency, responsibility. Does it meet target?
- **Self** — One’s own personal interpretation of universal values. Do you consciously think it is in order?



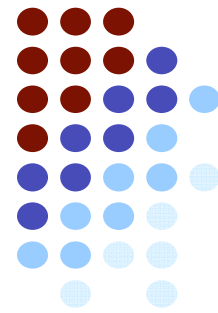
ETHICS; IN ALL HUMAN ACTIVITIES



ETHICS IN THE SOCIETY & BUSINESS



- The “*social contract*”
 - *Society* gives us business access to its
 - Natural resources
 - Human capital
 - Markets
 - Government protections for better existence.
 - *Business* commits to being
 - Ethical organizations
 - Responsible corporate citizens

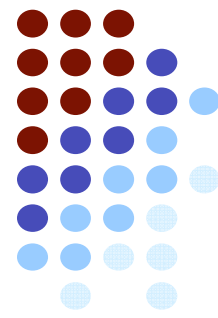


Thank You

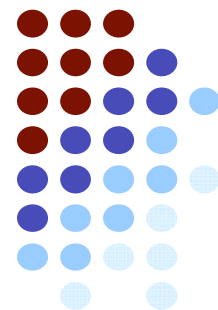
QUESTIONS AND ANSWERS

APEM – SESSION TWO

ETHICS IN AN ORGANISATION

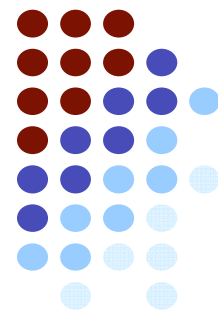


- *Application of values to organisational conduct*
- *Values operate in all aspects of business conduct*
 - Boardroom; ethics of the board
 - Sales and marketing; ethics in sales and marketing
 - IT, accounting; ethics in accounting
 - Relationships with agents, suppliers, customers



ETHICAL CHALLENGES OF BUSINESS

- **Proactively: Builds**
 - Trust in business, lack of trust kills businesses
 - Business Reputation, lack of trusts taints image
- **Defensively: Ethics Prevents;**
 - Fraud, corruption, theft
 - Cartels, insider trading malpractices
 - Conflicts of interest at the workplace, etc.



BASIC CONCEPTS

1. Ethical dilemmas

- Situations where core ethical values compete/clash
- We need to decide which value is most important or overriding in the particular situation/circumstances

2. Compliance (ethical and legal)

- Respecting laws, regulations, rules, policies and procedures designed to achieve responsible or ethical conduct
- “Codified” ethical prescriptions/practices

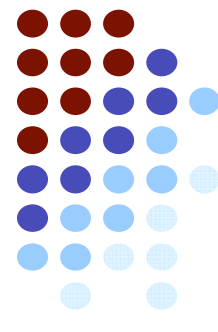
3. Gray areas

- Situations where there is no applicable law, regulation, policy or procedure and one needs to act on values alone.

Reasons for Unethical Behaviour

- **Pressure to 'succeed'** - get ahead of others in business
- **Uncertainty** - Not being sure of the right thing
- **Self interest** – Time For me to eat!! I must get more
- **Misguided loyalty**: Cheating on behalf of principal.
- **Lack of personal values** – You stand for nothing

**LEADING TO THE LINK BETWEEN UNETHICAL BEHAVIOUR AND
CORRUPTION**

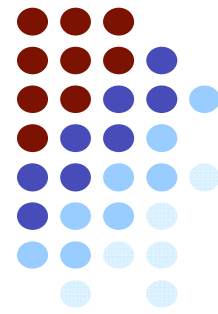


CORRUPTION; UNETHICAL CONDUCT

What is corruption?

- “Abuse of authority for personal gain” not for the good of many but for the interest of one person - **unethical**.
- **“Small”**
 - Small bribes in public service offices, regular and traffic police, etc. both public and private offices; Kenya Bribery Act, 2016.
- **“Grand”**
 - Company officials forming private companies that tender for employer company contracts.

ACCOUNTING ETHICS



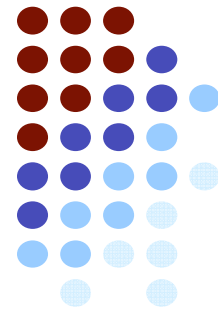
A field of applied ethics – study of moral values and judgment
Relates to accounting profession.

