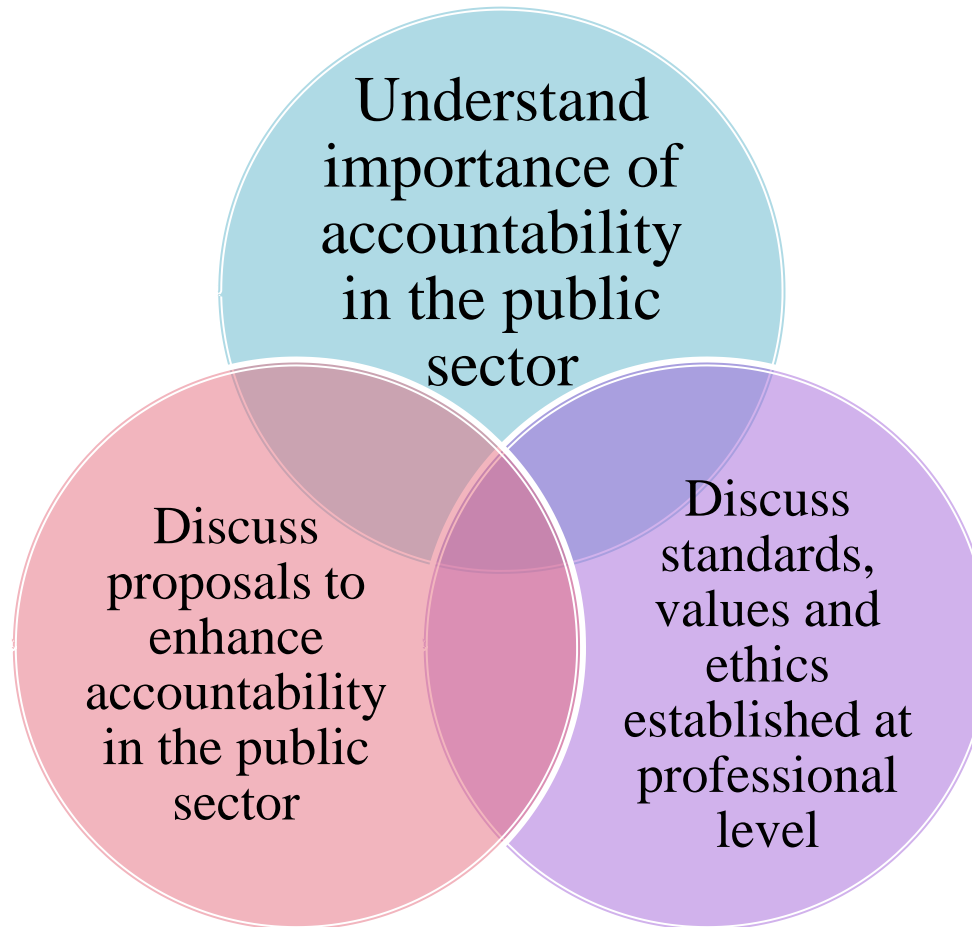


# ENHANCING ACCOUNTABILITY IN THE PUBLIC SECTOR: LIFESTYLE AUDIT AND PROFESSIONAL ETHICS

**Presented by : Fredrick Riaga, Chief Manager, Public Policy and Research, ICPAK  
@ CityBlue Hotels & Suites, Mombasa**

# OBJECTIVES OF THE SESSION



# Integrity crisis: We need more Kenyans whose moral values are not for sale

SUNDAY FEBRUARY 15 2015



Lifestyle audit to be extended to all public staff

By Geoffrey Mosoku | Published Wed, August 8th 2018 at 00:00, Updated August 7th 2018 at 22:41 GMT +3

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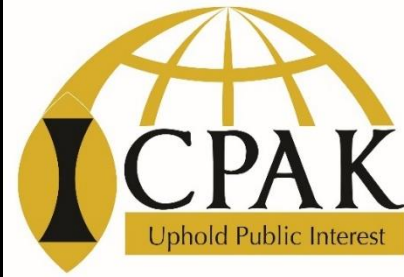
FRIDAY MAY 25 2018

Uphold

Public

Interest

# VALUES, ETHICS & PRINCIPLES



Values motivate –  
ethics & morals  
constrain.

