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MANDELA'S LEGACY

“A GOOD HEAD AND A
GOOD HEART ARE ALWAYS A
FORMIDABLE COMBINATION”



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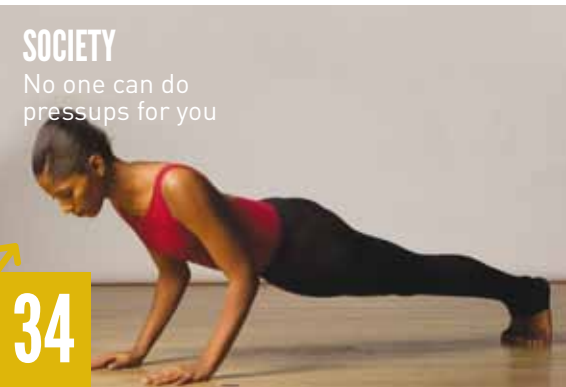
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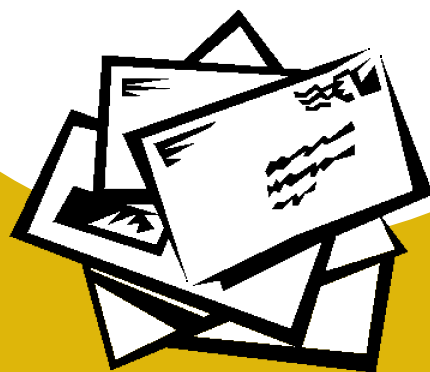
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Dear reader,

Happy New Year!

2013 is now behind us. But we are without our icon former South African President and joint winner of the Nobel peace Prize, Nelson Mandela who died in December 2013.

He left us with powerful messages that underscore the underlying goodness of human kind and in retrospect, clear pointers on what we need to emulate to transform our lives and of those around us. One of the significant issues that concerned Mandela was the discriminatory aspect of apartheid. In the South African context, the divisions between people by virtue of race and color were most pronounced.

If we equate this with our own tribal and racial overtones, his words tell us that this is not a creation of our genetics but our teachings that have influenced the next generation: "No one is born hating another person because of the color of his skin, or his background, or his religion. People must learn to hate, and if they can learn to hate, they can be taught to love, for love comes more naturally to the human heart than its opposite." This is the topic we engage in on our cover story. The author cites several electrifying anecdotes from this quotable leader who never tired of reminding us that "Man's goodness is a flame that can be

hidden but never extinguished."

The provision of public infrastructure and public utility services are some of the prime mandates of Governments all over the world. And infrastructure like roads, power, rail, water and sanitation, as well as seas and airports, are initial requirements for economic growth and development.

Find out how the traditional role of Government as the primary infrastructure and public service provider is gradually being supplemented with private sector expertise and financing. Accordingly the government is implementing a combination of policy and legal reforms; it is also financing mechanisms, incentives and institutional support. Doing this, helps to bolster private sector participation in provision of public infrastructure and utility services. Discover more about this interesting development in the governance segment under the title public private partnerships.

In the environment section, we discuss how the quest for new sources of energy to drive Kenya's economic growth is bringing challenges that will have to be overcome if environmental degradation, violent conflict and social upheaval are to be avoided. The writer argues that with no certainty that oil finds in Turkana will prove commercially viable, the country is experimenting with new technologies to fill the growing demand for all types of energy. But some of the new technologies carry the risk of a severe impact on food security and the environment that could lead to big trouble. Meanwhile, in the management section we bring you a fascinating article concerning the value of proper communication in human relations and corporate governance. The writer tells us that it is vital in company budgeting and implementation process. We see why the board, management, staff, and external stakeholders must communicate to cultivate a way forward and develop goal orientation.

You must know how important it is to keep all medicines out of the reach of children. Overlooking this simple message

however, can change your life forever. See how it severely changed the lives of a doctor and his family in the health piece.

Additionally, in this issue, we look back at the history of ICPAK to see some of its notable achievements. It is fascinating to see how ICPAK has evolved during its 35 years and why it was imperative for the institute to mark this day. Several events were carried out, culminating into an elaborate celebration at the end of 2013.

Finally, in the society segment, we have an interesting feature titled no one can do press-ups for you. We are guided through an interesting explanation that says you are your own doctor when it comes to curing cold feet, a headache and a negative attitude. But many leaders have developed a philosophy that says we are the reason for our success and others are the reason for our failures.

As always, we continue to bring you well researched stories for maximum entertainment and education.

Editor

PUBLIC NOTICE

In line with ICPAK's vision of creating viable sized firms through mergers, two firms, Gachoka & Associates and Lutukai Masambu & Associates have merged, creating a larger firm "Gachoka Lutukai & Associates" This will enable them to serve their clients better.

The two Partners, Peter Kangethe Gachoka and Peter Soita Lutukai both share the values and business philosophies that breed success. "Our capabilities complement each other nicely, and we know that our combined strengths and expertise will lead to great opportunities for clients and employees on both sides."

The merged firm, with its offices at China Centre, Ngong road, will focus on value add services.

GL & Associates
 Gachoka Lutukai & Associates
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WILL THE US ADOPT IFRS? WHAT DOES THE US THINK ABOUT THE NEW AUDIT REPORT?

By Jim McFie, a Fellow of the Institute of Certified Public Accountants of Kenya

At the American Institute of Certified Public Accountants (AICPA) conference on “Current Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board Developments”, held on 9th to 11th December 2013, William E. Balhoff, the Chairman of the Board of Directors of the AICPA, reiterated the AICPA’s desire to move towards the use of International Financial Reporting Standards for U.S. public companies. While global adoption of IFRS continues, many countries are waiting to see what will happen in the U.S. The AICPA has long been a proponent of one set of high-quality globally accepted accounting standards for public companies. The AICPA continues to support allowing US domestic public companies to voluntarily use IFRS in their US Securities and Exchange (SEC) filings when it makes sense in their circumstances. Certain issuers based in the U.S. would then have parity with foreign private issuers, and such a program could serve as a pilot test for further incorporation. He encouraged the SEC to make revisiting IFRS a priority.

However, the SEC Chief Accountant Paul Beswick said that rulemaking duties related to federal legislation have prevented the SEC from devoting time to deciding on the future of IFRS in the United States, “I think from my perspective, everyone in

the commission thinks about the decision on IFRS and what the next steps are and thinks it’s very important,” Beswick said during the conference. “What many people have to realise is, with the passage of Dodd-Frank and the JOBS Act, the commission had a number of issues that were presented that were very complex and taking a lot of time.”

There has been little public discussion of IFRS by the SEC since the SEC staff issued a report in July 2012 that discussed the pros and cons of allowing or requiring US public companies to use IFRS for their financial reporting. The 127-page report said the standards produced by the International Accounting Standards Board (IASB) were of high quality despite areas that need further development. But it questioned the funding of the IASB and the timeliness of responses to widespread accounting issues by the IFRS Interpretations Committee, and said adoption would be costly for US public companies.

The report did not make a recommendation on whether the SEC should allow or require US companies to use IFRS for their financial reporting. A decision on IFRS now rests in the hands of the SEC commissioners.

“When you think about five commissioners, there’s a certain level of bandwidth they can handle at one time,” Beswick said. “That doesn’t mean we think

it’s any less important, and we are in a position where we are continuing to work on the decision, and hopefully we can get to it in the near team.”

IFRS is required for all or most domestic listed companies in 101 of 122 jurisdictions represented in a study whose results were released recently by the IFRS Foundation, which oversees the IASB. The study found that:

- Most of the 21 countries that do not require IFRS permit IFRS for at least some listed companies.
- Modifications to IFRS are rare, and often temporary and limited in applicability.
- About 60% of the 101 jurisdictions that require IFRS for listed companies have extended that requirement to unlisted financial institutions and/or large unlisted companies.

Turning to the new form of the audit report being proposed in an exposure draft by the International Auditing and Assurance Standards Board, it is extremely revealing to read the responses that were made to the Public Company Accounting Oversight Board (PCAOB), the audit regulatory board in the US for audits of companies quoted on stock exchanges in the US, on similar proposals. The message from financial statement preparers to the PCAOB about the content of audit reports is clear.

Preparers don’t want their responsibilities usurped by auditors. “While some investors may desire improvements in disclosures, the proper source of this information is management and not the auditor,” FedEx Corp. told the PCAOB in a comment letter.

The key element of the PCAOB’s proposal to require new information in auditors’ reports faces significant opposition from financial statement preparers, audit committees, and industry organizations, comment letters show.

Letters posted on the PCAOB’s website from more than 60 companies that prepare financial statements overwhelmingly express opposition to the board’s proposed requirement for auditors to include descriptions of “critical audit matters” in their reports. Companies such as Apple, Chevron, ExxonMobil and Wells Fargo are among the dissenters on critical audit matters as described in the proposal, which would require auditors’ reports to include information about the most difficult matters auditors encountered during the

audit.

Trade group representatives such as the Committee on Corporate Reporting of Financial Executives International and the U.S. Chamber of Commerce Center for Capital Markets Competitiveness also wrote letters opposing the inclusion of critical audit matters in the proposal, as did some audit committee leaders and organizations.

Letters to the PCAOB from many investor advocates, however, supported more disclosure by auditors. More than 230 letters on the topic—from writers that also included public accounting firms, state CPA associations, academics and individual CPAs—were posted on the PCAOB’s website.

The proposal would represent the first substantial change in the auditor’s report since the 1940s, according to PCAOB Chief Auditor Martin Baumann. The board proposed the changes to accommodate investors’ desire for information beyond the pass/fail opinion auditors provide on financial statements.

Objections to the inclusion of critical audit matters, as expressed in comment letters, include concerns that:

Auditors would become the original source of some information about the company. This is a role that has been management’s domain. “The communication [of critical audit matters] in the auditor’s report may blur the roles of management and the auditor with respect to communication of information about the company,” The Walt Disney Co. said.

Information would overlap and possibly conflict. Some preparers said information that would be included in critical audit matters already is expressed by management in the financial statement as risk factors or as accounting policies in management discussion and analysis (MD&A). “We do not believe an auditor’s discussion of critical audit matters would add value to the discussion provided by management regarding critical accounting estimates and accounting policies,” ConocoPhillips said.

Inconsistency would occur across companies. Some preparers said the subjective nature of the proposed critical audit matter requirements could lead to different conclusions from auditors in similar circumstances on whether to disclose. “Variability in the quantity and extent of [critical audit matters] in a registrant’s audit opinion relative to other

Preparers don’t want their responsibilities usurped by auditors. “While some investors may desire improvements in disclosures, the proper source of this information is management and not the auditor”

similar filers may cause investors to draw inappropriate conclusions,” Costco said.

Audit committee members echoed these concerns in their comment letters. And the National Association of Corporate Directors (NACD) said it would be more appropriate for the SEC or FASB to consider whether such reporting is useful.

“It [the proposal] is not in the PCAOB’s proper domain,” the NACD said.

But many of the investor groups and advocates who sent comment letters supported the PCAOB’s proposed expansion of auditor reporting. In some cases, they called for disclosure by auditors of more information than the PCAOB proposed:

Barbara Roper, director of investor protection for the Consumer Federation of America, said the proposal focuses only on information about the audit and avoids any discussion of the auditor’s assessment of the financial statements. “There is no statutory reason we are aware of why auditors should be precluded from discussing with investors their chief impressions of the quality of a company’s financial reporting,” Roper said.

The Council of Institutional Investors advised revising the proposal to require the auditor to at least communicate an assessment of management’s critical accounting judgments and estimates based on the audit procedures performed. “This

modest revision to the proposed model would result in an auditor’s report that provides the kind of insights that are more responsive to [an] investor’s information needs,” the council said.

The Center for Audit Quality (CAQ), which is affiliated with the AICPA, wrote a letter saying critical audit matters could be useful to investors, but suggested streamlining the auditor’s process for determining critical audit matters. The CAQ said the critical audit matters should be focused on the most important matters in the auditor’s communications with the audit committee.

Many audit firms that wrote to the PCAOB were aligned with the CAQ’s suggestion that critical audit matters disclosed should be a subset of items the auditor discusses with the audit committee. The Big Four firms—Deloitte, EY, KPMG, and PwC—communicated similar sentiments, as did BDO, Grant Thornton, and McGladrey.

The CAQ is collaborating with members of the auditing profession to field-test the proposal. It will take several months to conclude the field-test and analyze the results, but the CAQ hopes to share insights in advance of a round-table meeting the PCAOB is expected to hold related to the auditor’s reporting model in the spring.

Auditors are living in interesting times – somewhat similar to those before we had a new constitution in Kenya.



Photo: Courtesy

BOARD, MANAGEMENT AND STAFF COMMUNICATION NEED FOR DIALOGUE

By Felix Owaga Okatch Photo: ICPAK Library



For a start, communication is a very important activity in human relationships. The same is of paramount importance in corporate governance and management. It is vital at strategic planning and decision making. The same is vital in company budgeting and implementation processes. Communication calls for a meeting of minds. In other words the board, management, staff and external stakeholders must communicate to cultivate a way forward and develop goal orientation. This means that as communication signals are transmitted from one source, they must flow in a medium that will be received by the other party. Subsequently, the source of communication must have a meeting of minds and act appropriately.

Purpose of communication is to achieve response from the receiving party. As communication takes place, the sender must send appropriate signals that the recipient receives, acknowledges and then act as instructed or advised. For example, a fire siren communicates that there is danger and the respondents, those who hear the siren are expected to run away from the scene of danger. Another illustration of understanding the importance of communications is noted in the book, "Marketing Management Systems 2002" by Felix O. Okatch. In this book, at page 117, I illustrate that the purpose of communication in marketing and management is to;

- Create awareness to those who are not informed
- Create an image, to the target audience
- Persuade the target customers and

audience to respond to an activity and many more.

To buy or respond as planned. In good communication framework at corporate governance level, a good communication and dialogue system needs to be put in place between the board, management, staff and external stakeholders.

This dialogue and good communication must be set by the board as a tone from the top. The board is considered as an apex institution in corporate governance. It is the board which sets the strategy of a company. After doing so with all management and staff, it needs to set a good communication and dialogue framework.

Communication needs to be structured and carried out with decorum. The dialogue should create peace and harmony. It should be well done in order to achieve intended results.

A good flow of work programmes will create a good working atmosphere for board, management and staff.

The tone at the top if good and palatable will be cascaded into an organization. The departmental functions like finance, operations, human resource, ICT, ERM, CSR etc will find their level under the principle of good goal congruence in an organization. As a consequence of this, the strategic goals for a company will be achieved and work plans will flow smoothly to achieve the targeted results.

Modern methods of management communications and dialogue are many. They include board, management and staff meetings. Circulars, internal memos, e-mails, intranet, sms etc are all part of communication tools.

At board level, all these will assist the board in achieving its major objectives which are:

- Oversight role
- Fiduciary responsibility,
- Duty of care

Good communication makes all departments read from the same script and sing a well coordinated chorus. It should not be as they say in bad management that a board sees the world as flat while the employees see the world as round.

All parties need to dialogue and communicate at same frequency either FM, short wave and many more. The company vision, mission, strategy and work plans should be like the script which is read by all and applied by all as far as management and board are concerned. The board must set the tone of reading the strategy. They must act in congruence and set direction of work and communication for the whole organization. As this process continues, one must not forget that there are many external forces that will influence company dialogue and communication plan. These are many and include economic, political, socio-cultural, technological, legal and regulatory factors.

Therefore a board, management and staff need to have an effective and efficient way of dialogue and communication. This need to be structured and must be choreographed to achieve the intended results. Communication must be structured and above all have a good chain of command. Like in the military set up, a chain of command directs a communication flow to achieve planned results and output.

VALUE OF CONSISTENCY AND PREDICTABILITY OF DECISIONS

By Felix Owaga Okatch Photo: Courtesy

In management decision making, there are many issues that come into play before a decision is made. These matters can be like fixed and variable factors before a decision is arrived at. Like in statistics, to arrive at an average, management can oscillate from mean, median, mode and eventually end up at standard deviation and degree of confidence from a true average. This unpredictability demonstrates how real life situations cannot be determined with certainty. Yet this certainty is what a board intends to achieve in order to demonstrate consistency and predictability in decision making.

In a good organization, stakeholders and staff can predict how a decision world be arrived at. This happens when they know the board and management well. This further illustrates that in the case of a going concern one can predict an outcome of resolutions at board level and decisions at management level. This achieved through synergized goal congruence and conformity to company strategy. Therefore, such a prediction falls within a normal standard deviation. Therefore a decision would be consistent and predictable. But the real world has issues. Policy and management decision are not made in a vacuum. In most cases there are many competing interests and unpredictable exogenous factors.

Let us start by defining consistency. According to Oxford Dictionary, the word consistency refers to "degree of firmness with which substance holds together. The degree of conformity with other earlier attributes, practice etc", In other words predictability.

In good corporate governance an organization needs to have policy guidelines and rules that determine actions and behavior. The policy and rules include modern management principles on standard likes ISO, regulation ratings, TQM and many more.

In a capital based organization there needs to be instruments and policies on rate of return on investment, payback period on invested assets and reduction of expenses. This call for good management of liabilities and many other financial ratios for a going

concern. All such when applied consistently would increase the chances predictable outcome from a board and management decision.

At board and top management levels, decisions are made against a background of PEST (political, economic, and social and technology). This when drilled down to issues can sometimes get marred with many personal interests, individual egos, influences and many more.

Major multinationals and global corporate concerns like Coca-Cola, Samsung, Nokia, Toyota, BAT, Philip Morris etc have all been influenced by personalities. They consider hard economic facts but get more personal and some decisions are made based on other factors that are economic. This therefore means that consistency is not easy to achieve. It is not as logical as a statistical outcome. Yet in good management practice it is what the general public and stakeholders expect from an organization.

Experience has shown that there are instances where management have made certain decisions based on some circumstances, however the reality is that if you change the aspect of time and place, the decisions so arrived at world be different. In other words the variability of available facts, time, place and interest, would reduce the consistency and predictability of a decision. Decisions are therefore dependent on many factors, but consistency would make us predict a possible outcome based on facts of a situation.

But in the real world, such inconsistency and unpredictability due to wrong information can make employees suffer a lot. This would be so in a situation where a decision to be taken is that which threatens their work and employment status. For example an unpredictable manager makes employees live in fear and trepidation. In such organizations survival of an employee depends on insistence to receive instructions in writing and insistence on following every instruction in writing. Similarly, a CEO might also insist on getting every instruction from a board through writing or confirmed minutes of a full board meeting.



The judgement of King Solomon

This means lack of trust. This also concludes that in such a setting there is no synergy and trust to move forward and embrace change. In such a setting, it becomes difficult to introduce change.

In a good set up, consistency and predictability need to be exhibited by a board of directors and top management. This means that the organization has good documented policies on operation, finance, marketing, human resources and many more. Therefore, the decisions so arrived at have a logical trail on genesis of action progression and eventually predictable outcome. This would encourage consistency in management cycles.

At corporate governance level, the degree of inconsistency and unpredictability are very dangerous for an organization. It makes the organization divide from vision and mission. It sometimes makes the board and management unable to meet corporate strategy successfully, due to lack of trust.

Inconsistency in decision making by board and management does reduce staff motivation. Staff become less interested in taking any business risk, lest they commit minor errors which management can use to punish them unfairly. They fear to lose their jobs and benefits due to minor mistakes. In other words they become risk averse. The fear of being sacked or reprimanded increases the disease of procrastination. This epidemic of procrastination can become epidemic due to fear. At the end of it all, an organization will fail to meet its strategic objectives.

In conclusion, when there is no business risk, then there is no impetus to achieve an organization's objective. An organization becomes dormant and suffers from the disease of procrastination. This disease can be epidemic and eventually endemic. Such a business concern suffers from what Shakespeare wrote in the play of Hamlet that "Procrastination is the thief of time". Therefore a good board and management must show the need and importance of Consistency and Predictability in their decisions. Stakeholders and staff should not view a company as erratic in its resolutions and decisions.



By CPA Benson Okundi, Chairman, ICPAK Photo: Courtesy

Effective Public Financial Management in Kenya

Kenya is already implementing the first budget under the devolved system of government. Currently, the budget making process for the 2014/15 fiscal year is ongoing. For effective service delivery at both levels of government, it's imperative to understand essentials of public expenditure management. Governments can realize good public sector management by instilling the following forms of fiscal and financial discipline. First, there is need for governments to control aggregate expenditure to ensure affordability in as far as consistency with the macroeconomic constraints. Secondly, government must strive to establish effective means for achieving a resource allocation that reflects overall policy priorities.

Public budgeting is the first step to demonstrate whether the public expenditure management system is good

or bad. We must assess a good public expenditure management framework through the three crucial budget making stages of budget preparation, budget execution, and cash planning and management.

Legal framework for public budgeting

The Constitution is the supreme law that guides public expenditure management in Kenya. Article 201 provides the principles that shall guide all aspects of public finance namely, there shall be openness and accountability, including public participation in financial matters; the public finance system shall promote an equitable society; the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations; public money shall be used in a prudent and responsible way, and; financial management shall be responsible

and fiscal reporting shall be clear

In addition, the Constitution reorganizes the budget process by transferring some executive powers to Parliament. Article 221 gives the National Assembly powers to consider, review and make recommendations on budget estimates submitted by Treasury together with estimates submitted by the Parliamentary Service Commission and the Chief Registrar of the Judiciary.

