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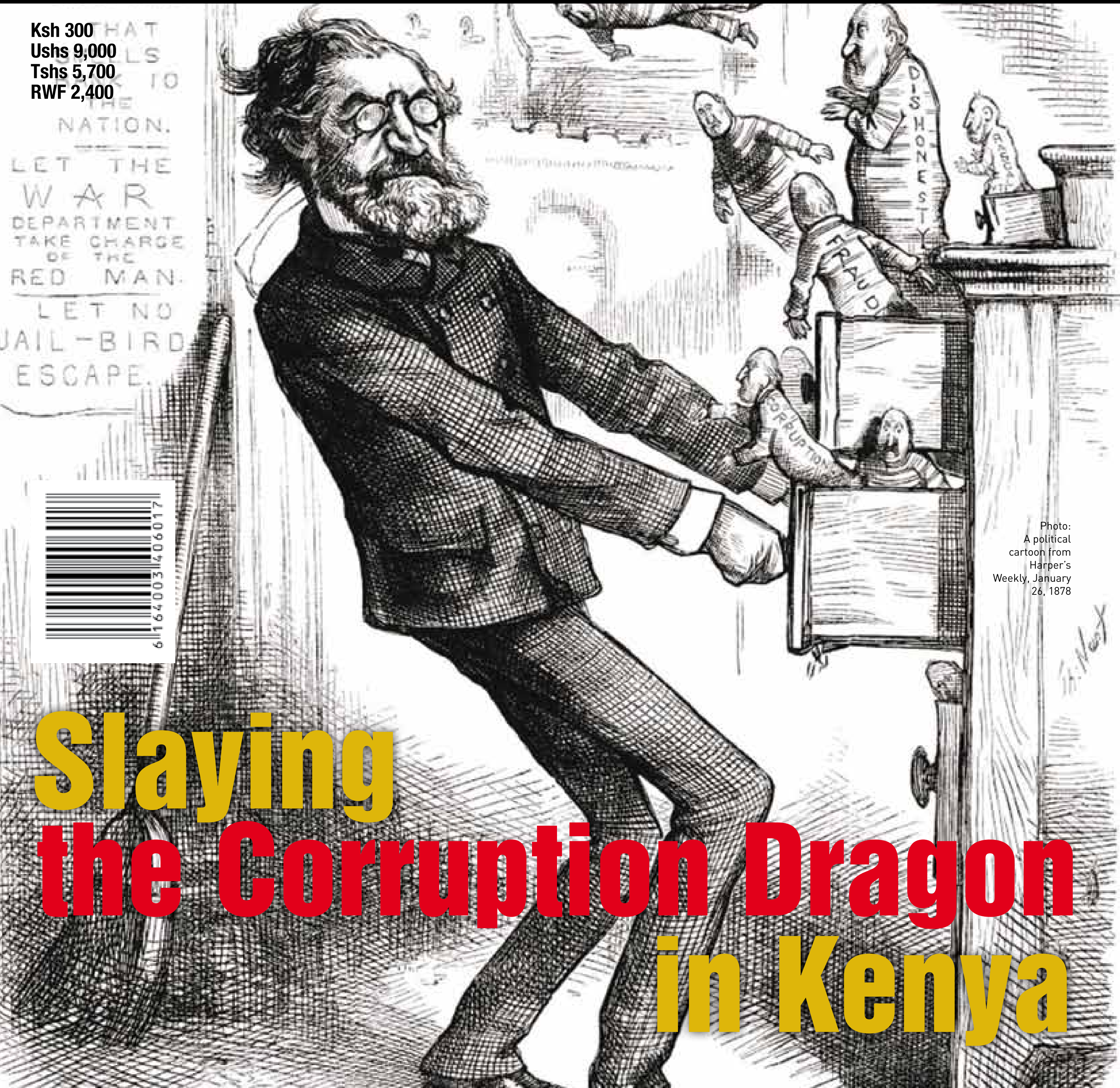

Photo: A political cartoon from Harper's Weekly, January 26, 1878

Slaying the Corruption Dragon in Kenya

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We are pleased to inform you that you can now get a copy of The Accountant journal from leading stores, supermarkets and vendors countrywide.

Dear reader,

Kenya's competitiveness has been improved through the removal of various bottlenecks that make Kenya less attractive to local and international investors.

The procedure that has been ongoing for many years has led to licensing reforms that entail elimination of many licenses and permits, legal reforms that encompass simplification of taxation regimes, structural and operational reforms like reorganization of government as well as the one stop shops like the Huduma Centers and the automation of government services among other things.

Despite these efforts, corruption in the public and private sectors continue to be a problem as was confirmed in the annual corruption perception index by Transparency International. Since governments do businesses with the private sector, the process of public procurement is of critical importance. The efficacy and effectiveness of the public procurement process have a direct bearing on the government's ability to deliver goods and services to the public. The Public expectations are to derive optimum return or value for money from taxes paid. Are these expectations met most of the time? If not, why? Find out more in our cover story.

The question many debt collectors and credit management professionals ask is how does one prepare mentally to deal with a debtor on telephone? For an amateur collector it may prove to be a massive challenge and emotionally draining. More often than not you hear people say that I wish I didn't ask for payment. The answer lives with the mental preparation before making that call in the first place. We know that elite athletes mentally visualize technique and success to improve actual performance. Professional debt collectors too, use a very simple technique to get better results. Studies have also shown that visualization boosts awareness, mood, confidence and outcome. It is these techniques that have been used with dramatic success for years by many debt collection agencies. We review these techniques which include being upbeat positive, courteous, professional and understanding to get what you want in our management segment.

In our inspiration feature, the author notes that the quality of a leader is reflected in the standards he sets. He suggests that business leaders and others need to impose a mantra of first time quality on the teams that they lead. Taking the building sector for example, some building contractors seem to routinely put up shoddy construction. Why is it not possible to maintain a good standard every time you do something so that you build your brand reputation and minimize any costs arising from re-doing it? Why is it that some utility companies are constantly on the road, attending to leaks, blackouts and cut-offs? And why is it that you buy a house that looks so beautiful only to start repairs after a short while? Find out his formula in this piece.

The chaotic public transport sector in Kenya could be considerably transformed with the implementation of the cashless transport system. This system allows passengers to pre-load plastic cards either through agents or by using mobile money transfer services. Once on board, the conductor debits the plastic card through a vending machine or card reader with the preset transport charges applicable to the route. The vending machines generate receipts detailing vehicle route, registration numbers, and name of the supervisor and card details used to make payment. The amounts collected are wired straight to the matatu owner's account held by the service provider, mostly banks with such deposits reflected in real time effectively solving the accountability issue among matatu operators. The government directed last year that all cashless fare service providers integrate their platforms to allow seamless use across rival networks. But even as the country prepares to fully roll out this ambitious system, a number of questions are being raised regarding whether the stakeholders will be in advantaged positions with the digitization of the public transport sector. This feature is in our workplace piece.

Finally, in Finance and Investment, you will find an interesting feature on demystifying the Real Estate Investment Trusts (REIT's) in Kenya. This is a collective investment scheme, which enables several investors to pool their savings to invest in real estate in order to realize economies of scale, scope, diversify their portfolio risk and invest passively by using a regulated professional REIT manager. Kenya is the third African country to establish a real estate investment trust (REIT) as an investment vehicle. A REIT is an entity that mainly owns, develops or operates income producing real estate, such as apartments, shopping centres, offices, hotels and warehouses. REITS have two main characteristics: the bulk of their assets are in real estate; and they distribute a large percentage of their income to shareholders.

We bring you these and several other interesting features in this Journal.

Editor

By Faye Chua, Head of Future Research ACCA

ADVANCING INTEGRATED REPORTING THROUGH RESEARCH AND DATA

The Association of Chartered Certified Accountants, International Integrated Reporting Council, and the International Association for Accounting Education and Research have awarded three research projects to stimulate fresh insight on issues at the heart of integrated reporting.

The three projects are well underway and will be delivered this year.

The first of the three projects is Meeting users' information needs: The use and usefulness of Integrated Reporting, led by Richard Slack (Reader in Accounting, Durham University, UK) and David Campbell (Professor in Accounting, Newcastle University, UK).


Richard Slack

Slack and Campbell will examine the use and usefulness of integrated reporting to investors and capital market actors (brokers, fund managers, and analysts encompassing international equity markets) and other key finance and debt-related audiences (corporate financiers, corporate bankers, private equity). In doing so, the research will specifically examine, from a significant user perspective, the claimed benefits of integrated reporting to investors, with relevance to other key users, that:

- Integrated reporting makes the connections between organizations' strategy, governance, performance, and prospects clearer—which allows investors to be able to assess more effectively the combined impact of a range of diverse factors;
- The disclosure of key risks and opportunities (as management views them) enables investors to assess their short-, medium-, and long-term impact; and


David Campbell

- More effective capital allocation decisions lead to better long-term investment returns.

The research will provide evidence as to the current level of familiarity with, and demand for, integrated reporting and the barriers that may impair such demand in capital markets.

Factors Affecting Preparers' and Auditors' Judgments about Materiality and Conciseness in Integrated Reporting is the second research piece and will explore the issues of materiality and conciseness in integrated reporting from the perspectives of financial reporting preparers, external auditors, and assurance providers. The study seeks to provide evidence that can be used to further promote the practice of integrated reporting. This project is led by Marvin Wee (Associate Professor, University of Western Australia), Ann Tarca (Winthrop Professor, Head of Discipline, Accounting and Finance, University of Western Australia), Walter Aerts (Full Professor, University of Antwerp), Penelope Pink (BDO Audit (Western Australia) Pty Ltd), and Lee Krug (Lecturer, University of Western Australia).

The third research project, An Examination of the Determinants of Integrated Reporting Existence and Quality and Their Implications for Future Standard Setters, is led by Jon D. Perkins (Assistant Professor of Accounting, Iowa State University, US) and Cynthia Jeffrey (Bandle Faculty Fellow in Accounting, Iowa State University, US).

This research aims to answer two primary research questions: What are the effects of organizational and environmental characteristics on firms' decision to issue an integrated report? What are the effects of organizational and environmental characteristics on the quality of firms' integrated reports? In addition, the research will assess the effect of the quality of firms' integrated reports on firm performance, including trading volume and cost of capital.

These three research projects will be important to progressing integrated reporting further. We support the integrated reporting initiative and we want to see it flourishing and evolving to keep it responsive with the ever-changing business environment as it becomes increasingly important not only to the accounting and financial world but also to the wider business and global economy.

IFAC International Federation of Accountants

By Luis Piacenza* Photo: word press

SUSTAINABILITY AND INTEGRATED REPORTING

Is it time for a Financial Revolution?

On a daily basis, the idea of Sustainability Reporting, Corporate Social Responsibility Reporting and Integrated Reporting is hitting the economic media and corporate speeches globally. Even when the three are different things, in theory, from a practitioner point of view, there is no need to dive into the technical differences. The new breed of standards for nonfinancial reporting have a common objective: to explain things that cannot be explained by the financial statements.

According to the Global Reporting Initiative (GRI), one of the most recognised NGOs that publishes guidelines for sustainability reporting, a sustainability

Sustainability and integrated reporting are winds of change to back to the basics of economics. Good businesses are appealing for investment, bad business not. In other words, hard work leads to success; financial gambling can provide short term returns but at a high risk. The lessons learned are particular good news for emerging and transition economies, especially for those embracing responsible investment.

report "is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy".

There is no universally accepted definition to differentiate Sustainability from Corporate Social Responsibility. Experts can disagree with this statement, but after a decade preparing these type of reports in our company, one can conclude that it depends on the geography and the knowledge of the subject matter. All in all, theoretical boundaries are so weak that do not deserve attention.

According to the International Integrated Reporting Council, the NGO that published a framework for issuing Integrated Reports, an integrated report "is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long-term".

A third good option has been taken by The Companies Act of the United Kingdom with the concept of Strategic Report. The idea is eventually the clearest, and provides investors with a straightforward answer to a tough question: how the company manages its relationship with the future? Beyond the definitions, the time for nonfinancial information has come. For years, the numbers ruled the investment decisions and the economic fate of the world. We needed a global crash to understand that credit risk theory based only on historical information is not sufficient for making investment decisions. In essence, the credit risk fundamentals in many cases were mere math exercise for justifying deliberate, untrue assumptions.

The outcome was a huge diversion of capital to junk assets, setting apart investment in infrastructure or other viable projects. It was especially damaging for emerging and transition economies because the dictatorship of credit ratings automated the flows of capital to the so-called investment grade opportunities. The outcome is well-known, weaker economies resulted impoverished, make-up economies bubbled, prosperous economies remained untouched.

Sustainability and integrated reporting are winds of change to back to the basics of economics. Good businesses are appealing for investment, bad business not. In other words, hard work leads to success; financial gambling can provide short term returns but at a high risk. The lessons learned are particular good news for emerging and transition economies, especially for those embracing responsible investment. The world has a chance for a new industrial revolution in emerging economies, building resilient business structures based on genuine value creation not only for the providers of financial capital but also for all the stakeholders.

The investors' community is actively interested (globally) in knowing more than financial ratios and risk ratings. They want to understand the strategies in play, the levels of transparency and the impact of the businesses on the society and on the environment. As an example, the Government Pension Fund of Norway has an active advocacy in corporate governance, social responsibility and environmental stewardship over their assets. The Fund, which is the largest stock owner in Europe, has divested from several industries like tobacco, coal or nuclear arms and in other companies due to the violation of international treaties and human rights violations, among other reasons. Recently, they voted against re-election of board members at the largest firms in Spain, claiming minority rights, arguing lack of transparency in indefinite re-election of board members.

Indeed, the corporate world depicted by mainstream business schools and the gurus of the 90's is changing. The influencers are currently the internal and external pressure groups; asking for corporate accountability. Pressure groups, investors included, are the major influencers on the renewal of corporate reporting. Ironically, the same gurus of the nineties have started to adapt their speeches to the new trends.

Secretary-General Ban Ki-moon delivers remarks just before ringing the closing bell on Wall Street. UN Photo/Rick Bajornas

As the most widely recognised models, we count on Global Reporting Initiative Guidelines known as G4 and the Integrated Reporting Framework, issued by the IIRC (the International Integrated Reporting Council). The former intends to report on the most relevant aspects to the stakeholders' community, covering themes like human rights, decent labour, product stewardship, integrity and social commitment, environmental behaviour and economic performance. The latter focuses on the providers of financial capital; those who are pressing companies to disclose their strategy, future outlook and connection between financial capital and other types of capital. To the IIRC, financial capital does not operate in isolation, but in combination with other capitals; intellectual, relational, environmental and social, among others.

Both schemes have ongoing discussions related to external assurance, which is key to provide credibility to the investors. Procedures for the assurance of nonfinancial information are a chapter apart for further discussion. However, the global community of business stakeholders agrees on the necessity of having third-party involvement to ensure the dependability of the information provided in nonfinancial reports.

