

Lifestyle Audits; The Story in the Story

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Presentation agenda



Presentation Outline

- Lifestyle
- Audit
- Lifestyle Audit
- Why lifestyle Audit ?
- Mechanics of Lifestyle Audit
- Kenyan experiences
- Challenges to LA
- ICPAK Position
- Thoughts for the future

Lifestyle & Audit



Lifestyle.....

- ❑ The sum total of who you are, habits, standards, attitudes, moral standing, economic level, work ethic, etc
- ❑ Audit is a systematic, objective, methodological review on a sample basis mostly of financial records with or in order to make an opinion as to whether those records support the financial statements and that they reflect a true and fair view of the results of a given period of trading

Lifestyle Audit



A lifestyle audit is the term commonly used by forensic auditors and management in companies to describe the tests that are performed to determine if the lifestyle of an employee is commensurate with that person's known income stream. The employer has detailed knowledge of the remuneration which they pay to the employee, but often management will only have rudimentary knowledge of the staff member's lifestyle.

Why LA



❑ LA is a and admission of failure of other systems



2nd Def



The lifestyle audit is simply an amalgamation of reports from a variety of databases, which provide management/government or investigators with a snapshot into certain aspects of the life of an employee/ public officer . Lifestyle audits are largely fraud/ corruption prevention and detection mechanisms.

Why LA



- ❑ Generally, it is the answer in response to people living beyond their means.
- ❑ Al Capone - in the 1930s, a criminal gang, he murdered his way to wealth, convicted on the basis of un-explained wealth - died while worth about 100 Million USDs in 1947
- ❑ 7 years in prison, but was able to pay all the fines and back taxes from the illicit wealth

Mechanics



- ☐ Databases
 - ☐ Import Declaration Forms /
 - ☐ Airport Exit/ Entry Information
 - ☐ Credit Records
 - ☐ MPesa / Airtel/Mobile Money Wallets
 - ☐ Registrar of Companies / local & offshore
 - ☐ Central Depository & Settlement Company
 - ☐ Kenya Revenue Authority
 - ☐ Water Utility Companies
 - ☐ Electricity

Mechanics



- ☐ Databases
 - ☐ Registrar of Persons (births, deaths, succession battles)
 - ☐ Immigration
 - ☐ VISAs - Past passports – surrendered them
 - ☐ Motor Vehicle Registry (NTSA)
 - ☐ Land Registry
 - ☐ Insurance Regulatory Authority - TPOs
 - ☐ NSSF
 - ☐ Retired Benefits Authority
 - ☐ Unclaimed Financial Assets Authority

Mechanics



- ☐ Databases
 - ☐ Club Memberships
 - ☐ Professional Membership Organisations
 - ☐ Loyalty Cards / Fuel Cards
 - ☐ Casino Entry Records
 - ☐ Hotel Records / IHG/ Flying Blue etc
 - ☐ Jewellery / Speciality Designer Retailers (forms of assurance on quality)
 - ☐ City County and Other Parking Records (link to Mpesa)

Mechanics



- ☐ Databases
 - ☐ Social Media Footprints
 - ☐ Neighbourhood/ Resident Associations
 - ☐ Insurance Policies – medical, education, travel
 - ☐ Banks, interest on both current and all past loans (especially the small loans cleared at once)
 - ☐ Litigations (business cases, arbitrations, fines including cash bails, and those who stand in for you)

Mechanics



- ☐ Databases
 - ☐ Post Office Address – invoices and bills – uk
 - ☐ ETR, VAT Returns Car Bazaars – those who loan you cars to pay slowly, they will tell us why they trust you with millions
 - ☐ KCAA/KAA, Records on parking bays, insurances, hire records, flight manifests (they disclose passengers)
 - ☐ Wholesalers of building materials – cabro works

Kenyan experiences



- 2003: Wealth Declaration Forms (politicians one year after office) why has this remained manual with no evidence of using the data.
- 2013: Vetting of Police Officers - another comedy

Kenyan experiences



In October 2015,

“after Kenya Revenue Authority failed to achieve its revenue target, **an irritated** Uhuru blamed it on corruption and tax evasion - he would then order a lifestyle audit on Treasury and Kenya Revenue Authority (KRA) staff”

Kenyan experiences



April 20, 2016

The Kenya Revenue Authority has started a lifestyle audit on its staff beginning with the most vulnerable departments. The audit comes a time when KRA is 69 billion shillings behind its third quarter revenue target. According to KRA Director General FCPA John Njiraini, all its 5,000 workers will undergo the lifestyle audit.

Kenyan experiences



June 2018

An angry President Kenyatta has ordered that all heads of procurement and accounting units be vetted again. He said the vetting would include subjecting the officers to polygraph tests to determine integrity.

Challenges to LA



☐ Why very little success over time?



Challenges to LA



- Legal Challenge – esp. doctrine of innocent till proven guilty and the burden of proof
- Client Confidentiality – you need a court order – courts are granting them
- Conflict of interest, who audits who?
- Duplicity, lack of integrity in databases, police

ICPAK Position



We support an objective, systematic, process based LAs with clear output



ICPAKs Position



https://www.the-star.co.ke/news/2018/06/22/icpak-backs-uhurus-lifestyle-audit-order-calls-for-fair-process_c1776565

- Non discriminatory
- Include the entire value chain (sample?)
- Not political rhetoric
- Lets plan properly, no field work with no audit plan,
- Automate Wealth Declarations Forms – use the data already known before seeking more

Way Forward



We support the creation of one single

SOCIAL SECURITY NUMBER

Collapse all the databases in the nation to use one
single primary key – the social security number

LET LIFESTYLE AUDIT BE OUR LIFESTYLE

Question & Answer Session