Besides, the Public Finance Management Act 2012 is the vehicle for establishing principles of public financial management. The Act provides fiscal responsibility principles for both the national and county governments. Furthermore, it establishes important institutions in the budget process such as the National Treasury, Public Debt Management Office, County Treasuries, and the County Budget and Economic Forum among others. The law also gives

We must assess a good public expenditure management framework through the three crucial budget making stages of budget preparation, budget execution, and cash planning and management

to the government the authority to issue detailed regulations and instructions.

Budget planning and preparation

Budget planning and preparation is at the heart of good public expenditure management. To understand this process in any given country, it is important to assess the basic soundness by judging the budget preparation system against certain internationally accepted standards, known as "budget principles". This can be judged on comprehensiveness, whether the coverage of government operations is complete; transparency, that assesses the usefulness of the budget classification. For instance, is it easy to connect policies and expenditures through a program structure? Finally, soundness of the budget can be judged by realism- the budget should be based on a realistic macroeconomic framework. This will point out to some critical questions such as, is there a realistic costing of policies and programs and hence expenditures? Is there a clear separation between present and new policies?

As outlined earlier, the budget process is already underway having started in August 30th with the issuance of a circular, by the National Treasury, setting out guidelines for the process. Sections 35(1) and 125 of PFM Act elaborately outline the stages in the budget process at the national and county government levels respectively in any financial year. For instance, between September 1 and February 15 of every financial year, the National Treasury and the various ministries and agencies should undertake consultation with the public to solicit proposals on the budget. Subsequently, the following key documents are developed, namely, the Budget Review and Outlook paper, Budget Policy Statement and the County Fiscal Strategy Paper, and the Debt management strategies.

It is mandatory that after the budget estimates are submitted to Parliament and County Assemblies, Budget Committee for National Assembly, and the budget committee for respective county assemblies must hold public hearings on the budget.

Budget execution

Budget execution is another essential process in public expenditure management. It's important to understand any weaknesses in the country's budget execution process. Is it transparent? Are there lines of accountability? Is information on execution of the budget available on a timely, reliable, and accurate basis? Is it consistent with the principles of good governance?

The budget execution process follows six main stages. First, once parliament approves the budget, ministries and government agencies are authorized to spend money. This is called the authorization stage. The second stage is commitment. This is where a future obligation (liability) to pay is incurred. Good budget systems maintain data on commitments that can be monitored, because these will (for the most part) ultimately be reflected in actual expenditure. The third stage is verification, that signifies the partial or full delivery of goods according to the agreed contract or the service has been rendered and the bill has been received. This is followed by payment authorization or payment order stage. After verification, the spending unit must then hand it on to the public accountant, and request that the bills be paid.

The fifth stage is payment. The bill is paid by cash, check or electronic transfer. Finally, the sixth stage is accounting. The cash transactions are recorded as complete in the books. Countries can use either cash accounting or accrual accounting. Currently, most countries and institutions are moving to accrual-based accounting due to its superiority in accounting for real and financial assets.

Budget monitoring, auditing and Reporting

Article 228 of the constitution establishes the office of the Controller of Budget to oversee the implementation of the national and county budgets by authorizing withdrawals from public funds under Articles 204, 206 and 207. Every four

months, the Controller of Budget should submit to each House of Parliament a report on the implementation of the budgets of the national and county governments.

Equally, Article 229 establishes the Auditor-General to audit the accounts of all entities funded from public funds, including national and county governments. The Auditor-General should within six months after the end of each financial year, audit and report, in respect of that financial year, on the accounts of the national and county governments and their respective agencies that are funded from the Consolidated Fund.

Cash planning and management

The final integral element of public expenditure management is cash planning and management. Cash planning aims to achieve three main objectives, namely, ensure that the expenditures are smoothly financed during the year to minimize borrowing costs; enable the initial budget policy targets, especially the surplus or deficit, to be met; and contribute to the smooth implementation of both the fiscal and monetary policies.

An effective cash planning and management system should include recognize the time value and the opportunity cost of cash; enable line ministries plan expenditure effectively; be forward looking and responsive to the cash needs of the spending agencies; and be comprehensive, covering all inflows of cash resources.

In conclusion, the national and county governments must institutionalize internal and external controls to ensure prudent and responsible management of public resources for sustainable economic growth and development. As we participate in the budget making process for the 2014/15 fiscal year, it is important that we observe good public expenditure management principles for effective service delivery to citizens.

Adopted from the IMF Guidelines Public Expenditure Management

TRANSLATING FINANCIAL RESULTS INTO EFFECTIVE INVESTOR COMMUNICATION



Alex Menage- Head of Sales and Business Development, Governance, Risk and Compliance, Africa: Thomson Reuters

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Checkpoint. More than 500,000 photos and images are captured and published by Reuters every year and over 80 %

AGENDA

External factors –IR Best Practices – the sell and buy side view and Capital Markets trends.

Internal factors - How is your organization governed and compliant? Reputational Risk - Impact on organizations.

What is investor relations? Good investor relations is about building trust, improving knowledge and driving transparency.

Buy-Side comprises effective communication of investment story, understanding strategy, increase in ownership and Shareholder mix: geographic, type of investor and concentration of investors.

Sell-Side comprises; Sell-side coverage, effective communication of story, clarity of guidance, dispersion of consensus, participation at conferences and effective analyst day.

Other stakeholders provide market view to management and employees and Key metrics on sustainability and governance.

Best Practices in Investor relations

(extel) identifying excellence

In the annual Extel Survey, top companies for IR in 2007-2012 outperformed their peers on average by 24%.

What are the All Stars doing better?

More aware of key trends - sustainability, divisional directors' access and using social media. Put more executive time into meeting prospective and former investors; take the market pulse regularly by getting feedback on IR program; Don't spend more money; but spend more wisely on investor days and less on AGMs; Receive bonuses at a higher proportion of salary.

Attracting Sell Side Coverage

Make it as easy as possible for analysts- with historical financials in spreadsheets also provide consistent KPI's. Provide additional information about the company like divisional descriptions, management videos and investor factbook.

Start a dialogue with analysts; Provide additional sector "colour" and Boutique houses

Technology in Investor Relations

Technology to enhance communication IR websites and webcasts of earnings calls are the minimum

Social media is growing rapidly

Twitter is the most commonly used

Mobile tools for investor relations

Recent Fund Flows - The End of Stock Picking?

In 2011, \$67 billion was withdrawn from actively managed mutual funds, while ETF's enjoyed \$50 billion inflows. Markets have not favoured stock picking approach – only 30% of US equity funds beat their benchmark in 2011 (after fees), 34% of UK funds.

The War for Capital

IR is all about building trust

Knowledge and transparency

Have management buy-in and involvement

Align IR targets & activities with business objectives

Stay in tune with latest investor concerns

Be responsive to analyst and investor requests

Use technology effectively to broaden reach

Effective IR will create value over the long term

Agenda

External factors

IR Best Practices – the sell and buy side view

Capital Markets trends

Internal factors

How is your organization governed and compliant?

Reputational Risk - Impact on organizations

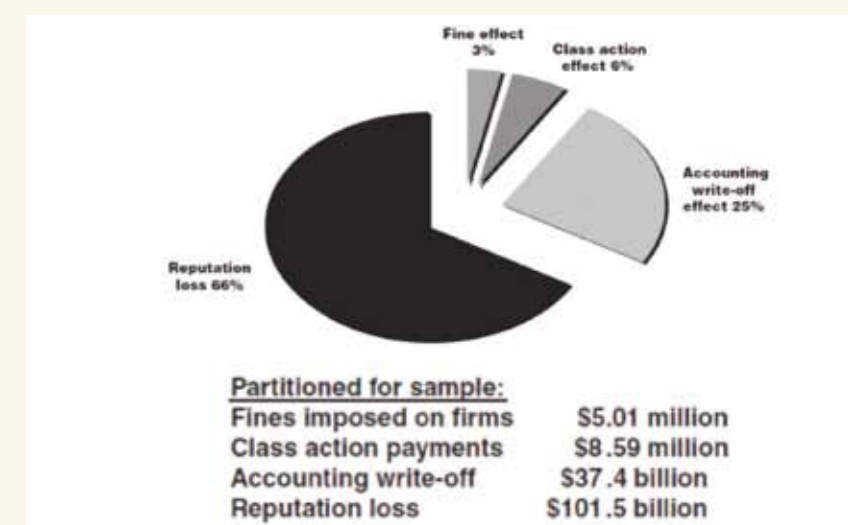
Sources of Reputational Risks

The value of a firm is set between finding a balance between:

Corporate Conduct: meeting the demand of social and regulatory controls.

Market Performance: being too close to unrestrained market performance with questionable market conduct.

Costs of Reputational Risk How to mitigate Risk:



KYC and Third Parties

Receive advice on Risk Management Framework

Use tools and solutions to automate, track, report, and manage risk related activities and incidents.

FAST FACTS

Thomson Reuters GRC Offering

Financial crime and risk comprises:

World check, Integra screen-due diligence, transaction monitoring and ongoing screening.

Workflow & consultancy comprises:

E-Learning, Policy Management, Classroom training and consultancy.

Enterprise Risk Management comprises:

Operational Risk, audit and internal control compliance management and FATCA....

(charts by Reuters Thomson)

PUBLIC PRIVATE PARTNERSHIPS (PPPs)



By CPA Simon Peter Ole Nkeri



Photos: Courtesy JKIA expansion, Dualing of Mombasa-Nairobi-Nakuru highway, Police housing and Nairobi bulk water supply projects have been identified as possible areas of public partnerships

The provision of public infrastructure and Public utility services is one of the prime mandates of Governments all over the world. Infrastructure (roads, power, rail, water and sanitation, sea and airports, among others) is a fundamental prerequisite for economic growth and development. In addition, social and community infrastructure including education and health facilities, public housing and buildings, cultural facilities and environmental infrastructure are essential in modern societies. All across the world studies have consistently shown the close relationship between infrastructure and economic output.

However, fiscal constraints experienced by counties have resulted in the development of new and innovative approaches to the provision and financing of public infrastructure and services. The traditional role of the Government as the primary infrastructure and public service provider is gradually being supplemented with private sector expertise and financing. Accordingly, the Government is implementing a combination of policy and legal reforms, financing mechanisms, incentives and institutional support to bolster private sector participation in provision of public infrastructure and utility services.

The adoption of a Public Private

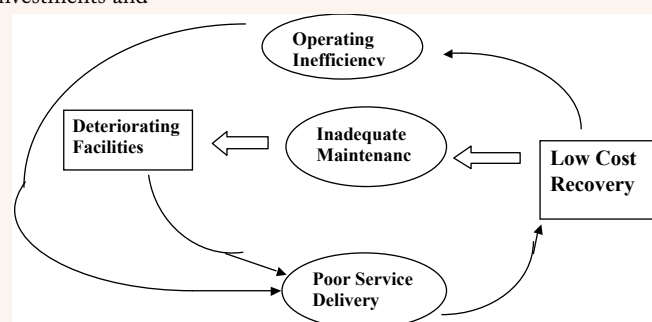
Partnership (PPP) framework therefore reflects the Government's desire to improve the quality, cost-effectiveness and timely provision of public infrastructure and services. The Government should be mindful that PPPs are not a panacea for all public infrastructure investment needs and therefore the PPP framework should be viewed as a complement to and not a substitute for the Government's continued commitment to open up key service markets to competition. PPPs should only be considered where they can provide greater value for money than other fully-private or fully-public service modes.

The private provision of public infrastructure and services has the potential to offer enhanced value for money and enables the Government to use the private sector's delivery and project completion expertise and capability for the benefit of the people. In addition, it helps the Government better understand the whole of life cycle cost of investments and enables a more rigorous project assessment and sharing of risk with the private sector.

PPPs involve a number of players from different sectors, representing a variety of interest, and thus the partnership needs to

be formalized and processes need to be followed in a systematic and transparent way. Detailed documentation need to be prepared at all phases of the PPP project. It is important to note that PPPs can take a long time to procure if these processes are not carefully followed. PPP projects shall be selected from sectors which have been identified with the National Infrastructure Plan (NIP) and have the potential for development under PPP. To improve credibility and transparency at all phases of project development, the input of both government and the private party shall be assessed in terms of their compliance with the legislation, regulations and the PPP process and its components, including the bidding process, local content and the formation of Special Purpose Vehicles (SPVs).

The "Vicious Cycle" of Public Services Management



Common Misconception about PPPs
One wonders whether the Government can deliver services more cheaply and efficiently than private sector. In determining this, the following misconceptions about PPPs are common:

That:

- PPPs are inherently more efficient and effective than traditional government procurements.
- PPPs are less costly than traditional public sector procurement options.
- PPPs allow governments to place obligations off balance sheets.
- PPPs will help reduce the size of government and replace redundant public sector employees.

These misconceptions are far from the truth as evidenced in reality.

C. THE CONCEPT

A PPP (Public Private Partnership) is a contractual arrangement between a public entity and a private sector party, with clear agreement on shared objectives for the provision of public infrastructure and services traditionally provided by the public sector. Usually, in a PPP arrangement, the private sector party performs part or all of a government's service delivery functions, and assumes the associated risks for a significant period of time. In return, the private sector party receives a benefit/financial remuneration (according to predefined performance criteria), which may be derived:

- entirely from service tariffs or user charges;
- entirely from Government budgets, which may be fixed or partially fixed, periodic payments (annuities) and contingent; or
- a combination of the above.

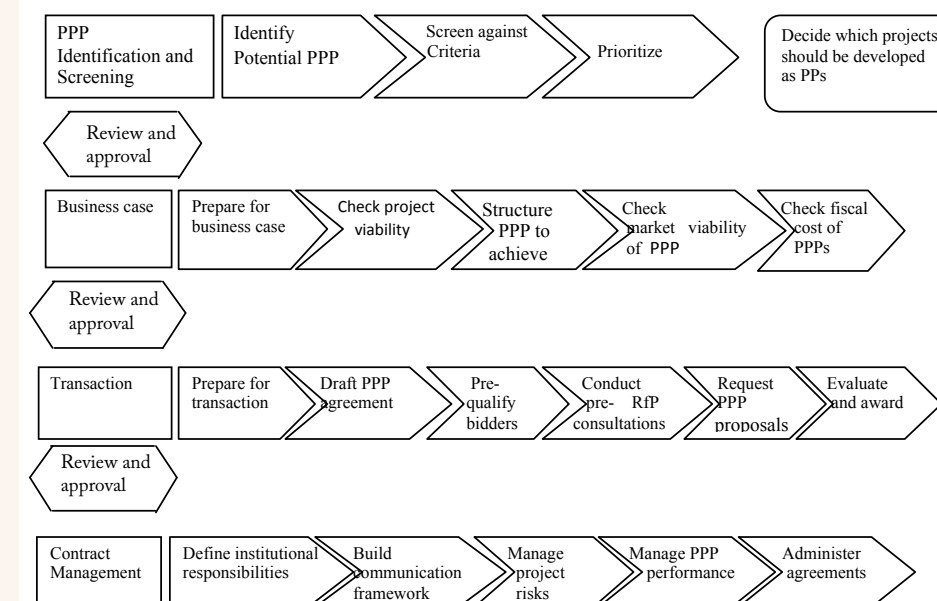
In summary therefore, a PPP can alternately be defined as :-

- "... a contractual arrangement between a government and a private party for the provision of assets and the delivery of services that have traditionally been provided by the public sector"
- "... a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of risks"
- "Also known as aP3 involves a sharing of

risk, responsibility and reward, and is undertaken in those circumstances when there is value for money benefit to the taxpayers in the context of a Public sector comparator."

PPP Development Process

In developing PPPs, a Contracting Authority should bear in mind the following flow chart that handles the preparation, financial and approval of deals.



The benefits of PPPs include the following: They:-

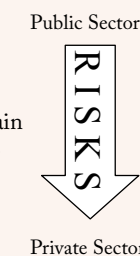
- Accelerate delivery of needed infrastructure and public services on time and within budget. They enable Governments to control costs.
- Encourage the private sector to provide innovative design, technology and financing structures in provision of Public utility services.
- Increase international and domestic investments.
- Enable sharing by government with private sector partners.
- Ensure good quality public services and their wider availability.
- Provide financial benefits reflected in reduction in the initial public capital outlay, and a better utilization and allocation of public funds.
- Enhance economic growth and widen employment possibilities.
- Facilitate technology transfer and capacity building to Public sector.
- Lead to Improved operation and maintenance of public infrastructure.
- Enhance innovativeness and flexibility.
- Promote economies of scale and scope of work.

D. MODELS AND TYPES OF PPPs

There are several well-defined models of PPPs, differing in purpose, service scope, legal structure and risk sharing and increasingly, permutations and combinations of them. Specific forms of PPP are often referred to by special names. However, a single PPP can have the characteristics of several different forms and new types may emerge from time to time. One end of the spectrum could be an outsourcing of some routine operation, while the other could involve the private sector conceiving, designing, building, operating, maintaining and financing a project, thereby assuming a considerable proportion of risks. For the sake of clarity privatization is not a PPP. Also outsourcing without a significant transfer of risk to the private sector over a period of time is not a PPP.

In a nutshell, the following types of PPPs are utilized globally with their attendant risk elements indicated herein;

- Service Contracts
- Management Contracts
- Design-Build
- Design-Build-Operate-Maintain
- Build Operate Transfer (BOT)
- Build Own Operate (BOO)
- Design Build Finance Operate
- Concession



Here in below is a description of some of them:

(i) Service Contracts:

Are contracts between a public sector entity and a private contractor to provide specific technical services based on an agreed set of goals and objectives. Much of the risk element is retained in the Public domain.

(ii) Management Contracts:

These are contracts between the private contractor and a government entity where the entity surrenders management level decision-making and responsibilities to the private contractor and compensates the private company based on measurable improvement in the performance of the public entity.

(iii) Leases or "Affermage"

These are contracts between the public entity and a private party where the private utility operates a publicly owned system, and collects fees which it shares with the public entity to cover the latter's investments in the utility.

(iv) Concessions

These are long term contracts between a conceding public entity and private company to provide public services where the private party assumes most if not all of the financing risks for expansion or development of the facility. The difference between a BOT and concession is that a BOT involves the construction and operation of new facility while a concession normally applies to a pre-existing government facility.

In legal terms, Concessions can be defined as follows:-

The legal concept of the concession comes from French law. Under French law the concessionaire has the obligation to provide continuity of services ("la continuité du service public") to treat all consumers equally (legalité des usagers) and to adapt the service according to changing needs ("l'adaptation du service"). In return, the concessionaire is protected against new concessions which would adversely affect the rights of the concessionaire. It is therefore important when considering concessions in civil law systems to understand what rights are already embodied in the law. No such concept applies in common law although

contractual obligations are structured to comply with French legal principles.

- Concession gives an operator the long term right to use all utility assets conferred on the operator, including responsibility for all operation and investment. Asset ownership remains with the authority. Assets revert to the authority at the end of the concession period, including assets purchased by the operator.

- In a Concession, the operator typically obtain its revenue directly from the consumer and so it has a direct relationship with the consumer. A concession often covers an entire infrastructure system (so may include the operator taking over existing assets, buildings and operating new assets).

- A concession gives a private operator responsibility not only for operation and maintenance of the assets but also for financing and managing all required investment.

- The operator takes risk for the condition of the assets and for investment.

- A concession may be granted in relation to existing assets, an existing utility, or for extensive rehabilitation and extension of an existing asset (although often new build projects are called concessions).

- A concession is typically for a period of 25 to 30 years (i.e., long enough at least to fully amortize major initial investments).

- Asset ownership typically rests with the awarding authority and all rights in respect to those assets revert to the awarding authority at the end of the concession.

- Under concession arrangements, the general public is usually the customer and source of revenue for the operator.

- Often the operator will be operating the existing assets from the outset of the concession – and so there will immediate cash flow available to pay operator, set aside for investment, service debt, etc.

Exclusivity in Concessions

- Because the concession confers certain

exclusive rights to the private party both the government and the private party will be under an obligation to avoid doing anything to undermine the economic value of the concession. The exclusivity obligations are usually limited in time to the period of the build-out of the facility.

Concession V. Management Contracts

Unlike most management contracts, concessions are focused on outputs – i.e., the delivery of a service in accordance with performance standards.

There is less focus on inputs – i.e., the service provider is left to determine how to achieve agreed performance standards, although there may be some requirements regarding frequency of asset renewal and consultation with the awarding authority or regulator on such key features as maintenance and renewal of assets, increase in capacity and asset replacement towards the end of the concession term.