First introduced by LUCA PACIOLI, an Italian mathematician who lived between 1447 – 1517, also known as in some books as the father of accounting and book keeping.

Today, universally, ethics are taught in accounting classes at higher education and by ethics and governance institutes, e.g. EthicEA, etc.

Companies and organizations are spending millions of dollars to train accountants and auditors.

Ethics in finance and audit – EthicEA is one of such programs.



ETHICAL ISSUES IN ACCOUNTING

An a good and ethical accountant must;

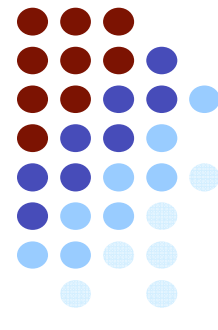
Have a creative accounting approach devoid of fraud.

Avoid misleading (unethical) financial analysis.

Avoid insider trading (likely to have access to vital trading information), securities fraud and manipulating of financial markets.

Provide fair and accurate reporting of the financial position of a business regardless of blames likely to be met.

Don't support the execution of corruption; theft of public and company funds – Unethical and unprofessional conduct.



Ethical issues;

Reporting Income; falsifying of financial documents, evading taxes, income taxes, engaging in frauds.

Concealment of liabilities and assets

Fraudulent disclosures or omissions – CORRUPTION!

Fraudulent asset valuation – false statement of the inventory available.

NAME OTHERS.....

APEM

HOW DO WE DEAL WITH SUCH ISSUES?

1. *Responsibility*

- ✓ Let us be responsibility for our actions.

2. *Accountability*

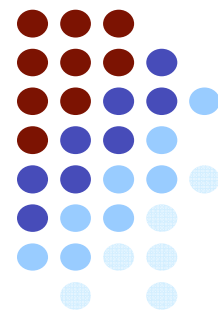
- ✓ Let us hold those who make decisions accountable in the event those decisions are not for the interest of the business.

3. *Fairness*

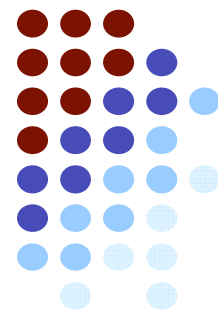
- ✓ Cultivate fairness to one another and to the customers, contractors/suppliers as well as stakeholders.

4. *Transparency*

- ✓ Let us cultivate transparency and disclose any information in manner that allows for us to meaningfully analyse the decisions we make.



DEALING WITH THESE ISSUES..... CONT



5. *Have Conscience*

- ✓ Intellectual honesty; avoid conflict of interest; have an independent mind. Avoid peer pressure

6. *Care for the organization*

- ✓ Devotes serious attention to affairs of the organization you work for; acquires all relevant information needed for effective control and direction to ensure there is no unethical conduct