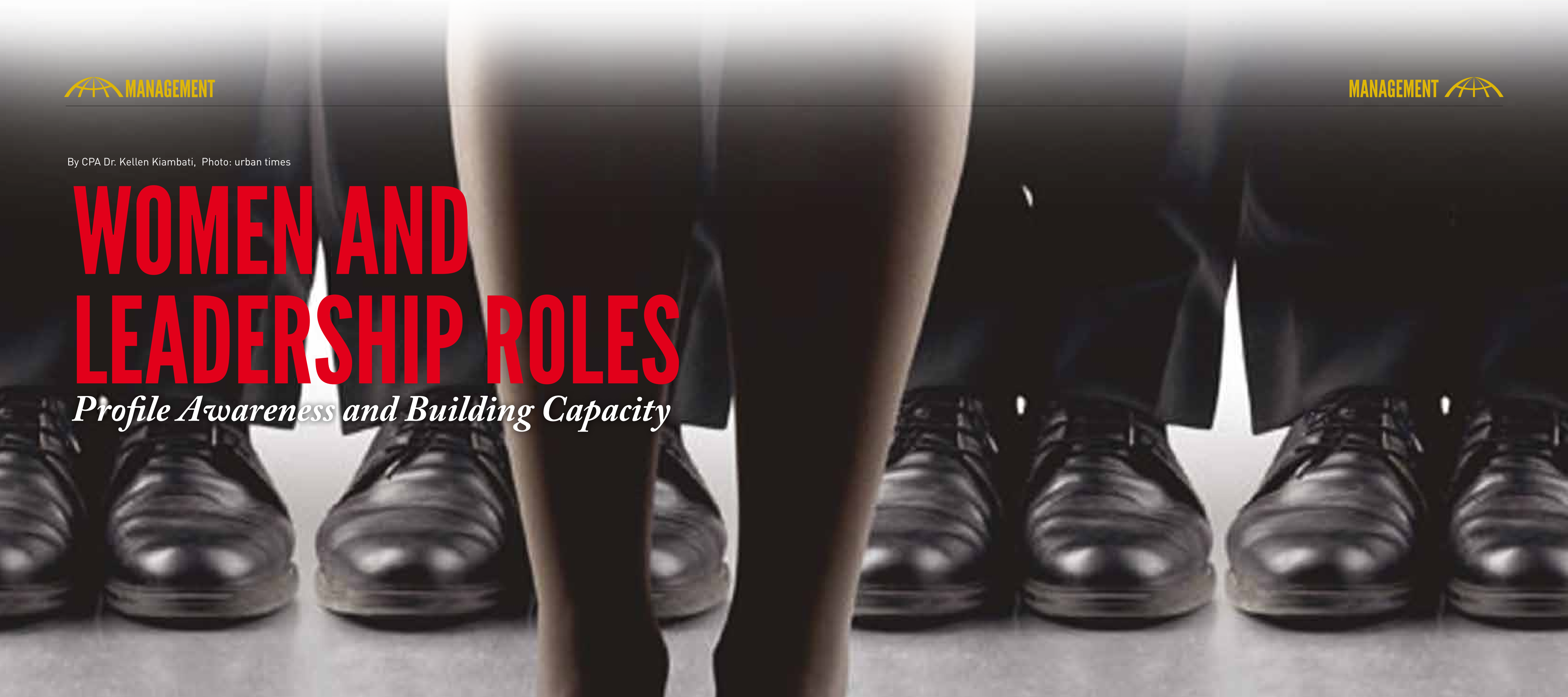
Companies shall adapt their management systems to measure the nonfinancial variables that have impacts on their stakeholders. Additionally, they should establish procedures to gather stakeholder interests and issues, to ensure that the message matches the relevant topics. That gives a new shape to the concept of materiality. Now the concept goes beyond the traditional concept of materiality. In a sustainable world, what is material for the investor is not straightforwardly linkable to figures in the chart of accounts.

Many of the challenges ahead are not easy to overcome in large and rigid corporate structures, where hearing interest groups is, admittedly, not common practice. Nevertheless, there is no room for turning the head. Overlooking stakeholders' views is risky since they have more power because of the changing rules of the global society. Eventually, large firms in developed countries will start to pay attention to practices from the developing countries. In these countries, stakeholder groups are closer. Even when the interaction between companies and stakeholders are often perceived as chaotic from a Northern perspective, it is the hotbed where innovation emerges on a day-to-day basis as a result of necessity. In this way, African and Latin American companies can provide best practices to bring stakeholders' issues to the strategic planning processes.

A few weeks ago the Nairobi Stock Exchange joined the United Nations Sustainable Stock Exchanges (SSE), launched by United Nations Secretary-General Ban Ki-moon in 2009. NSE is the eighteenth member of the SSE, and the fourth in Africa alongside the Egyptian Exchange, the Nigerian Stock Exchange, and the Johannesburg Stock Exchange. Hopefully, the financial sector in Africa is paving the way to creating resilient corporate structures for fostering resilient economies. After the value created by industrial revolutions in the North in the past centuries, we could be seeing a Financial Revolution furnished with lessons learned from the emerging economies.

***** Luis Piacenza is Managing Director of Global Sustainability Services (GSS), an initiative of Crowe Horwath, one of the largest global accounting and consulting networks. GSS aims to create best practices within the network in Sustainability and Integrated Reporting advisory and assurance services. Crowe Horwath in Kenya endorses the Initiative fostering the adoption of Sustainability and Integrated Reporting in companies of any size and industry.*

Crowe Horwath



By CPA Dr. Kellen Kiambati, Photo: urban times

WOMEN AND LEADERSHIP ROLES

Profile Awareness and Building Capacity

Many companies move quickly from setting their performance objectives to implementing a suite of change initiatives. Be it a new growth strategy or business-unit structure, the integration of a recent acquisition or the rollout of a new operational-improvement effort, such organizations focus on altering systems and structures and on creating new policies and processes.

To achieve collective change over time, actions like these are necessary but seldom sufficient. A new strategy will fall short of its potential if it fails to address the underlying mind-sets and capabilities of the people who will execute it. Companies that only look outward in the process of organizational change—marginalizing individual learning and adaptation—tend to make two common mistakes. The first is to focus solely on business outcomes.

That means these companies direct their attention to "technical" aspects of a new solution, while failing to appreciate what they call "the adaptive work" people must do to implement it. The second common mistake, made even by companies that recognize the need for new learning, is to focus too much on developing skills. Training that only emphasizes new behavior rarely translates into profoundly different performance outside the classroom. Linking strategic and systemic intervention to genuine self-discovery and self-development by leaders is a far better path to embracing the vision of the organization and to realizing its business goals. Looking inward is a way to examine your own modes of operating to learn what makes you tick.

Individuals have their own inner lives, populated by their beliefs, priorities, aspirations, values, and fears. These interior elements vary from one person to the next, directing people to take different actions. Interestingly, many people aren't aware that the choices they make are extensions of the reality that operates in their hearts and minds. Indeed, you can live your whole life without understanding the inner dynamics that drive what you do and say. Yet it's crucial that those who seek to lead powerfully and effectively look at their internal experiences, precisely because they direct how you take action, whether you know it or not. Taking accountability as a leader today includes understanding your motivations and other inner drives.

Profile awareness

An individual's profile is a combination of his or her habits of thought, emotions, hopes, and behavior in various circumstances. Profile awareness is therefore a recognition of these common tendencies and the impact they have on others. There is usually a rudimentary level of profile awareness with the executives there I have interacted with.

They use labels as a shorthand to describe their profile, telling us, "I'm an overachiever" or "I'm a control freak." Others recognize emotional patterns, like "I always fear the worst," or limiting beliefs, such as "you can't trust anyone." Finding ways to describe the common internal tendencies that drive behavior is a good start. We now know, however, that successful leaders develop profile awareness at a broader and deeper level. Telling CEOs these days that leadership drives performance is a bit like saying that oxygen is necessary to breath.

A big, unresolved issue is what sort of leadership behavior organizations should encourage. Is leadership so contextual that it defies standard definitions or development approaches? Should companies now concentrate their efforts on priorities such as role modeling, making decisions quickly, defining visions, and shaping leaders who are good at adapting? Should they stress the virtues of enthusiastic communication? I am not saying that the centuries-old debate about what distinguishes great leaders is over or that context is unimportant. Experience shows that different business situations often require different styles of leadership.

The challenges are well known: women in business continue to face a formidable gender gap for senior-leadership positions. Moreover, there are fewer and fewer women at each step along the path to the C-suite, although they represent a majority of entry-level employees and outnumber men in college-graduation rates.

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Increasingly, the barriers too are well known: a mix of cultural factors, ingrained mind-sets, and stubborn forms of behavior, including a tendency to tap a much narrower band of women leaders than is possible given the available talent pool. Much has been written about the nature of the challenges. I want to focus on what companies can do to take action.

Where are the women in our talent pipeline?

Most senior executives know intuitively how many women do (or don't) hold top-leadership roles at their companies. But few of them keep precise track of how women do (or don't) move through their talent pipelines—from entry all the way up to the top-executive ranks. A clear picture is important. Because such pipelines tend to be unique, "default" solutions, though well-intentioned, can miss the mark; for instance, ramping up a recruitment drive for women won't help an organization struggling to retain female leaders. How to gather pipeline information is no secret, and what to do with it shouldn't be either.

Outcome metrics ought to be reviewed annually, and leading indicators (such as employee sentiment and promotion trends) should be examined during quarterly business reviews. All of these metrics must be considered elements of an ongoing management conversation. Once the pipeline is visible, a related conversation should happen about the distribution of women's roles—in part to get a better sense of the career barriers they face. Companies should consider the benefits of transparency: the act of publicly sharing data on gender diversity sends staff and external parties alike a clear message that the status quo is insufficient. By doing so, they have initiated a pragmatic conversation about what organizations can do to change.

What skills are we helping women build?

Many women's programs focus on convening, creating, and broadening networks. While these are important investments, they are insufficient. Companies should also instill the capabilities women need to thrive. Some of the most important are resilience, grit, and confidence. Resilience is the capacity to recover quickly from difficulties—a form of toughness. Grit is resolve, courage, and strength of character. Confidence is a level of self-assurance arising from an appreciation of your own abilities or qualities. In business settings, resilience allows us to get up after making a mistake or encountering a challenge, grit allows us to push through walls and rise above challenges, and confidence helps transform challenging experiences into greater self-assurance, not self-doubt.

Do we provide sponsors along with role models?

Intuitively, we know that seeing female role models makes a huge difference to younger women. Research confirms this intuition. For example, a 2012 study found that young Indian girls living in villages with a stronger representation of women in public leadership roles were significantly more likely to see themselves as future leaders. Companies should focus on sponsorship, including the creation of opportunities. In leading companies, formal sponsorship programs help fill the opportunity gap by encouraging women to set higher aspirations and by finding ways to open doors for them. Sponsorship is an area where men can play a huge role.

In fact, it is one of the most basic commitments male leaders can make to help increase the number of talented women in their organizations. A simple question to ask men in senior roles is this: How many of you sponsor at least one woman? At the same time, of course, ask the women in leadership positions what they are doing to share their stories and to make themselves more visible role models for women throughout the ranks. Sponsorship programs with tangible goals can be highly effective.

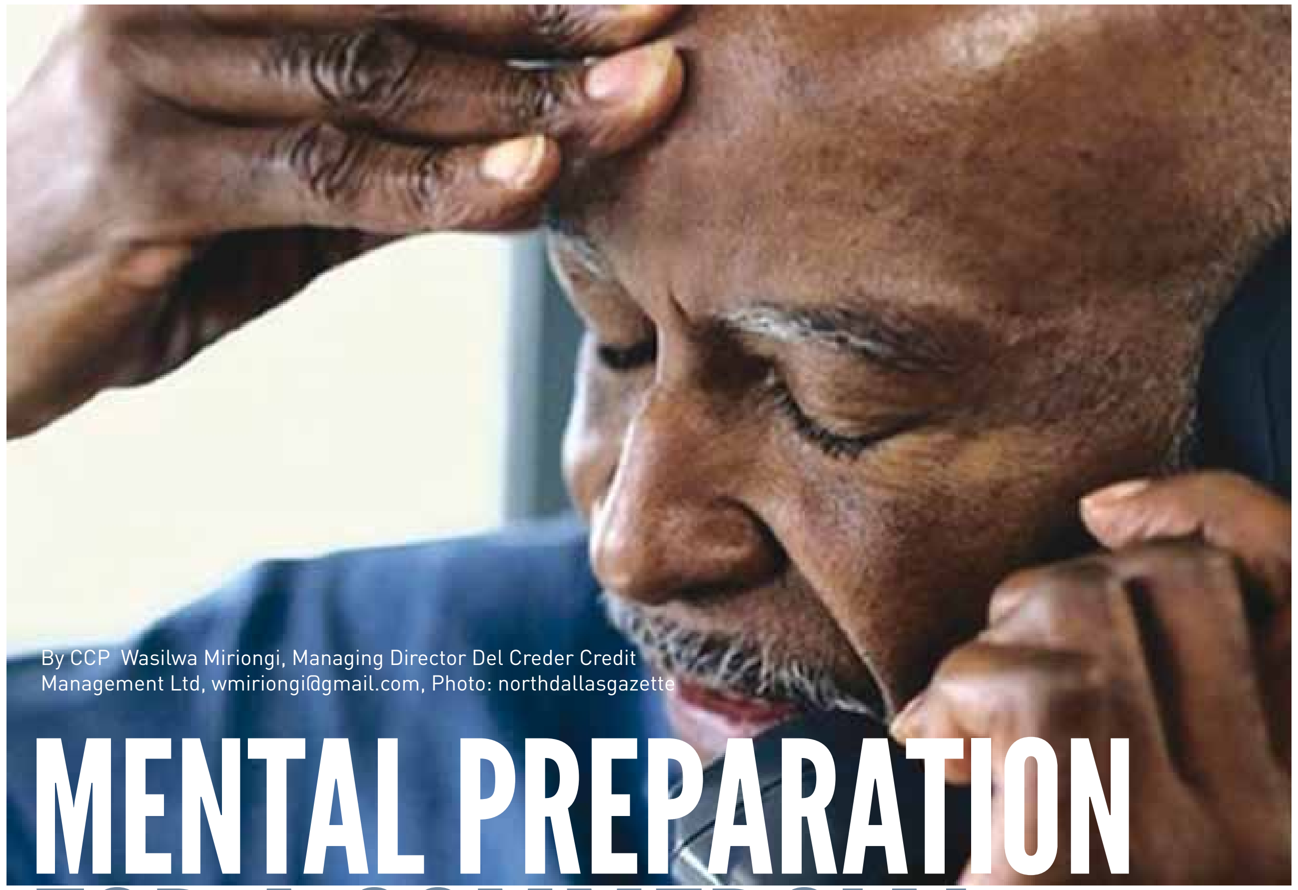
Are we rooting out unconscious biases?

One of the biggest challenges exists squarely in the heads of employees: the unconscious biases that shadow women throughout their careers and can set them up for failure. Held by men and women alike, these biases take many forms. Smart companies work hard to make unconscious biases more conscious and then to root them out so that they don't affect the culture in wide-ranging and unhelpful ways. Actions include training, surveys (to gain insights), and policy remedies that create a more level playing field.

How much are our policies helping?

Although the most stubborn barriers are inside the heads of employees, this isn't to say that companies have exhausted the potential of corporate policy to effect change. Child-leave policies are one area ripe for improvement. Other companies are more publicly encouraging men to take paternity leave—a move that helps chip away at prevalent gender norms about caregiving and so that they could more fully take part in raising kids and reduce the perception that child care is a "women's issue." Such ideas are intriguing, as they suggest tangible ways a company's policies can affect the mind-sets of employees. Part-time or other flexible work policies are a sore spot; they look great on paper, but few employees take advantage of them. Clearly, policies that aren't much used are great opportunities for management discussions, and while these conversations can be uncomfortable, they can also lead to new ways of working.

MANAGEMENT



By CCP Wasilwa Miriongi, Managing Director Del Creder Credit Management Ltd, wmiriongi@gmail.com, Photo: northdallasgazette

MENTAL PREPARATION FOR A COMMERCIAL COLLECTION CALL

The question many debt collectors and credit management professionals ask is how does one prepare mentally to deal with a debtor on telephone? For an amateur collector, it may prove to be a massive challenge and emotionally draining. More often than not you hear people say that I wish I didn't ask for payment. The answer lies with the mental preparation before making that call in the first place.