(v) Build Operate Transfer (BOT)

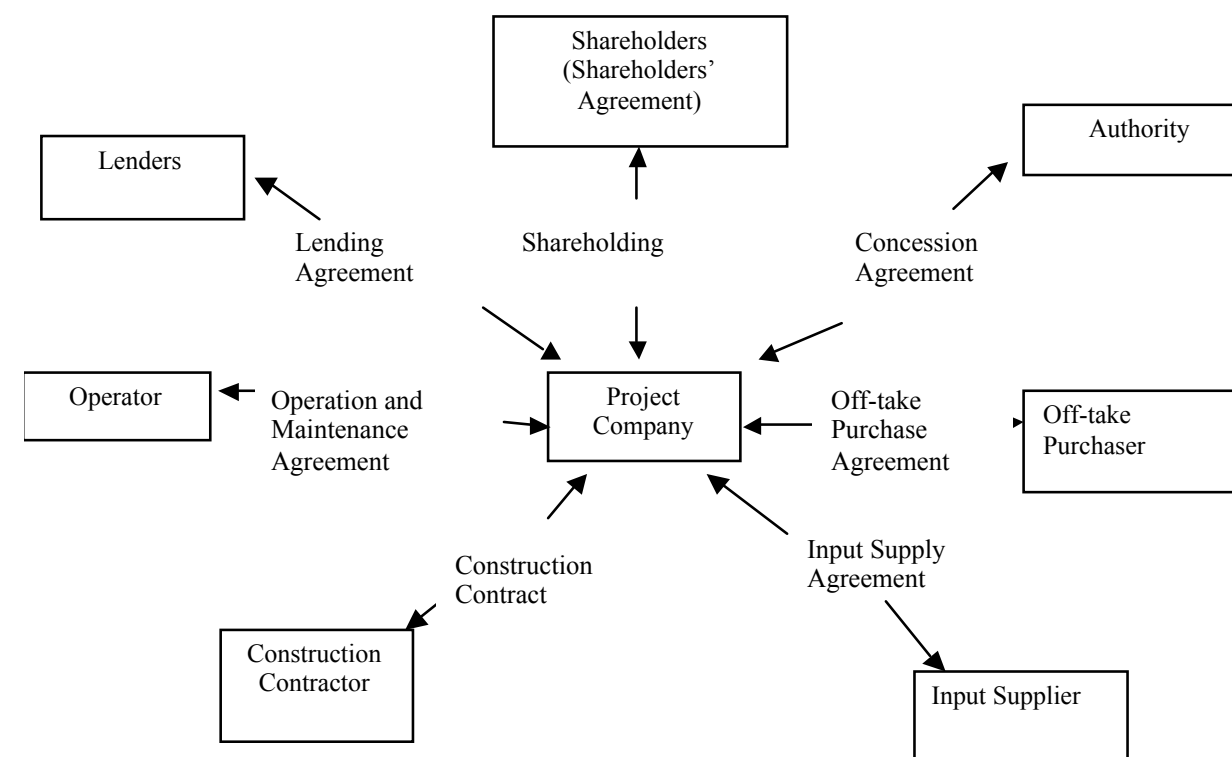
In a BOT project, the public sector grantor grants to a private company the right to develop and operate a facility or system for a certain period (the "concession period"), in what would traditionally be a public sector project. Usually a discrete, Greenfield new build project.

The Operator finances, owns and contracts the facility or system and operates it commercially for the concession period, after which the facility is transferred to the authority.

BOT is the classic tool for project finance. As it relates to new build, there is no revenue stream from the outset. Leaders are therefore anxious to ensure that project assets are ring-fenced within the operating project company and that all risks associated with the project are assumed and passed on to the appropriate actor. The operator is therefore usually special purpose vehicle.



Project Finance Structure of BOT



Is it a BOT or a Concession?

- The rule of thumb is that BOT apply to new or greenfield projects involving a major construction contract while concessions may not have a required

construction schedule. In practice the two contracts are often difficult to distinguish because of the liberal use of the term. eg. a Highway Project may involve a schedule construction and financing requirement

for an existing facility.
 • In determining the legality, modus operating and financial structuring of the various types of PPPs, the following table may be referenced.

Range of PPP Structuring Options

PPP Structure	Average Contract	Provides the Service or the Management	Provides the Working Capital	Receives the Net Income Covers Net Loss	Provides Long-Term Finance	Legally owns the Assets	Provides Sectoral Planning & Regulates Services
Service Contract	2-3 years	Private	Public	Public	Public	Public	Public
Management Contract	2-5 years	Private	Public	Public	Public	Public	Public
Lease	7-15 years	Private	Private	Private	Public	Public	Public
BOT	20-30+ years	Private	Private	Private	Private	Public	Public
BOO	20-30+years	Private	Private	Private	Private	Private	Public
Concession	20-30years	Private	Private	Private	Private	Public	Public
Divestiture	In perpetuity	Private	Private	Private	Private	Private	Public

E. PRINCIPLES FOR PPPs

In Practice, PPPs are based on the following guiding Principles:

(i) Value for money: Value for money is paramount and PPPs should give greater value for money than the best realistic public sector project designed to achieve similar service outputs. Achieving value for money is key requirement of government at all stages of a project's development and procurement and is a combination of the service outcome to be delivered by the private sector, together with the degree of risk transfer and financial implications for government. Value for money is the driver for adopting the PPP approach, rather than capital scarcity or the balance sheet treatment.

(ii) Risk allocation: Am efficient risk allocation is vital in determining whether value for money can be achieved in PPP projects. GoG's principal with regards to risk allocation shall be used to optimize, rather than maximize, the transfer of project risks to the private party. Risks will therefore be allocated to the party best able to control and manage them in such a manner that value for money is maximized. The allocation of risk will therefore determine the chosen method of private sector involvement and allocation of responsibilities, which shall take into account the protection of the public interest.

(iii) Ability to pay: End user ability to pay shall be a key consideration for all PPP projects. The PPP option must

demonstrate long-term affordability to the public and overall Government budgetary sustainability, forward commitments in relation to public expenditure and the potential for returns on private sector investment, given other priorities and commitments.

(iv) Local content & technology transfer. As much as possible, the PPP arrangement shall facilitate the promotion of local industries and the private sector in Ghana.

(v) Safeguarding Public Interest and Consumer Rights: GoG is committed to ensuring that each PPP project shall have positive impact upon the public interest.

The following principles shall be addressed in PPP transactions:

- Safeguards to users particularly vulnerable groups;
- Setting affordable user charges and tariff structures.

(vi) Environmental, Climate and Social Safeguards: The Government shall ensure that PPP activities conform to the environmental laws of Ghana and the highest standards of environmental, climate and social safeguards.

(vii) Furthermore, all PPP projects shall be governed in accordance with the following Parameters:

- Clear objectives and output requirements: PPP projects shall take into account the expected outputs of each project, allowing for optimal risk transfer to the private party and thereby ensure greater value for money for the public sector.

- **Accountability:** As a means of good governance PPP projects must ensure accountability:

- Every stage of the PPP arrangement shall follow laid-down procedures and regulations.

- Decisions must be objective and in consonance with law and government policies.

- Public sector entities undertaking PPPs must follow prescribed processes for decision-making within their organizations.

- **Transparency:** Principles of transparency shall guide all PPP projects:

- There must be a well-defined procurement process for the PPP. Instructions to bidders must be clear and unambiguous to prevent manipulation and abuse of the process. The bid conditions and evaluation criteria must lead to the attainment of value for money, economy, and efficiency and must be made available to all interested private sector parties.

- Where a decision is taken to consider an unsolicited bid, there must be clear and objective reasons supporting the decision which shall be in conformity with this policy.

- The process shall be accessible to the public to the extent allowed by law except where national security would be prejudiced.

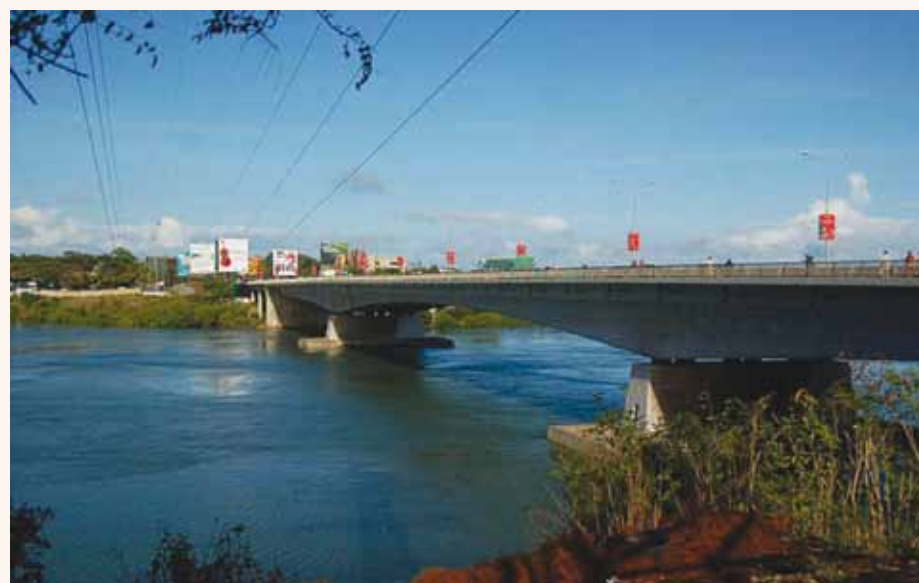
- Equal opportunity and access to information must be given to all interested bidders.

- **Competition:** As much as feasible all PPP projects should be subjected to a competitive process so as to obtain value for money and efficiency.

- **Contracting Authority, ownership and commitment:** Contracting Authorities shall have the primary responsibility for managing the process and implementing the project.

- **Stakeholder Consultation Process:** Contracting authorities shall ensure adequate stakeholder consultation, understanding and support in advance of entering into a PPP arrangement and shall endeavor to identify relevant stakeholders and undertake comprehensive consultation and awareness of PPP projects under consideration.

CPA Simon Ole Nkeri represents ICPAK in the PPA National Committee



As Kenya celebrates its 50th birthday, we at **ICPAK** are proud that our **35 years** stands on the shoulders of Giants.



ICPAK former Chairmen holding their self portraits during ICPAK's 35 years Anniversary Gala Dinner

From left: CPA Benson Okundi (Current Chair); CPA Patrick Mtange (2011-2013); CPA Stephen Lugalia (2007-2009); CPA Joe Wangai (2005-2007); CPA Rose Ogega (2003-2005); CPA Michael Waweru (2001-2003); CPA Amos Kimunya (1999-2001); CPA Martin Oduor Otieno (1997-1999); CPA Nguru Wachira (1995-1997); Grace Keah holding a portrait of her late husband CPA Mathias Keah (1984-1985); CPA Ndung'u Gathinji (1987-1989); CPA Daniel Ndonge (1985-1986); Peter Githongo son of CPA Joe Githongo (1982-1984); CPA Stanley Mbugua (1978-1981); CPA Kassim Lakha (1981-1982); CPA Joe Muchekhu (1986-1987)

Those not in the group photo above:

CPA James N. Muguiyi (1989-1991); CPA Charles Arap Kirui (1991-1993); CPA Samuel O. Onyango (1993-1995); CPA Michael Itote (2009-2011)



AUDIT QUALITY REVIEW PROGRAMME (AQR) – FOCUS ON AUDIT DOCUMENTATION

By CPA Georgina Malombe Photos: Courtesy

The culmination of the Audit Quality Review Programme in May 2004 brought a new perspective to the accounting profession especially to the Practising Accountants who are expected to gather enough audit evidence through adequate documentation of the audit process. The programmes' objective was and still is to ensure members in practice establish and maintain appropriate quality control policies and procedures and comply with them to ensure the quality of their work meets the minimum expectations and that members in practice issue reports that are applicable in the circumstances.

AQR) programme seeks to raise standards and restore public confidence in the quality of performance while auditing engagements by professional accountants in practice by maintaining professional skepticism throughout the audits. The programme continues to seek to achieve its goal through education and remedial corrective actions.

To date over 400 audit firms have been reviewed and over 60 firms revisited to measure progress made since the first review was conducted. Out of the firms reviewed less than 20% of firms have been found to be in compliance with the applicable standards even for the firms visited for the second time.

AREAS OF NON-COMPLIANCE

The review programme has established that audit documentation has been the greatest challenge in gathering adequate audit evidence to affirm the independent auditor's opinion. Most practitioners knew

what was expected of them but failed to document. ISA 230 outlines the minimum expectations of an audit file and what needs to be documented. The form, content and extent of audit documentation should be sufficient enough to enable another professional who was not part of the engagement team to understand and derive almost a similar view on the audited financial statements.

The many questions therefore that we need to ask ourselves as professionals are:

- As professional accountants are we keeping pace with the changing standards and developments affecting the accountancy profession specifically in documenting our audit processes and procedures?

When ICPAK Reviewers visit audit firms, what do they expect with regard to documentation?

- What is then the link between the Audit Quality Review Programme and Audit Documentation?
- What is it that you need to document?

AQR focuses on two types of reviews i.e. Firm Review and Engagement Review.

documented and applied in practice. Engagement Reviews on the other hand focuses on the documentation of the audit process and expression of an opinion that is applicable in the circumstances. They focus on compliance with the International Standards on Auditing (ISAs) and the requirements of applicable legal and regulations provisions.

The guiding standard on Audit Documentation is the International Standards on Auditing (ISA) 230 which emphasizes on documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the basis upon which the audit opinion was issued. This is to a large extent what reviewers look out for when conducting reviews.

What then is Audit Documentation and what do you need to document?

Audit documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached in the course of carrying out an engagement. In this view therefore, proper audit documentation is the only sure way that there is enough evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the audit; and Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements. In each engagement, the auditor must document how he planned for the audit, his assessment on whether to accept or decline and audit engagement, the understanding of the entity and the control environment, risk assessment and how risks identified can be responded to; and all the communication between the teams and those charged with governance. The audit evidence in the engagement file must be realistic, reliable and relevant (ISA 500.7). However, audit is judgmental and so is what an auditor perceives to be audit evidence may differ from one auditor to another.

What is the Essence of Audit Documentation?

Audit documentation is very vital in carrying out engagements due to the following keys reasons;

- Assists the engagement team to plan and perform the audit as per the terms of engagement.
- Assists members of the engagement team responsible for supervision to direct and

supervise the audit work, and to discharge their review responsibilities in accordance with ISA 220 – Quality Control for Audits of Historical Financial Statements.

- Enables the engagement team to be accountable for their work.
- Retains a record of matters of continuing significance for future audits.
- Enables the conduct of quality control reviews and inspections in accordance with ISQC 1 or national requirements that are at least as demanding.
- Enables the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

What factors should an auditor consider in establishing the level of documentation?

Documentation will vary from one engagement to another depending on various factors such as:

- The size and complexity of the entity.
- The nature of the audit procedures to be performed.
- The identified risks of material misstatement.
- The significance of the audit evidence obtained.
- The nature and extent of exceptions identified.
- The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained.
- The audit methodology and tools used

What Constitutes Audit Documentation?

Documentation varies since audit evidence may be judgmental on what the auditor perceives to be of great importance to form an informed evidence of the opinion issued. To a large extent, all audit files should have at the minimum the following aspects of documentation.

- Agreement on audit engagement terms: The terms of engagements are usually specified in the audit engagement letter. It may require documentation of such matters like; the objective and scope of the audit of the financial statements; the responsibilities of the auditor; the responsibilities of management and identification of the applicable financial reporting framework for the preparation of the financial statements; and reference to the expected form and content of any reports to be issued by the auditor and a

statement that there may be circumstances in which a report may differ from its expected form and content.

- **Quality Control for an Audit of Financial Statements:** The auditor should include in the audit documentation aspects of issues identified with respect to compliance with relevant ethical requirements and how they were resolved; conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions; conclusions reached regarding the acceptance and continuance of client relationships and audit engagements; the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement.

In cases where there is an engagement quality control reviewer, he should document that: the procedures required by the firm's policies on engagement quality control review have been performed; the engagement quality control review has been completed on or before the date of the auditor's report; and the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.

- **Assignment of Engagement Teams and the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements:** Under this the auditor is expected to document the assessment of the personnel taking the assignment in terms of the knowledge, skill and ability of the individuals to be given significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud for the engagement; evaluating whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings; and incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures.

- **Planning an Audit of Financial Statements:** As the auditor plans to carry on an assignment, sufficient planning is inevitable. The auditor should document the overall audit strategy, the audit plan and any significant changes made during

the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes. Audit strategy documentation requirements will include documentation of the auditor's assessment of determination of scope, such as the financial reporting framework used, industry specific reporting requirements, and locations of the entity, ascertainment of the reporting objectives, including deadlines for final reporting and key dates for expected communications with management, and the nature, timing and extent of resources necessary to perform the engagement (ISA 300 8-9). Consideration of important factors such as materiality levels, preliminary identification of material components and preliminary risk assessments, effectiveness of internal controls, and significant financial reporting developments also need to be documented.

Most auditors do not consider planning as necessary. When an audit is not planned for adequately and audit plans not developed, then, there are things that may escape the attention of the auditor. An audit plan should have a description of the nature, timing and extent of planned risk assessment procedures, a description of the nature, timing and extent of planned further audit procedures, including whether to test the operating effectiveness of controls and such other procedures required to be carried out to comply with ISAs.

- **Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment.** It is a requirement that the auditor must document the discussion among the engagement team and the significant decisions reached; key elements of the understanding obtained regarding each of the aspects of the entity and its environment and of each of the internal control components; the sources of information from which the understanding was obtained; and the risk assessment procedures performed; the identified and assessed risks of material misstatement at the financial statement level and at the assertion level; and the risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements. (ISA 315:11,20).

- **Materiality in Planning and Performing an Audit:** Materiality levels may be subjective and open to the auditors' professional judgment. However, for guidance purposes on the levels of

materiality, the auditor should document the amounts and the factors considered in their determination in terms of materiality for the financial statements as a whole, the materiality level or levels for particular classes of transactions, account balances or disclosures and the performance of materiality and any revision of materiality as the audit progresses.

- **The Auditor's Responses to Assessed Risks:** At the planning stage the auditor may perceive some areas to be risky than others and hence the need to document aspects of the overall responses to address the assessed risks of material misstatement at the financial statement level, and the nature, timing, and extent of the further audit procedures performed. He should also document the linkage of those procedures with the assessed risks at the assertion level; and the results of the audit procedures, including the conclusions where these are not otherwise clear. If the auditor plans to use audit evidence about the operating effectiveness of controls obtained in previous audits, the auditor should include in the audit documentation the conclusions reached about relying on such controls that were tested in a previous audit. In essence the auditor's documentation should demonstrate that the financial statements agree or reconcile with the underlying accounting records.

- **Evaluation of Misstatements Identified during the Audit:** Before an audit is concluded, the auditor should clearly document the amount below which misstatements would be regarded as clearly trivial, all misstatements accumulated during the audit and whether they have been corrected and the auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.

- **Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures:** As an auditor concludes the audit he should document the basis for his conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks and Indicators of possible management bias, if any.

- **Related Parties:** If the auditor is auditing a client which has components of related party transactions, he should include in the audit documentation the names of the identified related parties and the nature of the related party relationships including the overall effects to the financial

statements. He should also seek and document who authorises and approves significant transactions and arrangements with related parties.

- **Audits of Group Financial Statements:** Where an auditor is involved in the audit of financial statements of a group which includes work of component auditors, the group engagement team should include in the audit documentation : an analysis of components, indicating those that are significant, and the type of work performed on the financial information of the components, the nature, timing and extent of the group engagement team's involvement in the work performed by the component auditors on significant

components including, where applicable, the group engagement team's review of relevant parts of the component auditors' audit documentation and conclusions thereon. The audit file should also include written communications between the group engagement team and the component auditors about the group engagement team's requirements.

- **Using the Work of Internal Auditors:** A client may have an internal audit function which the auditor may find it necessary to rely on the work of the clients' internal auditor. The auditor, being an independent party is expected to be skeptical in the performance of the audit and at a minimum he should document

the conclusions reached regarding the evaluation of the adequacy of the work of the internal auditors and the audit procedures performed by the external auditor on that work to determine its adequacy for the external auditor's purposes (ISA 610:8-10)

It should be noted that Audit Documentation, however, is not a substitute for the entity's accounting records. Oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor reached, but may be used to explain or clarify information contained in the audit documentation.



An audit plan should have a description of the nature, timing and extent of planned risk assessment procedures, a description of the nature, timing and extent of planned further audit procedures, including whether to test the operating effectiveness of controls and such other procedures required to be carried out to comply with ISAs

IS CORPORATE PHILANTHROPY BY KENYAN FIRMS MATERIAL?



CPA James N Ndegwa

The business of business is business and corporate social responsibility (CSR) is part of business (Friedman, 1970). CSR refers to firms achieving commercial success in ways that honor ethical values and respect people, communities and natural environment (Tsoutsoura, 2004). CSR is also concerned with governance, product safety, equal opportunities, human rights, community involvement and environment preservation (Tilt, 2010). Corporate philanthropy as a component of CSR refers to the charitable donations by firms of their profits and resources to charitable activities. The donations are made directly by the corporation or through foundations created by the corporations (www.businessdictionary.com).

CSR activities enhance brand image, reduce production cost due to emphasis on recycling of waste and mitigates the risk of negative events (Tsoutsoura, 2004). Other not very positive reasons for CSR activities include: donors deriving pride amongst peers from the publicity. Donors can also fulfill their religious obligations that can be for selfless and selfish reasons such as current sacrifice for eventual reward. By participating in CSR, firms can also avoid paying taxes since charitable donations are tax deductible (Roeskau,

2003). By firms participating in CSR activities, the Government is happy with the participating firms and this improves on the agency relationship between shareholders and Government.

There are schools of thought that believe that in a free society private firms should not participate in CSR activities as it is not their business instead they should focus on generating profits as long as they do so in a competitive and corruption free environment. Philanthropy in this case is deemed as a waste of the firm's resources (Friedman, 1970). It is also believed that private firms that engage in CSR, lack the skills and jurisdiction to participate in community welfare activities (Tsoutsoura, 2004).

