



**ICPAK 06/2013 - POSITION PAPER ON**  
**COMPENSATION FOR PROFESSIONAL ACCOUNTANTS IN PUBLIC SECTOR**

*The Institute of Certified Public Accountants of Kenya (ICPAK) is the professional organization for Certified Public Accountants in Kenya established in 1978 by the Accountants Act, CAP 531. ICPAK is dedicated to development and regulation of the accountancy profession in Kenya so as to enhance its contribution and that of its members to national economic growth and development. In this regard, ICPAK wishes to advise the public that an Accountant by Law is an individual who has qualified by passing the three levels of the CPA examinations and is duly registered by the Institute of Certified Public Accountants of Kenya.*

## Executive Summary

Accounting as a profession plays a vital role towards promotion of good governance of a country through measurement, recognition, analysis and disclosure of financial and key non financial information. In Kenya, one is considered an accountant after successfully completed all the three levels of professional examinations offered by the Kenya Accountants and Secretaries Examinations Board (KASNEB) and thereafter register with the Institute of Certified Public Accountant of Kenya (ICPAK). ICPAK as the statutory body tasked with regulating the accountancy profession in Kenya enforces professionalism and code of ethics within its members.

Kenyan public sector has constantly lost competent accountants to the private sector in the recent past. Retention of qualified accountants in the civil service remains the biggest challenge and high turnover has hampered service delivery. This can be addressed through adequate policies on human resource management just like it is done in other economies. Tanzania for example in 2000 implemented remuneration enhancement scheme that has yielded positive results on performance both at individual and departmental level. Research into the Federal Civil Service (FCS) of Nigeria recommends that appropriate incentive should be provided to retain competent employees for performance.

In Kenya as evidence Cohen and Wheeler report of 1997, high turnover of professionals from public service to private sector is attributed to low salaries, absence of merit promotion, cumbersome structural organization of target ministries and low morale among other issues. According to this report recruitment and retention of staff in the public sector should be guided through efforts that strengthen national educational systems and high-level support for capacity building and those that address employees' salary and benefit constraints among others.

Comparison made between government schemes of service for accountants and economists reveals that the grading system favours economists by making economists one grade higher than their counterparts, the accountants yet economics plays a complimenting role to that of the accounting function. This anomaly should be rectified based on the principle of equity. The Public Service Commission should also consider payment of non-practising allowance to accountants just like it is done to other professionals like doctors, dentists and advocates. At the same time, PSC needs to align the pay structures for accountants to that of economists as the two professions play complimenting roles.

We recommend that for any designation that calls for the duties and responsibilities assigned to a professional accountant, the minimum requirements should include registration with the Institute of Certified Public Accountants of Kenya. Further to this, we propose that efforts be made to require all accounting staff to attain the final level of professional qualification. It would be proper that those holding the titles of Accountant I, Senior Accountant & Chief Accountant be registered members of ICPAK.

## INTRODUCTION

Among the African countries, Kenya is known to have a high concentration of highly skilled human capital but is faced with the challenge of productively employing and retaining the rising share of qualified professionals. It is therefore imperative that and retention of this critical asset be placed as a high policy priority.

At independence, the Kenyan government like many emerging independent nations took upon itself the task of providing basic needs and services. Public service was therefore created and given the responsibility to coordinate the procure for the main stream government, the requisite skills to support the objective of hastened national development by assembling an optimum mix of core skills to drive economic growth through the service delivery.

In response to this need, the government guaranteed employment in the public service to university graduates upon successful completion of their studies. This resulted in the growth of the public service to the current unsustainable level. Although the proportion of the aggregate wage bill to the total government expenditure is high, individual remuneration for the professional, technical and management cadres of staff is comparatively low.<sup>1</sup>

With specific reference to the accountancy profession, the President of the Republic of Kenya, during his address at the official opening ceremony of the first Africa Congress of Accountants in November 2011, cited that the public sector has constantly lost good accountants to the private sector. He appealed to the professional bodies to come up with recommendations on how the public sector could retain competent accounting staff.<sup>2</sup>

The Permanent Secretary; Ministry of State for Public Service on a number of occasions noted that retention of qualified professionals in the Civil Service is the greatest challenge to efficient and effective service delivery. The desire to build a vibrant civil service to support the overall objective value proposition is therefore impeded by the inadequacies of the human capital management policies on commensurate compensation packages, recognition awards, career development programs, open communication lines, and bonuses.

Retention of talented and skilled staff members is vital for the continued success of public sector programmes and projects. As the greatest asset in any organization, the staff need to feel valued and respected through an objective reward scheme. An important ingredient for public sector staff retention is the fact that the employer (Government) must commit to a culture of respect and open communication. The key to employee satisfaction and retention is founded on strong leadership and sound management practices.