It is a known fact that elite athletes mentally visualize technique and success to improve actual performance. Professional debt collectors use a very simple technique to get better results. Studies have shown that visualization improves awareness, mood, confidence and outcome. These techniques have been used with dramatic success for years by many debt collection agencies.

In house collectors typically have two objectives, and they are not always completely compatible:

1. Maintain a positive relationship with customer leading to future profitable sales;
2. Get the money that is already owed and past due.

Early in the debt collection process, in house collectors clearly do not want to jeopardize the long-term relationship with a customer. Customers (at least paying ones) are the lifeblood of the business.

Many training programs done for clients' in-house generally focus on several mental factors:

Be in an Upbeat Mood
Have a Positive Attitude
Use a Calm Demeanor
Have a good Tone to your voice
Be Professional
Be Courteous
Listen and Understand
Be Caring and Compassionate

It is widely recognized that having an upbeat mood typically leads to greater success in everything we do. Individuals tend to perform better when their mood is positive. And just as important, this seems to influence other people as well. So, if the collector is upbeat mood rubs off on the delinquent customer that can have a positive impact on the collection process.

Mental preparation for each collection call can yield great dividends in debt collection success with respect to positive attitude we are referring to having the belief that the debt collection call will be successful. Success can be collecting money, getting helpful information, or building the relationship as a step in the process of eventually collecting. This positive attitude is similar to the visualization technique for sports – the more you believe, the more likely you will make it happen.

Clearly, when dealing with customers, being professional and courteous is very important for maintaining a relationship. A calm demeanor and a good tone are equally as important. A tone with an edge, or outright nastiness, can draw attention away from the main issue – resolving the past due balance. It can also cause the customer to become defensive or angry, neither of which helps the collector achieve the goals of collecting or maintaining a long-term relationship.

The last couple of items are trickier. For decades collectors have been instructed to maintain control of the conversation and not allow it to get off-topic of simply getting the invoice paid. Many collectors work for companies or collection agencies that expect a very large volume of calls to be completed on a daily basis. So, there is a real balancing act between these criteria and taking the time to listen, understand, and express a level of empathy if that seems appropriate to achieve your goals.

For in house collectors, developing some level of a personal relationship with the customer is an excellent way to establish and foster a long-term relationship between the companies. This relationship can be used in a positive way to help collect when the customer runs into cash flow issues. Using example of our commercial collection agency, we know a key factor in our success is often related to taking whatever time is required to listen to debtors, understand their situation, and express some empathy if that is appropriate.

Sometimes it pays to use silence. When doing so count slowly to five before responding to a debtor statement, and wait several seconds after asking a question. Remember when you leave blank spaces in the conversation, it compels the debtor to fill them in.

Stay focused. Some debtors will try to get you off track by complaining about service, or somehow shifting the blame for their delinquency to you. Be polite, even validate their opinion. But always bring them right back to the point of your call -- getting paid the money rightfully due your company.

Avoid manipulation as you should not let the debtor manipulate you. A screaming debtor could be using anger as a ploy to get you upset and end the conversation. At the very least, you are not going to get anywhere with someone that is angry.

If a debtor starts yelling or using abusive language, stay calm. Try reminding them that you cannot help resolve the situation if they are yelling.

If that does not work, say something like, "This obviously is not a good time for you. When can I call you back?"

Or you could try a tactic one of many collectors employ. Say, "Could you hang on a moment? I can not understand what you're saying." Put the phone down for several seconds then pick it up again stating, "I am back." That few seconds of silence will often calm the debtor down and you can get on with the discussion more reasonably.

We recognize that the debt collector's approach and tactics need to change over time if progress is not being made using the attitude described above. The change in approach is just another tool in the collector's arsenal.

Having an upbeat mood, maintaining a positive attitude, and talking with a good tone is not always easy, especially as the day wears on or after a particularly difficult call. One simple trick many collectors use before each call to help them stay on track: SMILE! You will be amazed at how smiling helps one feel better and giving a better attitude for the next call.

Following the above advice will help improve the effectiveness of your collection calls – but there is no magic bullet in debt collection. Every debtor is different. What works really well with one, may get you nowhere with another. Listen carefully to the debtor and you will pick up clues to the best way to handle each situation.

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CAPITAL GAINS TAX IMPLEMENTATION STRATEGY SHOULD INCORPORATE STAKEHOLDER VIEWS

By CPA Benson Okundi, Photo: times tower

On 15 September 2014, President Uhuru Kenyatta assented to the Finance Bill 2014 (now Finance Act 2014). The Act, among other amendments, re-introduced the Capital Gains Tax (CGT) which was historically chargeable from 1975 until its suspension in 1985 in an effort to attract investments in mining, real estate, and the stock exchange.

Capital Gains Tax (CGT) is applied on the profit realized on the sale of a non-inventory asset at a price that is higher than the purchase price. Such non-inventory assets or property include land, buildings and marketable securities.

Capital Gains Tax re-introduction is expected to widen the tax base and hence raise much needed revenue to fund the Country's budget that is about to hit Kshs. 2 trillion mark. Further, it is poised to not only align Kenya with other neighboring countries but also increase the progressivity and integrity of the tax system geared towards the bigger goal of an efficient tax system that enhances reduction in the top marginal rates and reduces opportunities for tax planning and tax avoidance.

The Implementation of the CGT has reported administrative challenges since its effective date of January 01, 2015 and now, a matter subjudice. Notwithstanding, we require policy intervention on CGT implementation to prevent a slump in the property market, money market and other crucial sectors of the economy if we are to keep pace and attain the projected economic growth of 6.9% this year.

Equally, the government should consider the views raised by stakeholders to harmonize the implementation of Capital Gains Tax and make it compatible to good principles of taxation such as fairness, simplicity, convenience and certainty. In addition, this tax should take into account the state of the economy in totality against the prevailing economic situation in the 1985 when the tax was suspended.

First, the administration of the Tax need to be agreed upon by all stakeholders in an amicable manner both in the short and long term being mindful of existing social, economical technological and regulatory environment.

Secondly, there would be need to relook at some of the provisions for instance, the exemption limit of Shs 30,000 needs to be adjusted to take into account price changes occasioned by inflationary pressures. This is important since it was the same base value used in 1975.

There is need to amend the provisions in the current Eighth Schedule of the Income Tax Act so as to take care of value appreciation arising from group restructuring that does not affect its ownership structure.

In respect to dividends declared, implementation guidelines by the KRA lack clarity in situations where such dividends are declared from gains on which Capital Gains Tax has been paid without subjecting tax payers to any compensating tax.

Moreover, while the guidelines provide that losses may be carried forward to be offset or deducted against a gain of a similar nature (that is, a capital gain) at a future date, the same should be capped at a period not longer than four years as is the case with trading loses. Transfers of property between a trustee and beneficiary should only require exemption from the Collector of Stamp Duty to qualify for both exemptions.

Besides, there should be a provision to cover the transfer of property between close relationship such as a gift or inheritance. Such a provision should allow for the deferral of the taxation of any gains until the time the property is sold or transferred to a third party. The same should apply in the transfer of property during incorporation of family businesses into limited liability companies as is the case with stamp duty provisions where such companies are exempted.

Likewise, a more robust mechanism should be developed for taxing gains made by individuals from securities traded on the Nairobi Securities Exchange. Such gains should be taxed as part of the self assessment process and not at source as is the provision in the current Eighth Schedule of the Income Tax Act.

Lastly, liability is placed on you, the person - individual or corporate (resident or non-resident) transferring the property. You need to be aware that once you acquire a CGT asset, you start keeping records immediately because you might have to pay tax on it in the future. Your records will help ensure you do not pay more tax than necessary. If you own the asset jointly with someone else, establish each owner's share.

To this end, the government should ensure that the public are duly sensitized before the implementation of any tax regime.

The writer is the Chairman of the Institute of Certified Public Accountants of Kenya (ICPAK)

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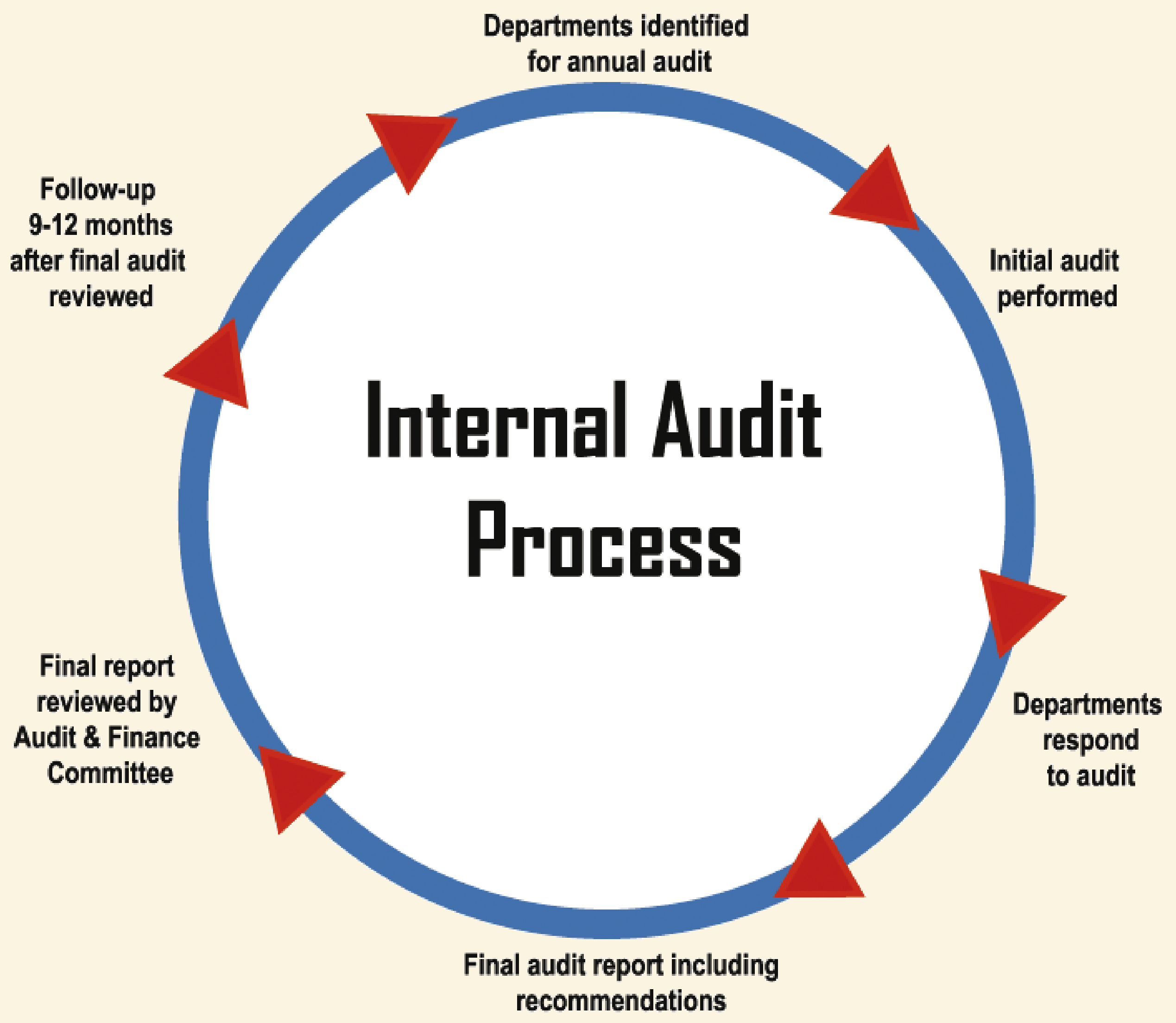
By CPA Geoffrey Langat, Internal Auditor, County Government of Bomet Photo: Floorit

IMPROVING INTERNAL AUDIT IN GOVERNMENT INSTITUTIONS



The Internal Auditing profession evolved steadily with the progress of management science after World War II. It is conceptually similar in many ways to financial auditing by public accounting firms, quality assurance and banking compliance activities. While some of the audit technique underlying internal auditing is derived from management consulting and public accounting professions, the theory of internal auditing was conceived primarily by Lawrence Sawyer, often referred to as "the father of modern internal auditing".

Traditionally, people understand internal audit as an activity of self imposed internal check and audit which also supposedly involved the activity of going around telling people what they were doing wrong. However even if one sees it in a narrow sense , the contribution of the activity of internal audit is potentially of major importance as an effective internal audit system leads to improved accountability, ethical and professional practices, effective risk management, improves quality of output and supports decision making and performance tracking Historically it was always held that internal auditing is confined to merely ensuring that the accounting and allied records have been properly maintained, the assets management system is in place in order to safeguard the assets and also to see whether policies and procedures are in place and are duly being complied with.

With changing times this concept has undergone a number of changes with regard to its definition and scope of coverage. Modern approach suggests that it should not be restricted to financial issues alone but also on issues such as cost benefit analysis, resource utilisation and their deployment, matters of propriety, effectiveness of the management, etc.

The quality of audit work is directly correlated with independence and importance accorded to the internal audit function in an organisation. The poor status of the internal auditor is the main reason why competent staff, are reluctant to take up this work. As a result most departments do not have an efficient and effective internal audit department.

The head of internal audit needs to be elevated in the hierarchy to a level consistent with that of the Chief Officer or more to minimise discounting of internal audit inputs, and enhance the quality of audit.

Internal auditors also have a special responsibility since no precise set of guidelines exist for best practices in 'Governance'. A few suggested concepts in this regard are:

1. Internal auditors must identify forces that impact governance. They must constantly fine tune their knowledge of these influences; and they must articulate, and recommend to management and audit committee, actions that will help the organisation against both traditional and emerging risks;
2. Management and organisational objectives must be the focus of internal auditing practice, and internal auditing must be fully integrated with organisation;
3. Internal auditing approaches must be flexible and adaptable, mirroring today's changing environment;
4. Internal auditors must be creative and aggressive as they seek strategies to add value, safeguard assets, and promote effective governance.

The internal auditor needs to continuously update himself of the changing times and technologies and sharpen his skills. By applying skills to the most critical points, building personal and professional credibility and recognising and responding to the needs, internal auditors can become indispensable, speeding good governance.

However, recognising the need to sharpen focus for bringing change is the easier but implementing strategic change and measuring the results is by far the greater challenge. Too often internal audit change initiatives fail, and the desired outcomes are never realised. By incorporating proven change management and project management techniques throughout the transformation process, internal audit functions can implement change initiatives quickly and effectively.

One part of internal audit's consultancy work would be to work with the management to improve systems, processes and methods of working. With regard to using Information Technology (IT) tools to simplify processes, internal audit could identify control weaknesses prior to the system going live. Identifying loopholes and strengthening the system during the development of the system is desirable as it is cost effective than trying to change the system at a later date, this will allow for the controls to be fully tested and not delay the implementation of the project.

Internal audit may be able to offer a proactive approach, which may provide advice on a framework for risk management on the project, facilitate risk identification, assessment and mitigation through the implementation of controls.

Successful internal audit transformations involve four key best practices:

a. Good planning at strategic and tactical levels;
b. Project management techniques to ensure that plans are achieved;
c. Change management techniques to facilitate change, improve communications and facilitate stakeholder buy-in;
d. Dedicated staffing for the transformation initiative.

By using best practices, internal audit functions can significantly enhance the probability of a successful transformation. In addition, many of the tools and strategic approaches used in the transformation process (such as detailed communications plans, teambuilding and change management techniques) have applications that go beyond the transformation process, and can be used to enhance basic internal audit strategies. We have seen the value of using these best practices to ensure the most effective transformation possible, and it is well worth the additional time and effort they require.