Values are life-style  
priorities- they lie at  
the very core of the  
life we've created for  
ourselves through the  
choices we've made

# OTHER IMPORTANT DEFINITIONS



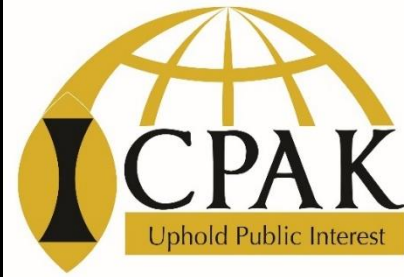
- ❑ **Public Office:** Means an office in the national, a county government or the public service, if the remuneration and benefits are payable directly from the consolidated Fund or directly out of money provided by Parliament
- ❑ **Public Service:** Means the collectivity of all individuals ,other than State Officers ,performing a function within a State organ
- ❑ **Values** influence the way individuals relate with one another, how communities engage, and how citizens and government interact in promoting national cohesion, integration, peace and development.
- ❑ **Leadership** primarily refers to the ability to influence others to act towards a desired goal

# Why Values in the Public Service?



- ❑ Ethics/Values/codes are as old as antiquity(ancient times)
- ❑ Religious traditions& civic cultures have codes:
  - ❖ *Ten Commandments is the keystone for Judaism, Islam and Christianity*
  - ❖ *Pericles made the Athenian code- Greek*
- ❑ In each case codes carry general obligations & reproaches;
- ❑ They capture a vision of excellence, of what individuals and societies should be striving for and what they can achieve.

# Why Values & Ethics in the Public Service?



## Values as corrective measures to the following

- ❑ Weak institutions
- ❑ Poor governance and leadership challenges permitted the worsening of social injustice and inequality
- ❑ Lack of integrity;
- ❑ Poor work ethics;
- ❑ Low levels of patriotism;
- ❑ Weakening social structures;
- ❑ Erosion of family values;
- ❑ insecurity and impunity.

# Vital statistics on corruption in Kenya



- ❑ Kenyan government is said to lose one-third of the national budget to corruption –the equivalent of approximately \$6 billion (Kshs.608 billion) every year.
- ❑ Audit reports from the Auditor General’s office have also incessantly given qualified and adverse audit opinions to government departments at both national and county levels



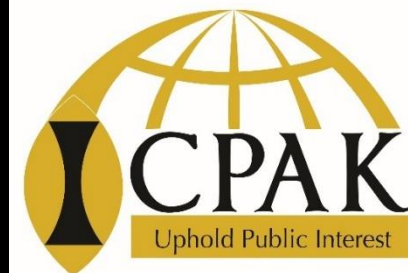
# Key accountability challenges- National Government Revenue OAG 2015-



## Audit Opinions on Revenue Statements

Audit Opinion	No of Revenue Statements	Amount Kshs.	Percentage
Unqualified	4	33,083,104,149	2.77%
Qualified	3	1,148,799,559,445	96.25%
Adverse	2	10,637,404,380	0.89%
Disclaimer	2	1,099,070,690	0.09%
<b>Total</b>	<b>11</b>	<b>1,193,619,138,664</b>	<b>100%</b>

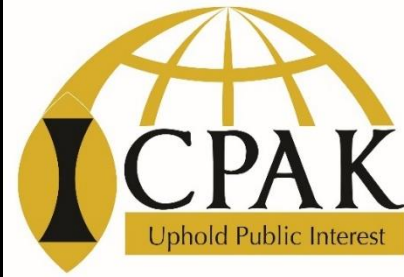
# Key accountability challenges/ National Government Expenditure - OAG



Opinion	No. of Financial Statements	Combined Recurrent and Development Expenditure 2015/2016 (Kshs.)	Percentage
Unqualified	10	43,452,202,377	3.45%
Qualified	34	1,004,467,317,870	79.82%
Adverse	3	112,354,357,766	8.93%
Disclaimer	3	94,421,805,173	7.50%
Other	1	3,756,771,292	0.30%
<b>Total</b>	<b>51</b>	<b>1,258,452,454,478</b>	<b>100.00%</b>