Accountants' role in CSR depends on the type of accounting function: financial accountants are concerned with reporting the social and environmental aspects of assets and liabilities in a standard manner. Management accountants are concerned with the costs and benefits of social and environmental aspects of assets and liabilities while auditors are concerned with providing assurance of the social account produced.

There is a growing concern about the materiality or significance of CSR activities by firms. If CSR is not material then the society is being short changed and should petition the corporates for more participation. This is to ensure fair sharing of the firm's success output between itself and the society that provides it with an enabling environment for success.

According to ISA 320 on Audit Materiality, information is deemed as

material if its omission or misstatement can influence the economic decisions. This definition is deemed as qualitative and may be susceptible to bias. Quantitative definition of materiality provides precise thresholds of materiality and is as follows: information is deemed as material if it constitutes at least 1% of total assets, 5% of shareholders' equity and 5% of net profits (Rittenberg, Johnstone and Gramling, 2012).

A review of published information on corporate philanthropy by Kenyan listed firms reveals that the cost of CSR is either: vague, scanty or completely missing. This is with exception of a listed Kenyan firm whose private foundation had over 700 projects during a 10 year period that ended on 29th October 2013. The firm had spent Kshs.1.8 billion in CSR activities during that decade. Donations from the firm thus average Kshs.180 million per annum. Highlights of financial statements of the firm in year 2012 indicated that total net assets amounted to Kshs.84.2 billion, profit before tax amounted to Kshs.17.4 billion and shareholders' equity amounted to Kshs.72.6 billion (NSE Handbook, 2012-2013).

Despite the annual average donations of Kshs.180 million appearing as significant in absolute terms, its materiality amounted to only 0.21% of total net assets 1.03% of profit before tax and 0.25% of shareholders' equity, which are all below the set materiality thresholds of 1%, 5% and 5% respectively (Rittenberg, Johnstone and Gramling, 2012). The implication is the Kshs.180 million per annum is not material as the firm's performance

indicators were relatively very large. The seemingly financially immaterial corporate philanthropy may have been mitigated by non-financial corporate donations.

The Government of Kenya encourages corporate philanthropy through public private sector partnerships (PPP). However there is no accounting standard that regulates corporate philanthropy leaving firms with the discretion to do as they please.

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A Golfer in his element during the Annual ICPAK Charity Golf Tournament at Muthaiga Golf Club

WHY VENDOR FRAUD GOES BEYOND EMPLOYEE INVOLVEMENT

CPA Abraham Kuto Photos: Courtesy

For most companies vendor fraud is perpetrated by company's employees specifically those handling the supply chain function colluding with suppliers. In the event of suspected fraud, these employees will be subjected to unnecessary investigation, interdicted, locked up in cells, and falsely prosecuted. The repercussions of such expedited prosecution have resulted to companies losing more money to pay for damages as a result of malicious prosecutions. But looking through some of the sharp practices in procurement, vendors have been at the center of accomplishment. They are the mandarins behind the wheels of corruption leaving company employees as scapegoats. This does not vindicate employees who form part of the syndicate supporting the vendor in dubious schemes involving fraud. Therefore companies must do thorough enquiry to check on employee involvement in fraud.

It should be noted that there is little if any, of employee's involvement on vendor fraud. The customers we tend to value too much and fighting to retain often could be perpetrating fraud against your company. A case where vendors would come together in a certain restaurant and agree on who to bid for a certain tender your company has advertised should be a sounding red flag. Ideally vendors are in competition to win tenders of a company but when such closed door agreements are reached yet there are offering complementary services or goods then an investigation into fraud must be

initiated as that is enough predication. Vendor frauds are mostly common in small towns or centers and also community based companies than in major towns. This is something that county governments should be alive to when engaging suppliers on the provision of good and services within their counties lest they lose their revenue to fraud. In most of these set ups the vendors are community business men who many a times may have common clan lineage, are siblings or business partners. Most of them operate more than one business in the name of General Supplies Limited or General contractors Limited etc and are capable of supplying everything needed by organizations. Their capacity not questionable but prices exorbitant and

quality very low.

The reality is that it is possible for vendors to commit fraud against your company without involvement of employees. The following are five scenarios that will help an organization know if their suppliers are involved in vendor fraud.

1. Bid rotation. It is very common in small towns where bidders are few and understand each other's operations. This is where vendors who have been working with the company for a quite some time exploit the existing trust and conspire to have each one of the vendors submit the lowest bid in turn thus allowing each other to have stake in different company businesses. The rest of the vendors will each submit bid with higher prices enabling

their colleague to win. Normally what is lowest bid will be more than double the ordinary price of such goods and services in the market. And because there are no other competitors around at least one of this unscrupulous vendors will be awarded the contract. They will thereafter share the loot or even do sub-contracting so as to enable other parties have a share of the proceeds. In the next tender another one of them will quote the seemingly lowest bidder.

2. Bid reversal. There will be an initial competition between the vendors. Before the bids are opened by the purchasing company, through a calculated scheme, some bidders will withdraw their bids by giving very convincing reasons like I may not be able to complete the task within time, I got other tenders or travelling for holiday abroad just to appease the purchasing company. And because projects have an implementation time frame, the company having run out of time, will have no option rather than award whoever emerges the lowest bid. This therefore leave the highest bidders to win the tender. The proceeds from such black mail will be shared by both the winners and those who dropped their bids.

3. Ex-employee antics. A company employee resigns from employment and forms his agency to supply goods /services to his former employer. From the outset this gentle man will convince his former colleagues how he had been very successful in doing business outside employment. He thus uses his networks and knowledge of the company controls, plans and budgets to circumvent procurement processes thus reaping at the expense of the former employer.

4. Market specialization. Normally vendors will meet and peruse through the company's profile, geographical distributions and the business opportunities offered by that company. They then divide the specific markets between themselves, either geographically or product segmentations. One vendor will be supplying specific items like hardware materials while others will concentrate on transportation of the same. The vendors agree not to compete with each other when it comes to specific line of products and instead the others will submit bids that will be automatically rejected like placing high prices. In the process true competition is lost. Having acquired that monopoly, they will then supply inferior quality goods or

services at exorbitant prices.

5. Community involvement to lock out outsiders. In this scenario the community in which the organization or company is investing in will demand a fair share of the companies businesses. They will threaten to paralyze business if tenders are not directed to the local communities. Within the same set up they will dictate which particular clan or person should be given the particular tender at any particular time. In that process the organization will be forced to single source for its goods and services. This people, normally community tyrants, will price their goods whimsically since they have received protection and endorsement from the community member's. This is very common when it comes to employment of staff. The community leaders will want the company to employ specific persons from the community regardless of their qualification and academic background. This in the long run threatens the operations of the organization and may be forced to shut down.

In the above cases you will realize that there is absolutely no employee involvement. To come over the fraud cases above and to stop laying blame on their employees, companies can do the following.

1. Realize that the company can lose millions of dollars through such unchecked engagements, projects stall thus impairing implementation and growth of crucial business units and eventually losing out on profits, thus they should engage a fraud expert to help them review their procurement processes in order to advise on the fraud risk areas and those supplier who have engaged in fraud.

2. Moving forward organizations must investigate vendors who purchase several bids using different business names. Encourage vendors to attend meetings where opening of tenders are done. In this way you will be able to spot those vendors who are directors of several businesses submitting several bids for one tender.

3. Vet ex-employees posing as vendors equally as other suppliers. In some instances they should be blocked from bidding. This is however challenging as one can be blocked only if the company has an established policy that bar ex-employees from engaging in any profitable business with the company.

4. Establishing fraud hotlines for existing and potential vendors to report

irregularities on their part of the colleagues. 5. Crosscheck vendor addresses with those of other vendors to establishing if there is any significant relationship between vendors and helping weed out double bidding or single sourcing. 6. Comparing market rates of goods and services from other nearer centers and opt to purchase from them. 7. Enlighten communities on what benefits will accrue to them based on the company's existence there. Have them as partners and initiate social responsibility activities like sponsoring students to study and giving them jobs when they are qualified. Do agreements with such communities from the start of projects and threaten a pull out if either party goes against the agreed terms of engagement.

Vendor frauds are mostly common in small towns or centers and also community based companies than in major towns. It is possible for vendors to commit fraud against your company without involvement of employees



MANDELA'S LEGACY



By CPA Shabir Issak Photos: Courtesy

As the candle that marked one of the highs of this century for Africa blew out on 5th December, 2013, from the outpouring of grief came the acclamation that Madiba had set the bar high for Africa's leaders. More importantly, he left us with powerful messages that underscore the underlying goodness of human kind and in retrospect, clear pointers on what we need to emulate to transform our lives and of those around us.

The former president of South Africa, joint winner of the Nobel peace Prize, champion of African nationalism, was an inspiration to many. As emblems of ethical behavior, credibility and accountability, the professionalism of accountants can draw from this icon's teaching. We can learn a lot from this humble man who saw inequality in his world and strived to make it right. Let us contemplate on his words and try to understand his philosophy.

Living isn't just about doing something for yourself, but what you do for others as well. In his book, *The long walk to freedom*, Mandela says "For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others." As we celebrate fifty years of our independence, these words should remind us to reflect on our own "freedom". One of the significant issues that formed Mandela's main contention was the discriminatory aspect of apartheid.

In the South African context, the divisions between people by virtue of race and color were most pronounced.

If we equate this with our own tribal and racial overtones, his words tell us that this is not a creation of our genetics but our teachings that have influenced the next generation: "No one is born hating another person because of the color of his skin, or his background, or his religion. People must learn to hate, and if they can learn to hate, they can be taught to love, for love comes more naturally to the human heart than its opposite." In his unpublished autobiographical manuscript, he has articulated why we should not be judgmental, "I came to accept that I have no right whatsoever to judge others in terms of my own customs." If we can apply this basic principle in our lives, we should be able to live with each other without any prejudicial notions. That will be a sign of a true patriot.

In our highly charged society, we rise above our differences with one national good. We cry out for reconciliation and we want to make amends so that we can move on. In 1995, Madiba said "Reconciliation means working together to correct the legacy of past injustice." We have to draw a line and move on. He taught us that life is a course with endless obstacles to handle. "After climbing a great hill, one only finds that there are many more hills to climb." We are too quick to give up and refuse to get up from our failures. If we don't fight

to get up, we are giving up on something bigger — life. "The greatest glory in living lies not in never falling, but in rising every time we fall."

Few words uttered by Mandela in 1998, summarize what leaders need to do for us: "Real leaders must be ready to sacrifice all for the freedom of their people." Real leaders must also learn to weigh their words carefully before they speak. "It is never my custom to use words lightly. If twenty-seven years in prison have done anything to us, it was to use the silence of solitude to make us understand how precious words are and how real speech is in its impact on the way people live and die."

In a speech to the European parliament in 1990, he remarked that "Great anger and violence can never build a nation. We are striving to proceed in a manner and towards a result, which will ensure that all our people, both black and white, emerge as victors." Mandela was always reflecting on the goodness of mankind and he extolled this as a virtue, one which would help bring about true change in society. In *Long Walk to Freedom* he explains that "Man's goodness is a flame that can be hidden but never extinguished."

From the poorest of countries to the richest of nations, the simple ingredient that can bring about change in the World is education. It is the key to moving forward in any society. "Education is the most powerful weapon which you can use to

change the world." The second ingredient for change is to be brave; "I learned that courage was not the absence of fear, but the triumph over it. The brave man is not he who does not feel afraid, but he who conquers that fear."

As Madiba stated, "When people are determined they can overcome anything" and "Without democracy there cannot be peace." As we embark on the next phase of our independent Kenya his words become important in that we need to reflect on where we are and where we need to be. As we take the next steps in developing our great nation further, we should realize that "We have not taken the final step of our journey, but the first step on a longer and even more difficult road". We need to safeguard the freedoms our founding fathers fought for and delivered to us. We need to protect the bill of rights we enshrined in our current constitution. As professionals, we owe a duty to our fellow citizens and to our Country, we need to speak up and speak for, we need to be diligent and determined, ethical yet emphatic and most of all, embody the credo of ICPAK: credibility, professionalism and accountability.

Nelson Rolihlahla Mandela, fondly known as Madiba (his Xhosa clan name) and also Tata (father), born on 18 July 1918, served 27 years in prison because of his ideals. Nelson Mandela never wavered in his devotion to democracy, equality and learning. Despite terrible provocation, he never answered racism with racism. His life has been an inspiration to all who are oppressed and deprived; to all who are opposed to oppression and deprivation. He will be remembered as a visionary and transformational leader, an example to Africa and a mentor to the whole world; In his humility, he reminded us that "When a man has done what he considers to be his duty to his people and his country, he can rest in peace."

Rest in peace, Madiba.

Real leaders must be ready to sacrifice all for the freedom of their people. Real leaders must also learn to weigh their words carefully before they speak

10 AWESOME & INSPIRING

Pictures: Courtesy

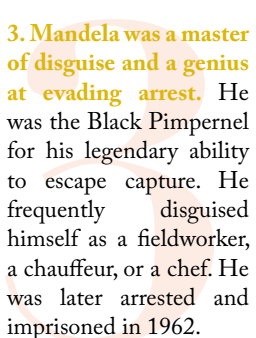
FACTS ABOUT NELSON MANDELA



1. This man that changed the world grew up in a tiny village and was the first member of his family to attend school. His father, who served as a counselor to tribal chiefs, died when he was 9, and the boy was adopted by the Thembu regent, Chief Jongintaba Dalindvebo.



2. He started off as a pacifist — then took up arms. Though he was initially committed to non violent protest, Mandela changed his stance in the early sixties and began advocating a sabotage campaign against the government. In 1961, he co-founded “Spear of the Nation” or MK, the militant wing of the African National Congress.



4. In prison, he was highly skilled at secretly passing notes. During his incarceration on the infamous Robben Island, Mandela and the other prisoners would communicate by leaving notes in discarded matchboxes, under piles of dirty dishes, and taped in toilet tanks. Using these methods, Mandela and the other prisoners organized and succeeded in their effort to improve their living conditions.



5. He had a chance to get out of prison — and declined, on principle. In 1985 South African President P.W. Botha offered Mandela his freedom if he would agree to renounce armed struggle. He refused, saying, “What freedom am I being offered while the organization of the people remains banned? Only free men can negotiate. A prisoner cannot enter into contracts.”

6. When he finally got out, he only strengthened his fight against Apartheid. Immediately after his release from prison on February 11, 1990, Mandela urged supporters to reject South Africa's white minority government, and called on the international community to maintain its sanctions.



8. He used sports to bring the racially divided country together.

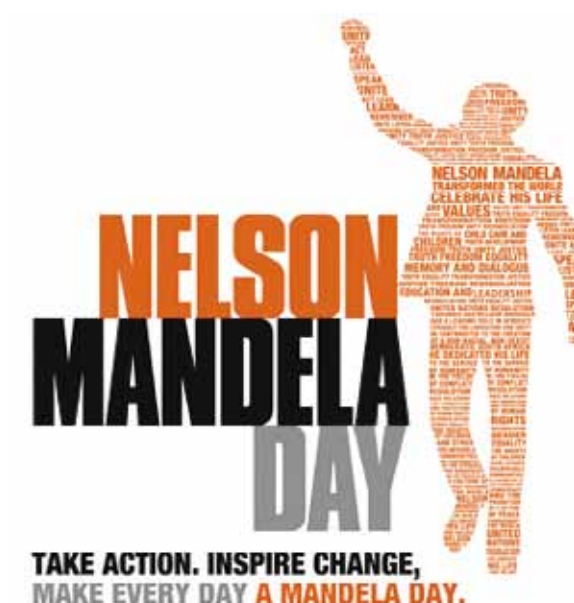
Mandela saw national reconciliation as one of the most important tasks of his presidency. One key moment came when South Africa hosted the 1995 Rugby World Cup. While black South Africans despised the national rugby team, Springboks, Mandela encouraged them to support the team. When they faced New Zealand in the final, Mandela appeared in a Springboks jersey with captain Francois Pienaar's number on the back and the mostly white crowd erupted in cheers. After the team's win, Pienaar was asked what it was like to have "62,000 fans supporting you here in the stadium." He answered, "We didn't have 62,000 fans behind us. We had 43 million South Africans."



7. He worked as hard to make peace as he did to bring down Apartheid. Prior to the ANC's triumph, many feared that South Africa would descend into civil war and that there would be mass acts of violent retribution. But President Mandela established the Truth and Reconciliation Commission to investigate human-rights abuses under Apartheid and largely averted bloodshed.



9. He probably won more awards than anyone in history. In addition to the 1993 Nobel Peace Prize, Mandela has received, including honorary degrees from more than 50 universities worldwide. In 2001, he became the first living person to be made an honorary Canadian citizen, and he was the last person to receive the Lenin Peace Prize from the Soviet Union.



10. There's now a global holiday in his honor. In 2009, the United Nations declared that Nelson Mandela International Day will be celebrated every year on July 18 (his birthday). The purpose of the day is to honor Mandela's legacy and promote community service.

Adopted from the New York Magazine

VOYAGER 1 LEAVES THE SOLAR SYSTEM

The Space Between: This artist's concept shows the Voyager 1 spacecraft entering the space between stars. Interstellar space is dominated by plasma, ionized gas (illustrated here as brownish haze), that was thrown off by giant stars millions of years ago.

Voyager has boldly gone where no probe has gone before, marking one of the most significant technological achievements in the annals of the history of science, and adding a new chapter in human scientific dreams and endeavors, said John Grunsfeld, NASA's associate administrator for science in Washington

Beyond the Bubble: The general locations of Voyager 1 and 2 are shown in this illustration at the edge of the heliosphere, the bubble created by solar wind.

ByNASA Photos: Courtesy

New and unexpected data indicate Voyager 1 has been traveling for about one year through plasma, or ionized gas, present in the space between stars. Voyager is in a transitional region immediately outside the solar bubble, where some effects from our sun are still evident.

"Now that we have new, key data, we believe this is mankind's historic leap into interstellar space," said Ed Stone, Voyager project scientist based at the California Institute of Technology, Pasadena. "The Voyager team needed time to analyze those observations and make sense of them. But we can now answer the question we've all been asking -- 'Are we there yet?' Yes, we are."

Voyager 1 first detected the increased pressure of interstellar space on the

heliosphere, the bubble of charged particles surrounding the sun that reaches far beyond the outer planets, in 2004. Scientists then ramped up their search for evidence of the spacecraft's interstellar arrival, knowing the data analysis and interpretation could take months or years.

Voyager 1 does not have a working plasma sensor, so scientists needed a different way to measure the spacecraft's plasma environment to make a definitive determination of its location. A coronal mass ejection, or a massive burst of solar wind and magnetic fields, that erupted from the sun in March 2012 provided scientists the data they needed. When this unexpected gift from the sun eventually arrived at Voyager 1's location 13 months later, in April 2013, the plasma around the spacecraft began to vibrate like a violin string. On April 9, Voyager 1's

plasma wave instrument detected the movement. The pitch of the oscillations helped scientists determine the density of the plasma. The particular oscillations meant the spacecraft was bathed in plasma more than 40 times denser than what they had encountered in the outer layer of the heliosphere. Density of this sort is to be expected in interstellar space.

"We literally jumped out of our seats when we saw these oscillations in our data -- they showed us the spacecraft was in an entirely new region, comparable to what was expected in interstellar space, and totally different than in the solar bubble," Gurnett said. "Clearly we had passed through the heliopause, which is the long-hypothesized boundary between the solar plasma and the interstellar plasma."

The new plasma data suggested a timeframe consistent with abrupt, durable

changes in the density of energetic particles that were first detected on August 25, 2012. The Voyager team generally accepts this date as the date of interstellar arrival. The charged particle and plasma changes were what would have been expected during a crossing of the heliopause.

Voyager 1 and its twin, Voyager 2, were launched 16 days apart in 1977. Both spacecraft flew by Jupiter and Saturn. Voyager 2 also flew by Uranus and Neptune. Voyager 2, launched before Voyager 1, is the longest continuously operated spacecraft. It is about 9.5 billion miles (15 billion kilometers) away from our sun.

Voyager mission controllers still talk to or receive data from Voyager 1 and Voyager 2 every day, though the emitted signals are currently very dim, at about 23 watts -- the power of a refrigerator light bulb. By the time the signals get to Earth,

they are a fraction of a billion-billionth of a watt. Data from Voyager 1's instruments are transmitted to Earth typically at 160 bits per second, and captured by 34- and 70-meter NASA Deep Space Network stations. Traveling at the speed of light, a signal from Voyager 1 takes about 17 hours to travel to Earth. After the data are transmitted to JPL and processed by the science teams, Voyager data are made publicly available.

"Voyager has boldly gone where no probe has gone before, marking one of the most significant technological achievements in the annals of the history of science, and adding a new chapter in human scientific dreams and endeavors," said John Grunsfeld, NASA's associate administrator for science in Washington. "Perhaps some future deep space explorers will catch up with Voyager, our first interstellar envoy, and reflect on how this intrepid spacecraft helped enable their journey."

Scientists do not know when Voyager

1 will reach the undisturbed part of interstellar space where there is no influence from our sun. They also are not certain when Voyager 2 is expected to cross into interstellar space, but they believe it is not very far behind.