{ **With changing times this concept has undergone a sea change with regard to its definition and scope of coverage. Modern approach suggests that it should not be restricted to financial issues alone but also on issues such as cost benefit analysis, resource utilisation and their deployment, matters of propriety, effectiveness of the management.** }

By CPA Charles Okeyo Owuor
Vice Chairman Central Rift, nyakwarogara@gmail.com, Photo: westerly library

THE INTELLIGENTSIA IN THE INTELLIGENCE PROCESS

Knowledge has the potential to be equated to power. The concept of collecting and utilizing information to support decision making in some formal, structured way is nothing new.

In order to obtain advantage over adversaries, it is imperative to possess the most up to date, accurate information regarding amongst other things, their intentions and capabilities. This rule applies in every field, be it politics, business, military strategy or criminal intelligence. Intelligence could be described as information that is acquired, exploited and protected by the activities of law enforcement institutions to decide upon and support an investigation.

Intelligence always involves a degree of interpretation resulting in an inevitable degree of speculation and risk. The amount of speculation and risk is dependent upon the quality and quantity of information whereby key areas of intelligence are;

a) Strategic Intelligence: It typically reviews current and emerging trend change in the crime environment, threats to public safety and order, opportunities for controlling action and the development of counter programmes and likely avenues for change to policies, programmes and legislation.

b) Operational Intelligence: Typically provides an investigative team with hypotheses and inferences concerning specific elements of illegal operations of any sort. These will include hypotheses and inferences about specific criminal networks, individuals or groups involved in unlawful activities, discussing their methods, capabilities, vulnerabilities, limitations and intentions that could be used for effective law enforcement action.

A good knowledge of operational intelligence is a highly recommended prerequisite to developing strategic intelligence capability. The development of operational intelligence in itself will provide an important source of intelligence to consider from a strategic perspective.

Intelligence analysis is about collecting and utilizing information, evaluating it to process it into intelligence and then analyzing that intelligence to produce products to support informed decision making. All these decisions involve applying our natural ability to "analyze" information on overall process which can be usefully broken down into a series of stages or questions a forensic auditor asks.

It is important to emphasize that an organization's policies will dictate the way intelligence can be used for law enforcement purposes. Policies will also dictate whether intelligence materials gathered during the course of an investigation is protected from disclosure in criminal proceedings.

Intelligence analysis aids investigation by helping to target available resources and identifying information gaps to focus the investigation more clearly. It also helps to avoid duplication of effort and prevent straying into areas of no relevance. To obtain maximum benefit, an analysis capacity should be employed at the earliest possible stage of an enquiry, preferably at the beginning, although logically this is not always possible.

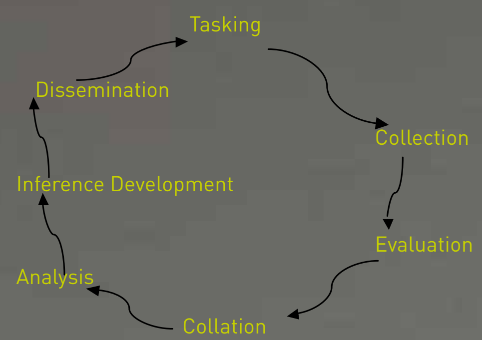
The Intelligence Cycle

The concept of the intelligence cycle is broadly recognized as the foundation of the intelligence analysis process at both operational and strategic levels.

Figure 1: The Intelligence Cycle

a) Direction/Tasking

Intelligence analysis is driven by the needs



of clients i.e. consumers of the analytical product. The analytical effort is thus often directed through tasking by these clients. They take the initiative at this stage of the cycle, but the principles of partnership requires that both they and the auditors share a responsibility for working together to ensure that the requirements for the analytical products are clearly defined and understood by both sides. It is essential that a good client/auditor relationship exists in order for tasking to function effectively.

Tasking can take two basic forms:-

i. Client expresses a requirement for an analytical product focusing on a subject or a range of subjects of concern.

ii. The client formulates a general expectation for the analytical provider regarding an area of risk, threat or opportunity.

b) Collection

The intelligence process relies on the ability to obtain and use data. The issue of planning all the activities in the intelligence process is particularly significant in the collection phase. In both operational and strategic intelligence analysis, the topics and the scope of the analysis should be clear before considering further actions to be undertaken. An intelligence collection plan may contain the following elements; Problem definition, Project aim and Project scope.

c) Evaluation

The validity of an inference is directly linked to the quality of the data behind the inference. Evaluation refers to an assessment of the reliability of the source and the quality of the information, and the three fundamental principles that apply to evaluation are:-

- It must not be influenced by personal feelings but be based on professional judgment.
- Evaluation of the source must be made separately to the information.
- It must be carried out as close to the source as possible.

d) Collation

Collation is the transfer of collected information and or intelligence into a storage system (be it a filing cabinet or a computerized data base) in a structured (indexed, cross referenced) format that permits rapid and accurate access.

e) Data integration and analysis

Analysis can be described as in-depth examination of the meaning and essential features of available information. The scope of analysis and its overall credibility depends on the level and accuracy of acquired information, combined with the skills of the auditor. Data integration involves combining information from different sources in preparation for the formulation of inferences. The disciplined approach to analysis requires the maximum amount of information to be assessed at the time of integration to determine its relevance, which requires going beyond the facts. Excluding information at the beginning of the process can easily lead to the significance of a vital piece of information being overlooked. This can lead to incorrect analysis, which can ultimately jeopardize an audit.

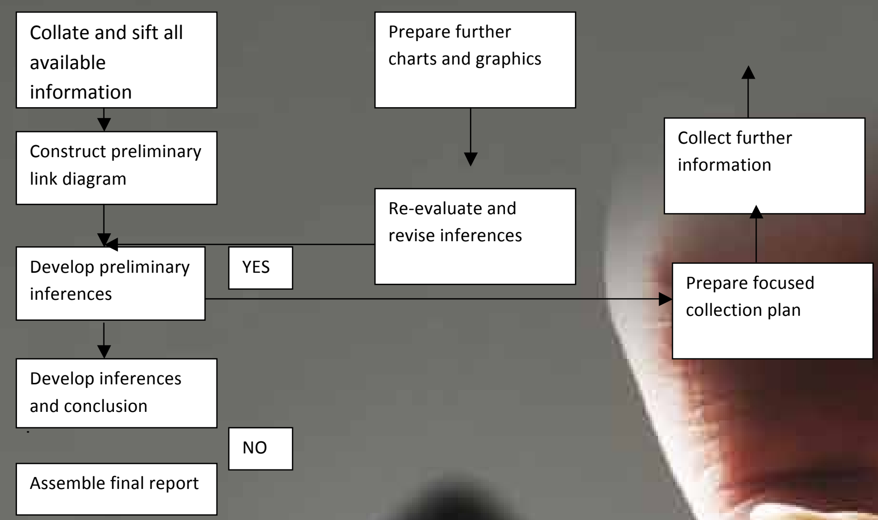
f) Dissemination

The dissemination process refers to the releasing of the result of analysis to the client and can take various forms such as:-

- Structured formalized reports.
- A structured and formal oral presentation with supporting documentation.
- Ad-hoc briefing to intelligence and investigative teams.

As I put it earlier, that intelligence cycle is the foundation of the intelligence analysis process, thus the analysis stage of the intelligence process is critical for it concerns the examination of the meaning of the available information highlighting the essential features. Analysis highlights information gaps, the strengths, the weaknesses and pinpoints the way forward.

Figure 1: The Intelligence Cycle



THE INTELLIGENTSIA IN THE INTELLIGENCE PROCESS

The scope of analysis and its overall credibility is dependent on the level and accuracy of the information supplied combined with the skills of the analyst (auditor). Careful integration highlights information gaps and weaknesses in the audit, thus ensuring that analyst (Forensic Auditor) will continue data collection, even at the earliest stages of the analysis work.

To test hypotheses, structured data collection is essential and therefore a collection plan must be developed.

In the process of analysis the following axioms and standards for analysts should be considered:

Believe in your own professional judgment

You are the expert. Believe in your work and stand your ground if the intelligence supports your position.

Be a risk taker

Do not be afraid of being wrong when forecasting trends or events. Taking risks is part of your job description only by taking risks can you maximize your value to your organization.

It is better to make a mistake than to do nothing at all

If you are wrong and the facts call for it, admit it. Only those who do not do anything make no mistakes.

Avoid mirror imaging at all costs

Mirror imaging is projecting your thought process or value system onto someone else. Your targets are criminals, their mentality is completely different. You must learn to think like they do.

Intelligence is of no value if it is not disseminated

Communicate the intelligence conclusion and recommendations clearly and effectively and in a timely manner. What your client does not know has no value.

When everyone agrees on an issue, something probably is wrong

It is rare and not natural for a group of people in the intelligence organization to fully agree on anything; If it does occur, its time to worry.

Your client does not care how much you know; tell them just what they need to know

Excessive details merely obscure the important facts.

Form is never more important than the substance

A professional appearance and appropriately selected formats are important, but they do not outweigh substance. Clients want to know what intelligence means and they want it when they need it.

Aggressively pursue collection of information that you need

Never settle for less than all you need. If you fail to get access to the vital data source for any reason, you will be held responsible.

Do not take the editing process personally

If editorial changes do not alter the meaning of your message, accept them. If they do, speak up. Even then, it might be that a brighter mind has seen what you have missed. Believe in your product, but be self critical.

Know your Intelligence Organization counterparts and talk to them

You are not competitors; you are of the same breed. Become part of the network. Do not pick up the phone only when you need something.

Do not take your job or yourself too seriously

Avoid burnout, writing you off as an asset will be a net loss to your organization. The welfare of your family and your health is more important than nailing down a criminal or scaling another rung on the career ladder. Your role in the larger order of things is not self importance, your commitment, perseverance and dedication to the job will bring result only over long term.

CPA Jared Odhiambo; Odhiambo.jared@gmail.com, Photo: kenya car bazaar

CASHLESS MATATU SYSTEM IN KENYA

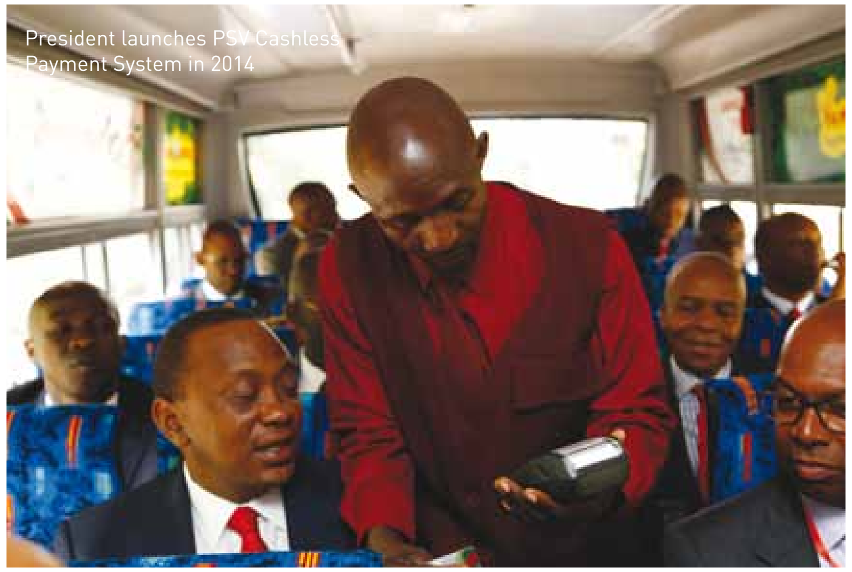
The Pros and Cons

The chaotic public transport sector in Kenya could be transformed drastically with the implementation of the cashless transport system. The Cabinet Secretary in charge of Transport and Infrastructure Eng. Michael Kamau on 10th March 2014 gazetted regulations outlawing the use of cash in PSV vehicles with effect from 1st July 2014. This deadline was further pushed to 1st December 2014 ostensibly to allow more time for the players to adequately prepare for the transition.

The cashless system allows passengers to pre-load plastic cards either through agents or by using mobile money transfer service such as M-pesa. Once on board, the conductor debits the plastic card through a vending machine or card reader with the preset transport charges applicable to the route. The vending machines generate receipts detailing vehicle route, registration numbers, and name of the supervisor and card details used to make payment. The amounts collected are wired straight to the matatu owner's account held by the service provider, mostly banks with such deposits reflected in real time effectively solving the accountability puzzle among matatu operators.

A number of players are positioning themselves to guarantee that they cash in on the cashless fare system thereby accelerating competition. Visa, MasterCard, Safaricom, Beba Pay and Kenya Bus Abiria Card are some of the service providers which have established themselves in the market. Initially it was thought that multiple payment systems would create problems for passengers who use different PSVs when moving from one place to another as they would be forced to have different plastic cards from different vendors. The government directed last year that all cashless fare service providers integrate their platforms to allow seamless use across rival networks.

But even as the country prepares to fully roll out this ambitious system, a number of questions are being raised as to whether the stakeholders will be in advantaged positions with the digitization of the public transport sector. Currently, the sector is controlled by cartels that rip off matatu owners of colossal amounts of money. The taxman is also deprived of substantial amounts of money through undeclared tax. It cannot be overemphasized that corruption is endemic on our roads as


President launches PSV Cashless Payment System in 2014

traffic police officers are compromised by crooked drivers and conductors to overlook traffic related offences. In Nairobi and other major towns in Kenya commuters are exploited by matatu operators since fare is determined by various unjustified factors. For example, whenever it rains, passengers are compelled to pay even triple the normal fare.

A number of questions are being raised regarding the benefits that the various stakeholders are going to reap with the implementation of this system. It also bothers the citizens and public policy experts whether the government has evaluated the inherent risks that come with the planned migration from cash to virtual payments.

It is no doubt that the first and immediate benefit would flow to the government in terms of tax revenues. The informal sector which most matatu operators belong have evaded the tax bracket despite the fact that Kenya's public transport passenger service market raked in revenue to the tune of Ksh. 218.1 billion in the year 2013 alone. With cashless system, the Kenya Revenue Authority will be facilitated in collecting what is due to them.

Matatu owners on the same breath stand to gain since they would be receiving daily collections intact and in real time. The current system is disadvantageous to the Matatu investors because of serious revenue leakages occasioned by cash extortions from gangs and corrupt practices between Matatu operators and Highway law enforcers.

The incidences of carjacking of public vehicles would also be less attractive as people will carry plastic money as opposed to hard cash. Use of transport smart cards would also ensure fixed fares thereby bringing to an end the practice of Matatu Operators hiking fares depending on demand or on weather conditions.

But even as we celebrate the foreseeable benefits of this system, there are a number of queries that still remain unanswered. Challenges abound with regards to the implementation of the system and if not addressed effectively may derail the smooth implementation.

Enforcement of these regulations may prove to be a daunting task due to various reasons. Matatu sector in the county is currently controlled by many players from operators to cartels which rake in thousands of shillings on a daily basis. Implementation of cashless transport system is going to lock these people out and they will be rendered 'jobless'. The traffic police officers are also bound to lose since matatu operators will not have physical cash at their disposal to give bribes. It is therefore likely that the system will be frustrated to fail.

It is also certain that the system is threatening the incomes of Matatu conductors who will be compelled to get their wages from Matatu owners as opposed to the current structure where they deduct them at source and remit agreed daily collections to the vehicle owner. This in essence means reduced income to Matatu conductors who may labor to frustrate the system on retain status quo.

Another challenge that is foreseeable with the cashless system is how to address common occurrences where a journey is discontinued midway before reaching destination. In cases where Matatu breaks down due to mechanical problems before reaching the destination what happens with regard to refunds? Is the system designed in such a way that amounts initially debited to the plastic cards can be credited back? Or where will the conductor get physical cash to refund passengers?

Just like it is with other digital systems, we are likely to experience occasional system failures to the extent that transactions cannot go through. In such situations will passengers be allowed to revert to the cash system? What if Matatu operators when it suits them decide to deliberately create system failures to transact in physical cash!