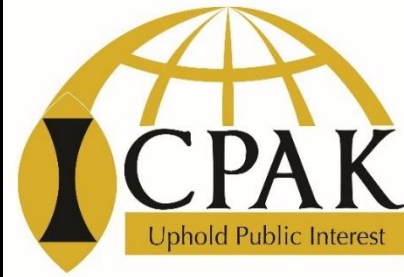
# National Values

# Constitution of Kenya 2010



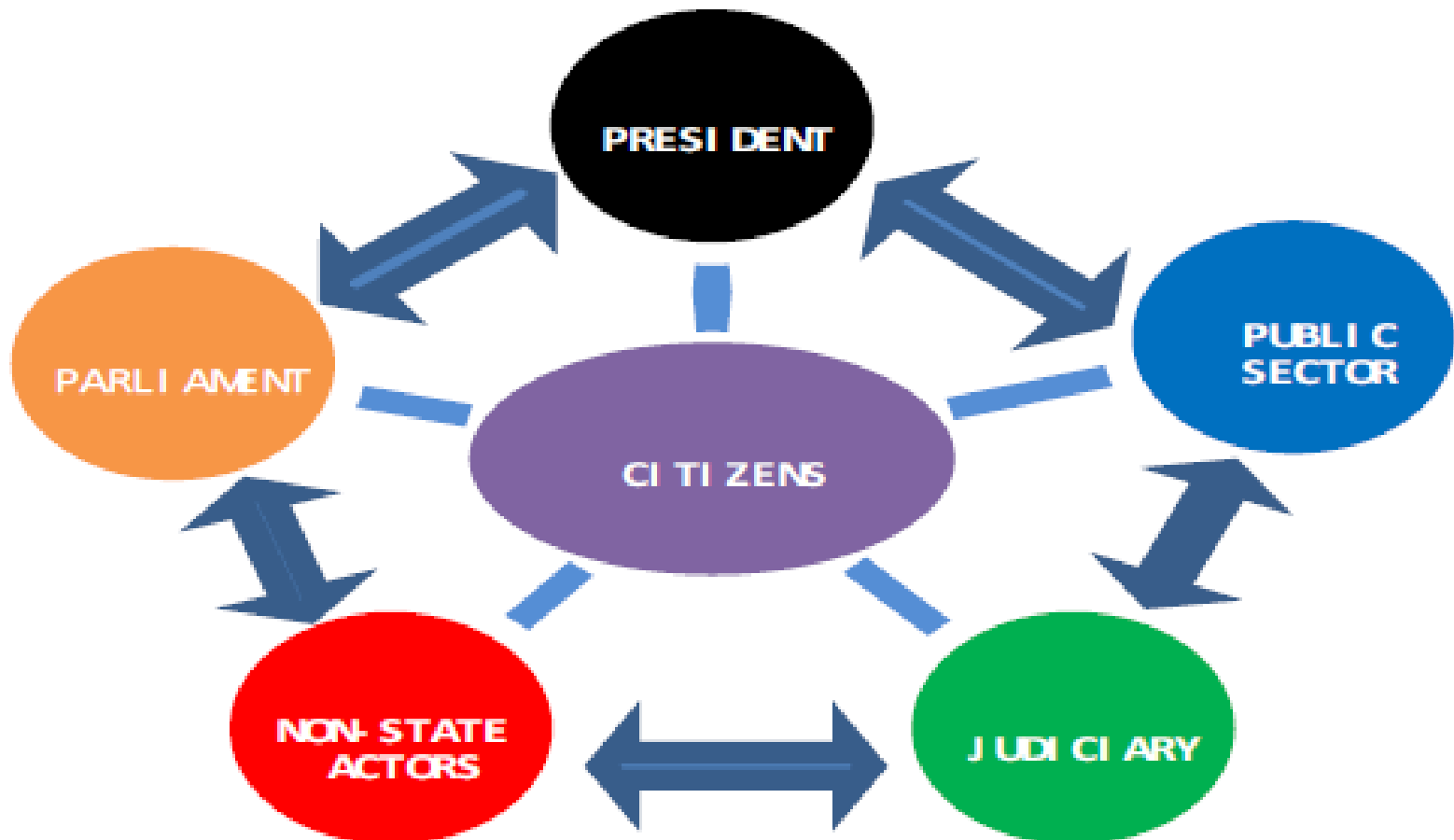
- ❑ In its Preamble, the Constitution of Kenya, captures our pride in ethnic , cultural and religious diversity;
- ❑ The Preamble recognizes the aspirations of all Kenyans for a government based on the essential values of human rights, equality, freedom, democracy, social justice and the rule of law
- ❑ Article 10 on National Values and Principles
- ❑ Chapter 6 of Leadership and Integrity
- ❑ Chapter 11 on Principles of Public Finance
- ❑ Chapter 13 Principles and Values of Public Service

