



# THE 3<sup>RD</sup> PROFESSIONAL FORUM

## THEME: The Citizen's Role in the Fight Against Graft

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Uphold public interest

# Learning Outcomes



The following are the learning outcome for the presentation

1. To highlight the forms of corruption trickeries played by fraudsters;
2. To enlighten members on professional guidelines on ethical conduct including new developments in the Accountancy Profession; and
3. To explore various ways of averting fraudulent attempt

# The Dragon



# Why Engage Citizens in the fight against graft



1. Graft has devastating socio-economic effects on majority of citizenry;
2. Embezzlement of the Kenya's resources by both citizens and leaders at various levels leads to impoverishment of the citizens;
3. Graft creates a widening gap between the wealthy and the poor in Kenya;
4. Corruption lives amongst us and can be spotted in every sphere of the society- in our families, among our friends, in our offices, government offices and facilities, on our roads, religious bodies, private sector, and as well as the professional bodies



# What is Corruption?



## Abuse of public office for private gain- General defined

- Public official accepts, solicits or extorts a bribe from either another public official or a citizen.
- Agents give bribes to avoid public policies for competitive advantage or for profit.

## Abuse of entrusted power for private gain- TI Define

- Corruption occurs in both public and private sectors.

## Forms of Corruption include:

- Fraud, bribery, nepotism, extortion, speed money graft embezzlement, pilferage, falsification and manipulation of records, theft, kickbacks, and influence peddling

# Scales of Corruption



## Grand Corruption

Occurs at the highest political or bureaucratic level

## Petty Corruption

Example: Exchange of small improper gift and use of office for favors

## Systemic Corruption

or endemic corruption is corruption which is primarily due to the weaknesses of an organization or process.

# The Legal Framework in Kenya



The  
Constitution of  
Kenya

Ethics and  
Anticorruption  
Commission Act  
2011

Anti-corruption  
and Economics  
crime Act 2003

Public Finance  
Management Act  
2012

PPAD Act 2015

Witness  
Protection Act  
2006

Proceeds of  
Crime and Anti-  
Money  
Laundering Act.  
2009

Leadership and  
Integrity  
Act, 2012

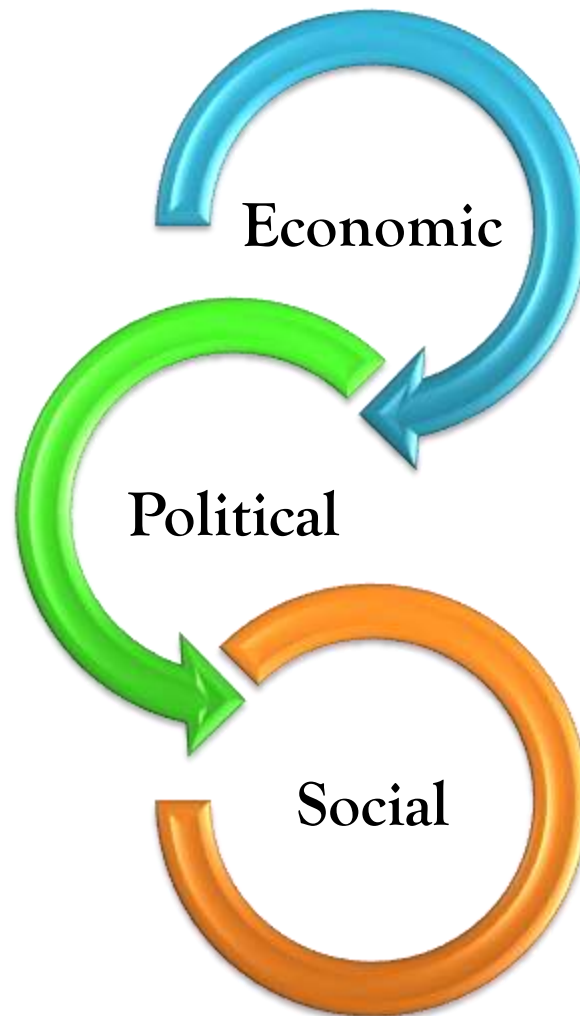
Public Audit Act  
No. 34 of 2015

Bribery Act 2016

Central Bank  
Act, 2015

Access to  
Information Act  
2016

# Consequences of Graft





# Causes of Graft- Individual Motivation



**Desire for an  
Unfair  
Advantage**

**Lack of  
Punitive  
Measures**

**Lack of  
Transparency**

**Poor  
Incentive  
Structure**

# Causes of Graft- Structural Factors



Legacies of Colonialism and Religion

Emergence of Economic and Political Stability

Availability of Natural Resources.

