

# PUBLIC FINANCE MANAGEMENT WORKSHOP

NYANZA BRANCH

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

28<sup>th</sup> – 29<sup>th</sup> August 2018

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@ Nyakoe Hotel, Kisii

# OBJECTIVES OF THE SESSION



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

SUNDAY FEBRUARY 15 2015



## NYS operations grounded after Sh9bn scandal

Home / News

SUNDAY JUNE 17 2018



## Kenyans plan demos over NYS, cereals board scandals

FRIDAY MAY 25 2018

## Corruption in Kenya: Are we experiencing the rise of State capture?

MONDAY JULY 2 2018

you are here: » Home » Nairobi

## 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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## Former Nairobi governor Kidero arrested over graft claims

WEDNESDAY AUGUST 8 2018



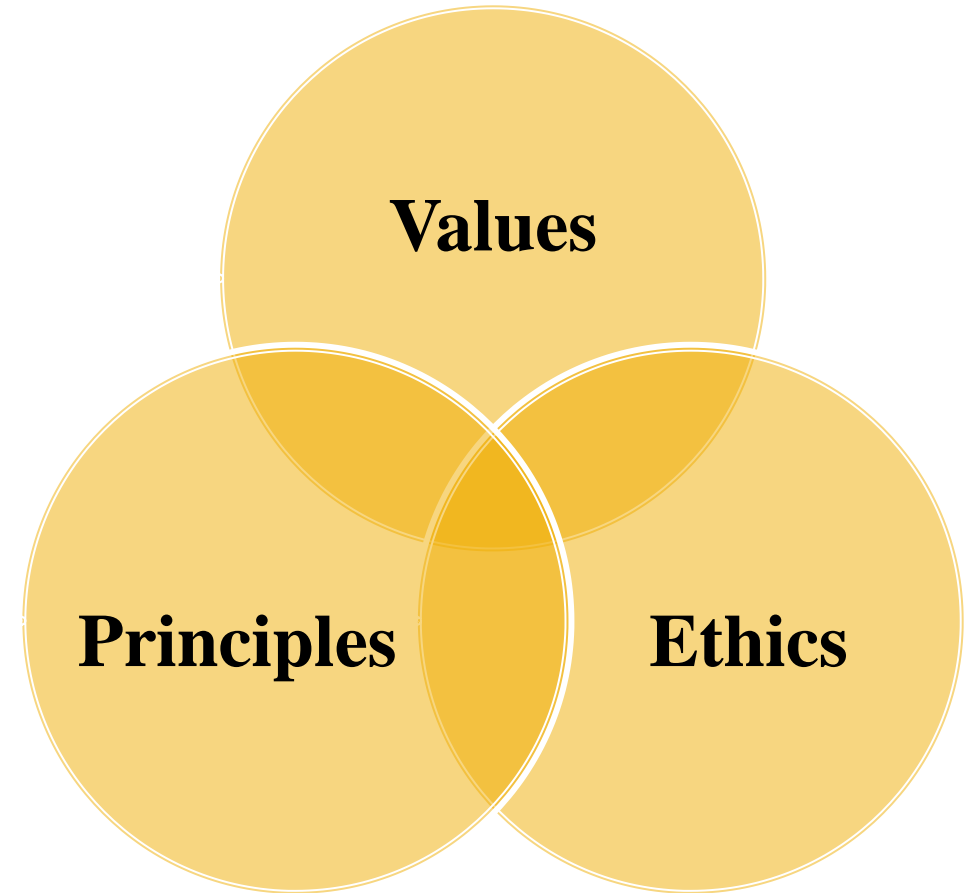


# SOME IMPORTANT DEFINITIONS

- **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
- **State officer:** means a person holding a State office;
- **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**

# LEADERSHIP, GOVERNANCE & ACCOUNTABILITY

## Three Interconnected Principles





# GOVERNANCE, ACCOUNTABILITY & CORRUPTION.... NOT THE SAME THING!



Governance

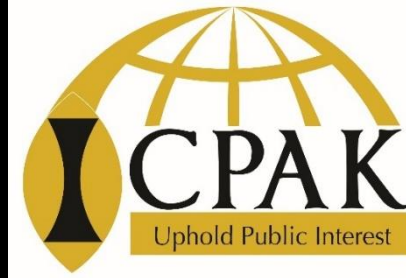
The manner in which the **State** acquires and exercises its authority to provide public goods and services

Corruption

Using **public** office for **private** gain

Corruption is an **outcome** – a consequence of the failure of accountability relationships in the governance system

# ACCOUNTABILITY SYSTEMS- DEMAND VS SUPPLY



## SUPPLY

### ❖ Capacities and organizational arrangements

leadership, skills, human resource and financial management systems – embodied in state institutions to deliver public goods and services



## DEMAND

- **Institutions and accountability arrangements**
- Elections, political parties, parliaments, judicial systems, free press, civil society organizations, accountable local governments – that enable citizens and firms to hold state institutions to account



# WHEN ACCOUNTABILITY SYSTEMS BREAK DOWN PROBLEMS....



## ❖ **Grand Corruption: State Capture**

- Leaders plundering state assets
- Powerful “oligarchs” buying state officials
- Corrupt leaders colluding with corrupt investors: non-competitive, non-transparent award of contracts (oil & gas)