# National Values Art.10

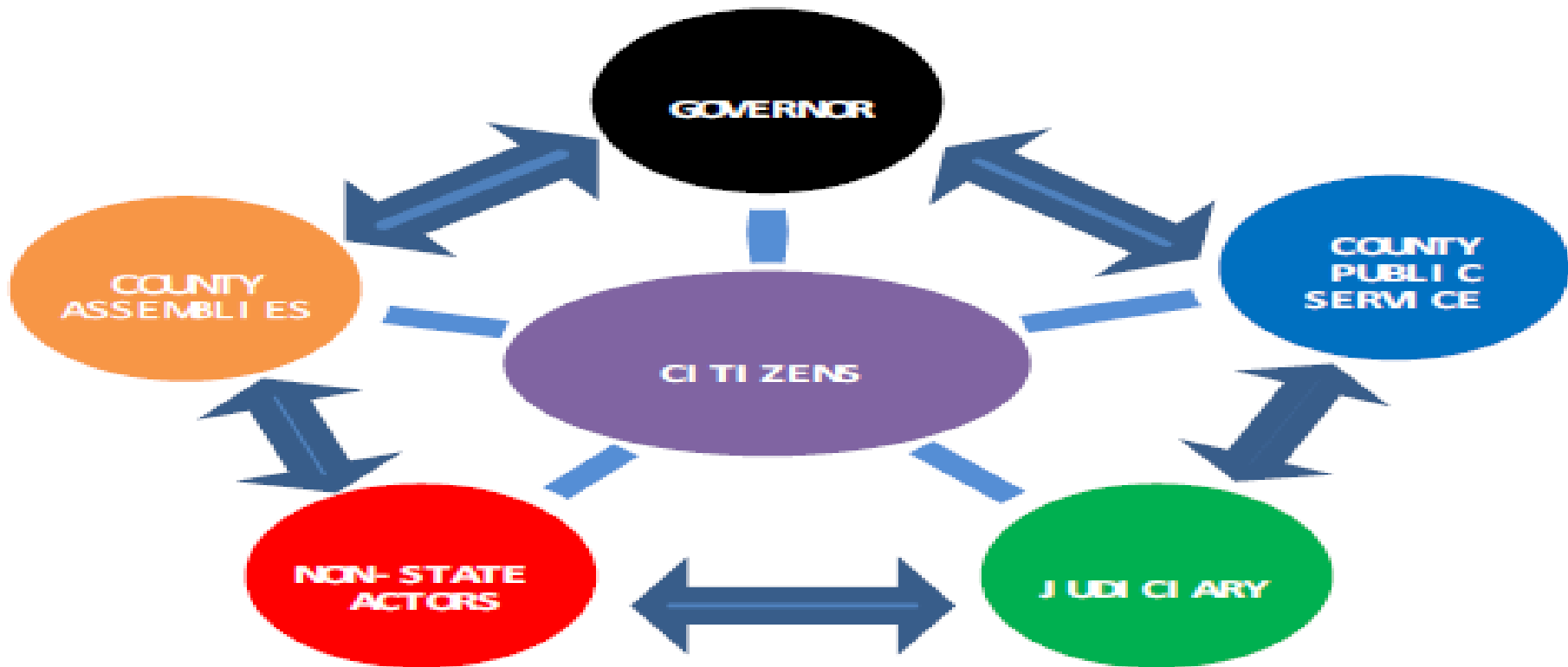


1. Patriotism
2. National unity
3. Sharing and devolution of power
4. Rule of law
5. Democracy and participation of the people
6. Human dignity
7. Equity
8. Social justice
9. Inclusiveness
10. Equality
11. Human rights
12. Non-discrimination and protection of the marginalized
13. good governance, integrity, transparency and accountability and
14. sustainable development.