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<sup>1</sup> Public Sector Reform & Development Secretariat- Donor/GOK Consultative meeting notes

<sup>2</sup> ICPAK Position Paper on the Retention of Professionals in Public Sector  
Speech by H.E Hon. Mwai Kibaki, ACOA 2011

## Objective of the Paper

By this paper, we seek to discuss ways by which to reform the service schemes for professional accountants in the public service with a long term goal of strengthening the human capital management and securing the services of these accountants over a longer period of time.

## ACCOUNTANCY AS A PROFESSION

Article 73 of the Constitution of Kenya provides that the authority assigned to a state officer is a public trust to be exercised in a manner that promotes public confidence in the integrity of the office. Integrity as a manifestation of ethics and values has been synonymous to the image of the accounting profession. The etymology of the words 'to account' as 'to explain' denotes clearly the element of discharging the original duty as a steward or custodian of public trust.<sup>3</sup> The accounting profession is therefore seen to meet the threshold of good governance as a disciplined profession guided by its code of ethics and disciplinary framework. The accountant is placed in the unique position to facilitate a measuring and reporting framework for service delivery.

The International Federation of Accountants (IFAC) defines accountancy as 'A field of practice in which a professional accountant provides the measurement, recognition, preparation, analysis, and/or disclosure of financial and relevant non-financial information'.<sup>4</sup> The accountant is defined in a three level descriptive framework:

- the first level being who the professional accountant is, stated as 'a person who has expertise in the field of accountancy, achieved through formal education and practical experience.
- the second level of description is what they do, stated as 'demonstrates and maintains competence, complies with a code of ethics, is held to a high professional standard and is subject to enforcement by a professional accountancy organization or other regulatory mechanism'.
- the third level is how the professional accountants can be differentiated from one another based on roles and specializations within the accountancy profession. This level provides that 'professional accountants can be differentiated from one another by certain factors such as competence, responsibilities, and services provided.'

## LEGAL DEFINITION OF ACCOUNTANT

In Kenya, the Accountants Act 2008 defines an accountant as a person registered with the Institute of Certified Public Accountants of Kenya (ICPAK) having satisfied the registration committee as reflecting adequate knowledge of local law and practice, adequate experience in accounting and

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<sup>3</sup> Article on Human Governance by Arfah Salleh, FCPA & Aziuddin Ahmad - IFAC

acceptable professional conduct and general character.<sup>5</sup>

It is critical to note that a Certified Public Accountant by the definition of the Accountants Act is one who has successfully completed the three levels of professional accountancy examinations administered by the Kenya Accountants and Secretaries Examinations Board (KASNEB), thereafter duly registered by ICPAK and is of good standing.

ICPAK as the professional body mandated to regulate and develop the accountancy profession in Kenya, places a professional expectation that a registered accountant shall at all times be of good standing by complying with the professional code of ethics and standards and undertake to continuously professional development on current developments within the profession. An accountant by registration is subject to a rigorous disciplinary process at the Institute. These efforts aim to make a registered accountant (CPA K) competent, professional in his duties and responsibility and accountable for his actions.

## **LESSONS LEARNED ON STAFF RETENTION IN THE WIDER PUBLIC SECTOR**

Studies have been undertaken on means and ways of retaining quality staff in the public sector to enhance quality of service delivery. We can extrapolate some of the study findings in the

### **Tanzania**

Tanzania in an effort to enhance productivity of the public service in service delivery, implemented in 2000, a policy on Selective Accelerated Salary Enhancement (SASE) Scheme. Evidence from the implementation of the Tanzanian SASE Scheme suggests that salary supplements had a significant positive impact on performance of beneficiaries at both the individual and departmental level. Furthermore, departments were better able to attract and retain qualified professionals, technical and managerial staff; and encourage staff to undertake further training to aspire for progression and to move up the career ladder.

### **Nigeria**

Nigeria Research into the Federal Civil Service (FCS) of Nigeria (Gberevbie, D. E., 2010) finds that the strategies for employee recruitment into the civil service are mainly based on principles of equal representation of people from different sections of the country, merit, political consideration and government discretion. In terms of strategies for employee retention, it finds that the service lags behind in providing adequate incentives to retain its workforce for performance compared to what is obtainable in the private sector. It therefore recommends that while positive discrimination may be necessary as a strategy for employee recruitment into the FCS because of Nigeria's multicultural, ethnic and religious diversity, its application should

be carried out to reflect merit within the principle. In addition, the study proposes that appropriate incentives should be provided to retain competent employees for performance.