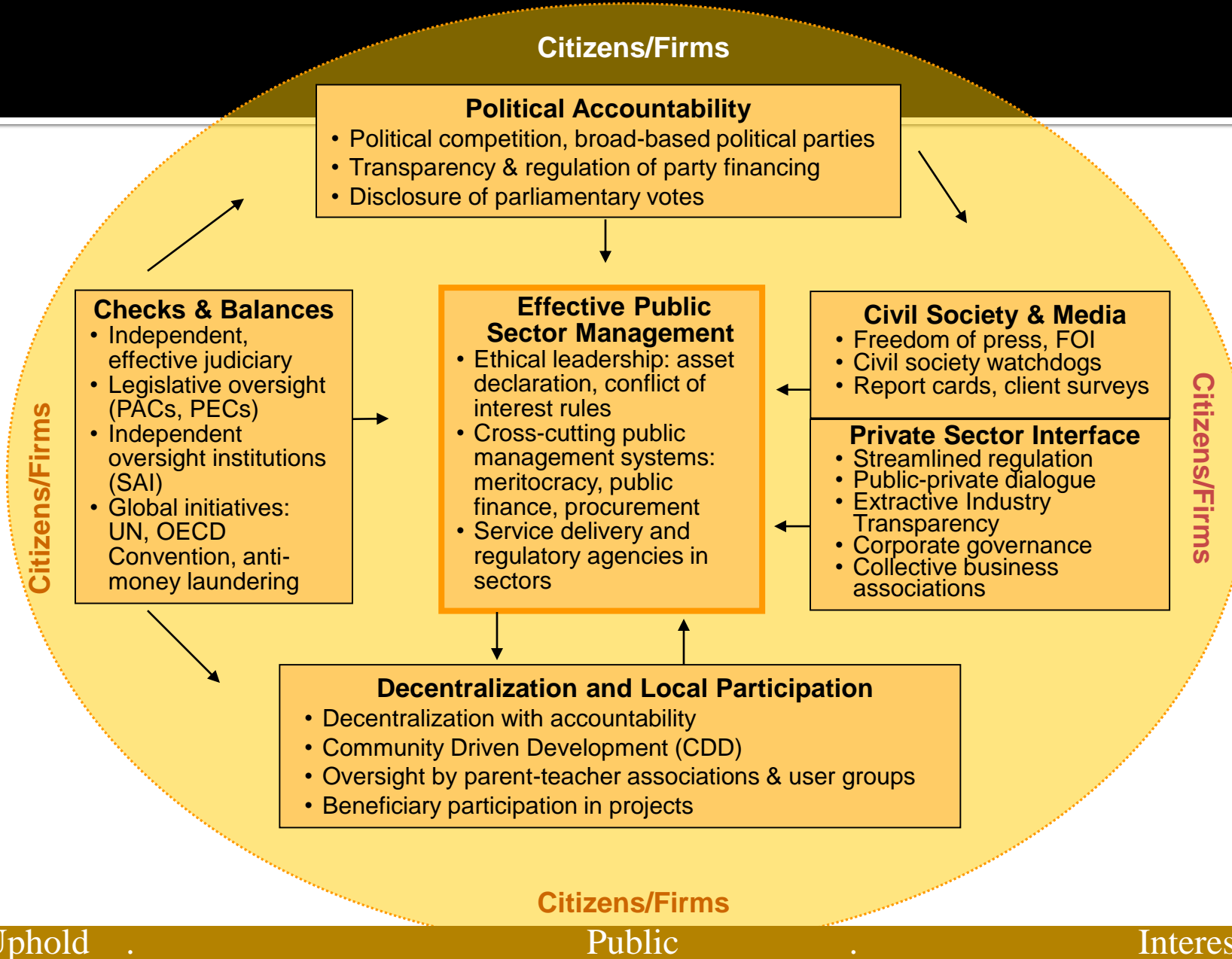
## ❖ **Nepotism and Patronage in Public Service**

- Political pressure for award of contracts, appointments
- Politicized transfers

## ❖ **Administrative (Petty) Corruption & Inefficiency:**

- Bribes for licenses, permits, government services
- Diversion of funds for public programs
- Inefficient and ineffective service delivery

# GOOD GOVERNANCE HAS MANY DIMENSIONS





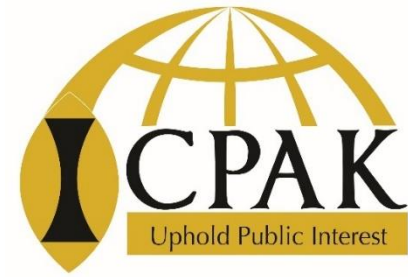
## The Kenyan Case...



November 1, 2015



# A VISUAL HISTORY OF CORRUPTION SINCE 2013

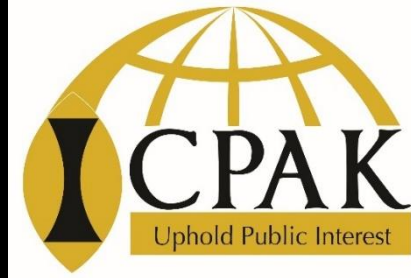


Uphold

Public

Interest

# 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 2015-16

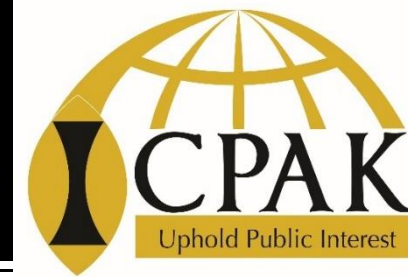


## Audit Opinions on Revenue Statements

<b>Audit Opinion</b>	<b>No of Revenue Statements</b>	<b>Amount Kshs.</b>	<b>Percentage</b>
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 2015-16



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>

Uphold

Public

Interest

# National Values

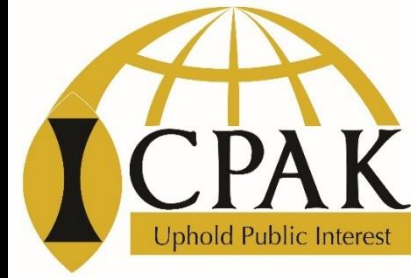
# WHY VALUES & ETHICS IN THE PUBLIC SERVICE IN KENYA?