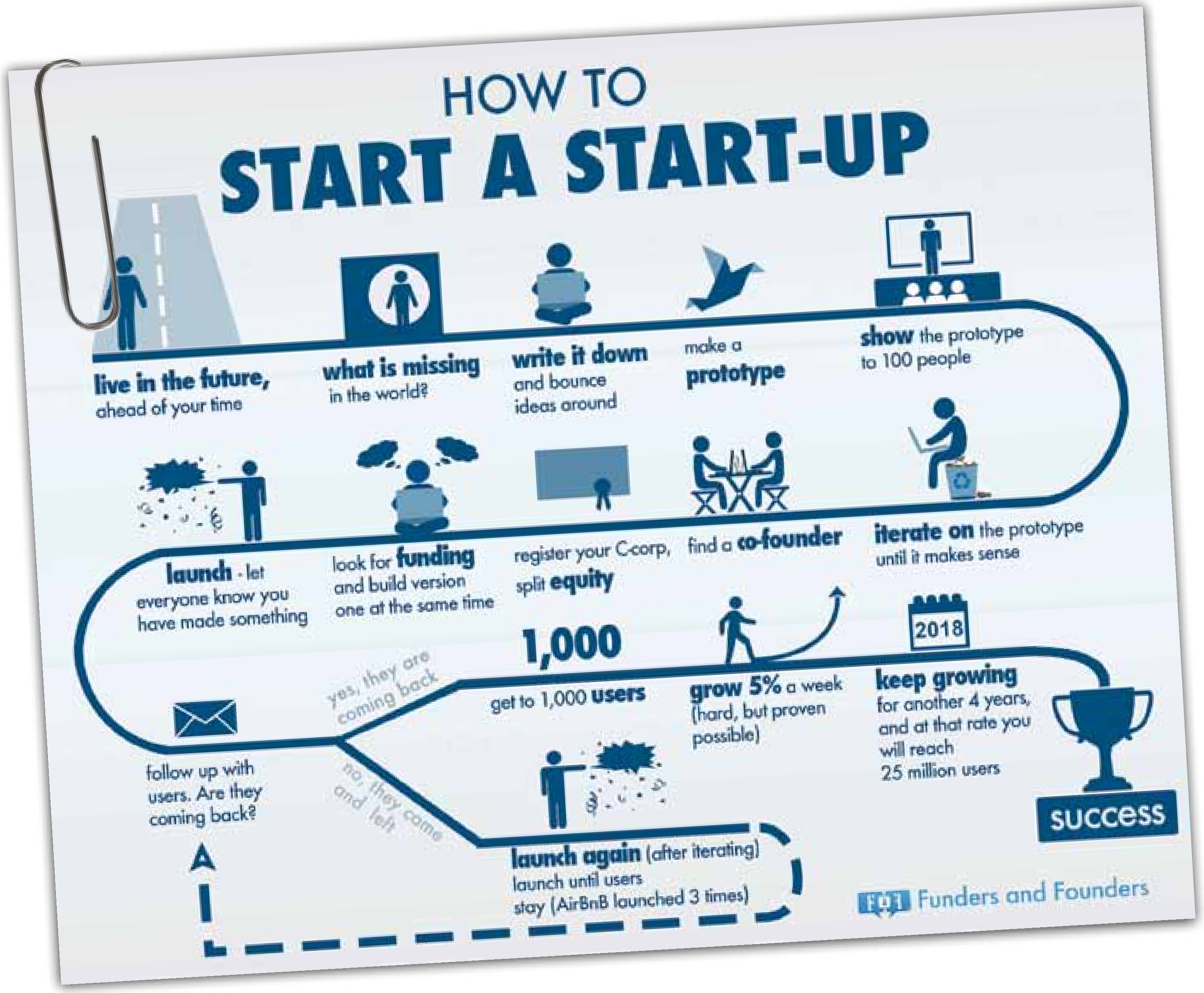
The country is still grappling with Cybercrime and computer related crimes. Though it is expected that carjacking incidences will fall, there is a possibility of rise in Cybercrimes with the implementation of cashless transport system. The implementing agencies of cashless transport system have not bothered to conduct fraud risk assessment to determine the likelihood and impact of anticipated risk exposures with regard to the proposed system. What control mechanisms are in place to mitigate key risks?

The country is also likely to witness legal battles between the government and consumer federations and human rights activists once a crackdown is commenced on non-compliant PSVs. It may be argued that restricting the public to settle their public transport expenses through cashless system would be tantamount to denying them their right to settle their debts through cash.

The only solution to successful implementation of the proposed digital transport system in Kenya is adequate consultations by all stakeholders including Ministry of Transport and Infrastructure, Central Bank of Kenya, Matatu Owners Associations, Matatu Operators Association and Consumer Federation of Kenya (COFEK) among others. The government should conduct proper risk assessment and put elaborate risk mitigation measures. This will be the best bet to successful implementation of the proposed cashless system in the chaotic transport sector in the country.

By CPA Victor Mutindah, Photo: bitrebels

ESSENTIAL TIPS TO BUILDING A WINNING BUSINESS VENTURE



The current entrepreneurial eco system in Kenya is largely dominated by the birth of various entrepreneurial ventures – be it commercial or social enterprise. Regardless, there are similarities that cut across each of these in terms of their formative demographics. More often than not, business incumbents face a challenging time distinguishing between an idea and opportunity. The former is a skeleton of one's thought process, while the latter is a viable concept that can be spun into a business model. This is after the venture owner has assessed its commercial viability, as later seen in this write-up. Many up-starts achieve success through identifying an opportunity in the market – but at the right time. On the contrary, other factors too craft the success curve.

Out of experience working with a myriad of up-starts and even middle level enterprises, more so across the African landscape, and even zeroing into Kenya, have observed various traits that do shape the success curve for various up-starts and enterprises to thrive. As a strategic knowledge developing as well as a business advisor, here's what sets the class from the mass:

You can bill your product or service in terms of usage or subscription, licensing and advertising. Depending on your product and customer and business dynamics, this should be fairly straightforward. Try to compare your offering with existing competition to gain an insight into variances in terms of benefits, quality and performance, product reach and after sales if any. Bear in mind, cheap is another form of expensive!

1. Is your idea commercially viable?

Quite often, business venture owners term their idea viable irrespective of the economic or social demographics. This could yield false hopes of venturing into a product / service. There are several examples of businesses that identified a customer need, which had already been fulfilled. What set them apart was that they looked at the need from a different perspective from their competitors, to best suit prospective customers. Hence, while starting out, it is paramount to consider two views – the customer's view and the entity owners' view. A customer wants to understand what your idea does and essentially, how much value it provides. In business jargon, your competitive edge and value proposition. This will then have you answer the golden question – Does the product create / serve a need? If so, is the customer willing to pay? To the owner who is injecting in resources, the critical questions are chances of success and return on investment.

2. Have you demystified your market?

Understanding market dynamics is easier said than done. One has to precisely divide the market into segments to analyze and identify customers. Several times, venture up-starts have a one-dimensional focus where impetus is laid on building the product than building their customer base. Having a world-class product will not fetch you customers but a world-class understanding of consumer behavior will. This behavior can be understood in terms of age, gender, region, income level and cultural factors to name a few. Point to note - your customer is the main source of revenue, not your product.

3. Have you worked out your revenue model?

You can bill your product or service in terms of usage / subscription, licensing and advertising. Depending on your product and customer and business dynamics, this should be fairly straightforward. Try to compare your offering with existing competition to gain an insight into variances in terms of benefits, quality and performance, product reach and after sales if any. Bear in mind, cheap is another form of expensive!

4. Are you planning to hire?

Your up-start culture is a mix of your passion, vision and personality. To create a winning up-start, you need to gather talented human resource around you. They are your most expensive resource, both in terms of tangible and intangible value. At some point, you will need to disengage from various functions to dedicate your time to critical tasks. For most up-starts, the common hiring needs fall under finance and sales and marketing. In order to master the hiring process, identify individuals who share your business vision and tenacity. Find out what relates them to the business and vice-versa. Having an enterprising and results-minded employee brings a burst of gusto. However, retaining good human capital is always a challenge. But your real challenge is to create an environment where they will nurture diligent and committed responsibility, creativity and innovation.

5. Understanding external barriers.

External barriers may exist in terms of competition guidelines or governmental legislation. For example, a techy up-start may need to weigh technological advancements in relation to existing government frameworks such as in terms of data, sensitive information or privacy. For a non-techy up-start, the most important might include rules on certain standards to abide by.

By CPA Mohamed Ebrahim MBA (Manchester), ACMA, CGMA, FFA, FCT, Photo: Solar feeds, KBC

DEMYSTIFYING THE REAL ESTATE INVESTMENT TRUSTS (REITS) IN KENYA

A Real Estate Investment Trust (REIT) is a collective investment scheme, which enables several investors to pool their savings to invest in real estate in order to realise economies of scale, scope, diversify their portfolio risk and invest passively by using a regulated professional REIT Manager.

Kenya is the third African country to establish a real estate investment trust (REIT) as an investment vehicle LEGAL NOTICE NO. 116 of 18th June 2013 Capital Markets (REITs Collective Investment Schemes) Regulations 2013.

A REIT is an entity that mainly owns, develops or operates income producing real estate, such as apartments, shopping centres, offices, hotels and warehouses. REITs have two main characteristics:

- The bulk of their assets are in real estate; and
- They distribute a large percentage of their income to their shareholders.

Types of REIT

These regulations aim to introduce two types of REIT. According to Regulation 8, a REIT may be structured as:

- a development and construction real estate investment trust scheme (D-REIT); or
- an income real estate investment trust scheme (I-REIT).

The distinction between D-REIT and I-REIT schemes is in their objectives.

Unique to the regulations is the introduction of an Islamic REIT to cater for persons of the Islamic faith. An Islamic REIT must comply with the Capital Markets Act and the conditions stipulated in the regulations. This creates a valuable investment asset class especially for channelling retirement savings or Retirement Fund managers to invest in accordance with the Islamic faith's prohibition of interest.

Eligible investors

Investor eligibility is determined by the type of REIT in which the investor wishes to invest. In respect of a D-REIT, offers to invest may be made only to professional investors and may be transferred only to a party to whom the REIT securities could have been issued or offered. A D-REIT must have a minimum of seven investors.

An offer to invest in an I-REIT can be made either as a restricted offer or an unrestricted offer. A restricted offer can be made to professional investors only. An unrestricted offer can be made to any investor.

Formation and structure of REIT's

For a company to operate as a REIT, it must apply to the Capital Markets Authority which after considering the application and determining that the scheme does not have a name that is undesirable or misleading, make an order declaring a proposed REIT scheme to be an authorised scheme. A REIT can be a close-ended or open-ended REIT.

A close-ended REIT issue a specific number of shares through an initial public offering and do not issue new shares as investor demand grows. Prices are not determined by the net asset value (NAV) of the fund, but are driven by investor demand.

An open-ended has no limit to the number of shares the fund can issue; as more investors buy into the fund, more shares are issued, hence purchases and sales of fund shares take place directly between investors and the fund company. This requires a daily valuation process, called marking to market, which subsequently adjusts the fund's per-share price to reflect changes in portfolio (asset) value. The value of the individual's shares is not affected by the number of shares outstanding.

Prospectus and offering memorandum

Promoters of REITs have two ways of inviting potential investors to invest in a scheme:

- through a prospectus, where the invited investors are not professional investors; or
- through an offering memorandum, where the offer is made to professional investors.

Management

The management of a REIT must be undertaken by a trustee and a REIT manager. A trustee must be licensed by the Capital Markets Authority as a REIT trustee, and may be a bank, bank subsidiary or another company or corporation as may be licensed by the Capital Markets Authority with sufficient financial, technical and operational resources and the experience necessary to conduct business effectively and carry out its obligations as a REIT trustee. The primary roles of a trustee are:

- to protect the assets of the trust;
- to act in the best interests of the beneficiary; and
- to appoint the REIT manager. Every REIT must have a REIT manager. To be eligible as a REIT manager, the proposed manager must be licensed by the Capital Markets Authority.

Taxation of REIT's

As in other jurisdictions, there are a number of tax incentives for investments made in REITs. The proposals intend to exempt REITs from corporation and income tax, except for the payment of withholding tax on interest from income. It is further proposed to exempt promoters that transfer property into a scheme in exchange for units from paying stamp duty. Section 20 (i) Income Tax Act Kenya see extract below:-

"20.(1) Subject to conditions specified by the Minister under section 130-

(a) a unit trust; or

(b) a collective investment scheme set up by an employer for purposes of receiving monthly contributions from taxed emoluments of his employees and investing them primarily in shares traded on any securities exchange operating in Kenya,

(c) a real estate investment trust

registered by the commissioner, shall be exempt from income tax except for the payment of withholding tax on interest income and dividends as a resident person as specified in the Third Schedule to the extent that its unit holders or shareholders are not exempt persons under the First Schedule.

(2) All distributions of income, and all payments for redemption of units or sale of shares received by unit holders or shareholders shall be deemed to have been already tax paid."

Summary

REIT's provide a valuable investment asset class, especially for Sharia Compliant Islamic REIT's which enable Muslim's to have their savings and retirement benefit funds channelled in accordance with their faith, mobilise collective savings in order to invest in larger projects especially for housing projects for low income earners, which have significant tax advantages. Furthermore, new residential housing developments have not kept up with demand, hence real estate developments are likely to appreciate or maintain their values in the near future. REIT's are a good way of long term of mobilising funds, especially for retirement benefit schemes.

CAVEAT

No offering for investment in REIT's is made or intended by this document. This document includes information believed to be true and in good faith. The governing laws and regulations include IncomeTax Act Kenya, Capital Markets Authority Act Kenya and its regulatory Legal Notices. These are the writers opinion's and do not represent the views of the firm and companies he is associated with. Any investment decision should be made after taking advice from a CMA licenses Investment Advisor.