JPL built and operates the twin Voyager spacecraft. The Voyagers Interstellar Mission is a part of NASA's Heliophysics System Observatory, sponsored by the Heliophysics Division of NASA's Science Mission Directorate in Washington. NASA's Deep Space Network, managed by JPL, is an international network of antennas that supports interplanetary spacecraft missions and radio and radar astronomy observations for the exploration of the solar system and the universe. The network also supports selected Earth-orbiting missions.

Courtesy of The National Aeronautics and Space Administration

FOCUS FOCUS FOCUS

Interviewed by Angela Mutiso cananews@gmail.com



Star: Jimmy Githere
Age: 35

Qualifications: B.Com Accounting, Nairobi University 2003
MBA: Ongoing
CPA: Self study 2002
CIA: (Certified Internal Auditor) 2008
First Job: Auditor
Organization: KPMG Kenya
Year: 2003
Present Job: Partner J.G Bailey & Associates

The first impression you get of CPA Jimmy Githere, Partner J.G Bailey & Associates (JGBA) is that he is an unassuming business man. But a chat with him reveals a serious strategist with great focus, a very pleasant persona and great vision.

He attributes his success at this young age to his trust in God, believing in himself, and in being focused and resilient. He enjoys driving, spending time with the less fortunate and building them. He also derives a lot of pleasure in reading; especially autobiographies.

Jimmy says he loves the accounting profession because it is not rigid as the environment in which it operates changes everyday. So as accountants, they face new challenges every now and then; and that is exciting.

After leaving KPMG in 2009, this rising star quickly registered J.G. Bailey & Associates. (Certified Public Accountants). He also set up Bailey Consulting Group, the consulting arm of the firm, aiming to provide advisory services to organizations wishing to use knowledge and management expertise in areas of Financial Management and Market & Social Research.

But what inspires Jimmy? What has made him rise so fast? Find out what he had to say:

I believed in myself and my abilities. I wanted the working flexibility and challenges involved. I am inspired by those people who have always made a difference in society. I would like to build a system that will live long after me so the firm should go on even in my absence.

Professional Experience?

I Joined KPMG Kenya in September 2003, after completing B.Com at Nairobi University in August of the same year. I worked as a senior auditor until 2007, when I joined KPMG advisory services where I worked until 2009. During this time we were doing assignments for the newly establish semi autonomous government of Southern Sudan. I left KPMG in 2009 and registered J.G Bailey & Associates. Later on, in concerted efforts with two close friends, I established a consulting arm which is known as Bailey Consulting Group (first in South Sudan and later in Kenya).

Registration and affiliations of your firm/company?

We are registered both in Kenya and South Sudan, under the Partnerships Acts of the two countries. J.G Bailey & Associates is a member, in good standing, of the Institute of Certified Public Accountants of Kenya (ICPAK) Our research division is in the process of acquiring Social and market research affiliation under ESOMAR.

What kind of services does Bailey Consulting Group offer?

Since its inception our services include:

- (1) Accounting and book keeping
- (2) Tax advisory services
- (3) General financial consultancy
- (4) Financial literacy training
- (5) Fixed asset management
- (6) Strategic Management
- (7) Business development services

(8) Project monitoring and evaluation
(9) Social and Market research services... We introduced this particular service in late 2011 with our focus mainly on South Sudan. In fact in the case of South Sudan, we realized that the new nation lacked the baseline data destroyed by decades of war. This presents a great challenge to prospective investors and smooth operation of government agencies. Similarly, social research as a product aimed to bridge information gap on social intervention activities for NGOs, civil societies and UN agencies among others.

What made you give your firm this name J.G Bailey & Associates? Any foreign links?

Not at all...The motivation behind the firm's name was to eliminate misconceptions and prejudices created by first impression. Furthermore, I wanted a name that would align well with our goal of regional expansion am happy to say this strategy has not disappointed and has in fact been a platform for our ventures in the region, the market has been very receptive and easily identifies with it.

How has Bailey Consulting Group performed so far? Are you happy with the progress?

Professionally, I am happy to have started the firm especially in South Sudan where we are helping to build our neighbour and world's youngest nation through our professional services. The gains realized so far out weighs the challenges encountered along the way. I must say that since our inception in 2009 we have invested in quality People – through empowering our employees and partnering with professionals of numerous hands on expertise in areas of our concern. The firm boasts of unrivalled client Relationships – always maximizing on our clients investments offering cutting edge professional solutions to better their organizational performance. Our value for Integrity is guaranteed in execution of all of our assignment. This is enhanced through creation of trust by taking responsibility, maintaining honesty and observation of ethics in our operations.

What kind of people come to you? What attracts them to you?

Small and Micro enterprises setting up in South Sudan as well as local and international Non governmental



organizations have been our main clients and targets . Bailey Consulting Group is forward looking and highly networked across the region and we have a team of multi disciplinary professionals with local capacity within each of the East Africa partner states where we operate, i.e. (Rwanda, Kenya and South Sudan). As such we have a clear understanding of local issues within the given jurisdiction of the assignment by our clients. Further, another attraction to our client is anchored on our ability to offer simple but actionable recommendations that aim to de-mystify consultancy findings, as well as provide impactful and user friendly reports.

What makes this firm stand out from the rest? Where do you draw your strength from?

The firm applies new approaches to consultancy that extend beyond the conventional practices. This is achieved through regular technical upgrading of the team members, drawing lessons from on practice challenges, application of latest technologies and through active evaluation of the quality of service offered to each client.. We draw our strength from teamwork, creativity and innovativeness in cropping up amicable solutions for our clients. Employee ownership is a leading edge of

our competitive advantage. Everyone takes responsibility for their own assignment and have a personal stake in the success of the projects and our company. We are flexible and give good value for the best price in the industry in today's hard economic times. Our services are personalized and we dedicate direct involvement on each project thus enhancing the quality of solutions provided. We bring to the table expertise and a wealth of experience as a result of seasoned professional experts. Through a blend of both local and international talents, we not only have clear understanding of challenges facing our target market, but we develop appropriate solutions to these challenges.

What do you think of the accounting profession in Kenya today?

It is progressing well, especially in the last 7 or so years when the institute started bringing in very vibrant secretariats, employees and active council members. However, its time accountancy as a profession embraces new strategies for the ever changing business models and technological environments.

So what advice do you have for budding accountants?

Accounting is not your fall back plan when you have nothing else to do...You have to be passionate about it; it has to be your dream. Secondly, you need to maintain high level of integrity in order to be successful as an accountant.

What is your philosophy in life?

My philosophy has always been focus, focus, focus, otherwise you may get swayed by the storms of life.

Vote of thanks

I would like to thank my family...parents and siblings for supporting and guiding me and my wife Joyce for always being there for me.

Thanks are due to my former bosses at KPMG, especially Risper Genga for her support and all those who guided me during my early stages in the accounting profession.

I am also indebted to my long time friend John Kimani, co-directors at Bailey Consulting Group, and our staff for sharing in my vision.

May the Glory and honor be to Almighty God for the gift of life and strength.

NO ONE CAN DO PRESS-UPS FOR YOU!

By joseph nyanchama info@josephnyanchama.com
Photos: Courtesy

ZigZigler has pointed out that we have all heard of the self made success but never the self-made failure.

Abraham Lincoln, for months he let his cabinet debate about if and when slavery should be abolished. He listened to them, but finally he made up his mind to issue his historic Emancipation Proclamation to free the slaves. He did this because he knew it was his personal responsibility as president to guide and give direction to the nation concerning the issue at hand. When I studied Lincoln's leadership, it seems to me, he had an extraordinary amount of emotional intelligence. He learned from his mistakes, shared responsibility for the mistake of others and at the same time was able to acknowledge errors.

Have you realized that every time you point an accusing finger at someone, you are pointing three fingers back at yourself, while the fifth one is pointing to God as witness! This implies that every leader is the cause of 75% of his problems. If someone else has a share, he can only be responsible for a maximum 25% of the blame. This implies that a leader would have still failed with or without anyone's help! No wonder K.C. Price once said, "If you fail, it is your fault, if you succeed, it is your fault."

Probably the best story I have heard illustrating the principal of personal responsibility comes from John Maxwell. He tells a story of a Sales Manager of a dog food company who asked his sales people how they liked the company's new advertisement, new label and package, and new sales force and they all answered in unison, "great". The Manager then said "so we have got the best label, the best package, the best advertising program being sold by the best sales force in the business.

Tell me why we are in the 17th place

environment, condition and destiny. He continued to say, "When man begins to reflect upon his condition and search diligently for the law upon which his being is established, he then becomes the wise master, directing his energies with intelligence and fashioning his thoughts to fruitful issues such is the conscious master and man can only thus become by discovering within himself the laws of thought. This discovery is totally a matter of application, self-analysis and experience."

In other words, you are your own doctor when it comes to curing cold feet, a headache and a negative attitude. But many leaders have developed a philosophy that says we are the reason for our successes and others are the reason for our failures.



J. F. Kennedy said, "Ask not what your country can do for you, but what you can do for your country."

in the dog food business? There was unprecedented silence. Finally one of the sales force employee gathered courage and said, "It is those lousy dogs. They won't eat the stuff!" The sales force blamed the dogs for not eating enough and that's why the sales were quite low.

Great leaders do not behave like this sales force. They fight this very human tendency with every fiber of their beings. They take responsibility for their own actions in the leadership they hold. They are humble in victory, and reflective in defeat. Winston Churchill once said, 'Responsibility is the price of greatness'. The sooner we accept that the number one person responsible for all our woes is our self, the quicker we begin to make decisions that will change our leadership. Personal responsibility is not confined only to leadership of organizations or nations but also to individual citizens. You remember the continual televised woman in Kenyan televisions who was pleading for help from the government. For those who are not acquainted with her plea let me re-state what she said, "vitu yangu yote imeenda na maji - na bwana yangu sijui ameenda wapi. Niko tu na watoto peke yangu. Serikali tafadhali nisaide niko na shida mbaya kabisa". (All my goods have been taken away by water and I also do not know where my husband has gone. I am alone with the children. I appeal to the government to help me - I am terribly in a bad

state). J. F. Kennedy said, "Ask not what your country can do for you, but what you can do for your country." Somebody once said that no raindrop takes away responsibility for the flood yet the reality is that each drop played a part.

We will never have a medium developed nation by the year 2030 without a productive citizenry who are ready to take personal responsibility. It is the input of individuals within a nation that results in the overall development of a nation like ours. All citizens must put personal initiative to improve their lives. It is said that when you have one rich man in the midst of six poor people what you have are seven poor people.

If you study the work ethics of South Koreans, you won't be surprised that they came from far behind to become the thirteenth industrialized nation in the world. They were among the poorest nations in 1948 and then the people suddenly became personally responsible. All the people of South Korea realized that they were solely responsible for the destiny of their own lives and by extension their own country. Brian Tracy said "No matter who signs your paycheck, you are working for yourself. You are the President of an entrepreneurial personal services company with one employee, yourself. In the long run as a result of the things that you do, you determine how much you earn. If you want an increase in pay, you can go to the nearest mirror and negotiate with your "boss" -yourself.

Therefore, the biggest mistake people make is to think that they ever work for anyone else but themselves. The fact is that they are self employed from the time they take up the first assignment until called to glory.

There are some leaders who believe that effectiveness and excellence for example come from external factors like an efficient workforce or application of the latest technology, the truth of the matter, as visionary leaders have known over the centuries is that success is an inside job. Excellence begins within. Market leadership begins with self leadership. How can you lead an organization if you have never learned how to lead yourself? In other words, "before you can do something you must be something". (Goethe, the Germany Philosopher).

Seneca said "To master one's self is the greatest mastery", while Confucius noted that 'good people strengthen themselves

ceaselessly!" "Man is made and unmade by himself discovered James Allen.

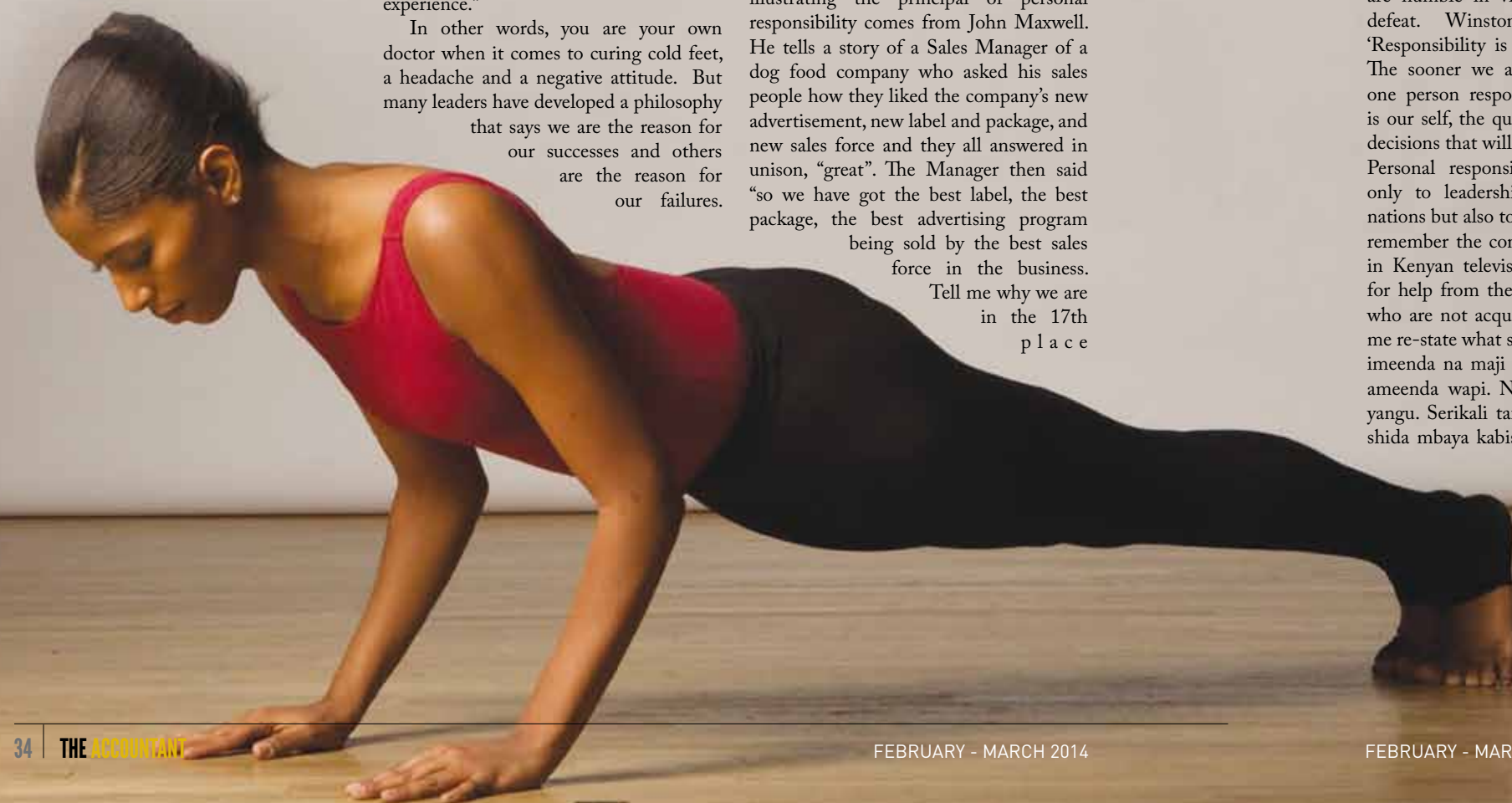
Therefore, by improving, refining and defining who we are, we see the world from the highest most enlightened perspective. By mastering ourselves, we see the world and all its limitless opportunities and potential from the top of the mountain. Even the modern leadership philosopher Peter Drucker observed that self-development of the effective executive is central to the development of the organization, whether it be a business, a government agency, a research laboratory a hospital or military service. It is the way towards performance of the organization. All leaders have to understand that their number one responsibility is to lead people. If they could not lead themselves, they could not lead others. In other words, they can never take others further than they have gone themselves, for no one can travel without until he or she has travelled within. Indeed we are responsible for our own actions and nobody else.

A while back I was stranded in Moi International Airport Mombasa after a flight was cancelled. The guy next to me paced the floor for hours, fuming and cursing everyone associated with the airline. By the time we boarded the next flight out, his face was beet red. His blood pressure must have been off the chart. No one was responsible for all these but himself.

Louis L. Amour, the prolific author who wrote scores of novels about the old west summed up how each of us shapes our own destiny by the choices we make. He said, "up to a point a man's life is shaped by environment, heredity, and moments and changes in the world about him. Then there comes a time when it lies within his grasp to shape the clay of his life into the sort of thing he wishes to be. Only the weak blame parents, their race, their times, lack of good fortune, or the quirks of fate. Everyone has it in his power to say 'This I am today: that I will be tomorrow'".

I wish to state that L. Amour's forthright wisdom boils down to this, choices have consequences. Make good ones in your leadership, you prosper. Make lousy ones, you fail.

Arnold J. Toynbase said, "As human beings, we are endowed with freedom of choice, and we cannot shuffle responsibility upon the shoulder of God or nature. We must shoulder it ourselves." Therefore no one can do press ups for you, but 'you'.





By Angela Mutiso Photo: Courtesy

RE-EXAMINE YOUR VALUES AND GET A RICHER LIFE

Jonathan is a bright, powerful and thorough person who strives everyday to be exceptional at work, yet finds himself coming up short in many aspects of his life.

It's hard for him to figure out why despite his efforts and irrefutable talents, he is never contented. He has everything an employer or friend would want; he is available for any task, does most of the difficult projects, is self-driven, meets deadlines and ensures that whatever needs to be done is done to perfection. Indeed when he is in the middle of a business deal, he gets so carried away you would imagine

the force of the deal is an intoxicant to him.

His acquaintances are however amazed that Jonathan never seems happy despite all the success he enjoys. Yes, he is almost indispensable but the other side is that he is restless, unpredictable and at times angry... very angry. When he is upset, it becomes dreadfully difficult to deal with him... and therein lies the problem...his problem?

The question is; how do you deal with people like Jonathan? What exactly is wrong with them? What brings about the dark moods? You love them, you want to be close to them, to get their affection and

to work with them, and you must. But at times, you are confronted with this grey area that you simply cannot understand or cope with. While such people may have many admirers, they are in many ways not easy to get on with at a personal level. It may interest you to know that they are not necessarily bad.

In fact, psychologists say they can also be very supportive, loving and focused. Their success is however incomplete because they lack something vital in their lives; and that is an internal connection with themselves and with those close to them. They need to re-examine themselves and find out why despite 'having it all' they

are unhappy. Above all, they need to know what their real assets are and nurture them.

Many people gain a sense of greater control over a problem when they list them. So they need to write down what is most important to them and begin to appreciate and nurture them.

If you are like Jonathan, you should understand that not doing this simple task can haunt you a great deal. If you don't address such issues, you may never have peace or total fulfillment in your life. Good human relations always work well for you.

Sometimes the relief of simply being able to discuss your personal issues can be good enough. It helps to discuss vexing issues with people you trust because sometimes the verdict of the ill informed, only serves to worsen an already bad situation. So, to Jonathan you would say; insert emotional intelligence into your situation and start the process of retouching and understanding yourself and what your existence is all about. Share if you can. Surely it cannot be all about work. Start now to apply the same vigor, attention and time you give your work to yourself your family, those close to you and on ventures that build you.

Sample this... Asked by a friend why her

husband's clothes were always crumpled, a frustrated housewife hilariously narrated how she had tried unceasingly to get her electrician husband to repair their iron in vain. Her good natured friend responded by taking that iron to him and lying that it was hers. Result? He repaired it at once. This scenario is repeated so many times in our lives. We can do so much for other people; joke with them, help them out, and spend time sorting out their problems. But we may never think of extending the same hand of friendship to our families and friends. We fail to remember that they also need to see us smile, laugh and being there for them. Actually, we need our families all the time, to join us in the ups and downs of our lives.

Are we getting our priorities right?

In an earlier feature published in this Journal, an active ICPAK member Kariithi Murimi discussed how central our families are to our success. He said that the Kenyan employer should be encouraged to be more family driven. When you have a stable family, explained Murimi, you succeed in so many ways. You increase your income if your value is defined and you do not have a problem with priorities. "I need my family's in put to enable me make money. So I have no problem with priorities.... As accountants, we tend to give work a lot of time hence we don't give our families time." He explained that as you mature in business, you see the importance of relationships. In fact, our poverty curve is equal to our neglect of family; but no one tells us. Our families should essentially guide our success, but we tend to make work lead instead. He is convinced that there is a hidden problem when we call work money and family, consumers of that money; you tend to dislocate priorities here.

Asset and value driven organizations

Murimi said tomorrow's organizations will be value driven rather than asset driven. He notes that these principles are essential to success in all facets of an individual's life. Even families must spend more time getting their value systems right and employers must appreciate the worth their employees place on their own families and where necessary, give them time out to deal with home matters. This way, they will get their full potential. He says challenges like fraud and dishonesty are all reflective of what families are spending in value creation.

Building your spirituality

Murimi concludes that another aspect of your life that can keep you well organized is your faith. He says when you discover the power of prayer you can manage very difficult tests. These sentiments are also found in, Dr. Kevin Leman's book- The Pleasers, where he gives the following tips: (i) You should develop the spiritual side of your life. Get on speaking terms with God and thank Him for not making any mistakes, including you. If you already have a personal relationship with God, deepen that relationship by becoming more active in a house of worship where you can be comfortable not only with the theology but with the way the other members live their lives.