## Values as corrective measures to the following

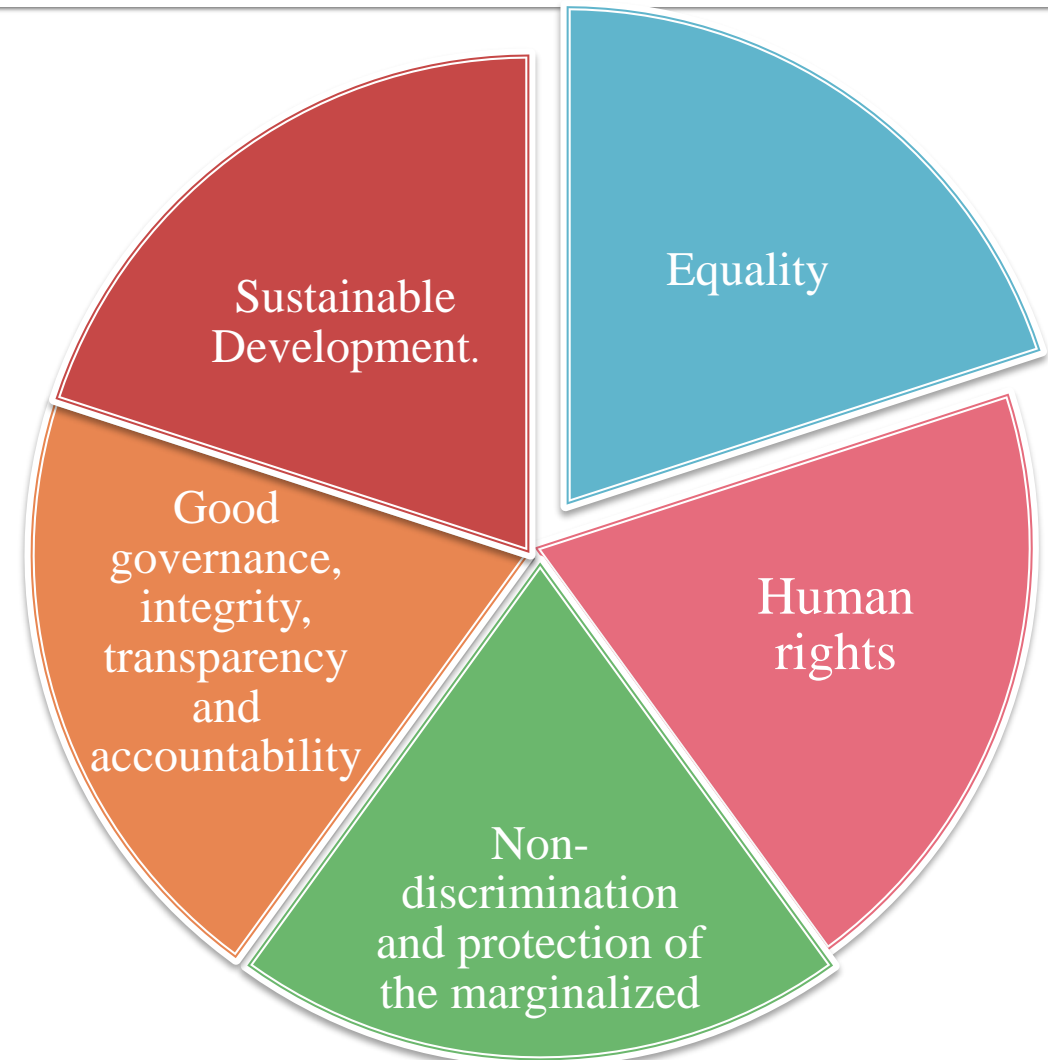
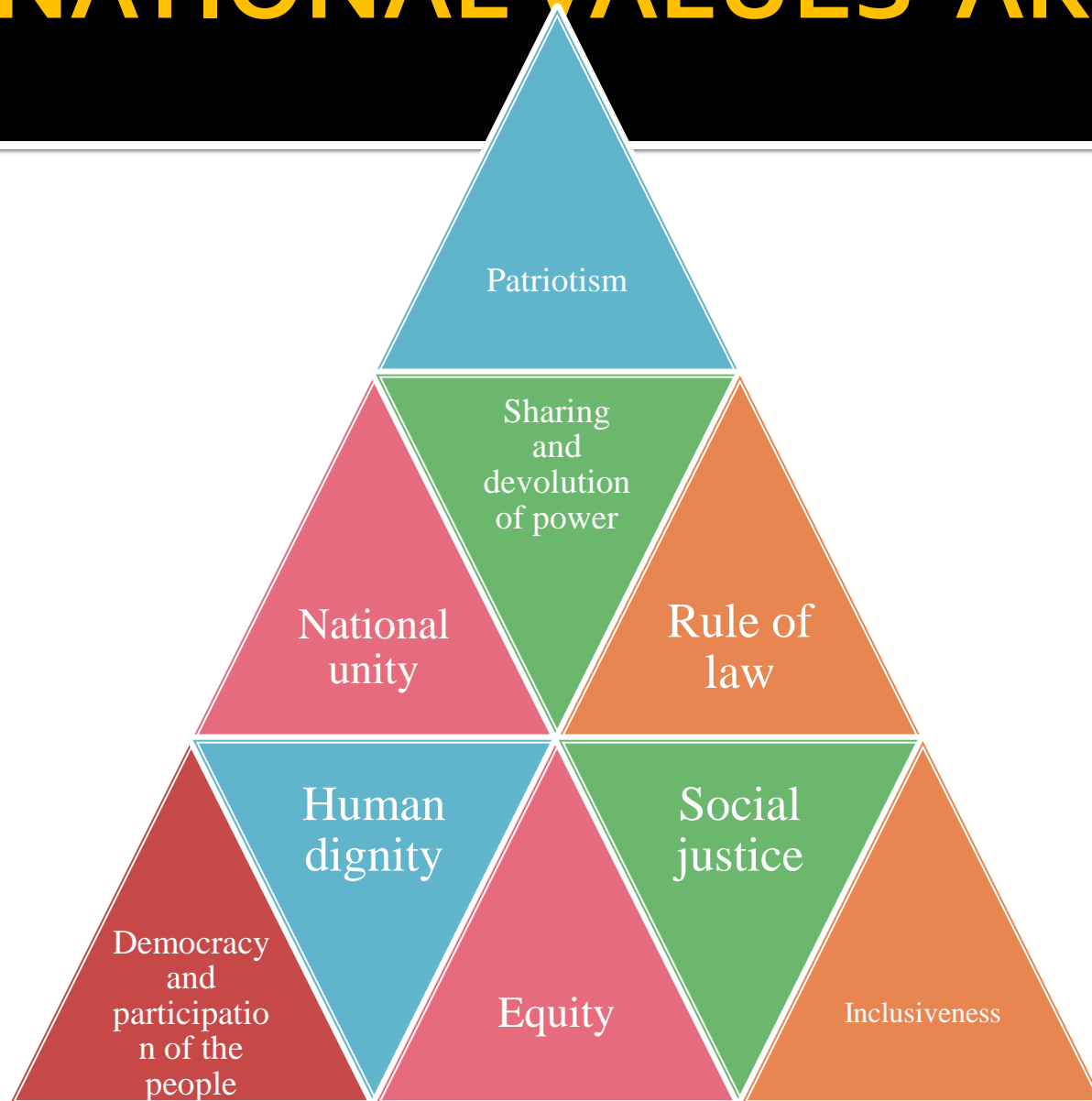
- ❑ Weak institutions
- ❑ Poor governance and leadership challenges permitted the worsening of social injustice and inequality
- ❑ Lack of integrity;
- ❑ Poor work ethics;
- ❑ Low levels of patriotism;
- ❑ Weakening social structures;
- ❑ Erosion of family values;
- ❑ insecurity and impunity.