# National Value System- National Government



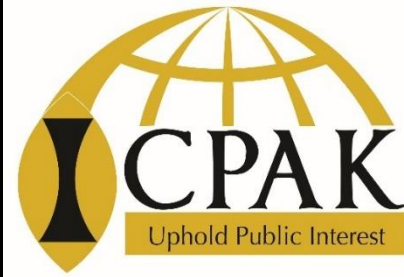
# National Value System- County Government



# Leadership and Integrity



# WHY INTEGRITY IN PUBLIC SERVICE



- ❑ Helps in focusing on public service
- ❑ Making informed transparent decisions in public service
- ❑ Establishing a clear relationship between the public and public servants
- ❑ Promoting good standards and efficiency in public servants

# CONSTITUTIONAL PRINCIPLES ON LEADERSHIP & INTEGRITY



- ❑ CoK, 2010 provides, under Chapter 6, for leadership and integrity of all public officers ;
- ❑ Ethical leadership refers to leadership founded on values and that advances the public interest;
- ❑ Characteristics of Ethical Leadership
  - ❖ lays emphasis on moral conduct, duty and judgment
  - ❖ committed to building enduring organizations
  - ❖ recognize the importance of their service to society
  - ❖ make decisions with the knowledge that they are accountable for outcomes

# ART. 73 GUIDING PRINCIPLES ON LEADERSHIP & INTEGRITY



- a) selection on the basis of personal integrity, competence and suitability, or election in free and fair elections;
- b) objectivity and impartiality in decision making, and in ensuring that decisions are not influenced by nepotism, favoritism, other improper motives or corrupt practices;
- c) selfless service based solely on the public interest, demonstrated by— *honesty in the execution of public duties; and (ii) the declaration of any personal interest that may conflict with public duties;*
- d) accountability to the public for decisions and actions; and
- e) discipline and commitment in service to the people.

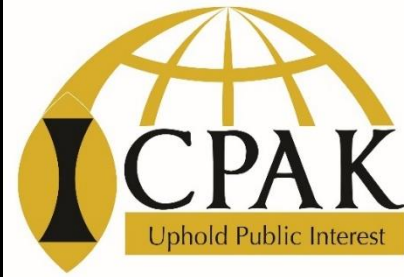
# LEADERSHIP & INTEGRITY ACT



- ❑ Gives effect to and establish procedures and mechanisms for the effective administration of chapter six of the Constitution.
- ❑ Guiding values and procedures-Sect 3 of the Act(Respect values, principles and the requirements of the Constitution-Articles 10,73,75,99(1)(b),175,193(1)(b),232).
- ❑ Gifts and benefits in Kind- Sect 14.
- ❑ Bank accounts outside Kenya-Public /State officers and conditionality's attached thereon. Sect 19.
- ❑ Leadership Education and training generally for all public officers.- Sect 53.

# PROFESSIONAL CODE OF ETHICS FOR ACCOUNTANTS

# CODE OF ETHICS FOR ACCOUNTANTS



- ❑ Code of ethics for professional accountants
  - *All professional accountants*
  - *Professional accountants in public practice*
  - *Associate members*
  
- ❑ Company Acts requirements
  - *The role and responsibility of directors on financial reporting*
  - *Accounting records and financial statements*
  
- ❑ CMA guidelines on corporate governance

# FUNDAMENTAL PRINCIPLES FOR ACCOUNTANTS



## Integrity

- ☐ Honesty
- ☐ Trustworthiness
- ☐ Uprightness, correctness, and/or soundness
- ☐ Straightforwardness
- ☐ Adhering to personal, professional, and/or moral values and professional standards

## Objectivity

- ☐ A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments

# FUNDAMENTAL PRINCIPLES FOR ACCOUNTANTS



## Professional Competence and Due Care

- ☐ Acting diligently
- ☐ Sound judgment
- ☐ Continuing professional developments e.g. by attending professional forums (ICPAK forums).
- ☐ Making clients aware of limitations inherent in the professional services.