(ii) Use positive self-talk... dwell on the fine good things in yourself... What I think is important too."

(iii) Stop playing comparison games with your friends, neighbors and others in your life. While their feelings and rights are certainly important, what they think of you really isn't. What you think of yourself is far more important.

Therefore be proud of what your God has enabled you to achieve and let it show. It is imperative that you take some time to re-examine yourself, your goals and your attitude. This can be possible through reflection, soul-searching and flexibility. Remain very relevant to those who know you well and love you, and to your parents, teachers, uncles, aunties and mentors, and don't lose touch with your past.

Allow your inner power to grow and direct it to the right causes. Otherwise, despite all the hard work, your best efforts at work will in the long run be in vain. Every business man could use someone who can work like you, but again you will realize it is not worth it if you do not direct your efforts to the right causes too. If you do not act now, it will soon be clear to you that you have been wasted where it matters most. Finally, do permit real reform to take place within you. It is important to understand how much people need bolstering and to understand that they can never get enough.

So if you are in Jonathan's shoes, retrace your steps. Now you know when the rain started beating you, so try to be very present where you are needed most. The result will be incredibly fulfilling for you and your loved ones. It's an amazing feeling of freedom when you eventually free yourself to love again.



KENYA'S INVESTMENTS IN NEW ENERGY SOURCES BRING ENVIRONMENTAL CHALLENGES

By Clive Mutiso Photos: Courtesy

The quest for new sources of energy to drive Kenya's economic growth is bringing challenges that will have to be overcome if environmental degradation, violent conflict, and social upheaval are to be avoided. Right now Kenya imports all its oil, and is increasingly turning to neighbours like Tanzania, Uganda, and Ethiopia for electricity to cover a shortfall in generation capacity. Kenya needs electricity to power industry and run appliances in homes and offices, and fuel to run cars, trucks, buses, and railways. Over the past 100 years, the country has evolved from reliance on thermal electricity generation, through hydro-electric schemes, to geothermal power generation. But no single source has been sufficient on its own to meet the growing demand for electricity, and

the overall power deficit is growing. But at least two of the three solutions that have been applied in the electricity sector have been renewable. The automotive and aviation sectors have been wholly dependent on non-renewable energy, from imported oil for road and air transport and locally processed diesel for railway engines. With no certainty that oil finds in Turkana will prove commercially viable, the country is experimenting with new technologies to fill the growing demand for all types of energy. But some of the new technologies carry the risk of a severe impact on food security and the environment that could lead to big trouble. Throughout the developing world, bio-fuel crops that have been suggested as alternatives to fossil fuels have all too often resulted in loss of food crops through the conversion of arable land to the production of bio-fuel,

and the destruction of wildlife habitat in marginal lands being cleared for bio-fuels planting.

One of the keys to the problem is a technical term that we can expect to hear a lot more about over the next few months – EROEI, which stands for “energy returned on energy invested.” When oil and coal were abundant, the costs of extracting them were low. In the early years of oil exploration, the cost of prospecting, developing infrastructure to extract the oil, and refine it were the equivalent of one barrel for every one hundred barrels of oil, giving an energy return of one hundred to one. But diminishing reserves have forced prospectors to the ends of the earth, finding smaller and smaller deposits in increasingly hostile terrain. In many new oil fields, the amount of energy needed to extract one hundred barrels of oil has

increased tenfold. Just as these factors have pushed up the cost of extracting and refining finite supplies of fossil oil, the cost in energy for each unit of renewable energy from other sources has been even higher in many cases.

Ethanol, or power alcohol, is one of the petroleum substitutes Kenya has tried, blending it with petroleum. The cost of producing one litre of ethanol from maize is about Ksh100, which is more than the cost of refined petroleum. In a country that is often afflicted by drought and consequent shortages of staple foods, growing maize to produce power alcohol might seem far-fetched. But in other countries it is already a reality – one third of all the maize grown in the United States is used for power alcohol production. Sugar cane and molasses, a by-product of sugar milling, are other potential sources of feedstock for power alcohol, and some African countries, like Ethiopia, are actively encouraging the growing of sugar cane for ethanol extraction. But Kenya, whose population of 43 million people is projected to double in the next 20 years, and whose land area is only 10 per cent arable, needs all the sugar that it is able to grow, and more, for human consumption. An exotic drought-resistant shrub indigenous to Central America, Jatropha

curcas, was touted as a promising feedstock for the extraction of bio-diesel. Hundreds of Kenyan smallholder farmers were persuaded to plant it as a cash crop and in 2008 an Italian bio-fuel investor reportedly paid Sh12 million a year to lease 50,000 hectares in Malindi for Jatropha cultivation. The Malindi project rang alarm bells in the environmental community and a commercial and environmental impact study of the proposed project was commissioned jointly by Nature Kenya, Action Aid, the Royal Society for the Protection of Birds, and BirdLife International. The study was carried out by North Energy, an international renewable and sustainable energy consultancy. Their findings were damning.

The study assessed the life-cycle of greenhouse gas emissions from the Malindi project that was to be centred on the Dakatcha Woodlands, and intended to produce bio-diesel for export to Europe. The experts advised that: “Assuming typical conditions and yields, emissions are found to be 2.5 to 6 times higher than for fossil fuel equivalents, principally as a result of the destruction of woodland and scrubland that will be required to plant the proposed Jatropha. Under almost all scenarios it would not be possible to meet European ‘sustainability criteria’ of delivering a 35 per cent emission saving compared to fossil fuels, and under no scenario could the 50 per cent standard, which will be introduced in 2017, be met.” North Energy expressed surprise that a project being promoted by a European company, and aiming to sell to the European market, did not seem to have taken into account the need for compliance with European environmental standards: “sustainability criteria are failing to influence practices on the ground. As a result, we are calling for all subsidies and targets for biofuels in developed countries to be scrapped and the

proposed plantation in Dakatcha should be abandoned.” Acting on the report, the National Environment Management Authority refused to approve the project and it was halted.

Small-holder planting of Jatropha proved to be no more successful. Farmers had been led to believe that it was a hardy, simple crop to grow, and needed little attention once it had been planted. But experience taught them that the plant needed regular watering, and it could not be inter-cropped with maize, or any of their traditional food crops, because Jatropha competed for the same nutrients and led to soil fertility reduction. They had been told that the seeds of the tree could be crushed to produce a diesel substitute, but 79 per cent of farmers harvested only 100 grams of seed from each tree and some got nothing at all. With 4 kilograms of seed needed to produce just one litre of bio-diesel, the outcome was a failure.

The experience of Kenyan small-holder farmers with Jatropha was studied by a team involving the Kenya Forestry Research Institute and the World Agroforestry Centre. The lead researcher, Miyuki Liyama, reporting in the scientific journal *Agroforestry Systems*, stated that: “In order for Jatropha to be grown successfully by small-holder farmers in Kenya, many of the uncertainties need to be removed. The low yields are partly because improved planting materials are not available, farmers’ management practices are sub-optimal, and the biophysical boundaries of high Jatropha yield are poorly defined.”

With unreliable rainfall making it difficult to increase hydro-electric power generation, with geothermal resources finite, and the capital cost of solar and wind power often a constraint, it is inevitable that there will be future attempts to “grow” alternative power. But the environmental impact of such efforts still presents a formidable challenge.



BRIDGING THE GAP BETWEEN ANALOGUE AND DIGITAL



By Kellen Kiambati Photo: Courtesy

As a country and especially as leaders in both public and private institutions, we need to identify the important issues from both analogue and digital world that will give leaders visibility for clear game changers to spur economic growth. This can only happen through effective communication and not tearing apart the two worlds. Today's employees not only need to know what's going on inside their organizations, they expect to know. How could they not? We're living in a world that's playing out in real time as social media documents tragedies and news events as they unfold. From West Gate attacks to many blasts around the country, today we expect to hear breaking news in real-time and that expectation is following us into the workplace.

Sadly, many organizations continue to fail at the critically important function of communicating and sharing information internally. I can't tell you how many times

I've heard the following statements from conference attendees, "No one in our company told us about the new product/policy change/merger – I heard about it on the news." Can you relate?

Without clear consistent communication from leadership it's impossible to understand how our individual activities impact business objectives or take meaningful action. At the same it's not just about broadcasting a message from on-high. It's also about creating feedback loops that allow employees to share information with each other and with those traditionally at the top of the hierarchy. Future focused leaders today must find ways to break down the rigid hierarchical structures that get in the way of this free flow of information and communication with their people to bring to life a more fluid networked organization.

Leaders not only need to understand but also to embrace the shift that is

occurring. As a leader one needs to embrace the ethos of great ideas can come from anywhere and the importance of open transparent communication. There is need to understand the way the new workforce sees the world. The former generations may have grown up in a physical world and they speak English. The next generation grew up in a digital world and they speak social." Hence the need for enormous effort to meet this new workforce where they are, the digital plane.

In a world of growing digital empowerment, institutions have had to become quick studies. Frontline managers see that digital technologies offer the promise not just of more cost-effective ways of doing things but of more meaningful and valuable relationships with customers. Richer communication channels and a wealth of customer data enable a new connectedness, and there's a powerful impetus to make the connections



before a competitor—perhaps an entirely new one—does so. Ironically, perhaps, these initiatives in digital marketing, social media and the like are often the work of pioneering units at organizations still largely anchored in the analog age.

As it happens, these digital efforts are ramping up just as another major trend is peaking. For most of the institutions, the focus over the last decade has been on globalizing the business model and its constituent processes and services, from finance to HR to supply chain management. Migrating from local to regional to global models, they've reaped big benefits in operational efficiency and scale.

Now the stage is set for a major convergence, where the globalized business model meets a digitized, increasingly customer-connected value chain. Instead of treating new digital efforts as isolated projects, companies have begun working toward a holistic, integrated global digital

business model, with shared digital assets and platforms and an overarching digital approach that clearly supports the business strategy. For those most adept at implementing it, the model will deliver significant competitive advantage in the form of scale, speed to market, agility and closeness to the customer.

Two main drivers give this transformation urgency. Call the first a digital arms race: More and more companies are striving to put the large amounts of customer data they now possess to strategic use. Automakers, for example, through the use of the GPS devices installed in the cars they sell, have been able to collect and monetize a wealth of data on customer driving habits. Even more significant is the rapid shift of the technological balance of power toward the consumer. At the turn of the millennium, companies spent twice as much on IT hardware per employee as consumers spent. By 2008, the two sides had reached

parity.

The explosion of social media has underscored this shift. There are now more than 1 billion social media users worldwide, including 256 million in China alone. And that has serious implications for business. A recent study by market research company showed that 58 percent of Facebook users have "liked" a brand, and that 39 percent of Twitter users have tweeted about one. Given the millennial generation's proven enthusiasm for social and mobile media, all those metrics are likely to rise.

Yet whatever the urgency, it is no small task for an established organization to thoroughly internalize a highly disruptive technology. Large, consumer-facing companies of every kind—in consumer products, retail, financial services, healthcare and beyond—are facing a journey unlike any they've experienced in the past. As they embark upon this journey, they'll need to keep three key success factors, none of them technological, in mind.

First and foremost is leadership. Given the scope of this transformation, and the stakes involved, leadership must come from the C-suite. Though this may not be easy for senior executives who are still more at home with highly sequential, large-scale tasks than with the measure-test-learn dynamic of a digital culture, it's a challenge that must be met. The Chief Executive Officer, Chief Operating Officer, Cabinet Secretary, Principal Secretary, Governors, Senators or whoever else takes the lead, by whichever name they are referred may delegate day-to-day management of the effort, but he or she must be invested in, and accountable for, its success.

Then there is the ability to attract and retain digital talent. Employees at the fast-moving companies that lead in the application of digital technologies tend to want different rewards from their jobs than those at analogue ones. The differences have less to do with money than with culture, and extend from attitudes toward innovation to the quality and flexibility of the work environment to what sorts of

PREVENTING AND COPING WITH CHILD POISONING

By Angela Mutiso Photo: visualphotos

Keepest all medicines out of the reach of children is a warning most of us are well acquainted with. In fact, we come across it so often that we have grown complacent. It won't happen to us; we are aware of its ever present threat, is the dismissive attitude some people have in relation to this message printed dutifully on all medicine holders.

However, the moment we leave it within the reach of children and they take it, is also the moment when we are least likely to suspect that it might happen.

That is what happened to a prominent doctor some years back, leading to the death of his twin daughters. This doctor left his daughters at the back seat of his car with sweet coated, bright colored medicines in a loosely shut bottle as he rushed to his clinic to pick up some stuff, confident in the assumption that he would soon be back and of course all would be well. But that was not to be. When he found his clinic packed with patients, he got down to work. The result was that he stayed longer than he had intended with disastrous consequences.

While he was away, his bored children both under ten years, opened the medicine bottle he had unthinkingly left behind and swallowed the tablets one by one... the way you would eat sweets... The rest is history. The shocked doctor was inconsolable... How could this happen to him? Shouldn't he certainly have known better? Shouldn't we know better? Just then, he remembered painfully that the

most regularly used things that can lead to poisoning are plants, cosmetics, pesticides and medicine... yes medicine... and that is what was now claiming his darlings... two beautiful girls who had been very alive and all over him just a while ago. His greatest treasures had been inadvertently poisoned and were slowly dying from the effects of the medicine which had overloaded their systems and it was impossible to save them, try as they did. This is just one real example of many such cases around the world.

There are so many things that distract us everyday and make us leave children unattended. It could be a knock on the door, food spilling over in the kitchen, a telephone ringing, or a lively conversation. Research shows that children under age six are the most vulnerable victims of child poisoning, because it's during this stage in their lives that they are most curious. It is the time when they want to eat anything and put all manner of things in their mouths. They are attracted to bright colors and sweet smelling substances and can eat or drink almost anything.

What can be regarded as poisonous?

It is generally regarded as something that can cause unintended illnesses. It could be liquid soap or pesticides. You could be taking medication and your child consumes it, insecticides can also be considered poisonous.

How can you prevent poisoning?

First, remember that harmful products should always be kept out of the reach



of children. That is a simple but very important point to remember. Mark all chemicals in their containers and do not put them in bottles of soda or other food containers that may make them look edible. Ensure that you put food separately from chemicals. You should remember to lock all cabinets where these things are stored. If you have to go to some place abruptly, put away the poisonous substance first to avoid tempting the child. Do not mix toilet chemicals as they may cause a bad reaction. Your house must be well ventilated when you are handling dangerous chemicals to avoid inhalation poisoning.

You should not mix certain drugs. Tell doctor what medications you are taking to

avoid drug interactions. Also remember to ask if you can take alcohol while taking certain medications. Ensure that young children do not see you taking your drugs as they might do the same. Always take your medication where there is light so you are sure of what you are ingesting. Keep your bags and medicine holders away as children are a curious lot. Should there be a spillage of poisonous medicines on your skin, wash quickly because the skin can absorb it and seek medical advice. Keep poisonous plants away and keep children away from any plants that have recently been sprayed with chemicals.

What are the different types of poison? Sprays, like insecticides, paint, aerosol sprays can be dangerous if you inhale

them and they are also inflammable. Other poisonous items include laundry soap, medications and poisonous liquids which are feared because they can be taken very quickly in large amounts. Gas can also be quite poisonous; they can lead to carbon monoxide poisoning, LPG gas leaks and exhaust fumes.

What should you do when poisoning occurs?

Do not panic as fear can paralyze you and stop you from taking necessary action. Take down the name of the poison. Try to find out what you can about the person (his age, weight etc) so you can tell the doctor. Note down when the poisoning occurred, how much of it was taken, how the person is feeling and behaving, all these can be relayed to a doctor even on phone and you can get valuable advice on how to go about helping the patient out.

Always try to wear protective clothing when handling pesticides, direct the nozzle away from you, and always throw away unused pesticide and medicines.

What others say

The National Capital Poison Center, lists the following as the most dangerous poisons for children:

Medicines: these are OK in the right amount for the right person. They can be dangerous for children who take the wrong medicine or swallow too much.

Iron Pills: They say adult-strength iron pills are very dangerous for children to swallow. Children can start throwing up blood or having bloody diarrhea in less than an hour.

Cleaning products: which they say can be just as bad as burns from fire.

Nail glue remover and nail primer: some products used for artificial nails can be poisonous in surprising ways. Some nail glue removers have caused cyanide poisoning when swallowed by children. Some nail primers have caused burns to the skin and mouth of children who tried to drink them.

Hydrocarbons: this is a broad category that includes gasoline, kerosene, lamp oil, motor oil, lighter fluid, furniture polish, and paint thinner. These liquids are easy to choke on if someone tries to swallow them. If that happens, they can go down the wrong way, into the lungs instead of the stomach. If they get into someone's lungs, they make it hard to breathe. They can also cause lung inflammation (like

pneumonia). Hydrocarbons are among the leading causes of poisoning death in children.

Pesticides chemicals to kill bugs and other pests; must be used carefully to keep from harming humans. Many pesticides can be absorbed through skin. Many can also enter the body by breathing in the fumes. Some can affect the nervous system and can make it hard to breathe.

Windshield washer solutions and anti freeze; Small amounts of these liquids are poisonous to humans and pets. Windshield washer solution can cause blindness and death if swallowed. Anti freeze can cause kidney failure and death if swallowed.

Wild mushrooms: many types of mushrooms grow in many areas of the country. Some are deadly to eat. Only experts in mushroom identification can tell the difference between poisonous mushrooms and safe mushrooms.

Alcohol: when children swallow alcohol, they can have seizures, go into a coma, or even die. This is true no matter where the alcohol comes from. Mouthwash, facial cleaners, and hair tonics can have as much alcohol in them as alcoholic beverages.

Ps: The National Capital Poison Center is accredited by the American Association of Poison Control Center. Its mission is to prevent poisonings, save lives, and limit injury from poisoning. In addition to saving lives, the Center decreases health care costs of poisoning cases.

Health tips

- Acid stomach? Try taking half a cup of cooked rice as an antacid, or bread (Jean Carper)
- To prevent stomach acid, avoid: beer, wine, milk, coffee both caffeinated and decaffeinated, and tea with caffeine. The worst is beer and milk. (Jean Carper)
- If you are diabetic try to take soup often; especially clear soup.
- If you have made soup and refrigerated it, boil it and keep it boiling for at least 5 minutes.
- Distress yourself by getting rid of whatever you think is causing it.
- Brown rice has a special dietetic value
- Garlic has been found to be good at reducing cholesterol

“For the purpose of raising public awareness and demonstrating Chinese government resolve to combat wildlife trafficking, the State Forestry Administration and the General Administration of Customs of China will hold the burning ceremony of confiscated ivory and other illegal wildlife products on January 6, 2014, in Guangzhou, Guangdong Province.”
Statement from the Chinese government; through a Press Release from the State Forestry Administration.

“I saw (Shabed) Aitzaz trying to get hold of a guy and then there was a big explosion,”

“He has left his family grieving, but has prevented many others from that fate,”

Habib Ali; A senior teacher at Aitzaz's school; this sentiment was echoed by the student's father as well. The young boy had saved his classmates from a possible grenade attack.

“It takes away resources meant for infrastructure, health, education as well as other public investments and service delivery. I therefore wish to reiterate that wage increase must be consistent with the desired fiscal position of the government.”

“We will find ways to eliminate waste and prioritize our spending on key social and development objectives”.

Treasury Cabinet Secretary, Henry Rotich explaining that high spending undermined the growth and employment objectives.

“We have enjoyed the opportunity to work with such an incredibly talented and passionate individual.”

Blackberry management, giving up the services of songwriter/singer Alicia Keys and stating that the company is now moving away from the consumer market to concentrate on business and government customers.

“The government should have suspended this ban to address real causes of road accidents in

our country. This move has seriously affected our economy through the interference with movement of goods and services.”

Erick Okello; a teacher in Nairobi stranded in Migori. As reported in the Nation.

“Human beings are funny. You know something has to be done but you don't do it because you are in a comfort zone; until it becomes urgent, that's when you do it.”
Rwandan President Paul Kagame; addressing Governors in Kenya

“We have lost our greatest son. Our nation has lost its greatest son. Our people have lost a father. Although we knew that this day would come nothing can diminish our sense of a profound and enduring loss.”
South African President, Jacob Zuma; announcing the death of former South African President Nelson Mandela.

“In Mandela's passing the world has lost a leader of stature who changed the course of history.”
President Shimon Peres of Israel

“Mandela's death is a great loss for all the peoples of the world. Palestinians will never forget Mandela's statement that the South African revolution will not have achieved its goals as long as Palestinians are not free.”
Palestinian leader Mahmoud Abbas.

“Mandela was a champion of the oppressed.”
Zimbabwean President Robert Mugabe.

“It is hard to eulogize any man - to capture in words not just the facts and the dates that make a life, but the essential truth of a person - their private joys and sorrows; the quiet moments and unique qualities that illuminate someone's soul. How much harder to do so for a giant of history, who moved a nation toward justice, and in the process moved billions around the world.”
US President Barack Obama eulogizing the late Nelson Mandela

MOURNING MANDELA

As we got into December 2013, the world woke up to the distressing news that Africa's and indeed the world's icon Nelson Mandela had died aged 95. Mandela died on the 5th December 2013 and left the world grieving. In death just as he had while he was alive, Mandela brought together several world leaders, including those who could not see eye to eye. President Barack Obama, former US presidents Bill Clinton and George Bush were all in attendance as was UK Prime Minister David Cameron and Zimbabwe President Robert Mugabe.