7. *Be Competence*

- ✓ Acquire knowledge and skills; develop competence

8. *Be Commitment*

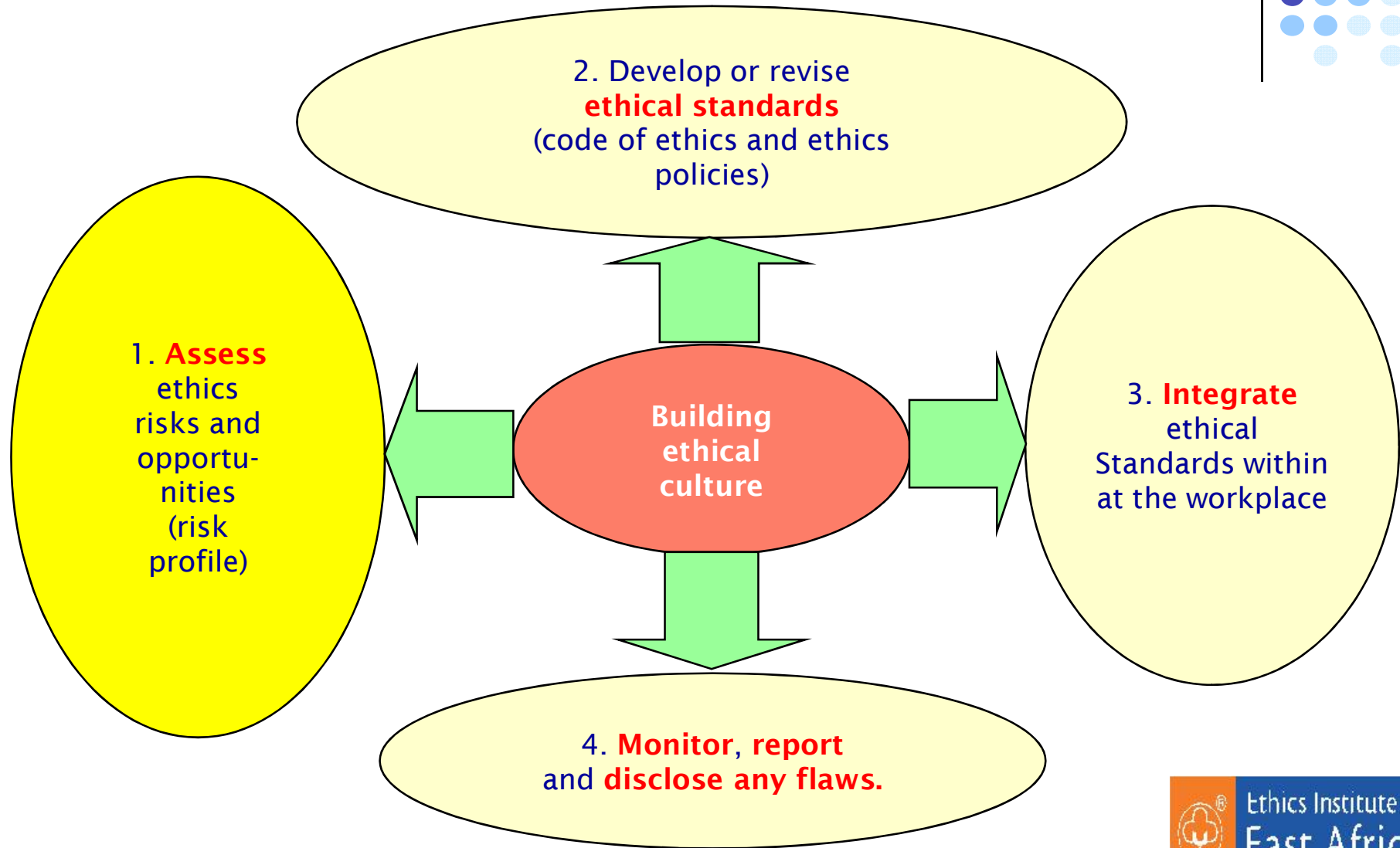
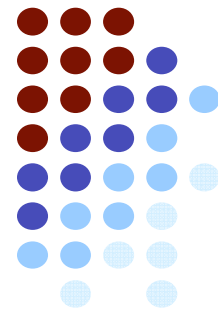
- ✓ Be diligent in performing your duties

9. *Be Courageous*

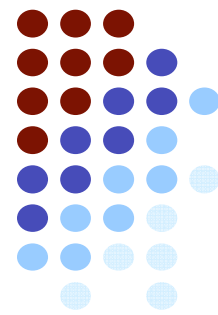
- ✓ Courage to take risks associated with directing a successful ethical culture and act with integrity.

APEM

ETHICAL CULTURE PRINCIPLE

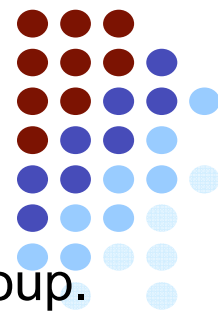


ETHICS RISK & OPPORTUNITY PROFILE



- **Positive risk**; are opportunities that **Benefit** a strong ethical culture
 - Trust; a trusted organization, a firm or institution
 - Reputation; a reputable organization, firm or institution
 - Financial success; a profitable organization, firm, etc.

- **Negative risk**; are those threats that bring Possible **harm** inherent in a weak ethical culture
 - Corruption, fraudulent organization
 - Conflicts of interest
 - Cartel formation society
 - Race and gender issues; discriminatory conducts
 - Damage to reputation; a bad situation
 - **LACK OF TRUST** (is bad for business), untrustworthy.



A code of ethics; Ethical rules of behaviour expected of the group.