### **Kenya**

Evidence from Kenya in the late 1990 s (Cohen and Wheeler 1997) suggests that many professionals left the public sector for the private sector primarily because of:

- low salaries;
- unwillingness of the Government to 'top-up' salaries for critical professional posts,
- absence of merit promotions
- cumbersome structural organization of target ministries
- poorly designed career ladders
- civil service rules that retarded career advancement
- extra-legal constraints on the speed and fairness of promotions
- leadership uncommitted to building sustainable professional capacity, and
- low morale

Based on the Kenyan experience, the above study recommended that the process of recruiting and retaining quality professional staff in the public sector should be guided by deliberate efforts aimed at:

- Strengthening national educational systems.
- Designing training programmes targeted on retention
- Strengthening high-level support for capacity building
- Increasing morale through better management
- Reforming civil service regulations
- Addressing salary and benefit constraints
- Investing in facilities, equipment, and vehicles required to make targeted personnel effective
- Insulating valuable personnel from ethnic, political, and social pressures

Even with the sound recommendations, the scenario has by and large remained the same from the time the study was conducted.

## **EVALUATION OF THE PROFESSIONAL ACCOUNTANT'S SALARY POLICY**

Professional accountancy qualification and title of Certified Public Accountant (or simply put, Accountant as defined by the Accountants Act) is thus acquired only on registration with the Institute. The CPA qualification is internationally recognized and the platform of quality has enabled close to six hundred (600) Kenyan CPAs access practise opportunity in the leading global economies such as the United States, United Kingdom, Canada and closer home, South Africa.

In order for the public service to attract and retain professionals, a review of the current salary policy is critical to match the professional qualifications and skills.

## **COMPARATIVE ANALYSIS OF SALARIES FOR ACCOUNTING PROFESSIONALS**

Numerous studies both locally and internationally have indicated that indeed the public sector in Kenya has comparatively very low compensation structures as compared to some other government schemes of services for accountants and the private sector. There is established a direct relationship between compensation levels and the ability to attract and retain quality human resources. The studies have indicated that the private sector indeed has better compensation structures over the public sector and hence its ability to attract and retain the professional accountants.

### **The Government Scheme of Service for Accounting Staff**

The Scheme of Service issued by the Permanent Secretary, Ministry of State for Public Service aims to provide for a clearly defined career structure which will attract, motivate and retain suitably qualified accountants in the Civil Service. The Scheme proposes to provide for well defined job descriptions and specifications with clear delineation of duties and responsibilities at all levels within the career structure to enable officers understand the requirements of their job. In striving to achieve this, the Scheme proposes to establish standards for recruitment, training and advancement within the career structure on the basis of qualifications, knowledge of the job, experience, competence, merit and ability as reflected in work performance and results.

### Scheme of Service for Accountants in Public Sector in Kenya

GRADE	TITLE	DUTIES	SALARY SCALE	REQUIREMENT	EQUIVALENT REQ.	YEARS OF EXPERIENCE
<b>J</b>	Accountant II	Entry Level for non professionals, Bookkeeping	<b>21,304 – 25,895</b>	CPA Sec 4	Bachelors Degree	0
<b>K</b>	Accountant I	Entry Level for professionals, Accounting operations in a District Treasury	<b>26,323 – 31,996</b>	Bachelors Degree & CPA Sec 4	CPA Sec 6	3 Years - Accountant II
<b>L</b>	Senior Accountant	Preparation of reports under section and certification of returns and documentation	<b>30,472 – 35,275</b>	Bachelors Degree & CPA Sec 4	CPA Sec 6	3 Years - Accountant I
<b>M</b>	Chief Accountant	Head of one or more divisions of an accounting unit or District Treasury	<b>35,275 – 42,877</b>	Bachelors Degree & CPA Sec 4	CPA Sec 6	3 Years-Senior Accountant
<b>N</b>	Principal Accountant	Head a small / Medium the District Treasury or deputize large district treasury	<b>40,835 – 49,636</b>	CPA K & Bachelors Degree		3 Years-Chief Accountant



<b>P</b>	Assistant Accountant General	Head Large District Treasury/Deputy Head of Accounting Unit/Auditor General's Office	<b>63,782 – 81,404</b>	CPA K & Masters Degree		3 Years-Principal Accountant
<b>Q</b>	Senior Assistant Accountant General	Auditor General's Office, Accounting Unit or Provincial District Treasury	<b>77,527 – 98,947</b>	CPA K & Masters Degree		17 Years or 3 Years AAG
<b>R</b>	Deputy Accountant General	Head a division in Auditor General's Office, Large Accounting Unit	<b>94,235 – 120,270</b>	CPA K & Masters Degree		20 Years or 3 Years as Senior AAG
<b>S</b>	Senior Deputy Accountant General	Oversee Management of all divisions in Auditor General's Office	<b>100,620 – 127,980</b>	CPA K & Masters Degree		22 Years or 3 years as Deputy AG
<b>T</b>	Accountant General	Policy Development and oversight of public sector accounting services & systems		CPA K & Masters Degree		3 Years as Senior Deputy AG