## Confidentiality

- ☐ The need to respect the confidentiality of information acquired as a result of professional and business relationships Consent by the client.
- ☐ Requirement by the law e.g. in legal proceedings
- ☐ Professional Duty to disclose e.g. to comply with quality reviews or result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties.



# FUNDAMENTAL PRINCIPLES FOR ACCOUNTANTS



## Professional Behaviour

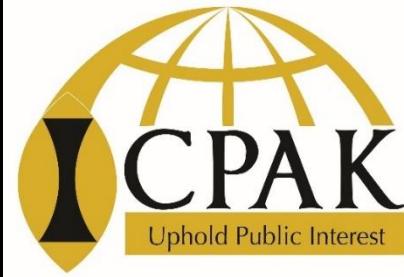
- ❑ Courtesy and consideration towards all.
- ❑ Avoid exaggerated claims for services they are able to offer
- ❑ Avoid unsubstantiated comparison to the work of others
- ❑ Modest marketing of services.

# Ethical Dilemmas



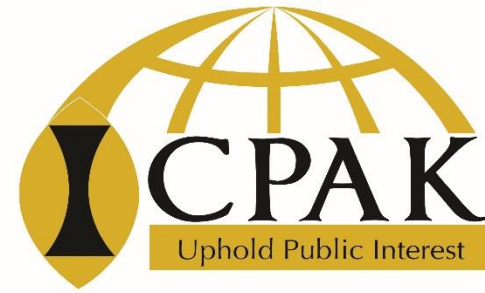
- ❑ Ethical dilemmas are situations that though may look justifiable, they are morally wrong
- ❑ In the course of your duty...this shall be very many!!

# Ethical Dilemmas



- ❑ Ethical dilemmas are situations that though may look justifiable, they are morally wrong
- ❑ In the course of your duty...this shall be very many!!

# PFM Ethical Leadership Dilemmas for CPAs



Truth vs. Loyalty

Justice vs. Mercy

Self vs. Community

Short Term vs. Long Term

Polite vs. Authentic

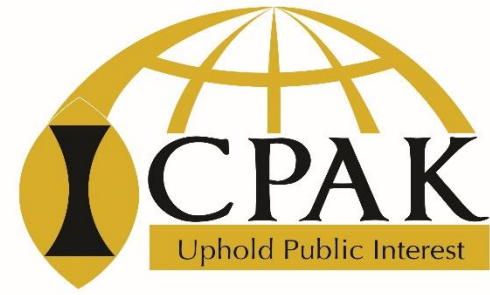
Fair vs. Equal

Fantasy vs. Reality

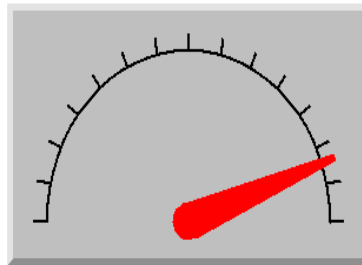
Competition vs. Collaboration

# PFM Ethical Leadership Dilemmas for CPAs

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**Deciding between what you/I love and the truth.**

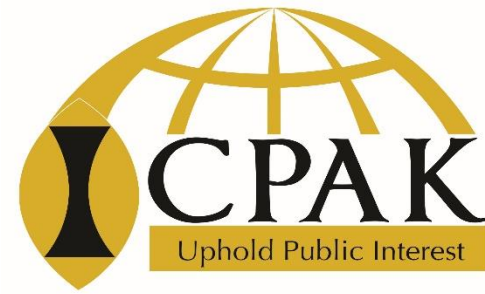


**Truth**

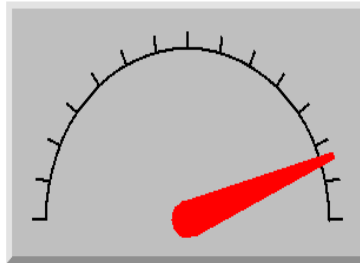
**Loyalty**

# PFM Ethical Leadership Dilemmas for CPAs

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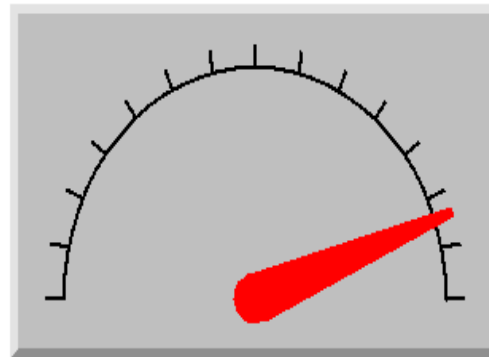
**Deciding between giving others what they  
“deserve” and “giving them another chance.”**