➤ ***Types of codes***

- **Directional** (do's and don'ts; conduct provisions; practical guidelines/directives)
 - **Aspirational** (ethical values and principles)
 - **Integrated** (integrating aspirational AND directional forms)
- Code development is ***ongoing process. It keeps on being reviewed from time to time.***

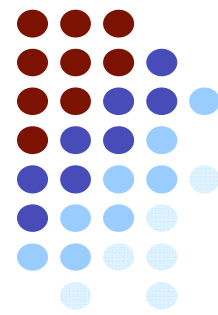
NB; if you have none, call EthicEA

APEM

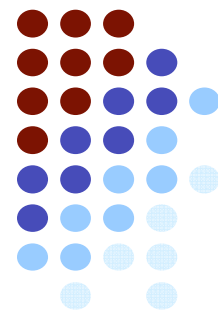
ETHICS INSTITUTIONALIZATION

Ethics and Anticorruption

- **Combating corruption effectively is not just a technical matter, but an ethical matter.**
- **Business organisations combat corruption in the longer term by creating an ethical culture among its members of staff as well as stakeholders.**
 - **This requires**
 - Ethical thinking company officers; **accountants**
 - Political will to deal with corruption
 - Ethical standards to be put in place
 - Zero tolerance of unethical conduct
 - Integrity pacts; between employees & stakeholders

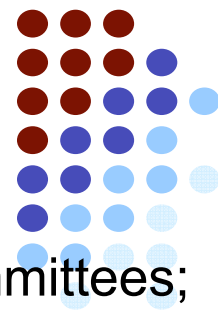


ETHICS INSTITUTIONALIZATION CONT'

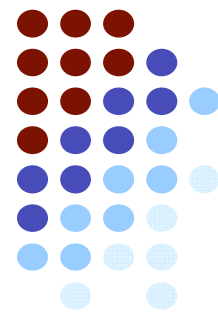


1. **Structures** and **offices; to manage ethics** (e.g. Company Integrity Committees, Ethics & Integrity Office(s))
2. **Communication strategy; Inform the stakeholders**
3. **Reporting** channels and **Whistle-Blowing and Protection Systems,**
4. Ethics and Integrity **training and awareness**

ETHICS INSTITUTIONALIZATION.....CONT'



1. **Structures;** Board committees, Management Committees; Efficient and effective Depts with direct reporting to either the CEO or the Board Committee (eg. Risk and Audit Board Committee)
2. **Communication;** Open a communication and rewarding system and celebrate those who support ethics ethical culture. Sanction those who violate the code of ethics and ethical management structures, regulations and rules put in place
3. **Reporting channels;** Have reporting system. UNCAC requires whistleblowing protection systems to be in place.
4. **Ethics and Integrity training and awareness;** Train your staff to be ethics agents; to appreciate the value of ethics at the workplace. To support other members of staff in dealing with ethical dilemmas and decisions and implementation of the Code.



ETHICS INSTITUTIONALIZATION.....CONT'

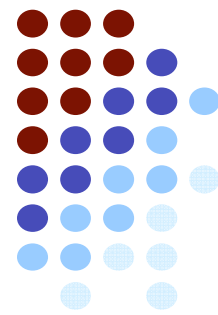
The case for more training in ethics and integrity

Putting in place all manner of ethics framework does not guarantee ethical conduct in an organization or professional bodies.