# CONSTITUTION OF KENYA 2010



- ❑ In its Preamble, the Constitution of Kenya, captures our pride in ethnic , cultural and religious diversity;
- ❑ 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

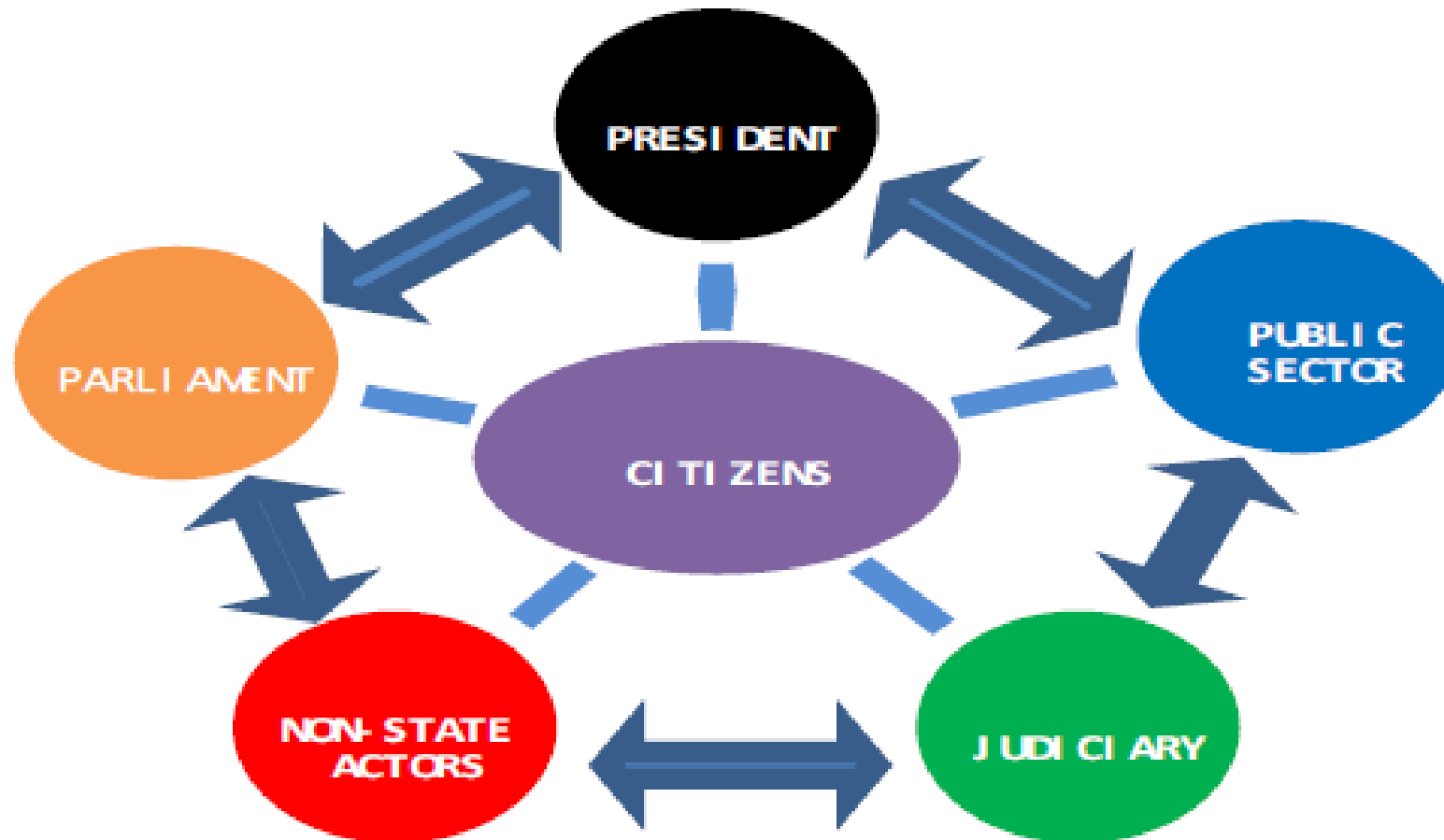


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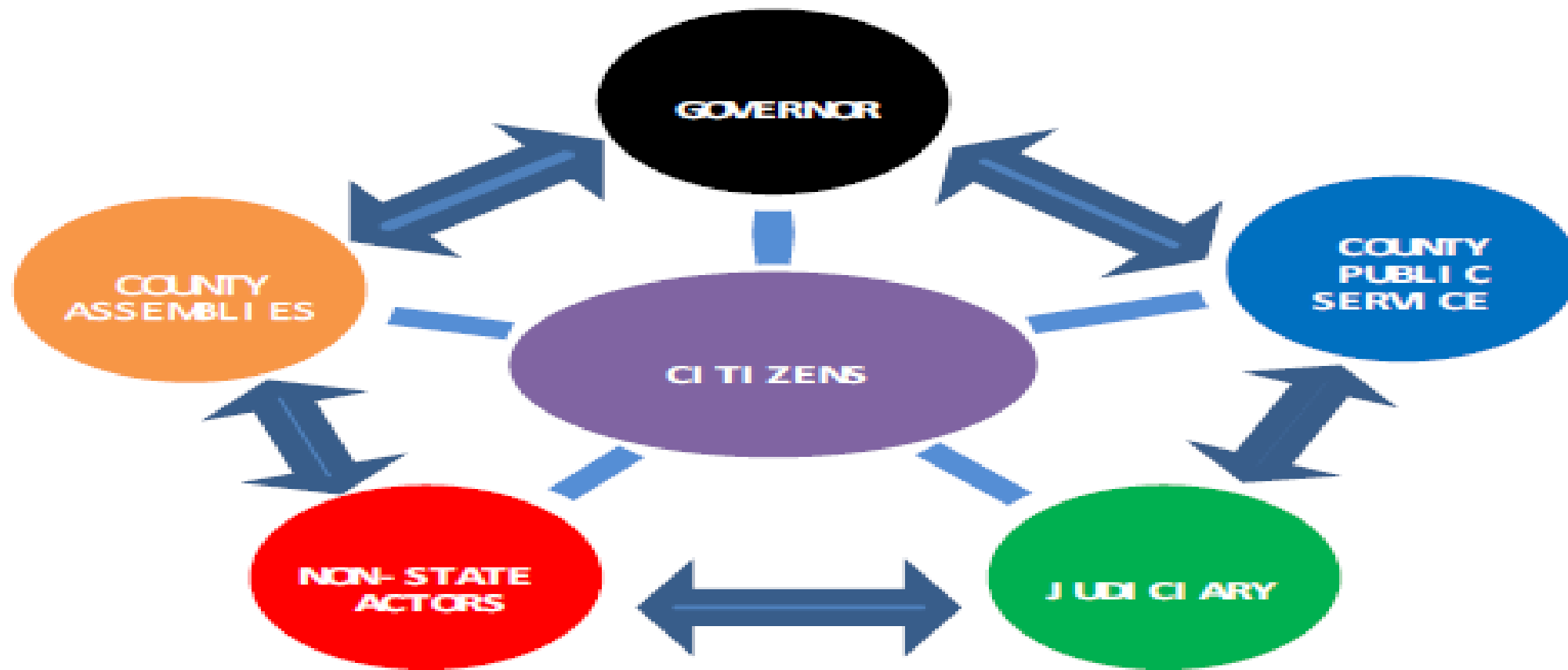
Public

Interest

# NATIONAL VALUE SYSTEM- NATIONAL GOVERNMENT



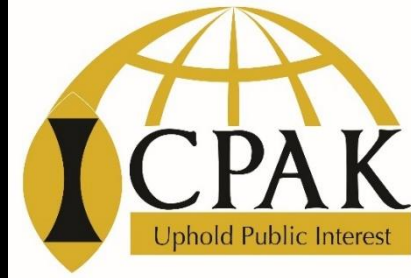
# NATIONAL VALUE SYSTEM- COUNTY GOVERNMENT





# Leadership and Integrity

# WHY INTEGRITY IN PUBLIC SERVICE



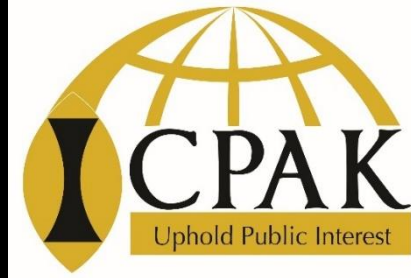
Helps in  
focusing on  
public service

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

# PROFESSIONAL CODE OF ETHICS FOR ACCOUNTANTS

# ETHICS



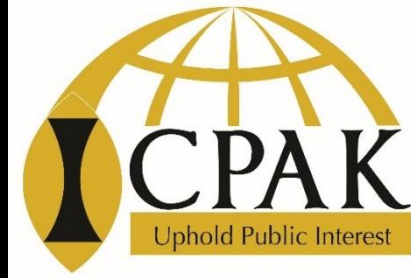
Ethics is knowing the difference between  
what you have a right to do and  
what is right to do.

*Potter Stewart*

“A man **without**  
**ethics** is a  
**wild** beast  
**loosed** upon  
this world.”