The Scheme of Service for Accounting Staff classifies the accountant into two main categories; non professional and professional accountants. For professional accountants, the scheme of service issued by the Ministry of State for Public Service provides the entry level as Accountant 1 in Job

group J. In light of this definition, the requirements provided by the scheme of accountants, assigned to the designation of Accountant II, Accountant I, Senior Accountant & Chief Accountant fall short of legal requirement for the use of the title "Accountant".

The Scheme has however failed to live by the desire to professionalize the accounting function in Government by seeking to engage persons who have not attained the requisite professional qualification for the office of accountant in line with best practice.

### **PwC Survey Report on Remuneration – Focus on Accounting Professionals**

PricewaterhouseCoopers runs a human resources survey in Kenya on compensation levels for professionals across some sectors. In the 2009 report (the latest) the figures for remuneration for professional accountants were as follows:

<b>TITLE</b>	<b>ACADEMIC &amp; PROFESSIONAL QUALIFICATION</b>	<b>ASSIGNED DUTIES</b>	<b>REPORTING LINES</b>	<b>BASIC PAY AVERAGE – KES</b>
Head of Finance  Other Equivalent Titles  <ul style="list-style-type: none"> <li>• Finance Manager</li> <li>• Finance Director</li> </ul> Finance & Administration Manager	Qualified ACCA or CPA(K) & Degree	<ul style="list-style-type: none"> <li>• Ensuring the continuing confidence in the financial viability and stability of the company through timely and economic satisfaction of short and long term funding needs</li> <li>• Internal, external and statutory financial reporting requirements;</li> <li>• enforcement of financial integrity;</li> <li>• Internal financial controls of the company.</li> </ul>	Chief Executive Officer	427,612.00

Deputy Head of Finance, Other equivalent Titles:  Chief Accountant Deputy Finance Manager Financial Controller	Qualified ACCA or CPA(K) & Degree	<ul style="list-style-type: none"> <li>• Responsibility for the supervision of the accounts staff</li> <li>• Ensuring financial controls are strictly observed</li> <li>• Timely, economic and accurate preparation of all financial reports and accounts</li> <li>• Provision of effective accounting and financial management.</li> <li>• Developing, updating and maintaining accounting procedures and systems and administration of the payroll</li> </ul>	Head of Finance	248,026.00
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Chief Accountant Other equivalent Titles Senior Accountant	Qualified ACCA or CPA(K & Degree	<ul style="list-style-type: none"> <li>• Ensuring management is up to date with accepted standards</li> <li>• Ensure good cash flow to ease delays in payments</li> <li>• Ensure that all reporting is on per schedule and oversee implementation.</li> <li>• Innovatively allocate duties and transfers.</li> <li>• Prepare and implement plan on changing the system of reporting and enforce a strategic plan to transfer audit to Post-Auditing.</li> </ul>	Head of Finance	210,081.00
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Accountant  Other equivalent Titles  • Budget Accountant • Cost Accountant Financial Accountant  • Management Accountant	Qualified ACCA or CPA(K) & Degree	<ul style="list-style-type: none"> <li>• Ensures the timely, economic and accurate preparation of specific accounting and financial management information necessary to control the business and meet both internal and statutory reporting requirements.</li> <li>• Prepare information regarding statutory accounting, cost accounting, management accounting and salaries.</li> </ul>	Chief Accountant of Head of Finance	114,459.00
Assistant Accountant	CPA 1 or 2 and O Level Certificate	Assists the accountant in preparation of specific accounting and financial management information under the supervision of the accountant	Accountant	57,598.00

Source: 2009 PwC Survey Report on Basic Pay for Accounting Professionals

### **COMPARISON BETWEEN GOVERNMENT SCHEMES OF SERVICE FOR ACCOUNTANTS AND ECONOMISTS**

The Scheme of Service for accountants provides that the Accounting function entails provision of quality accounting and advisory services to the Public Sector. This involves planning, developing and implementing Government accounting policy, systems and procedures; computerization of accounting systems; and monitoring revenue collection and expenditure as approved by Parliament; application of sound principles, systems and techniques in accounting for Government finances, Government assets, revenue, expenditure and costs. The function further entails accounting for special funds set up under various statutes, programmes and projects under special negotiated agreements; management of accounting information which includes coordination and rationalization of estimates, annual appropriations and fund accounts, cash flow control, cost analysis and any other related. The scheme of service acknowledges a ten level grading system for accountants from job grade J to T.