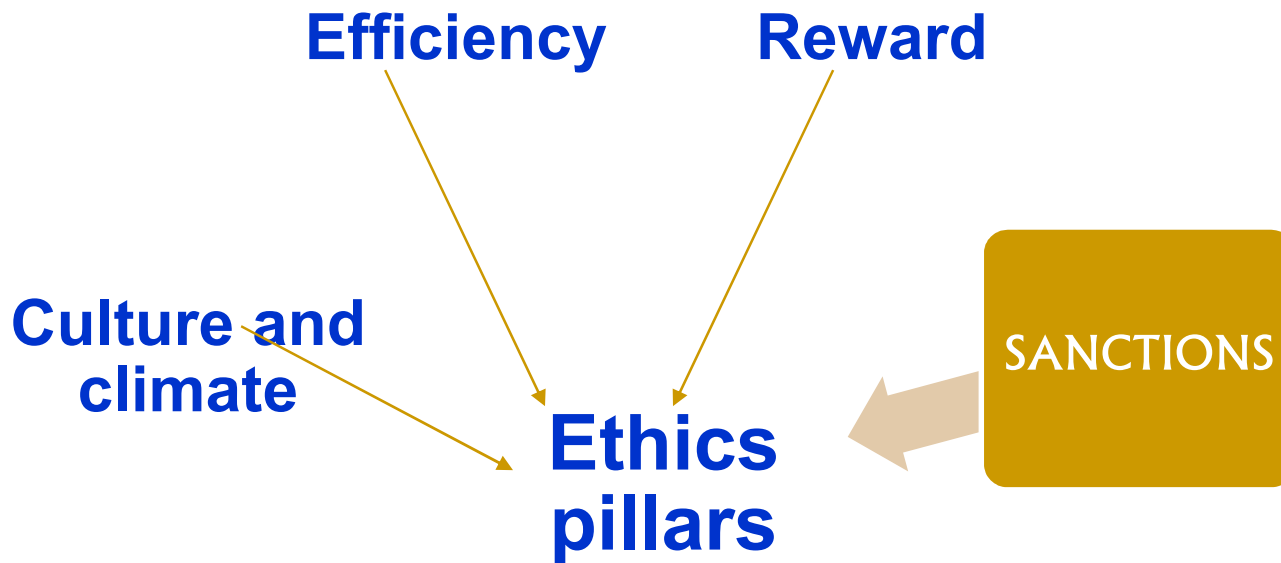
Both public and private sectors, have, well-crafted, comprehensive codes of conduct, or sophisticated corporate governance requirements, still unethical behaviors to be practiced, or at least condoned.

Therefore, it is argued that compliance mechanisms are not all that enough and that ethics and integrity training, leadership, and culture change program need to be introduced to ensure that ethics and integrity frameworks are implemented and embedded within the fabric of the organization.

A call for a strong partnership between ICPAK and EthicEA towards that end.



KEY ETHICS STRATEGIC PILLARS; INTEGRITY, EFFICIENCY ETHICAL CULTURE, REWARDS AND SANCTIONS



KEY ETHICS STRATEGIC PILLARS CONT'

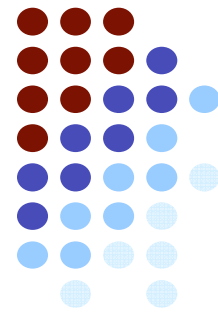
Integrity

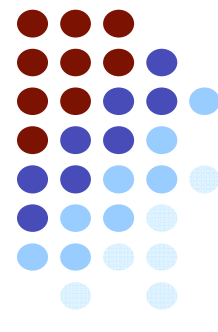
Integrity, in a group like ICPAK;

- Strengthens competitiveness.
- Facilitates delivery of quality products and services in a reliable and honest manner; accountants must be honest professionals.
- It improves relations and fosters trust among stakeholders, e.g. accountants.

Integrity, as a strategic pillar, does not need to be externally enhanced. It is intrinsic and encompasses, honest, trust, respect for each, loyalty to the group aspirations, among others in the organization(s) or group(s).

An integrity-based approach to ethics management emphasis on managerial responsibility for ethical behavior, striving to define companies' guiding values, aspirations, and patterns of thought and conduct. When integrated into the day-to-day operations of an organization, it helps prevent damaging ethical lapses that may damage organizational reputation.

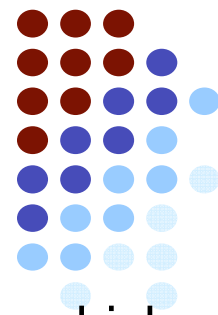




KEY ETHICS STRATEGIC PILLARS CONT'

How to promote integrity;

1. Communication your expected integrity standards
2. Education program, counseling, coaching and mentoring
3. Policies to guide adherence to integrity
4. Code of Conduct/policies
5. Risk Assessment to identify risks
6. Employee Vetting to inform who are ethical
7. Integrity Testing to confirm integrity of staff
8. Wealth declaration to inform legitimate wealth
9. Safe Reporting or Whistle Blowing
10. Rewards and sanctions Policy
11. Ethics Help Desk



KEY ETHICS STRATEGIC PILLARS CONT'

Ethical Culture;

A component of corporate culture that captures the values and norms which an organization defines to be appropriate.

Defined by leadership structure, shared value traditions, standards of accountability.

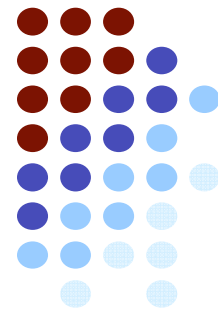
Creates shared values, e.g. What accountants consider to be morally right.