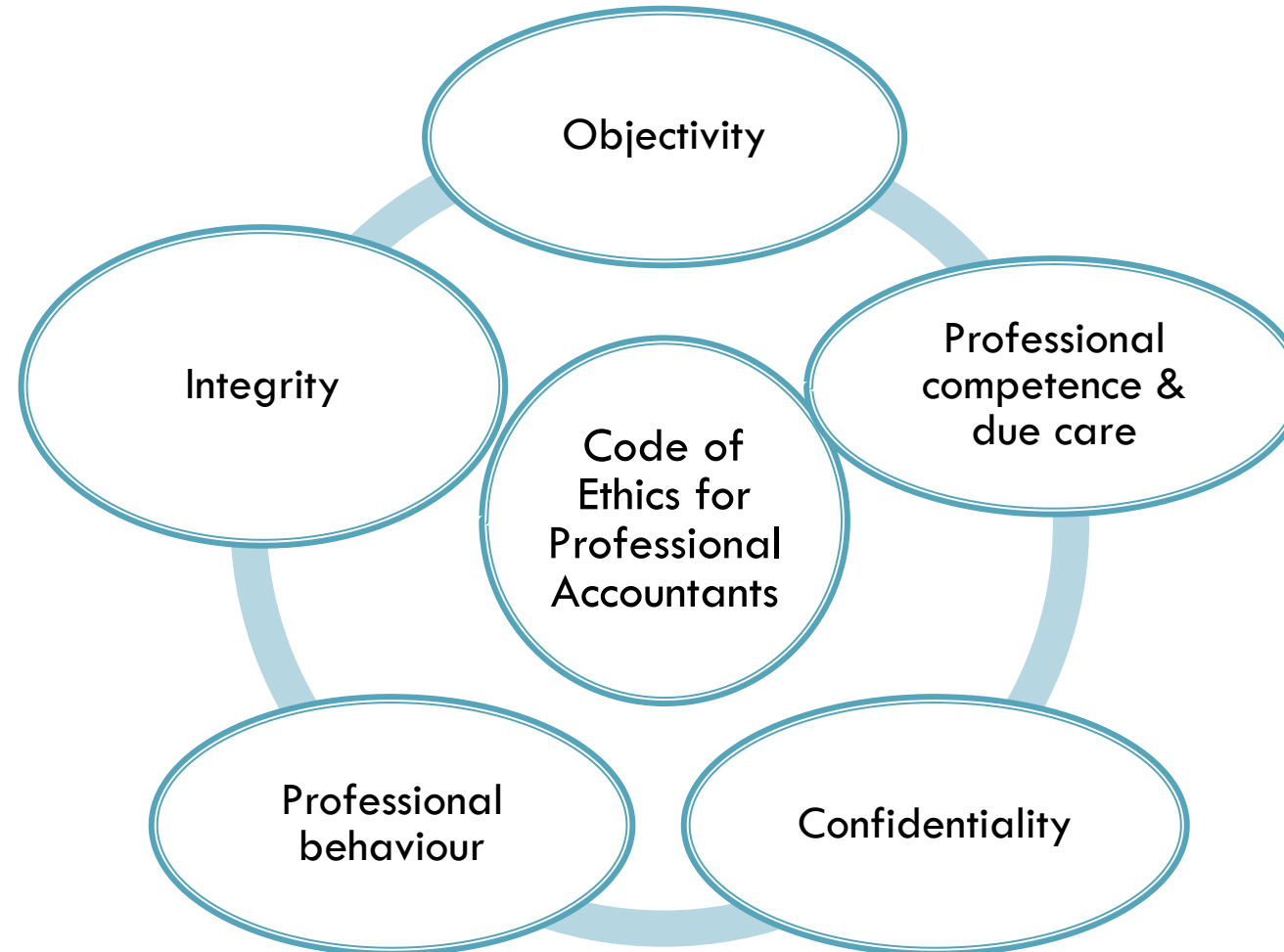
Albert Camus

# CODE OF ETHICS FOR ACCOUNTANTS



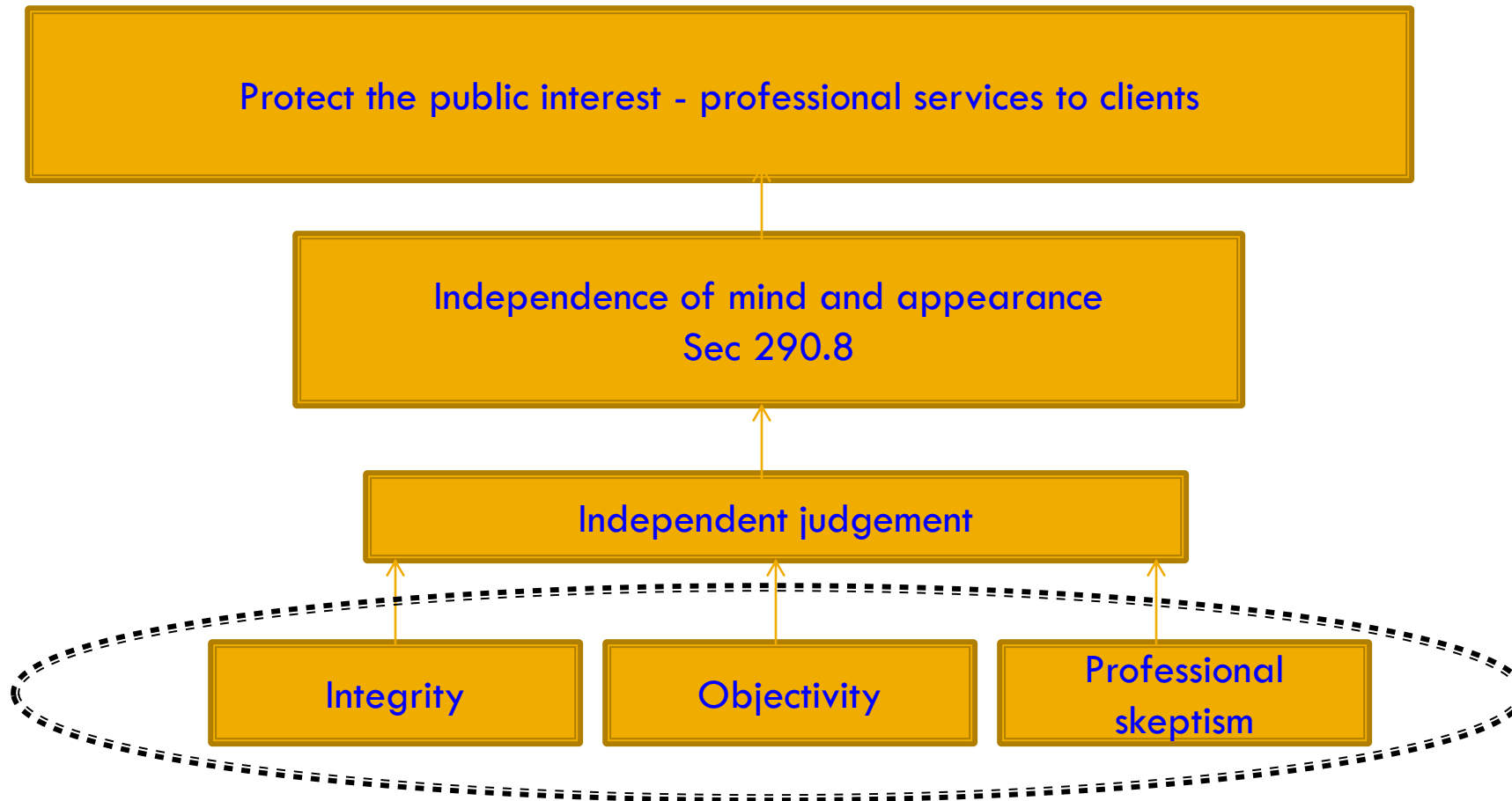
- ❑ Code of ethics for professional accountants
  - *All professional accountants*
  - *Professional accountants in public practice*
  - *Associate members*
  