Many countries across the world declared official days of mourning in honour of the fallen leader fondly referred to as Madiba. It was a great consolation



to know that some of his closest family members had been with him when he died. These included his third wife Graca Machel. She is said to have been with him plus some of his children, grandchildren, step children, elders, and a priest. He had been ailing for sometime from what was said to be a lung infection and around June 2013, he had been released to get further treatment at home where he was until his demise. When he died, a ten day mourning period begun in South Africa, as other countries had their flags lowered to mark the death of this great leader.

His funeral on 15th December 2013, in the Eastern Cape village of Qunu where he spent his childhood, was one of the biggest funerals the world has ever seen with a mix of leaders from all over the world.

LUPITA'S JOY



Lupita Nyong'o, the 30 year old Kenya's Oscar nominee has had a lot to be happy about lately. She defeated Hollywood stars to take the best supporting actress award in the Critics Choice Awards.

She acted in the movie 12 years a slave as Patsey, a young woman who faces shocking cruelty at the hands of her owners. She had got the best supporting actress category. She earned a standing ovation from Oprah Winfrey and other stars. The award ceremony took place in Santa Monica, California on 16th January 2014.

NGUGI WA THIONG'O WINS GLOBAL LITERARY PRIZE

Professor Ngugi wa Thiong'o has over the years thrilled Kenyans with his insightful books, has won the Nicol Guilln Lifetime Achievement Award for Philosophical Literature according to the awarding committee. He was selected for the literary award organized by the Caribbean Philosophical Association. The President of the Caribbean Philosophical Association Jane Anna Gordon said his works exemplified “the intellectual and

political boldness and courage that we encourage.”

FOREWORD

Now as usual, we bring you some of Africa.com's top stories. These are stories you can actually follow up for further details.

BACK TO THE BAD HABITS OF THE PAST?

Egyptians will be headed to the polls soon, just six months after former President Mohammed Morsi was removed from power by military forces.

Source: Economist

WHY YOU ARE STRUGGLING TO MAKE ENDS MEET

How government investments in infrastructure plans and projects is costing Kenyans.

Source: The Daily Nation

NIGERIA IS AN ARTIFICIAL EDIFICE CREATED BY THE BRITISH SHOULD IT BE DISMANTLED?

What is the value of keeping a country name and identity given by colonial masters? In this analysis of Nigerian history and current events, the writer aims to answer that question.

Source: This is Africa

CENTRAL AFRICAN REPUBLIC CRISIS DJOTODIA FUTURE IN BALANCE

“BACKING THE NEW DEVELOPMENT DEAL FOR FRAGILE STATES”

Instead of aid, start with accountability.

Leaders are hoping this approach will strengthen new states struggling to establish peace and stability.

Source: The Guardian

FANCY A CHEEKY TANZANIAN RED? FIVE AFRICAN WINES MAKING A SPLASH”

This list of five wines bottled on the continent comes from countries you may not expect, namely producers in Tunisia and Ethiopia.

Source: CNN

SIERRA LEONE'S FIGHT FOR GENDER EQUALITY

This short documentary, directed by three filmmakers, gives a glimpse into the equality struggle of women in Sierra Leonean politics. More specifically, it puts faces to voices not often given an opportunity to be seen.

Source: The Atlantic

CRAFTING PEACE IN SOUTH SUDAN

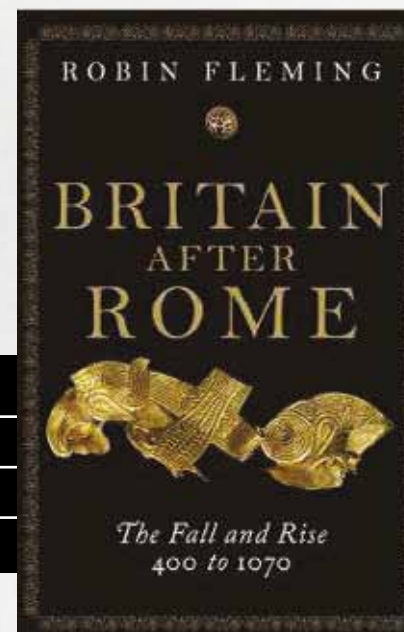


As mediators work to establish peace between opposing sides in South Sudan, what should they focus on? One writer shares how a focus on the church, civic leaders and former combatants may help efforts to ease the country's tensions.

Source: Foreign Policy

By Clive Mutiso

Title: Britain After Rome
Author: Robin Fleming
Category: History
Publishers: Penguin



Hugh Trevor-Roper, the late Regius Professor of Modern History at Oxford, once asserted that Africa has no history. In his view “there is only the history of Europeans in Africa. The rest is darkness.” The distinguished professor dismissed what was known of pre-colonial Africa as: “the unedifying gyrations of barbarous tribes in picturesque but irrelevant corners of the globe.”

While it is easy to characterise Trevor-Roper’s views on Africa as intellectual onanism, it should be recognised that, by his own admission, he approached history as an art, rather than a science, and regarded imagination as a key attribute of any historian, particularly when faced by an absence of contemporary written records for a period under study.

Professor Robin Fleming, Chair of the Department of History at Boston College in the United States, is blessed with a powerful imagination, but it is dwarfed by the depth, breadth, and power of scholarship that she brings to her work. In this seminal book, Britain After Rome, the author tackles a period of Western European history noted for its lack of written records, due to the administrative collapse that followed the implosion of the Roman Empire and the interregnum the engulfed the following four or five hundred years. Refusing to accept the conventional description of this period as The Dark Ages, Fleming turns to the archaeological record to uncover astonishingly detailed

insights into the lives of the peoples who populated Britain nearly 2,000 years ago.

When the Spanish-born philosopher George Santayana, was teaching at Harvard, his students included T.S. Eliot, Robert Frost, Gertrude Stein, Horace Kallen and Walter Lippman, all of whom developed into giants in their fields. Santayana’s most famous dictum was: “Those who cannot remember the past are condemned to repeat it.” It is this profound principle that makes Fleming’s latest book essential reading for anyone living in East Africa today. So much of what it describes of the way in which society evolved in the wake of the retreat of Rome is mirrored by post-colonial developments in East Africa, and Kenya in particular.

Through a thorough analysis of the archaeological record, the author is able to show how, almost immediately following the collapse of the Roman administration in Britain, certain families began to arrogate to themselves positions of leadership, usually through force of arms, although within a generation or two these leaders were creating foundation myths that ascribed their exalted status to Divine intervention. They were able to exact tribute in the form of food, drink, livestock, and agricultural and trade commodities from their immediate neighbours, and to broker deals with other families that had become pre-eminent which enabled them to create and maintain a privileged class who enjoyed a luxurious lifestyle with little labour or other contribution to society.

But conquest, brigandry, and slave-holding were not the only routes to the acquisition of the land, resources, and endowments of wealth. As the traditional Roman gods were forgotten, and their shrines and temples fell into disuse, they were superseded by the establishment a new Roman-endorsed religion, the Christian Church. Before long, the church, with the support of temporal leaders seeking the support of the new priesthood, was acquiring grants of land, and tithes of produce and commodities, which enabled it to establish residential abbeys, monasteries, and churches, where the priesthood was maintained in considerable luxury.

A recurrent theme of Professor Fleming’s seminal study is the extent to which, long after the Romans had gone, their successors in positions of power aspired to what they imagined to have been a Roman lifestyle, and maintained pretensions to a Roman colonial culture.



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A BRIDGE NOT TOO FAR AT ALL

By Clive Mutiso
Photos: Courtesy

Prague, the quaint Bohemian capital of the Czech Republic, has often been described as the Paris of Eastern Europe, but for some travelers, Paris is merely the Prague of Western Europe. The reason why the two great cities are compared with each other is that they are both historic settlements, with outstanding cultural and architectural features, and both divided by great rivers. The picturesque and romantic Kampa Island in Prague, is regarded as the second most beautiful city island in the world, trumped only by Paris's St Ludwig Island.

While Paris stands on the River Seine and is spanned by 37 bridges, Prague, which commands the broad River Vltava, and is an important gateway for trade between Western and Eastern Europe, is a city with a wealth of bridges and towers. There are more than 100 stone towers in Prague, and the Vltava and the smaller rivers Berounka, Botic, and Rokytka boast more than 300 bridges between them. But the undisputed king of Prague's bridges is the Gothic 14th Century Charles Bridge, which spans the Vltava River to link the Old Town and the Lesser Quarter, where Prague Castle is



located. Prague Castle, founded around 880AD, was to become the seat of the Holy Roman Empire but long before that it was the home of a Czech that most children in the Western world sing about every December – Good King Wenceslas. The Charles Bridge, named for the Holy Roman Emperor Charles IV, who laid the foundation stone in July 1357, is not only a pedestrian thoroughfare, but also a living art gallery for much of the year and one of the city's principal tourist attractions. The parapet of the bridge is adorned with 30 Baroque statues, mainly of saints from Prague's Catholic history, including St Ivo, the patron saint of lawyers, whose statue, carved by Matthias Braun in 1711, was paid for by the Faculty of Law of Charles University. Other professions and craft guilds put up cash over the years to commission some of the other statues in honour of their patron saints, but no-one seems to have found the money to

commemorate St Matthew, the patron saint of accountants. Over 400 years, the original statues were ravaged by the elements, and they are now housed in the National Museum, and replaced on the bridge by faithfully-carved replicas. But the Charles Bridge has a museum of its own, with exhibits that trace the construction and the long history of development of the bridge, as well as models, artefacts, and replicas that help the visitor understand the role that the bridge has played in the life of the city over the centuries.

However it is not just the religious monuments that make the Charles Bridge a must for visitors with an interest in the arts. The bridge is an open-air gallery, managed by a civic non-profit organisation, the Charles Bridge Artists' Association, that attracts painters working in oils, acrylic, and watercolour, sculptors, fine-art photographers, jewelers, engravers, potters, and handicrafts artists, who display and sell their wares to the public. The atmosphere is further enhanced by talented live musical performances. Art from the Charles Bridge is marketed by several specialist dealers around the world, but true enthusiasts often prefer to make the trip to the Czech Republic to browse the bridge themselves, to meet the artists personally, and buy their choice from the creators direct.

There is art and music of one genre or another in almost every corner of Prague, but it is not just the art that makes the city a great destination, served by 14 airlines out of Nairobi. The historic Estates Theatre in the Old Town is one of the most beautiful auditoriums in the world, and was the venue of the premiere of Mozart's Don Giovanni, in 1787, conducted by the composer himself. And the Charles Bridge, prominent though it may be, is not the heart of the city. That honour is reserved for Wenceslas Square, at the border of the Old and New Towns,

and overlooked by the National Museum. Originally known as the Horse Market, before being renamed in the 19th Century, it is more of a long, tree-lined, boulevard than a square, and the buildings that enclose it house an eclectic mix of offices, department stores, hotels, restaurants, clubs, bars, and souvenir shops.

Some of the souvenirs on offer are similar to the flags, t-shirts, and trinkets to be found in tourist spots around the world, and some are handicrafts imported from Russia, like sets of the popular, brightly-painted, wooden nesting dolls or matryoshka. One of the most popular and amusing designs of matryoshka features some of the prominent Russian and Soviet leaders going back through the 20th Century. The doll of Vladimir Putin opens to reveal Dmitry Medvedev nestled inside. Hidden within Medvedev, in successively smaller sizes, are Gorbachev, Andropov, Brezhnev, Khrushchev, Stalin, and a tiny, almost insignificant, Lenin.

But a more traditional and durable souvenir that has dominated Prague trade since mediaeval times is the exquisite decorative glass crystal ware produced in Bohemia and Silesia, that has commanded premium prices throughout the known world for more than 800 years.

There are myriad outlets in the vicinity of Wenceslas Square that specialize exclusively in Czech crystal, and they have pieces to match even the most modest budget – delicate glass bells and miniature figurines can be had for the equivalent of just a few Dollars. But some of the most impressive matched services of jugs, goblets, wine glasses, tankards, bowls, trays, centerpiece sculptures and coasters can run to tens of thousands of Dollars. The quality of Czech craftsmanship is reflected in the shops in some of the lanes that lead off Wenceslas Square, and which specialise in full-size hand-made replicas of antique photographic cameras.



There is art and music of one genre or another in almost every corner of Prague, but it is not just the art that makes the city a great destination, served by 14 airlines out of Nairobi. The historic Estates Theatre in the Old Town is one of the most beautiful auditoriums in the world, and was the venue of the premiere of Mozart's Don Giovanni, in 1787, conducted by the composer himself



Original antique cameras can cost a small fortune and a photography buff looking for a conversation piece to take pride of place in his home can pick up a high-quality authentic-looking fake for a fraction of the price of the real thing. Prague replica cameras sometimes pitch up in antique shops around the world, and avid collectors have been known to snap them up, convinced that they have got themselves a bargain.

Wenceslas Square at night takes on a street-party atmosphere, with its fast-food outlets, bars with Czech pilsner beer

served in outsize tankards, music and clubs attracting holiday groups of young men from all over Europe. To the chagrin of the authorities, not all of the visitors come for the culture, and nocturnal activities can match some of the less salubrious aspects of Nairobi's Koinange Street after dark. Security is good throughout the city and public transport is highly developed, frequent, and inexpensive, with a metro, buses, trams, and affordable licenced taxis. But it is the more unconventional means of transport that give Prague charm. Many of the city sights can be seen from

the River Vltava, aboard a cruise boat that serves a leisurely dinner from about \$40, depending on whether you opt for the hot and cold buffet, or choices from the a la carte menu - a bargain that many visitors refuse to miss. Another of the most popular summer attractions of Prague is a tour of the Old Town in a horse-drawn carriage, with pairs of shiny horses pulling ornate wooden-wheeled landaus. The lovingly-groomed horses all wear leather nappies, to prevent them from fouling the cobbled streets.

There are so many museums, galleries, towers, monuments, and other places of interest in Prague that a first-time visitor is advised to engage the services of a knowledgeable professional guide from one of the city's many tour companies, which can advise on how much of the city can be seen during the time that the visitor has. One poignant venue is the old Jewish Town and its cemetery, which echoes the rich Jewish culture that thrived in Bohemia for nearly a thousand years until it was almost destroyed in The Holocaust.

Before the demise of the Soviet Union, the former state of Czechoslovakia attracted visitors mainly from the East, visas could be difficult to obtain, and choices of accommodation were limited. But over the past 20 years, tourism has boomed and there is now a vast choice of accommodation, from all the big-name hotel chains, through local hotels, boutique hotels, holiday apartments, quaint guest houses, and backpacker places. The four-star Hotel U 3 is right next to the Charles Bridge, and some of the 18 guest rooms in 500-year-old building have close-up views of the bridge from the windows. Many of the features of the property reflect the exquisite craftsmanship for which Prague is noted, be it the antique furniture, the hand-painted ceilings in some of the rooms, or the oak-beam work. But the choice of where to stay and what to eat is so wide that a visit to www.booking.com can save a lot of time in planning a trip.



ICPAK MARKS 35 YEARS IN STYLE WHAT A NIGHT!



Compiled by Angela Mutiso Photos: ICPAK Library

It was celebrations galore at ICPAK's gala dinner on 6th December 2013 when the institute celebrated its 35th anniversary at Nairobi's Safari Park Hotel.

Gentle music provided a superb backdrop to the dedicated members as they dutifully checked in to join their past chairmen and all those who had contributed to the immense success of this organization that is today the pride of many. The mood was festive and the background music in perfect harmony with the blissful occasion which was officiated by Kakamega Governor CPA Wycliffe Oparanya.

But why was there so much jubilation? It has been a long journey for ICPAK as the years passed by and the institute entered a new and wider phase in her history. Each chairman had an interesting story to tell. They were interesting tales of challenges and determination to raise the budding institute to greater heights.

Although members were visibly thrilled that the changes between 1978 (when the institute began operations after the passing of the Accountants Act on 1st July 1977) and 2013 marked a considerable advance, it was not lost to them that their chairmen had encountered several hurdles in days gone by when they grappled with the

heavy responsibilities they had placed in their hands.

Indeed these chairmen encountered quite a few hiccups as they tried to make a success of the maturing institute. Some noteworthy issues included dealing with disquiet among the local practitioners, who felt that the major firms which were then almost wholly expatriate owned, were taking the bulk of the business. They also had to deal with prejudice from foreign trained professionals; and they lacked resources to effectively equip the secretariat. There was also the inevitable but sometimes damaging competition fellow Africans tend to engage in with each other. Creating the economic symposium and other major events including the annual seminar and the FiRe award more than twelve years ago, and tackling errant members, were the other issues they had to oversee.

It was no wonder then that a major highlight of this delightful event was watching these past chairmen come up when their profiles were read and when they proceeded to the podium to receive tokens of appreciation. As they opened them, they literally came face to face with attractively crafted portraits of themselves. Members cheered widely as they witnessed

the rare moment when the people who had steered their institute were all together at the rostrum, shaking hands, embracing and relishing every minute. There was almost no doubt, that in their minds, there were cumulative recollections of old times: times when as people on the spot, they had to fight for and eventually claim what was rightfully theirs. It was a sight to behold as they boisterously recalled the precious and anxious moments they had shared when little by little they won Kenyans' confidence and loyalty, and finally gave accountants what they had all craved for. There was a particularly touching moment when the family of the late Mathias Keah (a much respected past ICPAK chairman and great fighter for the institute's course) stepped up to receive his picture. It was certainly a befitting fete for these chairmen.

This sturdy determination to raise the institute's status, and the relentless applause that permeated the room on this night, was a clear manifestation of people's appreciation and also a reflection of the confidence and delight the CPAs, ICPAK staff, stakeholders and the secretariat felt.

It was a real spectacle. Just about every exhibit made the night so appealing and fascinating. And there was real tranquility at the spectacular gardens where a tent had



been delicately pitched up and adorned with the institute's appealing colors. The pavilion was situated next to a big, structured garden that plunges down to many manicured pathways.

The mature garden has wonderful features further enhanced by mesmerizing Makuti roofs. Many other lovely plants characterize the location. There were also various annuals that make a beautiful floral display that were simply stunning that night. It was exciting to watch the central pool that shapes an exciting focal point of the garden. Just the ideal place to chill out; and chill out... they did.

What with the rich variety of food and drink that made everyone well aware of the concerted effort organizers had put in, to make this momentous event an astonishing success. There were African, Oriental and European dishes, and you would not be off the mark, to say that guests were spoilt for choice at this ceremony, which had been preceded by several episodes, culminating into the massive feast that it was.

Then there was a special brochure to mark the event, and it was specially tailored to that occasion's specific objective. The institute had accurately created and customized a booklet that clearly states its milestones and highlights its concerns and accomplishments since its inception. At a glance you note that in 1978 ICPAK was established; 1989 KCA

University was born as KCA College; 1999 ICPAK moved to ICPAK centre; 2002 FiRe Award was launched; 2010 ICPAK rebranded and in 2012, ICPAK complex project commenced.

Other notable points are that in May, 1980, the institute registered as a member of the International Federation of Accountants (IFAC), January 1981, the institute registered as a member of the International Accounting Standards Committee (IASC) while in 1981-1984 ICPAK promulgated the first series of the Accounting Standards, By-Laws and the Guide to Professional ethics. In 2008, there was the enactment of the Accountants' act number 15 of 2008, in the same year, Registration of Accountants Board (RAB) merged with ICPAK on 31st December. In 2012, the 10,000th member was registered, and during the same year, the institute signed MRA with other East African Community Institutes of Accountants (EACIA) and ICEAW.

The booklet features the now familiar black and white group picture of the first institute council which included; Pedlow M.H, Kassim Lakha, S.K Mbugua, Joe Githongo, Shah, Kerr R.E, Mathias Keah, AP Davies, Mr. Nyagah, Mr. Saini, RS Patel and Justin Ng'ang'a. The pamphlet is actually a great resource for people interested in acquainting themselves with the development of ICPAK.

During this time, several long

serving employees were given awards in appreciation of their dedicated service. Peter Odera for example, has served the institute for 34 years while his counterpart James Mbuthia has served for 32 years. They were some of the first employees of ICPAK and have watched the institute grow from infancy. The event was fittingly wrapped up with a cake cutting ceremony to mark the 35 years that ICPAK has been in existence.

The occasion was also graced by PAFA President Musa Assad. Others were current ICPAK chairman CPA Benson Okundi and then Chief Executive CPA Caroline Kigen among many others. They lauded past chairmen for the enormous effort they had put into the institute to give it its high status and for their continued support. Guests were also entertained with documentaries that illustrated the progress the institute has made to date. There was also comedy and drama.

In the end, members and guests could feel nothing but joy at the thankful gesture of the institute, when as they left, after so much fun, they received souvenir giveaways, in beautiful carrier bags. The gifts which included diaries and commemorative plates were affectionately decorated to mark the institute's 35 years.

That was a night that will no doubt stand out in the minds of many for a long time to come.