The writer is a Partner with Ace Associates – Certified Public Accountants –A member firm of McMillan Woods Global and a Director with Ace Consultants Limited, Ace Financial Advisory Limited and Ace Taxation Services Limited . www.acegroup.co.ke

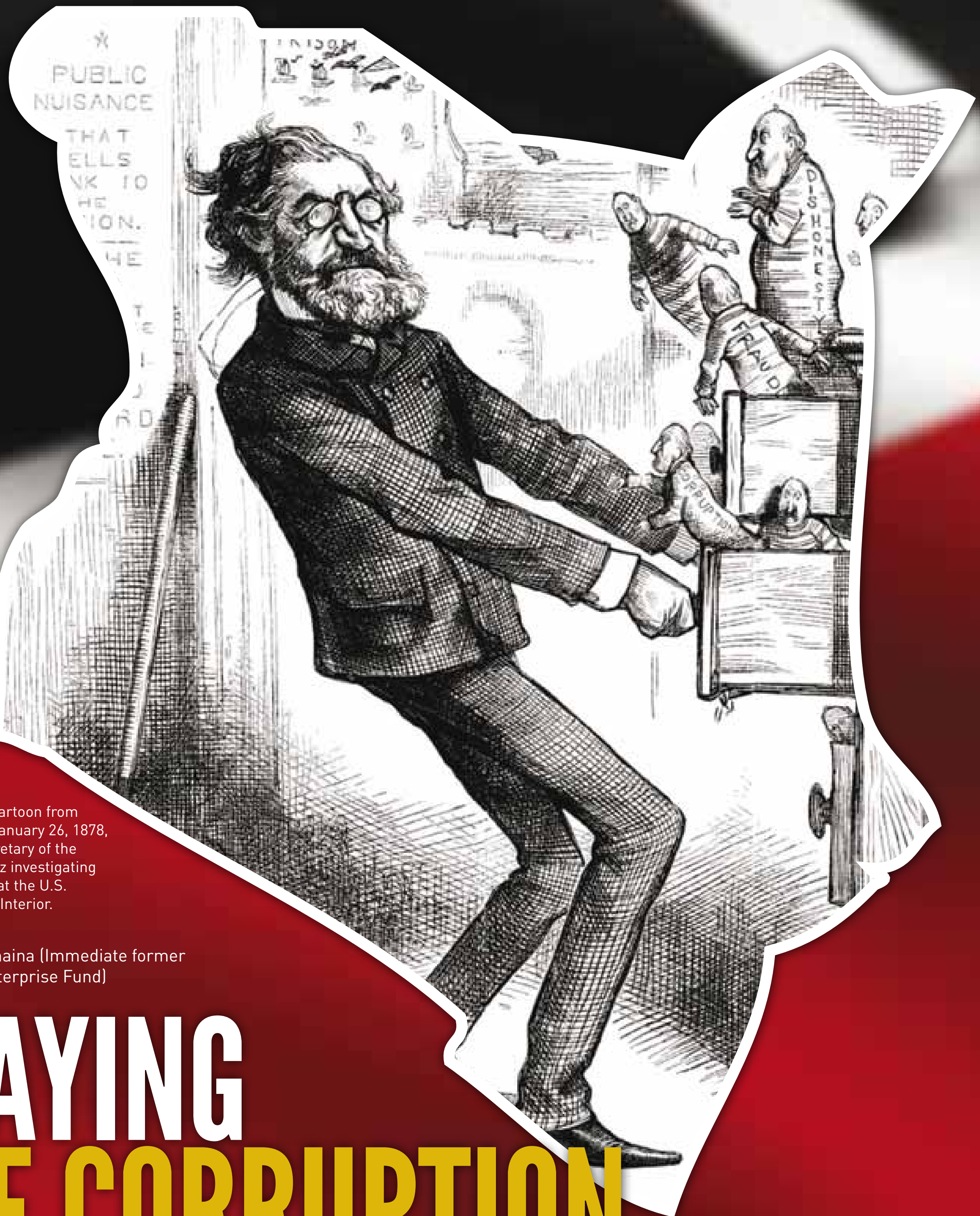


Photo: A political cartoon from Harper's Weekly, January 26, 1878, depicting U.S. Secretary of the Interior Carl Schurz investigating the Indian Bureau at the U.S. Department of the Interior.

By CPA S.T. Wainaina (Immediate former CEO, Women Enterprise Fund)

SLAYING THE CORRUPTION DRAGON IN KENYA

Mishiefs in procurement that automation can't cure

Rigging during the evaluation of tenders/bids/ quotations-this is the most abused stage in which the tender evaluation committees are known to meddle around with the evaluation criteria to favor their preferred companies. The score sheets and the way the marks are distributed during the technical evaluations is skewed in favor of some companies that have compromised the officers. Financial evaluations are also tempered with especially in the correction of arithmetic errors.

The President and his government deserve to be applauded for the commitment in improving the country's competitiveness by removing various bottlenecks that make Kenya less attractive to local and international investors. The process that has been ongoing for many years has led to among other things, licensing reforms that entail elimination of many licenses/permits, legal reforms that encompass simplification of taxation regimes, structural and operational reforms like reorganization of government, the one stop shops like the Huduma Centers and of course, automation of government services.

Despite these commendable efforts, corruption in both the public and private sectors continue to be our Achilles Hill as confirmed in the annual Corruption Perception Index by the corruption watchdog, Transparency International. It's said that perception is the reality and really, all the well intentioned reforms will not amount to much if stakeholders' perception regarding corruption does not change for the better.

Our government like any other in the world is a major consumer/buyer of goods and services in the economy. Besides payment of salaries, national debts and pensions, the rest of the annual budget appropriation goes into buying goods and services for operations, maintenance and capital formation in terms of capital goods like machinery, equipment, infrastructure projects, etc. Since governments do businesses with the private sector (i.e. Micro, small, medium and large enterprises) the process of public procurement is of critical importance. The efficacy and effectiveness of the public procurement process have a direct bearing on the government's ability to deliver goods and services to the public. The public expectations are to derive optimum return or value for money from taxes paid. Are these expectations met most of the time? If not, why?

We have had complaints from politicians and other policy makers lamenting about delays in the execution of government projects which is attributable to the tedious and complex procurement process and laws. Besides the inordinate delays in procurement, there are also serious challenges in the quality and quantity of goods/services/works-the so called value for money. As usual, the excuse is the time consuming procurement law and regulations. What the public is never told is that the procurement and public financial management laws require every public entity to prepare an annual budget that is supported by annual work plans and procurement plans. If these plans are prepared and approved by the relevant bodies in the three arms of government, how can one then turn around and complain of the tedious procurement process? It doesn't make sense unless the bureaucrats just engage in mere academic activities to satisfy the law.

The past attempts to address the public procurement challenges have focused on:

a) Human resources-you recall the dramatic and drastic measure by a former minister for finance in the early 2000s to suspend and later transfer all procurement officers. Later, Parliament passed laws for the regulation and development of the Procurement and Supply Chain profession.

b) Legal reforms- the Public Procurement and Disposal Act, 2005 & attendant Regulation of 2006 have been amended a couple of times to simplify, shorten and seal loopholes. This has been ongoing and at the moment such proposed amendments are still awaiting debate in the National Assembly.

c) Automation- for several decades, the government has been carrying out automation of her operations using the Integrated Financial Management Information System (IFMIS). Although the past focus has been on financial aspects, recently the procurement module was introduced through what is now called e-procurement. The most recent Presidential Order directed all public agencies to have migrated to the e-procurement platform by 1st July, 2015. We read in the print media that all agencies have been trained on the same and migration would be smooth-hopefully.

Is e-procurement the magical bullet?

Unlike financial institutions where armed robbers can access millions from strong rooms and cashiers, the only way to access millions/billions of shillings from the public sector is by abusing theprocurement process. Corruption is simply defined as an abuse of a public office by a public officer for personal gain. Public entities engage in the procurement of factors of production-e.g. labor (recall the fiasco in the recruitment of the police officers), land/space/ goods/ services/works and capital/taxes.

The question that we should ask ourselves is:will e-procurement cure all the ills that afflictpublic procurement? My very honest answer is an emphatic NO! My views are grounded on my 15 years in public service rising to a level of a Municipal Treasurer in former local authorities and lately as a CEO/Director of a public agency.

Let me share with you some of the real mischiefs that go on in public procurement that will never be tamed by the most

COVER STORY

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sophisticated automation:

a) Preparation of tender documents/ terms of reference/bids or quotation- this is normally the genesis of mis-procurement process. The end users are required to originate their needs which should be very clear in terms of requirements, specifications, scope of works, etc. The commonest mischief here is over/under specification to suit particular persons. You also get over-designed projects because the bigger the contract the higher the 'cut' for the officers.

b) Selective circulation of quotations/ tender documents/bid –where open competitive tendering that is advertised in the two widely circulating national dailies is not done, the procurement officers are allowed to reach out to potential suppliers or service providers who are either in the pre-qualified annual listing or known firms. The mischief here which is deeply entrenched and widespread is that the documents are given to one supplier who has registered many business names. I had a customer in my former bank who had registered a total of 27 different names for purposes of participating in public procurement. The procurement officers go ahead to guide the supplier to fill a minimum of three tenders/bids/quotations to comply with the law and of course the prices are inflated to include their 'cut'. In other words, the whole process is rigged from the word go. That is how you end up buying a pencil at sh.100 after evaluating a minimum of three quotations and someone will tell you they have complied with the law! Some of the officers own companies or some indirect interest in some of these entities.

c) Rigging during the evaluation of tenders/bids/quotations-this is the most abused stage in which the tender evaluation committees are known to meddle around with the evaluation criteria to favor their preferred companies. The score sheets and the way the marks are distributed during the technical evaluations is skewed in favor of some companies that have compromised the officers. Financial evaluations are also tempered with especially in the correction of arithmetic errors.

d) Favoritism in the use of pre-qualified suppliers-every financial year public entities advertise for pre-qualification of suppliers. Many Kenyans respond to this. Unfortunately, after spending time and money to respond and being informed that you are successful, a whole year lapses without ever being told to quote for something under the prequalified category. There are two common mischiefs here: firstly, the procurement officers concentrate on their preferred companies all the time (e.g. if under the category for supply of stationery you prequalify 35 companies, only 8 may be called to quote all the time). Secondly, the preferred companies are asked to supply the whole budgeted quantities of goods/works leaving nothing for the others(e.g. if the company budgeted to buy 1000 reams of printing papers one company is asked to supply the whole amount.)

e) Acceptance of substandard services/ goods and works- the acceptance and receiving committees are notorious of accepting and approving goods/works/ services that are, a) substandardquality, b) lesser quantities and c) none at all (e.g. you have heard about people being paid for 'supplying air'). Taxpayers do not derive value for money in all these illegal schemes.

f) Illegal disclosure of information to bidders/suppliers-despite signing the official secrets oath of office, some procurement officers are known to divulge useful information to the preferred suppliers during the tendering process, e.g. the prices, and the evaluation marking scheme. Some are even known to open bids/tender documents in advance so as to access the information and share with their preferred companies.

g) Selective disclosure of information on amendments to the tender/bid documents-the procurement law is very clear on how changes to any provisions in the bid/tender/quotations should be communicated to the interested parties to ensure fair play. The mischief here is to do so selectively to favor someone for obvious reasons. The most ridiculous case of them all that bordered on Hollywood script is where a certain ministry kept on changing the venue for returning the tender documents culminating with one bidder getting the venue right! Thank God the whole illegal process was nullified by the procurement review board.

h) Consultancies-unlike the common user items whose prices are easy to compare and therefore determine value for money (i.e. economy, efficiency and effectiveness), procurement of consultancy services is a 'fattest' gravy train in the public sector. Except of advocates, valuers, architects and quantity surveys who have prescribed minimum fees, it's a free for all for the others. For example, you get one entity paying sh.4 million for a consultant to facilitate the strategic planning process while a similar job cost sh.1 million by another equally qualified and experienced firm.

i) Annual renewal of contracts-most of the suppliers contracts are for one year.

And as indicated earlier on, preparation of the annual procurement plan is a legal requirement. The mischief here is to deliberately delay the process of renewal of contracts so as create an emergency situation to favor the incumbent suppliers. Most notorious example is the medical and general insurances; where on public entities can't contemplate even one day without a cover. The delay is always deliberate for monetary gain.

From the foregoing, the much anticipated and celebrated e-procurement will not address the real issues that lead to abuse of the procurement process and loss of public funds. Posting on the website the list of companies that have participated in the procurement process, the winners and losers and the value of the tender awarded does not tell us anything about the professional integrity of the process.

The suggested solutions are as follows:

a) First line of defense in risk management is the integrity of the officers in the whole of the supply chain-from users, procurement officers the CSs/PSs/CEOs/MDs. In accounting profession we say that the best internal controls collapse whenever there is collusion by officers. How will automation overcome this? It won't. Integrity, integrity and integrity is the solution.

b)The heads of procuring units (CSs/ PSs/MDs/CEOs/principals of schools, etc.) must have a good understanding of the procurement law and regulations so that they are not at the mercy of 'mischievous 'procurement officers. Unless you know something, how can you challenge or question it? At the end of the day the buck stops on the desk of the head of the procurement entity. Ignorance is no defense.

c) Ensure every public entity adheres to the approved annual procurement plans as part of the performance contract commitments.

d) An independent body develops national and county standards for works, e.g. garbage collection, doing a kilometer of murram/earth road, construction of a permanent classroom of certain measurements, etc. Consultancies also need to be standardized.

Let us appreciate that automation of public services is a progressive step in improving tax payers' customer experience. However, automation alone will not tame corruption perpetuated in the procurement process from recruitment of personnel and other goods/services/works. Our only line of defense is the integrity of the officers called to serve in public offices. We must reorient their minds to see public offices as venues for public service not self- service for personal aggrandizement.

Enron's headquarters in Downtown Houston was leased from a consortium of banks who had bought the property for $285 million in the 1990s.

By CPA Calistus Wekesa Waswa

CORPORATE GOVERNANCE OF STATE-OWNED ENTERPRISES

The Responsibilities of Board Directors

Corporate governance issues have raised public attention since 2001, after collapse of of US firms like Enron and WorldCom. In 2002 US Congress passed Sarbanes-Oxley Act in order to assure high level of corporate governance of all firms in US, and major stock exchanges strengthen requirements for listed companies. These actions made corporate governance level almost identically high through US-based and US-listed companies.

The concept of corporate governance grows from well-known principal-agent problem between management of the company and its finance providers. Corporate governance refers to the "ways in which suppliers of finance to corporations assure themselves of getting a return on their investment".

According to organization theory, the performance of corporations depends on collaboration among top managers, corporate governance and leadership plays important roles in fashioning corporate strategies and driving such strategies towards profitability and sustainability.

Corporate governance of state-owned enterprises is a major challenge in many economies. But, until now, there has not been any international benchmark to help governments assess and improve the way they exercise ownership of these enterprises, which often constitute a significant share of the economy.

The boards of state-owned enterprises should have the necessary authority, competencies and objectivity to carry-out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.

The Directors Composition

The board of directors can play an important role in improving corporate governance and the value of a firm. The value of a firm is also improved when the board performs its fiduciary duties such as monitoring the activities of management and selecting the staff for a firm. The board can also appoint and monitor the performance of an independent auditor to improve the value of a firm. The board of directors can resolve internal conflicts and decrease the agency cost in a firm. The members of a board should also be accountable to the shareholders for their decisions.

The board consists of two types of directors; outsider (independent) and insider directors. The majority of directors in a board should be independent to make rational decisions and create value for the shareholders. The role of independent directors is important to improve the value of a firm as they can monitor the firm and can force the managers to take unbiased decisions. The independent directors can also play rote of a referee and implement the principles of corporate governance that protect the rights of shareholders.

Similarly, internal directors are also important in safeguarding the interests of shareholders. They provide the shareholders with important /financial information, which will decrease the information asymmetry between managers and shareholders. The board size should be chosen with the optimal combination of inside and outside directors for the value creation of the investors.

The Role of Board Size

Board size plays an important role in affecting the value of a firm. The role of a board of directors is to discipline the Chief Executive Officer and the management of a firm so that the value of a firm can be improved. A larger board has a range of expertise to make better decisions for a firm as the Chief Executive Officer cannot dominate a bigger board because the collective strength of its members is higher and can resist the irrational decisions of a Chief Executive Officer. Similarly, small boards are more efficient in decision-making because there is less agency cost among the board members.

Recommendations:

A. The boards of State-owned enterprises should be assigned a clear mandate and ultimate responsibility for the company's performance. The board should be fully accountable to the owners, act in the best interest of the company and treat all shareholders equitably.

B. The board State-owned enterprises s should carry out their functions of monitoring of management and strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the Chief Executive Officer.

C. The boards of State-owned enterprises should be composed so that they can exercise objective and independent judgment. Good practice calls for the Chair to be separate from the Chief Executive Officer.

D. If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the board skills, information and independence.

E. When necessary, State-owned enterprises boards should set up specialized committees to support the full board in performing its functions, particularly in respect to audit, risk management and remuneration.

F. State-owned enterprises boards should carry out an annual evaluation to appraise their performance.

By CPA Maroa Julius Mwita, Photo: ICPAK

CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE

According to Wikipedia the term corporate governance refers to mechanisms, processes and relation by which corporations are controlled and directed.

According to investopedia corporate governance is the system of rules, practices and processes by which a company is directed and controlled.

Financial performance refers to measuring results of a firm policies and operations in monetary terms. The results can be measures in firm's ROI (Return on Investment), ROA (Return on Assets) e.t.c.