- ❑ Company Acts requirements
  - *The role and responsibility of directors on financial reporting*
  - *Accounting records and financial statements*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

# FUNDAMENTAL PRINCIPLES



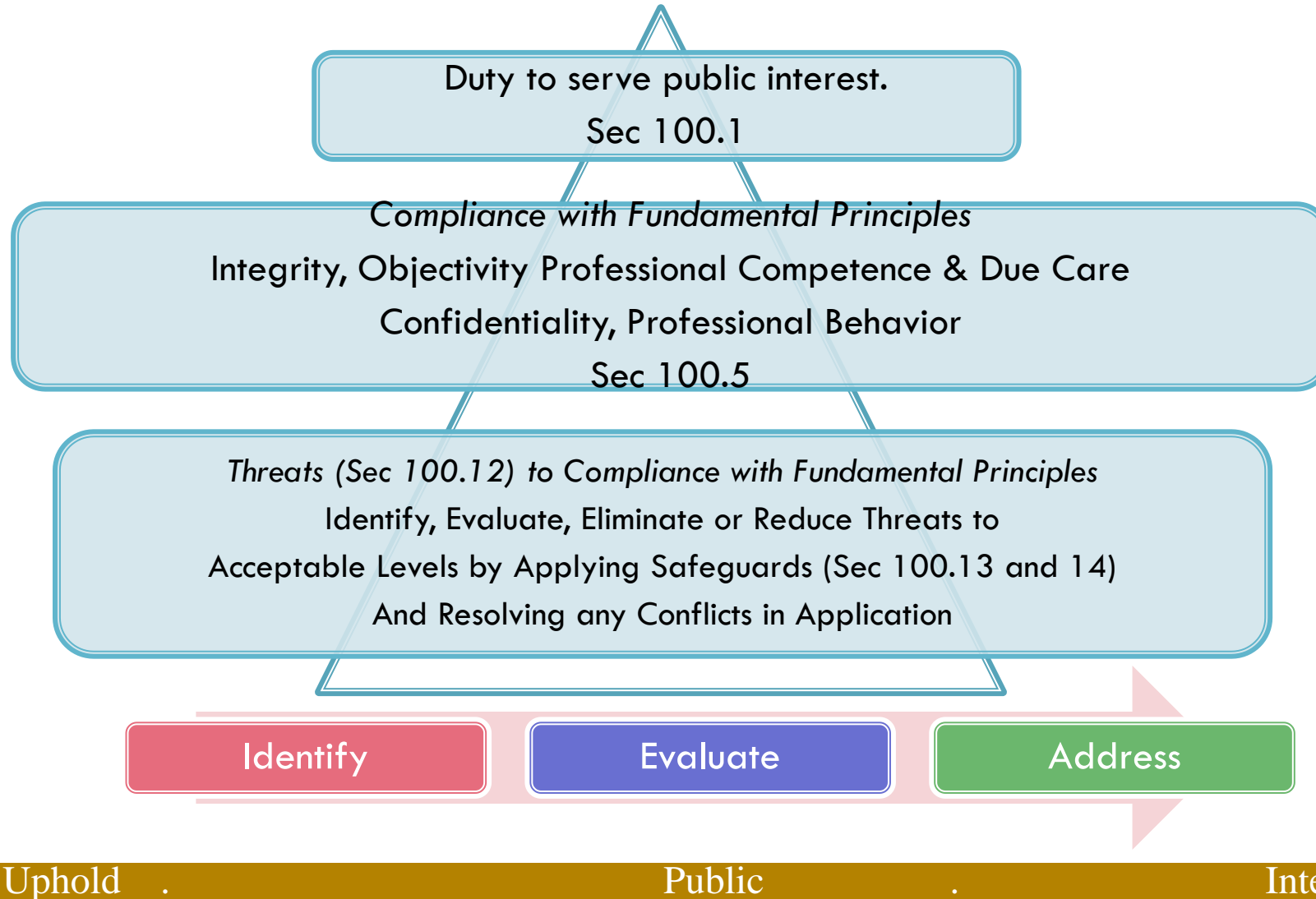


# THE CODE'S FRAMEWORK FOR INDEPENDENT JUDGEMENT



Source: IFAC Code of Ethics for Professional Accountants, 2015, S 290.8 & Independence Definition

# Conceptual Framework

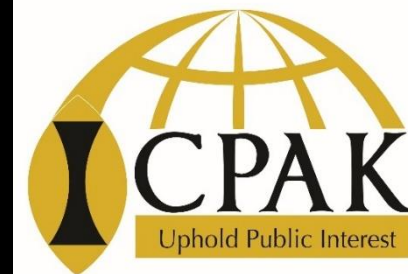


# FUNDAMENTAL PRINCIPLES FOR ACCOUNTANTS



<b>Integrity</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Honesty</li><li><input type="checkbox"/> Trustworthiness</li><li><input type="checkbox"/> Uprightness, correctness, and/or soundness</li><li><input type="checkbox"/> Straightforwardness</li><li><input type="checkbox"/> Adhering to personal, professional, and/or moral values and professional standards</li></ul>
<b>Objectivity</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments</li></ul>