The Government Scheme of Service for Economists on the other hand provides that economists shall take charge of planning and analysis of Government policies with regard to planning and economic policies. To deliver this mandate, the Scheme of Service establishes nine (9) grades of Economists from job grade K to T.

#### Summary of the Grades

<b>Scheme of Service for Economist</b>		<b>Scheme of Service for Accountant</b>	
<b>Position</b>	<b>Job Grade</b>	<b>Position</b>	<b>Job Grade</b>
		Accountant II	J
Economist II	K	Accountant I	K
Economist I	L	Senior Accountant	L

Senior Economist II	M	Chief Accountant	M
Senior Economist I	N	Principal Accountant	N
Principal Economist	P	Ass. Accountant General	P
Dep. Chief Economist	Q	Sen. Ass. Acc. General	Q
Chief Economist	R	Deputy Accountant General	R
Director	S	Sen. Dep. Accountant General	S
Planning Secretary	T	Accountant General	T

*Adopted from the Government Schemes of Services for Accountants and Economists*

One would note from the grading system that economists are favoured by the grading system by making economists a grade higher than their counterparts, the accountants yet economics plays a complimenting role to that of the accounting function. By the principle of equity, the anomaly should be corrected at the earliest as it raises a fundamental issue that has served to demoralize the accountants who have stuck in the public service while at the same time contributed to shifting attention to the private sector.

#### **PAYMENT OF NON-PRACTISING ALLOWANCE**

The Public Service Commission has in the past, sanctioned the payment of non-practising allowances to doctors, dentists and advocates who are engaged on full times basis as employees of government and government agencies. This allowance, aims to compensate the professionals for the opportunity cost for not practising. The decision to introduce this allowance was informed by the desire to engage professionals in service delivery. It is appalling that professional accountants have not be considered yet they forego practising rights on account of full time engagement in public service.

We are of the considered view that compensation for non-practising should be a global allowance payable to all professionals. If adopted, it is a sure mechanism by which the public sector will to attract and retain the necessary quality human resources to support the process of service delivery.

In as far as the accountancy function is concerned; the Institute is of the view that the allowance to be pegged on the basic pay and at an applicable rate of thirty per cent of the basic pay. In proposing this threshold, the Institute remains cognizant of the economic situation prevailing in the country. It is important that following the legal definition of who an accountant is, the non-practising allowance should be implemented as a benefit to professional accountants who are duly registered and are of good standing.

## **OUR RECOMMENDATIONS**

### **Accountant Designation**

- We recommend that for any designation that calls for the duties and responsibilities assigned to a professional accountant, the minimum requirements should include registration with the Institute of Certified Public Accountants of Kenya. This will ensure that staffs of Governments and government agencies are subjected to an additional level of regulations administered by the Institute.
- To benefit from professionalism, we propose that deliberate efforts be made to require all accounting staff to attain the final level of professional qualification. This will serve to enhance the quality of service of the accountants.
- The government and its related agencies need to support the professional accountants under their employ to maintain a good standing position with the Institute. Towards this end, the Government should extend support to the accountants by paying their subscription fees and financing their continuous professional development. The benefits accruing out of this facilitation is that the accountants are made to comply with the minimum quality standards in the discharge of their functions through the express requirement that they as professional members of the Institute, comply with the professional code of ethics as well requirement that they undertake professional development through learning on the emerging issues that may affect their ability to deliver on the core mandate.
- We recommend re-instatement of the Accounts Assistant grade to be staffed by persons holding technician level qualification.
- We also recommend an amendment to the requirements assigned to the titles; Accountant I, Senior Accountant & Chief Accountant to include registration with the Institute of Certified Public Accountants of Kenya.

The professional accountants in the employ of government have forgone the opportunity to practice and hence should be compensated by a payment for non-practising allowance similar to their counterparts in the legal and medical sectors. This will equally serve to motivate these professionals to discharge their functions more effectively and avoid a situation where one alleges discrimination on the basis of the provisions of Article 27 (4) of the Constitution.



## **CONCLUSION**

Poor remuneration has served to deny the public sector of the quality accountants to ensure that the level of compliance compliments the various tenets of accountability. Attracting and retaining professional accountants will remain a challenge unless the government reviews its policy on human capital management with a specific focus on compensation and career development.

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