**Justice**

**Mercy**

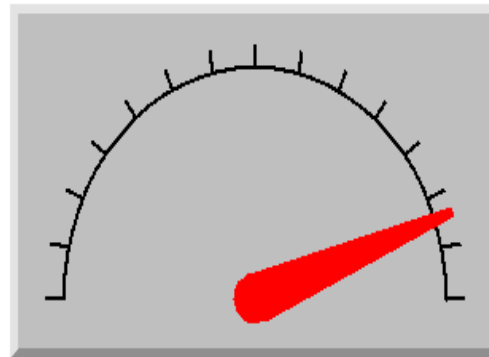
**Deciding between what is good for the  
smaller 'group' and the larger 'group.'**



**Self**

**Community**

**Deciding between what is just for current generation  
against what is good for current and future  
generations.**

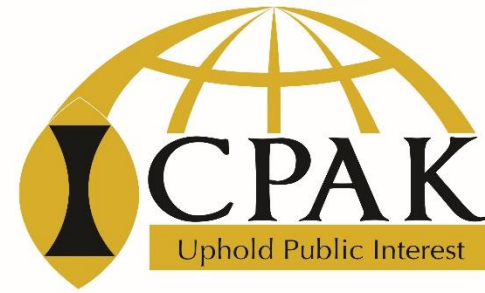


**Short-Term**

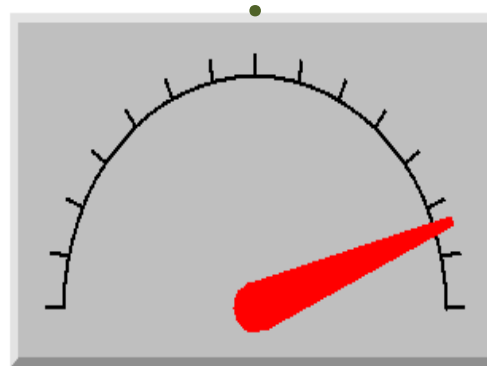
**Long-Term**



# PFM Ethical Leadership Dilemmas for CPAs



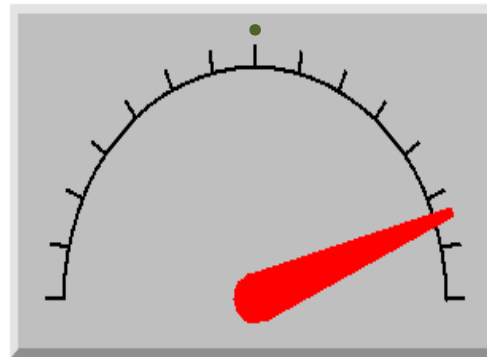
**Deciding between saying or doing what I think is true or what is politically correct.**



**Polite**

**Authentic**

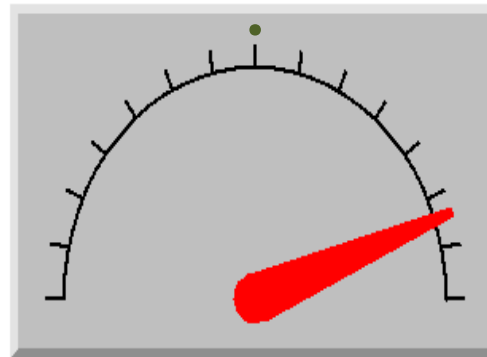
**Deciding between who or what I think should receive an “exception” and when everyone should receive an equal amount.**



**Equity**

**Equality**

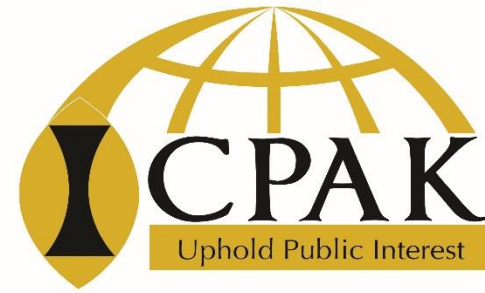
**Deciding between  
Vision/Brainstorming/Possibility  
and being practical and grounded in reality.**