Its main purpose is to;

- Minimize the need for enforced compliance
- Maximize the utilization of principles/ethical reasoning

It is an important aspect of high ethics management program.

A strong ethical culture would provide important benefits that include a “safety net” to fall onto when formal controls are weak or absent, and environment of trust between managers or officials plus ingredients that help drive overall workforce productivity.



Efficiency

Will ethics improve organizational efficiency? Yes, off course!

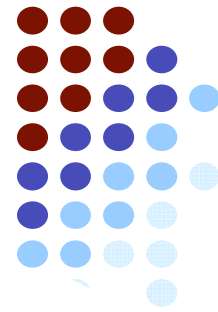
Ethics will,

- Increased shareholder confidence in the organization
- Enhance productivity of the organization,
- Attract and retain quality workforce useful for increasing the productivity of goods and services and
- Lead to protection of customer trust.

APEM

KEY ETHICS STRATEGIC PILLARS CONT'

Efficiency



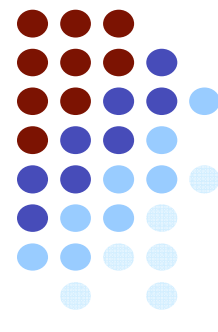
Open systems

Competence

EFFICIENCY

Risks management

Automation
Traceability



KEY ETHICS STRATEGIC PILLARS CONT'

Rewards and Sanctions;

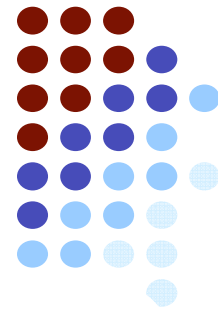
Rewards and sanctions are based on compliance approach to ethics management. One is rewarded for obeying the set rules and regulations while sanctions are imposed for disobedience.

Requires discipline as a necessary part of ethical system enforcing justified penalties for the infringement of legitimate norms. Threats of sanctions is necessary but don't overemphasis on it because they can be counterproductive with employees rebelling against them if designed and imposed without their involvement or if the standards are vague or unrealistic.

If employing rewards and sanctions, ensure realistic standards that are communicated, measured and implemented.

KEY ETHICS STRATEGIC PILLARS CONT

Rewards and Sanctions



Communicate Expectations
(code)

Celebrate Moral exemplars

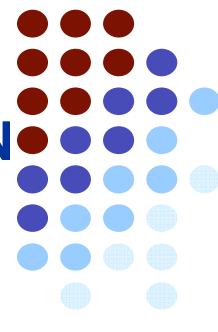
REWARD AND SANCTIONS

Communicate Sanctions for
Violations

Consistently, firmly and
fairly apply sanctions

APEM

WHAT IS THE ROLE OF ACCOUNTING PROFESSIONALS IN ADVANCING ETHICS AND INTEGRITY?

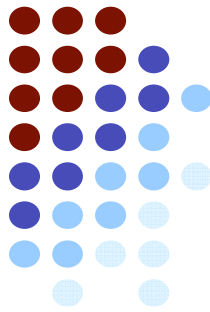


Professionals to;

- Build an ethical and integrity culture around -
anticorruption
- Set the tone at all times, TOP DOWN, **to tame corruption**
- Make ethics and integrity explicit anywhere you go
- Legitimize ethics discourse. Don't allow unethical conduct
- Create ethical and integrity role models in staff
- Encourage ethical and integrity conduct in others
- Hold others accountable for the ethics and integrity of their conduct

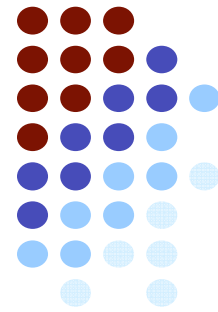
Your profession will have an Ethical culture

ETHICS STATEMENT



“Ethics is not an optional add-on to ‘normal’ business, nor is it a ‘soft’ issue that can be placed a side. All business strategies and operations have an ethical dimension that organizations and professions cannot escape — just the same way we cannot escape our own shadows. Ethics holds enormous risks for companies, but — more importantly — it creates reputational and competitive opportunities for growth.”

*Prof. Willem Landman
PRESIDENT
Ethics Institute of South Africa*



Thank You

QUESTIONS AND ANSWERS