The above two aspects (corporate governance and financial performance) have to be utilized well for a better growth and stability of a corporate. In the current world the issue of corporate governance is not uncommon as it's in the media, internet, and billboards and even in churches thank God but the question is it utilized fully as needed?

Most companies in the current world strive to have a high level of corporate governance as these days it is not enough for a company to merely be profitable: it needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound corporate governance practices. Remember corporate governance became a pressing issue following the 2002 introductions of the Sarbanes – Oxley act in the US which was ushered in to restore public confidence in companies and markets after accounting fraud bankrupted high – profile companies such as Enron and WorldCom.

There is need to understand that corporate governance is no longer a title for managers only but also includes board of directors, chief executive officers, management and shareholders.

In essence all entities are supposed to prepare books of accounts on going concern basis and this means that there is need for sound financial control system; for it happens and this cannot happen in the absence of good corporate governance.

With the emergency of county government it has been clearly indicated that lots of cash according to auditor's general report has been misappropriated and the question remains; who is to BLAME 'and once the truth is known an impeachment motion is filled very fast but can one person be blamed in case of this menace? According to some research, findings indicate that Trust being a component of corporate governance plays a great role in influencing or imposing a significant impact on the financial performance given that transparency and disclosure boosts the trustworthiness of a venture.

Indeed good corporate governance leads to high firm valuation (performance) hence investors are willing to pay a high premium and bad corporate governance is punished in terms of valuation discounts a view supported by financial scholars who opine that in the long term good corporate governance and good leadership and management go in hand resulting in better performing company and commercial success.

We have continuously heard debates on separation of powers/ duties being a nightmare as who is who and who is for what and what is for whom i.e. the debate as to whether the C.E.O should still be the chairman and indeed all these result to poor corporate governace.

This is a serious corporate governance disease but to shed some light it's concluded that the two should be separated because if the chairperson is the C.E.O there is risk that benefits of independent oversights and inappropriate balance of power could be compromised (PWC, 2005).

The above can only be allowed to happen in certain circumstances mostly in times of great difficulty where the post can be held by one person. A case in point is for marks and Spencer the UK retailers, where LUC vandevelde was appointed chairman and CEO at the time the business operations were in a mess and share price was increasing at a decreasing rate. But once the company features changed, Monsieur Vandevelde relinquished the position of CEO and became part time chairman as Marks and Spencer could no longer justify the combination of rules.

In addition it should be clear that corporate governance and financial performance cannot be isolated. Its with good corporate governance other factors held constant; an entity is able to measure its financial performance with ease.

Measures of financial performances

1 liquidity ratios

Quick /acid test ration = Current assets - inventory
Current liabilities
Or
Quick/acid test ratio = Cash + other assets (excluding inventory, prepaid items)
Current liabilities

This measures the ability of a firm to meet its short term obligation as they fall due.

2. Capital adequacy ratio

This measures how well financial institutions can cope with shocks to their balance sheet.

$$\text{CAR} = \frac{\text{Tier one capital + Tier Two capital}}{\text{Risk weighted asset}}$$

Tier one capital which can absorb losses without a bank being required to cease trending and tier two capital which can absorb losses in the event of winding up so provide lesser degree of protection to depositors.

3. Profitability ratios

These are frequently used ratios in measuring financial performance as many businesses exist majorly with sole objective of making profits.

They compare the income statements accounts and categories to show a company ability to generate profits from its operation.

$$\text{P.R} = \frac{\text{EAT X 100}}{\text{Total sales}}$$

4. Leverage ratios

This helps in identifying source of capital as a firm is said to be highly leveraged if it uses more of debt than equity including stock and retained earnings.These ratios include;

a) Debt – assets ratios

This provides direct measures of the extent to which borrowers funds have been used to a finance company's investments.

$$\text{D.A.R} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Debt – Equity Ratio

This indicates balance between debt and equity in a company's capital structure. It's given by;

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Taking a keen look at the definition on financial performance `` measuring results of organizational policies". It clearly indicates that how the policies are developed and what they talk about will clearly determine the entity's financial future. A good example to emphasize on the role of good corporate governance and financial performance include;

`` When I graduated from university, I was very ambitious looking for a job mostly in town but at the end I landed one in the village. I did my interview and succeeded as an accountant.

This was challenging to me as no systems were in place, not even a single piece of paper, no computer and even man power was a problem too. I was instructed that since I was given the job funded by Elizabeth Glacier Pediatric Aids Foundation (EGPAF) from the look of things there was not even a single chair so I was asked to carry one from home in January 2010 and a table.

I did not doubt myself as a bird at hand is worth two in the bush. I did exactly what was required. Imagine we were one organization out of many who did not have an office and the proposal had gone through and money was on the way from the donor. I remember discussing with my bosses the issue of corporate governance and how it shall guide us in developing policies and controls in place to determine our future. This was supported fully despite the challenges I can humbly say after five years of struggle with good corporate governance, our organization was honored with a golden crown in terms of organizational growth for being the best overally and good systems by CDC/ EGPAF. Currently the issue of borrowed chairs is a past tense as the organization is able to brag of enough assets and man power.

In conclusion good corporate governance influences the financial future of an entity in terms of financial performance and therefore corporate governance too should be exercised in the county level to make them a going concern. Corporate governance has received great attention in public in recent years as policy makers and other respective parties become aware of its contribution towards financial market stability and economic growth and as vital for all organizations regardless of size or structure (PWC 2005).

The writer works with Migori County Treasury

ECONOMY

By Dr. Kellen Kiambati, Photo: authentic journeys

CULTURAL ORIENTATION APPROACHES IN INTERNATIONAL BUSINESS

Culture is defined as the complex pattern of ideas, emotions, and observable/symbolic manifestations that tend to be expected, reinforced, and rewarded by and within a particular group. The cultural orientations approaches blends theoretical concept with a practical appreciation of the impact of culture and the importance of cultural competence, which allows people to purposely reduce risk, enhance innovation, and maximize opportunities as they adjust to new environments and different conditions. Culture in a global economy is a critical factor in international business.

While many business transactions make economic sense, the ability to successfully fulfill profitable relationships often depends on being able to reconcile international differences arising from separate cultures. Understanding cultural differences is an initial step, but managers also need to engage in learning processes to develop international cultural competence. Cross-cultural training enables managers to acquire both knowledge and skills to fulfill the role of cultural agents. Advancing cultural intelligence and international cultural competence is critical to the future success of managers and leaders working in a global context.

Within the context of international business, culture involves multiple levels that span from broad to narrow and different dimensions. On a broad level, supranational culture differences span multiple countries and include regional, ethnic, religious, and linguistic dimensions. On a national level, governments create sovereign boundaries to distinguish different nations with political and legal regulatory systems. In the business literature, most research on culture uses the nation-state as a proxy for culture. Other levels of analysis for culture include subcultures, as well as professional and organizational groups. In addition to various levels, culture also involves different dimensions and classifications.

The different classifications provide a map to make sense of the complex nature of culture. Important caveats to keep in mind are that each classification is not exhaustive and each one originates from a particular cultural perspective. Managers have to engage in learning processes with cross-cultural training to develop both cultural intelligence and international cultural competence. Cross-cultural training for international assignments encompasses a broad range of methods that may include area briefings, readings, lecture/discussions, language lessons, films, self-assessment exercises, role plays, field trips, sensitivity training, and cross-cultural simulations.

Cross-cultural training also needs to be coordinated in multiple phases to maximize the learning effectiveness for individual managers and organizational performance. The three phases are predeparture orientation, in-country socialization, and country exit debriefing. The exit debriefing is important for organizational learning, and a knowledge management system can support the capture of the cultural lessons that are learned.

There are four major delivery methods for cross-cultural training: the intellectual model, the area simulation model, the self-awareness model, and the cultural awareness model. The intellectual model involves the traditional classroom approach of general readings and lecture. The area simulation model incorporates culture-specific activities with games and exercises. The self-awareness training method focuses on having participants identify their strengths and weaknesses in dealing with different cultures, especially taken-for-granted assumptions about intercultural situations. The cultural awareness model focuses on the theoretical foundation for behavioral differences across cultures. The key to effective cross-cultural training is the integration of multiple methods that allow a participant to move from simple to complex levels of learning with increasing levels of training rigor.

The purpose of using multiple methods in cross-cultural training is to advance the learning process through the learning stages to develop cultural intelligence and international cultural competence. Cultural intelligence integrates the three interrelated elements of knowledge, mindfulness, and behavioral skills. International cultural competence goes a step further with a more complex skill set that integrates cognitive, affective, and behavioral learning to effectively engage in successful cross-cultural relationships.

International cultural competence is very similar to intercultural communication competence, which integrates three components: culture-specific understanding of the other, culture-general understanding, and positive regard of the other. Increasing one's ability to work effectively across cultures also provides positive support to address a range of adjustment issues for expatriates who often face culture shock in the acculturation process. Overall, the most important key of cultural intelligence and intercultural competence is the integration of multiple spheres of cross-cultural learning to effectively engage in international business situations. Effectiveness in reconciling cross-cultural differences often leads to creativity, innovation, and synergy for productive workplace performances.

Although cross-cultural training supports global managers' ability to be effective, the learning process often moves through different stages of development. The different development stages of cultural intelligence are: reactivity to external stimuli, recognition of other cultural norms and motivation to learn more about them, accommodation of other cultural norms and rules assimilation of diverse cultural norms into alternative behaviors, and proactiveness in cultural behavior based on recognition of change cues that others do not perceive.

Global managers with high levels of cultural intelligence and competence play important strategic roles as cultural agents (c-agents), helping their organizations to span international boundaries. C-agents require both the ability to navigate different cultures and the legitimacy from different cultural perspectives, including organizational and within the local community. Organizations have increasing needs for global managers to fill the role of c-agents because demands of globalization increasingly depend on successful relationships with strategic alliance partners, international vendors, and global customers. Within the global arena, national borders often form the defining entity for a culture. However, analysis of cultural differences needs to account for a range of diversity within a national culture. On a continuum of cultural diversity that ranges from homogenous to heterogeneous.

In many ways, how a society addresses issues of multiculturalism creates an

{ Overall, the most important key of cultural intelligence and intercultural competence is the integration of multiple spheres of cross-cultural learning to effectively engage in international business situations. }

Cross-Cultural Training

orientation that enables its citizens to live and work together in a global community. Cultural norms shaped by national government policies will need to avoid and dismantle policies for separation (keeping different cultural identities but not integrated) or assimilation (forced rejection of traditional cultural identity to integrate into dominant identity) in order to adopt new approaches of multiculturalism. Important principles for multicultural policies center on promoting tolerance and cultural understanding to respect diversity, recognize multiple identities, and build common bonds of membership to the local community.

In the future globalization will continue to increase the flow and interactions of people across cultures, which surfaces even more international differences. Understanding the different dimensions of culture provides an initial knowledge base to develop cultural intelligence and competence for effective international business relationships. However, global managers require cross-cultural training to advance their learning and growth in cultural intelligence and competence as they take on international assignments. More importantly, organizations will have an increasing need for global managers to become c-agents to develop effective international relationships. In addition, government leaders have opportunities to shape their national culture and support international competitiveness with new multiculturalism policies that promote both the inclusion of multiple cultural identities and the development of local communities in an era of globalization.

Culture results when people organize and interact, but this occurs mostly subconsciously and on the basis of their experiences, expectations, and beliefs about themselves, others, and their shared context. The Cultural Orientations Approach can be applied to each of the six levels of human organization and interaction at which culture operates.

These six levels include:

- National/Societal: The level of culture that deals with awareness of cultural dynamics and patterns by nationality. It is particularly relevant for (a) entering a new market for product, service, and/or talent; (b) cross-border division of labor; and (c) international outsourcing relationships.
- Organizational Culture: The level of culture that focuses on the experience of cultural dynamics in an organization. This is especially relevant for global organizations and those involved in M&A.
- Identity Group Culture: The level of culture for analyzing the diversification of society by gender, generation, ethnicity, religious affiliation, and other social groups. It is particularly relevant for workforce diversity and talent management concerns.
- Functional Culture: The level of culture that addresses cross-functional effectiveness, based on the cultures created by specific business units. Cross-functional or management teams concentrate on functional cultures and leverage their differences carefully, bridging distinct cultural differences across their constituent units.
- Team Culture: The level of culture that becomes apparent when teams develop a distinct identity and culture. To effectively build teams in global and matrixed organization, an understanding of how to collaborate in complex and dynamic situations is essential.
- Individual Culture: The level at which the "building blocks" of culture are present, in both intrapersonal and interpersonal dynamics. An understanding of this level is important for successfully addressing the concerns at any level of culture.

{ Global managers with high levels of cultural intelligence and competence play important strategic roles as cultural agents (c-agents), helping their organizations to span international boundaries. C-agents require both the ability to navigate different cultures and the legitimacy from different cultural perspectives, including organizational and within the local community. }

PUBLIC POLICY

By CPA Wainaina wa Njeri, Immediate former CEO, Women Enterprise Fund

President Uhuru Kenyatta addressing members of the task force on Parastatals Sector

PARASTATAL REFORMS
GREAT IDEA WRONG EXECUTION

A reading of the Jubilee government pre-election manifesto and various policy pronouncements President Uhuru Kenyatta in the last sixteen months in office leaves no doubt in my mind of his genuine desire and determination to transform the business of government, to make it more responsive to citizens' needs and aspirations. After the general election, public service is now provided by the counties, the national government and state owned entities, the parastals. The three agencies of public service provision rely on various taxes and user charges to deliver their mandates to the citizens. Unlike the private sector where the bottom line is a key determinant of success or failure of an enterprise and is pretty easy to measure in monetary terms, the performance of a government is a complex matter which normally has to wait for a plebiscite for democratic states or coup de tats for dictatorships for the citizens to make assessments. It's therefore in the self interest of every leader of government to make sure they deliver on pre-election pledges, improve on the general welfare of the citizens with a focus on re-election. Given the pivotal role the parastal sector plays in the socio-economical development of our country, it is imperative that such roles are executed efficiently, economically and effectively, thus delivering value for money for the citizens and in the process improve the likelihood or chances of the incumbent's re-election.

Late last year, the president appointed a task force of eminent persons drawn from the private, public sector and civil society with the following terms of reference:-

1. Designing the most appropriate institutional arrangement for the sector taking into account:
a) Administrative, Governance, Managerial and Audit needs;
b) The many categories, types and sizes of institutions in the sector; and
c) The relevance, viability and duplication of mandates.
2. Taking into account the new Constitution and particularly devolution and the mandate of the Salaries and Remuneration Commission (SRC);
3. Developing a clear mechanism for the policy direction of the sector aimed at achieving desired national goals in the administration and management of the economy without hampering or degrading the commercial mandates or regulatory independence of the respective institutions;
4. Undertaking an audit of the human capital in the sector with the aim of getting qualified and capable people in the Boards and senior management levels with specific bias to women, youth and other special categories of Kenyans; and
5. Developing a framework for establishment of a Sovereign Wealth Fund.

From the terms of reference, it is abundantly clear that the 'shareholders' represented by 'wanjiku', the taxpayers who foot the bills for sustaining the public entities is unhappy and dissatisfied with the current performance of the directors, management and staff of the enterprises under review. Hence the cabinet policy decision to restructure or reform the sector to address the challenge of underperformance.