**Fantasy**

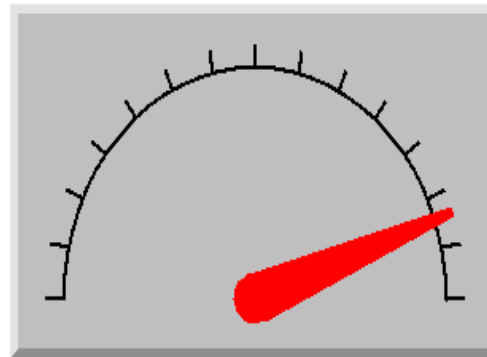
**Realism**

# PFM Ethical Leadership Dilemmas for CPAs



**Deciding between “going my own way” and  
“going the group way.”**

•



**Competition**

**Collaboration**

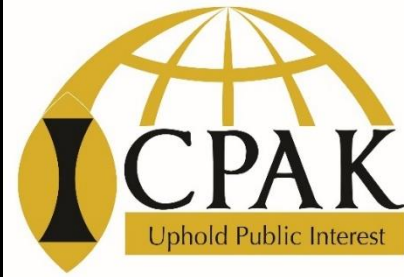
# What shall you do in the following scenarios



- ❑ Suppose your job is to collect revenues in Iten market. On a market day morning, you collect more than your set target for the day. At noon, just before you bank the money, you get a call that your child is ill and need to be rushed to the hospital, at that moment you've no other monies anywhere other than the market collections of the day....what shall you do?
- ❑ Suppose you are collecting revenues at county parking lot...you husband/wife drives in and parks in one of them and you are charging other motorists on the adjacent parking lots....would you charge them?
- ❑ **Share your experiences**

# Recent Efforts to Enforce Accountability in the Public Sector

## Recent Efforts



- ❑ Wealth declaration forms: Anti-Corruption and Economic Crimes Act 2003
- ❑ Lifestyle Audits
- ❑ Executive Order No. 3 of 2018 on Public Procurement

# 1. Wealth Declaration Forms



- ❑ Introduced through the Public Officers Ethics Act 2003
- ❑ Focus on Assets, Incomes and Liabilities [PSC\\_Declaration\\_form.pdf](#)

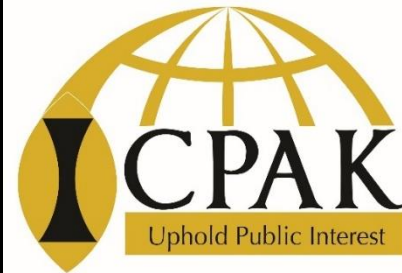


## 2. Lifestyle audit



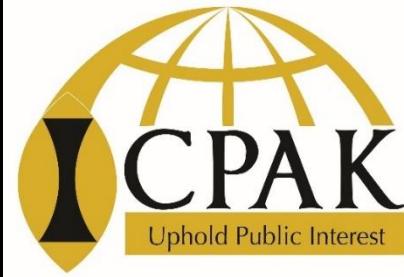
- ❑ A lifestyle audit is simply a study of a person's living standards to see if it is consistent with his or her reported income.
- ❑ Its purpose is to identify pointers to improper activity that has enabled the person to live beyond their means.

# Case....lifestyle audit?



- ❑ Recently, a civil servant earning a monthly salary of Kshs 119, 000 attracted the attention of the anti-graft commission over unexplained wealth estimated to be more than Sh615 million.
- ❑ This raised eyebrows since even with assumptions that he would save his entire salary for 10 years, which is not practical, he would still not even have a quarter of his net worth.

### 3. Executive Order No.3 on Procurement



- ❑ Focuses on public procurement
- ❑ Disclosure requirements for all public procuring entities:
  - ❑ Full particulars of the awarded bidder
  - ❑ Specification/scope/contract
  - ❑ Technical/financial capacity of the awarded bidder
  - ❑ Award date & contract period
  - ❑ Current market price of specific goods

The big Q: Will these efforts bear any fruits? Lets discuss.....