# FUNDAMENTAL PRINCIPLES FOR ACCOUNTANTS



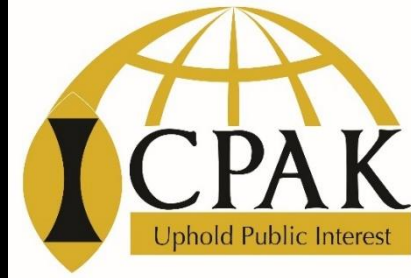
## Professional Competence and Due Care

- ☐ 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

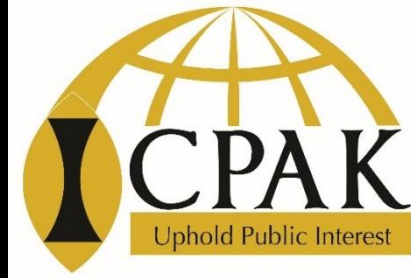
# FUNDAMENTAL PRINCIPLES FOR ACCOUNTANTS



## Professional Behaviour

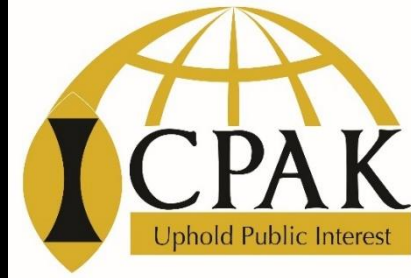
- ❑ Courtesy and consideration towards all.
- ❑ Avoid exaggerated claims for services they are able to offer
- ❑ Avoid unsubstantiated comparison to the work of others
- ❑ Modest marketing of services.

# 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

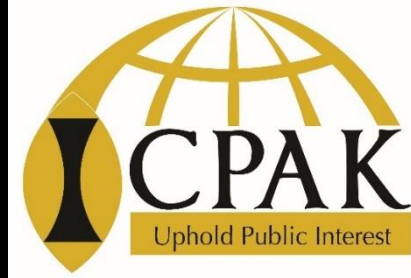


- ❑ Ethical dilemmas are situations that though may look justifiable, they are morally wrong
- ❑ In the course of your duty...this shall be very many!!





# WHAT SHALL YOU DO IN THE FOLLOWING SCENARIOS



- ❑ Suppose your job is to collect revenues in a 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 ne 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

# 1.WEALTH DECLARATION FORMS



- ❑ Introduced through the Public Officers Ethics Act 2003
- ❑ [FORM FOR SCHEDULE OF REGISTRABLE INTERESTS\(To be filled by all staff\)-1.docx](#)
- ❑ 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.

# LIFESTYLE AUDIT PARAMETERS



- ☐ Personal Information
- ☐ Directorship- Companies-whether remunerated on not
- ☐ Remunerated employment or where you've interest
- ☐ Investments- Securities, bonds, shares and ownership in companies
- ☐ Contract for supply of goods and services
- ☐ Public Affairs Advice/Consultancies

# LIFESTYLE AUDIT PARAMETERS.... CONTD



- ❑ Land & Property- Movable & immovable assets
- ❑ Sponsorships- Professional bodies, unions & charities
- ❑ Travel facilities & overseas visits- for self, spouse & children
- ❑ Gifts, Benefits & Hospitality-for self, spouse & children
- ❑ Pending civil & criminal cases touching on public office
- ❑ Possession of dual citizenship or pending application

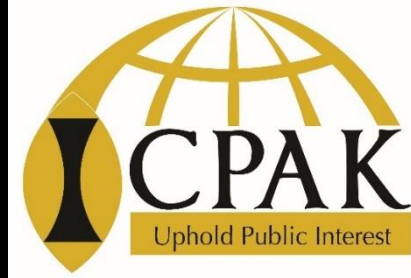
# Case....lifestyle audit?



- ❑ 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.

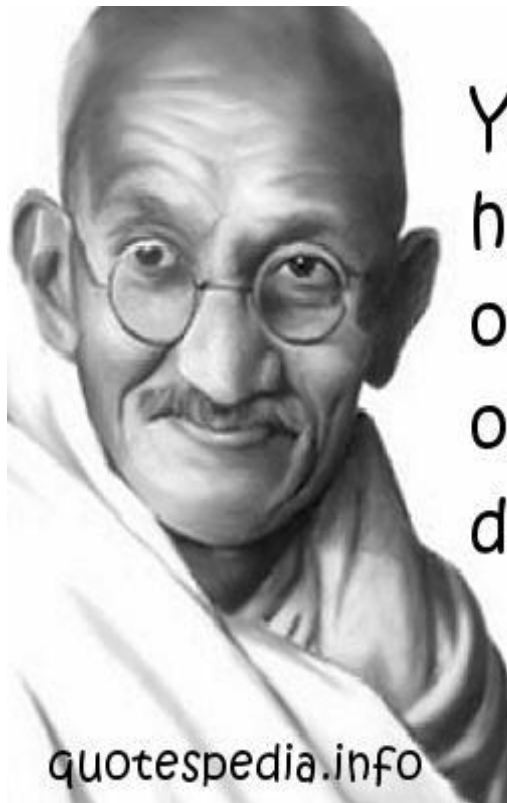


### 3. EXECUTIVE ORDER NO.3 ON PROCUREMENT



- ❑ 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.....



quotespedia.info

You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, the ocean does not become dirty.

Mahatma Gandhi

**Good governance depends on the ability to take responsibility by both administration as well as people**

*Narendra Modi,  
14<sup>th</sup> & current Prime Minister  
of India*