ICPAK former Chairmen holding their self portraits during ICPAK's 35 years Anniversary Gala Dinner

6TH DECEMBER 2013 • SAFARI PARK HOTEL

35TH ANNIVERSARY GALA DINNER



6TH DECEMBER 2013 • SAFARI PARK HOTEL

35TH ANNIVERSARY GALA DINNER



35 YEARS YOUNG

By Jim McFie, a Fellow of the Institute

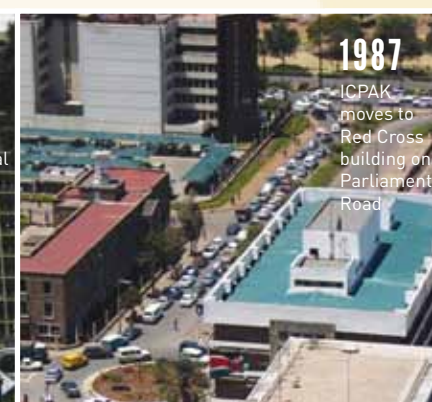
LET US LOOK BACK AT THE HISTORY OF ICPAK



1978
ICPAK first
office at KICC



1979
ICPAK
moves
offices to
Professional
Centre,
Harambee
Avenue



1987
ICPAK
moves to
Red Cross
building on
Parliament
Road



1999
ICPAK
moves
to ICPAK
Centre

The Institute of Certified Public Accountants celebrated its thirty fifth birthday on 30th April 2013. This was a historic landmark for an institution that should last until the end of time. Let us look back at the history of ICPAK to see some of its notable achievements.

The first piece of legislation controlling accountants in Kenya was "The Accountants (Designations) Ordinance" (Chapter 524 of the Laws of Kenya) which took effect from 30th December 1950. An accountant could not be appointed the auditor of a company in Kenya unless he or she was a member of one of the designated bodies included in this ordinance. These were the Institutes of Chartered Accountants of Scotland, England and Wales (ICAEW), Ireland and India, the Association of Certified and Corporate Accountants and the Societies of Chartered Accountants in South Africa and in Southern Rhodesia

(now Zimbabwe). The first Kenya African to be admitted to membership of one of the Institutes of Chartered Accountants was John Mwangi, who became a partner of Pannel, Bellhouse Mwangi; John died in a car accident in Nakuru in 1976. Other early members of ICAEW were the late Mathias Keah, who became an Assistant Minister of Finance, and Daniel Ndonye, who became the senior partner of Deloitte and Touche before he retired from the practice recently.

In 1969, the Kenya Government established the Kenya Accountants and Secretaries National Examinations Board (KASNEB) to provide professional examinations leading to the Certified Public Accountant of Kenya qualification. Prior to this date, a number of Kenyans trained in the UK to become members of one of the UK Chartered Institutes. A second alternative was to sit the examinations of the Association of

Chartered Certified Accountants (ACCA) and to train in Kenya.

The first Accountants Act (Chapter 531 of the Laws of Kenya) received Presidential Assent on 1st March 1977 and came into operation on 1st July 1977, by notice in the Gazette. It superseded the Accountants (Designations) Act. It established a Registration of Accountants Board (RAB) and the Institute of Certified Public Accountants of Kenya, and gave legal recognition to KASNEB. Mr. S. K. Mbugua was the first Chairman of the Registration of Accountants Board, and over 500 accountants had been registered by 17 November 1978, when the then Vice-President of Kenya, Mwai Kibaki, officially inaugurated ICPAK. Immediately following the inauguration ceremony, the first AGM of the new Institute took place. 350 registered accountants attended the inauguration and this meeting at the Kenyatta Conference Centre. Mr. S. K.



2012

ICPAK
commences
12-storey
ICPAK
Complex
project

2014

ICPAK
future
offices

Mbugua was elected the first Chairman at the meeting. By this date, over 5,000 Kenyans had registered with KASNEB and 70 persons had completed the CPA examinations. Vice-President Kibaki stressed that ICPAK would be expected to promote "a high standard of professional competence and practice amongst its members... acceptable both in Kenya and internationally".

By 30th September 1979, RAB had registered 686 accountants: 322 had obtained Practising Certificates and the total who had paid their subscription fees was 534. One of the principal reasons for the de-registration of accountants by RAB was the non-payment of annual subscriptions to ICPAK. At 31st December 2002, there were 2,295 paid up members of ICPAK, 848 of whom had practising certificates. Accountants who pass the ACCA examinations have to pass two examinations (one in Kenya Company Law; another in Kenya Taxation) in the KASNEB system in order to register with ICPAK.

A revised Accountants Act was promulgated in 2008. It abolished the Registration of Accountants Board and replaced it with a statutory body, the

Registration and Quality Assurance committee of ICPAK. As at 31st December 2013, 12,650 persons have been registered as CPAs and 2,100 CPAs have been granted Practising Certificates. A new category of member – the Associate Member – has recently been introduced by ICPAK for persons who have completed the CPA examinations of KASNEB, but who do not have the required three years of practical experience prior to their becoming fully registered members of ICPAK. To 31st December 2013, 225 persons have been admitted to associate membership.

When ICPAK came into being in 1978, it set to work immediately. It joined the International Federation of Accountants (IFAC) and the International Accounting Standards Committee (IASC). In 1982, IFAC and IASC made mutual commitments to each other. The sponsoring professional accountancy bodies agreed "to maintain IFAC with the objectives, powers, membership and obligations of membership set out in the IFAC Constitution" and to maintain the IASC. The bodies acknowledged that IFAC and IASC are sponsored by and report to the same professional

accountancy bodies; they recognised that IASC had "full and complete autonomy in the setting of international accounting standards" and recognized "the necessity of involving other interested parties in the accounting setting process to widen input and encourage acceptance and adoption of such standards". All members of IFAC were ipso facto members of IASC.

ICPAK established a Professional Standards Committee, which had the task of considering whether mandatory accounting standards should be imposed on members. A questionnaire was sent out to members in 1980. It explained that Standards would be mandatory on all members; since "all auditors of limited companies in Kenya must by law be members of ICPAK, this will ensure that all company accounts would comply with the provisions of all standards". If any standard conflicted with Kenya law, representations would be made to the Government to change that law. The syllabus of the CPA (Kenya) examinations would include the standards and in fact did so.

The required wording of the auditors' report would be changed so as to incorporate the fact that the auditors were of the opinion that the accounts were in

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compliance with Kenyan Accounting Standards.

An Explanatory Foreword to Kenyan Accounting Standards (KASs) was published. This document explained that, in discharging ICPAK's obligations as a member of IASC, it would incorporate International Accounting Standards (IASs) into KASs. When an IAS was issued, it would be published by ICPAK for the information of members. It would be compared with Kenyan practice (whether or not covered by a KAS) to determine if there were significant differences between the two. Kenyan practice would prevail until ICPAK issued a new KAS. Kenyan Exposure Drafts (KEDs) would be issued by ICPAK and comments would be invited by the Professional Standards Committee within a stipulated period which would not be less than three months. KASs would be published after due regard had been given to representations received.

The first Kenyan Accounting Standard (KAS 1), on Disclosure of Accounting Policies, was published in 1982 and became operative for financial statements relating to accounting periods beginning on or after 1 January 1983. KAS 1 indicated that compliance with its requirements would ensure compliance with IAS 1; this model was followed in the subsequent KAS. 18 Kenyan Accounting Standards were promulgated between 1982 and 1995. A Kenyan Accounting Guideline on Accounting and Reporting Practices of Short Term Insurers was published in August 1997.

In spite of the 18 Kenyan Accounting Standards having been promulgated, the profit and loss account of all companies other than banks and insurance companies remained no more than an appropriation account, with the addition of the "turnover" figure in the case of quoted companies. When IASs were adopted in Kenya, the "full" profit and loss account (or income statement) was introduced for the first time. Analysts (in particular) saw this as a great improvement in financial reporting disclosure in Kenya.



FCPA James N. Muguiyi
(1989-1991)

At the A G M of the Institute held on 26 May 1989, the newly elected Chairman J a m e s Muguiyi, noted that I C P A K had now been in existence for just

Standards and christening them 'Kenyan Accounting Standards', as Mwarania put it.

It was inevitable that at some point the Council of the Institute would accept the reality of the situation and decide to adopt IASs in their entirety. This did not occur until 8 years later. In 1997 the Council made the decision to do so. The Council decided that it would cease developing Kenyan Accounting Standards for a number of reasons. In particular it had become clear to the Council of ICPAK that developing home-grown standards was not putting its limited resources to best use:

"Updating Kenyan Standards to comply with International Standards and to cover areas which are not covered currently is a monumental task. The Institute just does not have the resources, human or financial, to carry out this task to a satisfactory level of proficiency; and even if it did, what purpose would this serve? Council believes that an effort to update Kenyan Standards will merely reproduce International Standards under a different name. In the circumstances therefore, the resources available to ICPAK could be put to better use if they were used to interpret International Standards, to assess their implication on local practice and, where necessary, to issue technical bulletins and local guidance on those Standards".

Kenya adopted International Accounting Standards in full with effect from 1 January 1999. It simultaneously adopted International Standards on Auditing (ISAs). For all accounting periods commencing on or after 1 January 1999, members of ICPAK are required to prepare the accounts of companies (whether quoted, public or private), parastatals and organizations such as co-operative societies, partnerships, sole traders, non-trading concerns such as sports clubs and charities, and estates and trusts in accordance with IFRSs.

Could adopting IAS be viewed as a weakness on the part of ICPAK? ICPAK's admission that it had not kept KASs up

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to date with IASs was similar to the position of the accounting profession in a country as advanced as The Netherlands, which acknowledged in late 1991 that “the current output of CAR (the Council for Annual Reporting – the Raad voor de Jaarverslaggeving) is a problem and a certain backlog exists. More staff does not seem to be the problem. More international co-operation and using IASC standards as an input to the process seem to be more realistic ways of decreasing the backlog. International accounting standard setting is a very important ingredient of current national accounting standard setting. International comparability does not seem to be important only for the multinational companies”. The Netherlands was ranked in the top 5 countries (along with the UK, the US, Canada and Sweden) in a survey of 17 countries’ annual reports studied by an eminent accountant in 1984: annual reports in the top 5 countries were described as “good” in this study. So Kenya can point to a much more economically developed country which also decided to leave the standard setting process to professional standard setters. Six years later, all the countries in the European Union adopted IFRSs for the 7,000 quoted companies in the EU, with effect from 1st January 2005 – Kenya beat this group of countries to adoption by six years – which meant that in the period immediately prior to and shortly after 1st January 2005, Kenyan accountants working in the Big Four audit firms in Nairobi were in high demand in audit firms across Europe, but especially in the UK, Jersey, Guernsey, the Cayman Islands and Bermuda.

The idea of running a competition for the best presented accounts in Kenya was discussed in the January 1984 meeting of the Professional Standards Committee of ICPAK. In 1986, the Council of ICPAK decided to award an annual prize for the best presented accounts. Initially, the award was limited to companies quoted on the Nairobi Stock Exchange. The aim of

the award was to stimulate interest in the presentation of accounts for the benefit of these quoted companies, their shareholders and the public (ICPAK 1986). The first panel of judges was made up of two accountants in academia and a retired accountant, Irvine McLean. The accounts examined in the first competition were the latest accounts for the year ended on or before 31 December 1985, and were judged on a number of criteria, decided upon by the Professional Standards Committee: (1) compliance with the Kenya Companies Act; (2) compliance with Kenyan and International Accounting Standards in effect at the time when the accounts were prepared; (3) the clarity of presentation of the information contained in the accounts; and (4) the quality of the format adopted for the various financial statements. The name of the competition was changed in 2002 (in respect of the reporting year 2001) from the Best Presented Accounts Competition to the Financial Reporting Excellence (FiRe) Award, and was entitled the “FiRe Award 2001”. The then Nairobi Stock Exchange and the Capital Markets Authority agreed to partner with ICPAK in running the competition. The following year, the competition adopted the year in which the Award was decided rather than the year for which the participating companies’ accounts were prepared (since this now covered the period from 30 June in one year to 31 March in the following year). With the inauguration of the FiRe Award, a report was published to coincide with the ceremony to award prizes to the Chief Financial Officers of the winning companies. The report details weaknesses of disclosure in all the



various areas examined. In January 2006, ICPAK organized a “Financial Statements Disclosure Workshop” to educate members on the disclosure requirements of IFRSs. A team selected from the Institute’s Professional Standards Committee drew heavily from the findings of the 2005 FiRe evaluation exercise. This has now become an annual series of events. The FiRe Award is now an East African competition, with participants from Rwanda, Tanzania and Uganda.

It is necessary for practising accountants to be constantly reminded of their need to ensure “high quality disclosure”. One way of doing this is to have a high-profile competition. Although an examination of the list of winners shows that those who tend to win, tend to win repeatedly, a challenge is given to all who participate to try to enhance the level and quality of disclosure of their annual reports.

ICPAK is engaged in such a wide variety of training and updating activities for its members and influencing the world-wide profession of accountancy that it would take a very long article to explain all of them. But you can see from above that there is a lot of dynamism in ICPAK – and much more will develop as it celebrates new birthdays.



ARE YOU AN ACCOUNTANT OF QUALITY?

By Jim McFie, a Fellow of the Institute of Certified Public Accountants of Kenya

Each year the American Institute of Certified Public Accountants (AICPA) holds a conference on “Current Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board Developments”. In 2013 it was held on 9th to 11th December, in Washington, DC, but also online in California, Illinois and New York. Why I mention this at all is that a speech given is of interest to accountants in Kenya.

The speech of William E. Balhoff, the Chairman of the Board of Directors of the AICPA (the speech was actually delivered by Jackson Day of Ernst and Young, who was the Conference Chair), opened the conference. He began with a comment that has become boiler-plate in the US with the passing of the years: “We are at a critical juncture in our country’s financial reporting history. And each of us contributes to quality accounting and auditing – the bedrock of effective capital markets in the world’s largest economy”. But we must take seriously a comment made a few minutes later, because it is crucial for the business competitiveness of Kenya: “As chairman of the AICPA Board of Directors, my focus is on continuing the profession’s journey of greatness with a relentless commitment to quality (my emphasis). Quality is a concept that speaks

to all of us, regardless of our job title or function. We all want to be the best, work with the best and deliver the best. Each of us knows that the only way to fulfill our common mission of upholding the public interest is to embody the time-tested values of integrity and objectivity. They are the calling cards of our profession and a promise that CPAs provide an unmatched level of service that the public can expect and rely upon”.

I was thinking of paraphrasing some later remarks and of eliminating extraneous words but I think it is important to capture his spirit by reading his remarks in full: “The AICPA and its members have a long and recognized history of serving as a resource to regulators, legislators and standard setters. The goal is, and has always been, to help craft solutions that are effective and efficient for the marketplace and protect investors and other affected parties. I’ll give you a couple of recent examples that demonstrate the value of the profession’s input.

The first is going concern, where the Center for Audit Quality (CAQ) and the AICPA’s Auditing Standards Board and Financial Reporting Executive Committee are working with the Financial Accounting Standards Board (FASB) and other standard setters. As part of this effort, we’re listening closely to investors and other financial statement users to

understand their expectations of financial statement preparers and their auditors. Their feedback tells us there is a desire for management to disclose earlier any material uncertainties that may lead to a company’s inability to continue as a going concern. To accomplish such an early warning mechanism, we are working with the FASB and other standard setters, the firms, preparers and users to help ensure that the standards allow for the earlier capture of the needed information.

In that same spirit, we are also providing knowledge and insights to lawmakers as they discuss the critical elements of tax reform. The need for tax simplification is growing exponentially. Individual taxpayers now spend an estimated 6 billion hours each year filling out tax forms. From the corporate perspective, our tax system has to be viewed through a prism of global competitiveness. We’re providing Congress and others with facts and analysis as they discuss moving toward a system that is both fair and workable. Importantly, the AICPA is taking steps to improve the audit process as well. We recently developed three voluntary audit data standards, which will help management and auditors obtain data in a usable format following a repeatable process. These standards, released in August, facilitate data transfer and automation of analysis. In a recent pilot test, Hewlett-Packard was able to

cut the data-gathering process from two weeks down to as little as 10 minutes. That's less time than it takes to get a pizza delivered. What does it mean ultimately? It increases the ability to automate and enhance data analysis, expediting the detection of fraud, the identification of potential risks, and opportunities for operational improvement".

He spoke about a topic which was dealt with in the previous edition of this magazine, Integrated Reporting: "Global movement is occurring in Integrated Reporting and we're very excited about the prospects. Foreseeing the need for corporate reporting to go beyond financial information, the AICPA began exploring enhanced business reporting in the early 1990s. The concepts of Integrated Reporting are simple. Businesses, investors and other key stakeholders will gain a more complete and relevant picture of performance and the ability of a company to create value in the short, medium and long term. While other frameworks cover specific environmental, social and governance disclosures, the International Integrated Reporting Council's framework links sustainability data and other non-financial reporting data to financial reporting data. That's an important distinction and one that investors and customers will care about. CPAs should play a key role in Integrated Reporting and sustainability, from both the reporting and assurance perspectives. The AICPA is actively working with the IIRC, which has just released its new framework.

CPAs in business play important roles in advancing Integrated Reporting. They also have a critical role as trusted advisers within their organizations. About two years ago, the AICPA and the Chartered Institute of Management Accountants jointly launched the Chartered Global Management Accountant designation, or CGMA. The CGMA designation provides a way for CPAs to highlight and elevate their expertise in marrying financial information with non-financial information and strategy to drive business growth. Companies around the world have seen the value in these skills, and today, CGMAs can be found in 91 of the Fortune 100 and 95 of the world's top 100 brands. Quality is a universal language".

He spoke about how technology is assisting the accounting profession: "Technology is transforming business in ways we hadn't imagined. Nowhere is this

more evident than in the area of internal control. Technology is enabling effective internal control to become a process of continuous improvement – the clearest commitment to excellence that one can make. It demonstrates an endless pursuit of something better. Companies of all sizes now have a new resource to ensure high-quality internal control. Earlier this year, the Committee of Sponsoring Organizations of the Treadway Commission, of which the AICPA is a founding member, released a new framework for internal control. The original framework was released in 1992, before the power of the Internet emerged. I encourage all companies to review the new internal control framework and see how it modernized the internal control process.

I'll give you another example of annual review being replaced by a system of ongoing analysis. The AICPA is exploring continuous control monitoring, an automated, ongoing and efficient process used to proactively detect anomalies, including fraud. We continue to see evidence that continuous auditing and monitoring benefits all stakeholders, and the AICPA is proud to take an active role in this space".

Lastly, he spoke about the people, present and future, who work in the accounting profession in the US. Whatever he says to those US accountants, he says to us in Kenya: let us hope that just as the Americans can make claims about their capital markets, we Kenyans will be able to make a similar claim about a future capital market in Nairobi: however, only if we are truly honest, frugal, up-to-date and hard-working shall we raise ourselves to that aspiration: "The complex landscape I've just outlined necessitates the importance of attracting quality people to the accounting profession, and then retaining them. Having the best and brightest benefits our profession, to be sure, but it also benefits regulators, legislators and investors. With audits, for example, great value is gained by assembling a team whose members' diverse knowledge and skills match up well with

the needs of the engagement. Quality work and judgment can only be accomplished by talented people. Fortunately, we have a lot of talent coming into the profession. The AICPA Trends report for 2011 to 2012 shows that the profession broke three records. We saw the highest number of new student enrollments in accounting. We had the most accounting graduates ever. And in 2012 we had record hiring by public accounting firms. Still, we are continually looking to reach into every corner to find the people we need going forward. Our members consistently tell us that attracting and retaining top talent is a struggle for them. As Baby Boomers continue to retire, and succession planning becomes even more essential, the need for new CPAs grows exponentially. In times like these, the necessity of a robust and sustainable pipeline cannot be overstated. A key part of building and maintaining a quality pipeline is diversity, because it creates a larger, broader pool of CPA candidates. The AICPA's National Commission on Diversity and Inclusion is working hard to make the profession stronger by making sure the 21st century profession reflects the 21st century marketplace.

Steve Jobs once encouraged his employees to be what he called "a yardstick of quality," explaining that some people aren't used to an environment where excellence is expected.

In our profession we expect excellence on a daily basis. We expect it of ourselves, and we expect it of each other. That's why the U.S. has the greatest capital markets in the world. For us, excellence is a habit, not an act. By ensuring the quality of our own work and demanding the same level of excellence from those around us, we can all elevate our game. But when we combine a commitment to performance with a willingness to come together, we improve understanding, increase efficiency and effectiveness, and achieve workable solutions. And isn't that the ultimate goal? After all, quality speaks to everyone".

Quality is a concept that speaks to all of us, regardless of our job title or function. We all want to be the best, work with the best and deliver the best



ICPAK OFFICE COMPLEX

FEATURING AN ULTRA MODERN 12 STOREY OFFICE BLOCK, CONFERENCE FACILITY AND SERVICED APARTMENTS



Location

The property is located in a prime area surrounded by KCA University, KCB Sports Club, Stima Sports Club and Kenya Utalii College Sports Club.

Aesthetics

The design has adopted a harmonious integration of the proposed development

with the existing structures and the surrounding environment, enhanced by a sensual landscape. It has also incorporated modern concepts with a rich architectural language to foster ICPAK image. The interior spaces will be flexible and pleasant with modern services incorporated to spur creativity and productivity.





[STAND OUT]

Nikhil Hira
Partner, Tax
Deloitte

Being a **CPA** improves your career and life through sharing knowledge, networking you with the right people and gaining practical advice.

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