Level of Democracy.

Level of Openness to Trade.

# Strategies for Fighting Graft



Prevention  
strategies

Transparency  
strategy

Accountability  
strategy

Participation  
strategy

Rule of Law  
strategy

Incentive  
strategy

Oversight  
strategy

Education  
strategy

Simplification of  
procedures

Advocacy and  
Lobbying  
strategy

Enforcement  
and Prosecution  
strategy

# The Accountancy Profession- Playing a Positive Role in Tackling Graft- IFAC Report (Feb 2017) :- Key Findings



Where the governance architecture is stronger, the role played by professional accountants in tackling corruption is amplified.

Professional accountants are playing a major, positive role in tackling corruption, along with other key actors in the global economy

Professional ethics, education, and oversight—at the core of the global accountancy profession—are key to the positive role played in tackling corruption.

*“The accountancy profession seeks to create an ethical framework to assist its members in speaking out when they identify fraud and corruption.”- IFAC President Rachel Grimes*

# The IFAC 2017 Report:- Challenges and Opportunities



**Working together to strengthen governance and transparency, and combat corruption**

- All key players in the governance architecture including professions, business, and government, in both private and public sectors, must collaborate

**Improving government accounting**

- Poor government financial management, including cash rather than accrual based accounting, remains a significant issue

**Consistent international standards**

- Adoption of high-quality international standards on financial reporting, auditing, and ethics including implementation of Code of Ethics for Professional Accountants

# ICPAK's Ethics and Compliance Programme



- ❖ The Institute's Ethics and Compliance Program is based on International Code of Ethics for Professional Accountants as adopted and issued by the Institute ;
- ❖ The Ethical Principles define the specific standards of professional behavior expected of the members in the accountancy profession;
- ❖ The Program encompasses oversight and communications mechanisms that are in place to manage our ethics and compliance activities;
- ❖ The 200 Pages ICPAK's Code of ethics for professional Accountant includes the entire IFAC Code together with specific requirements under Kenyan context;
- ❖ The Code reflects our expectations for all professional accountants.



# Ethical Questions for Decision Making



# New Developments:- Finance Act 2018



“Accountant” is a person registered as an accountant under Section 24 of this Act and is a member as defined in section 4 (2) (a) and (b) with expertise achieved through formal education and practical experience, and shall be held to a high professional standard in respect to

- a) Demonstrating and maintaining competence in accountancy in line with International Accounting standards;
- b) Compliance with the Institute's code of ethics;
- c) Maintaining good standing status; and
- d) Subject to enforcement of the rules and regulations of the Institute;

# New Developments:- Ethical Requirements (S.30) :- Finance Act 2018



- 2A) An accountant shall observe the ethical guidelines and applicable standards in the discharge of duty;
- (2B) The ethical guidelines and applicable standards of the accountancy profession shall take precedence over any instructions from a client or other person; and
- (2C) An accountant shall not be liable for taking such actions or decisions or rejecting instructions from a client if such action, decision or rejection is in pursuance of the provisions of subsections (2A) and (2B)

# Other Amendments of Accountants Act 2008:- Other Development



- ❖ The Institute to prescribe the remuneration order for the accountancy profession with the approval of the Cabinet Secretary responsible for finance (**New Function of the Institute S 8**) .
- ❖ KASNEB shall, prior to registering a person to undertake an examination in accounting, require that the person be registered as a member of the Institute (**Functions of KASNEB S.17**;
- ❖ An entity in either the private or public sector shall not employ a person to practice accountancy unless the person is a member of the Institute (**S. 19 on Practicing as Accountant**)

# Ways to avert Fraud.....



# ....Lets Discuss Now...



*“In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if they don't have the first, the other two will kill you.”*

*Warren Buffet -CEO, Berkshire Hathaway*

*Thank You!*

A large, colorful, abstract brushstroke graphic is positioned below the 'Thank You!' text. The brushstrokes are in various colors including blue, purple, pink, orange, and yellow, creating a vibrant, multi-colored background for the text.