After a couple of months the task force submitted a well thought out report which received very positive press and public reviews for its clear grasp of the key issues that ail the sector but also very innovative and drastic recommendations on the cures. One of the grounding shaking recommendations which on the one hand sent 'tectonic' shivers down the spines of directors, management and staff of the entities concerned but on the other hand was 'music' to long suffering 'wanjikus' was on mergers of institutions with overlapping and duplicitous mandates. For example:

a) The Youth Enterprise Development Fund (YEDF), Women Enterprise Fund (WEF), Uwezo Fund, the Micro, Small Enterprise Authority (MSEA), and the Kenya Industrial Estates (KIE) all target the youth, women and persons with disabilities who run enterprises that fit the definition of micro, small and medium enterprises. The recommendation was for the four institutions (YEDF, WEF, and UWEZO & MSEA) to be merged into one entity to be known as 'Biashara Kenya'. The KIE was incorporated into this cluster during the merger discussions.
b) The Pyrethrum Board of Kenya, Cotton Development Authority, Coffee Board of Kenya, Horticultural Crops Development Authority, Kenya Sugar Board, Kenya Sisal Board, Kenya Coconut Development Authority and the Tea Board of Kenya will be merged to create the Agriculture, Fisheries and Food Authority (AFFA).
c) The Kenya Agricultural Research Institute (KARI), Coffee Research Foundation, Tea Research Foundation and Sugar Research Foundation will be collapsed to form Kenya Agricultural and Livestock Research Organization (KALRO).

REFORMS: A GREAT IDEA

In the private sector, mergers and acquisitions are common occurrences purely motivated by business imperatives of competitive positioning, deepening the market share, economies of scale, acquisition of technologies, etc. and ultimately optimization of long term shareholder value.

The ongoing reforms have the ultimate objective of optimizing the long term 'service value' delivered to the citizenry of this country who are the principal stakeholders of the reformed entities. The new entities will only succeed in delivering this value proposition because in their transformed state they will have the following characteristics: lean, efficient, professionally managed and devoid of political meddling, self sustaining, citizen-centric and patriotic among other attributes expected in article ten of the Constitution on national values and principles of governance.

The offshoot of the foregoing is huge savings in form of exchequer subventions, thus releasing resources for investment in other sectors to improve the welfare of citizens. It is fair to surmise that the ongoing parastatal reform agenda is a great idea that is long overdue, what with the potential benefits to the citizens and the political leadership whose chances of re-election will be enhanced by improved service delivery to the vote holders! This attractive win-win proposition will crystallize only IF the reforms are executed successfully. This is a critical proviso, for any student of mergers and acquisitions will tell you for free that in majority of such transactions, the anticipated benefits rarely turn out exactly as planned. It is therefore too early for 'wanjikus' and the political leadership to prepare the champagne for a toast!

ANTICIPATED QUICK WINS

The anticipated parastal reforms will deliver the following benefits to the taxpayers and the economy in general:-

Joint Communique by the Kenya Private Sector Alliance and the United Nations systems

a) Financial savings. The Sunday Nation on 1st June, 2014 reported that a document prepared by the parastals reform implementation committee that was co-chaired by Mr. Isaac Awuondo and Mr. Abdikadir Mohammed shows that the first round of reforms has indicative savings to the government of sh.3.49 billion in operational savings from the collapsed institutions. The report shows that the 193 state bodies receive sh.36.5 billion in grants from the national government. With 120,990 employees, these institutions spend sh.131.7 billion on salaries and have liabilities running into sh.521 billion. The breakdown of the savings: sh.338million from re-organization of Boards of Directors, sh.142 millions in CEOs' salaries, sh.500 million in transfer of functions to counties and sh.850 million in transfer of functions to ministries and other State Corporations. Other substantive savings were in the agricultural sector reforms (sh.640m), Biashara Kenya (sh.200m),Kenya Forestry and Wildlife Service (sh.329m), Kenya Investment Corporation (sh.210m), Financial services Authority (sh.110m), Intellectual Property Office of Kenya (sh.66m) and the Kenya Development Bank (sh.100m). Financial gains as itemized are easily quantifiable.

b) Efficiency gains: it is expected that with the removal of current institutional and structural deficiencies that have been attributed to the underperformance in majority of these parastals, the restructured entities will be able to deliver superior value for money to Kenyans in terms of economy, efficiency and effectiveness. Unlike the items enumerated in (a) above, efficiency gains can only be determined post merger/reforms and there is no guarantee that it will happen.

c) Streamlined and predictable way of establishment and management of government agencies—the proposed legislation, the Government-Owned Entities Bill, will remove the bureaucracy entailed in setting up a parastal even when it is justified because each entity requires own Act of Parliament. The omnibus law will cure this. We only have the enactment of one law for the establishment and management of public universities, which made it easier for the government to roll out many campuses to meet the ever growing demand for higher education. Related to item (b), the abolition of multiple reporting and accountability will also position the restructured entities to be more flexible and adaptive to the dynamism of the market place and customer needs.

TOUGH POLITICAL DECISION

To give credit where it is due, H.E. the President deserve a pat on the back for initiating such a bold transformative agenda for a sector that has for long been used for rewarding or 'buying' political supporters. Among the challenges that have rendered majority of parastatals ineffective in delivering their mandates include: political patronage, bad corporate governance, interference from parent ministries, multiplicity of reporting and under funding. Parastatals have for a long time been used as gravy trains for 'fund raising for the next round of general elections'. Therefore, by challenging the status quo through restructuring, with obvious reduction in the number of directorships, CEOs, and job losses, the president is taking a huge political risk. He is living the one of the hallmarks of transformational leaders who take huge risks for the long term good of the majority. Whether the president succeeds in this very bold and noble initiative or not, only time will tell.

Our country is well known in generating well thought-out policy papers which are replicated by some countries thereby leapfrogging them to greatness leaving us lagging behind with the documents gathering dusts in cabinets. We score very poorly in execution. It is said that to achieve excellence in any aspect of life, be it at personal, family, company or country level, the implementers must have a combination of the following elements: energy, enthusiasm and execution capabilities. In other words, the equation below must obtain:

ENERGY+ENTHUSIASM+EXECUTION= EXCELLENCE

There is no doubt in my mind that H.E. the President has demonstrated he has deep reserves of intellectual and physical energy to drive this reform agenda to its logical conclusion. This can be judged from his selection of the task force, the tight deadlines to deliver on certain

Presidential Taskforce on Parastatal Reforms

milestones, and regular updates. From his public pronouncements during and after the elections, the President appears genuinely enthusiastic in transforming the lives of Kenyans and delivers them to the nirvana of Kenya Vision 2030. There is no doubt about his passion judging from the ambitious projects already set in motion and the sense of urgency is palpable for keen observers.

It is one thing to have bumbling energy of the youth with burning enthusiasm to transform lives but the real difference is made at the level of EXECUTION! The success or failure of projects is purely dependent on implementation/execution. It is a truism in management that leaders or managers achieve results through other people. The President's success or failure in achieving the desired results from this very noble and bold parastatal reform project is dependent on how other players who have been mandated with execution deliver the results. The President and his people (citizens) will derive EXCELLENT results if execution is done in a meticulous manner.

How do we rate the EXECUTION so far?

Starting with the positives, the following has been commendable:

a) Broad based selection of the task force, with membership from public, private and civil society, depth of experience, etc.

b) Public participation as required in the constitution. There was constructive public engagement in generating the findings.

c) Creativity and innovative thinking in the final recommendations. For once, the task force recommendations were warmly received by majority of taxpayers for their bold and courageous ideas that were quite refreshing. The recommendations left no doubt in many people's mind that the team was determined to break off completely from the 'dark' past of none performing; money guzzling and unaccountable entities that were beholden of their 'appointing masters' to a new regime of lean, efficient and citizen–focused institutions. In other words, the Presidential task force did not disappoint, in fact, it would not be an overstatement to say that they exceeded my expectation as a patriotic Kenyan.

Having delivered what may be called ground breaking recommendations, the tough job was in implementation thereof. In my own assessment as an 'insider' participant and patriotic Kenyan, this is where the noble projects starts failing. This is an extremely painful experience to see such a historic reform agenda being 'betrayed' to deny 'wanjiku' the reform dividends that she rightly deserves. There is no doubt in 'wanjikus' mind that their President means well for them and very soon, sweet smelling 'manna' in form of better services will be delivered! Well, 'wanjiku' may have to wait for longer for this.

WRONG EXECUTION OF THE REFORMS

The appointment of the Parastals Reform Implementation Committee received widespread public approval because of the diversity of expertise and solid reputation of the members. The committee did not disappoint when they presented a report full of very transformative and forward looking proposals. But you and I know that the best well written policy recommendations or strategies are not worth the paper they are written on if they are not meticulously executed.

From my own assessment as an insider and someone who has participated in the implementation process (the so called 'merger talks' with colleagues in five institutions that will be merged to form Biasha Kenya), and judging from the press reports on mergers in other sectors, I note the following as serious weaknesses in execution, that require to be addressed if 'wajikus' are to repeat the promised 'merger dividends'.

i. Use of insiders as to craft /design the new entities:

There is no doubt that insiders' involvement in any change effort is critical for buy-in purposes. The cardinal sin in the implementation of the ongoing reforms is that senior management of the institutions being collapsed/merged have been tasked to come up with new institutional structure for the new 'creatures'. So, what do you expect in such a situation? Obviously bureaucratic self preservation is human nature! If you give someone a rope to hang herself, a rational human being will use the weakest rope to make sure it snaps and hence survives!

Some merger teams have come up with organization structures with purely ridiculous mongrels, huge bureaucracies driven by the selfish motive of securing jobs for the current staff. How else do you explain combined gross salaries of five entities more than doubling after the merger? If the merger process being exploited to increase remunerations? Give jobs without a competitive recruitment process?

I pity the 'wanjikus' who are waiting for merger dividends in terms of cost savings, reduction of wage bills, efficiency gains and effectiveness improvements.

ii. Mixed signals from various stakeholders:

There is no doubt that any major transformation creates lots of anxieties to the affected parties and especially where the possibilities of job losses are real. The most optimal way is to honestly and continuously communicate with the affected stakeholders the benefits that will accrue from successful implementation of the change process.

Given the sensitivity of this bold reform agenda and Kenyans' habit of politicizing virtually any initiative by the government, it calls for very astute management. A sample of the press reports from some quarters casts doubts about the outcomes of this reform. For example:

- The Standard Newspaper, 29/5/2014 quoted Mr. Felix Koskei, Cabinet Secretary, Agriculture, Livestock & Fisheries saying, "there will be no job losses as once the merger is complete. All staff that are in service will be absorbed and will work in the same capacity under the new bodies to be formed".

- The Daily Nation on Saturday, 7/06/2014 quoting a report by Pricewaterhouse Coopers (PwC) that proposes a reduction of the workforce from 511 to 180 in the proposed restricting at the ICT Authority. A source was quoted saying, "some jobs will be lost but we need to run this organization efficiently. There are people on the company's payroll who do nothing. This is definitely not an efficient way of running any organization". It further went to say that all employees will be re-evaluated before retaining or dismissing them.

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From these statements, who is telling the truth? Who is creating anxiety? Who is communicating 'wanjikus' feelings and expectations? Who is taking Kenyans' intelligence for granted? How on earth can a couple of institutions be merged and 100% of the jobs are retained? The only justification for restricting/mergers is that as currently constituted, the institutions have not met the expectations of their 'shareholders', the taxpayers. Why would one spend public money in paying committees sitting allowances, contracting consultancy firms and merger teams meeting in expensive hotels to generate reports and just end up with status quo? If the productivity of the institutions being merged is wanting, why retain the same number of staff? Well, the jury is out with Kenyans, the people who pay taxes to sustain the parastatals.

SUGGESTED SOLUTIONS

Transformation initiatives of whatever magnitude whether at individual, family, company or country level have never been a walk in the park. It's human nature to resist change however well intentioned, because of among other things, fear of the unknown future state of being. The situation becomes even more complex and trickier when such transformation is drastic and deep enough as championed by none other than a sitting President keen on re-election. To carry on such transformational changes calls for committed statesmanship. Statesmen, unlike politicians who make policy decisions with a keen eye on re-election, are guided by inner higher calling for positive and enduring long term good for humanity-legacy driven purpose.

It is therefore recommended that the internal merger reports that were prepared by the insiders (I confess I was involved) should be subjected to thorough scrutiny by independent firms, competitively selected for that purpose. This will overcome the obvious self preservation recommendations alluded to earlier on. This can be confirmed from the press reports referred to earlier where a Cabinet Secretary's position is quite contrasting with recommendations from an independent firm, the Price Water House Coopers. In addition to this, the actual implementation and setting up of the new leaner institutions should be spearheaded by persons with proven transformational credentials. It is totally unacceptable to expect the staff previously working with the entities being restructured to oversee the transformation process. They created the problems in these institutions and it would be stretching our imaginations too much to expect them to "meet their Damascus" overnight and become champions of change! Yesteryears' challenges cannot be solved using the old thinking that created the mess in the first instance. New wine must be put in new containers!

There is no doubt in my mind that my country CEO, H.E. the President means well for us Kenyans and the future generation. By initiating such far reaching and deep parastatals' reforms, he is taking a serious 'political gamble' that is double edged: if successfully done as recommended by the Presidential Task Force, he will be a hero statesman, conversely left to the bureaucrats whose only interest is to entrench themselves and self preservations. He will be a laughing talk, of the "hot air" about reform that never was", like the much maligned judicial surgery of 2003!

All is not lost given that the legislative framework is still work in progress. It is therefore imperative that the Task force behind this very noble transformation take note of the pitfalls highlighted to ensure that this great idea championed by the President as the lead change agent is not sabotaged at the implementation stage. It is at the execution stage that determines the success or failure of an idea. For now, it is safe to state that the parastatal reform agenda is a good idea being executed wrongly. For the good idea to become a great idea that will meet and exceed 'wanjikus' expectations in terms of the promised efficiency, productivity and effectiveness, the so called 'merger dividends', then the change champion, H.E. the President must review the implementation status and change strategy. In this reform agenda he has my patriotic support of that of the majority of the long suffering taxpayers who look forward to optimize value for money for their hard earned taxes.

The views expressed herein are the author's personal opinions, and not representative of the biashara Kenya merger team.

PUBLIC POLICY

By CPA Esther Kiilu, Photo: studioafis

DRIVERS OF EXCELLENCE FOR ACCOUNTING & FINANCE HEADS

As head of department in finance/accounting the secret to your performance and peace of mind lies in the person below you. Your assistant/your senior accountant or whatever title you give them. Get this right person and you will be the happiest HOD ever. Get it wrong and your job will be at risk because of spillover of mediocre performance. Remember you can never delegate accountability.

So let us describe this person who is pivotal to your performance as a person and as a department. First and foremost this person must understand the basic rule in accounting, that of double entry. This sounds obvious you might say. Talk to auditors and you will understand that it is not. After having a conversation with auditors who tell of tales of messed up records, errors of omissions (including bank) , bank reconciliations that well, do not reconcile, I understand that this is not obvious. It is pretty obvious that if the poor guy doesn't fully understand double entry then your records will definitely be messed up and you will be roasted come audit day. By the way, how does someone sit up with erroneous records until audit day?

This person needs to be skilled. To be skilled you need some level of education in addition to experience. This person should be a professional accountant (Read CPA (K) or its equivalent or in the process of being one. You see college teaches you how to think and to engage at a higher level. And an accountant needs to be able to think in three dimensions. To be able to understand that every action will have a reciprocal effect.

You need some someone dedicated and proactive to allow you to focus on bigger things. This is the person who needs to focus on detail. You need to be able to trust them to provide you with the correct information because you don't have time for everything.

You will need competency and mastery for such a key position. Are these too much qualifications to ask for?

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Martin Luther King Jr. feeds his infant daughter Bernice at Sunday dinner Nov 8, 1964 in Atlanta, Ga.

THE QUALITY OF A LEADER IS REFLECTED IN THE STANDARDS HE SETS

By Joseph Nyanchama, info@josephnyanchama.com

Vince Lombardi said, "The quality of a person's life will be determined by the depth of their commitment to excellence no matter what their chosen field". In other words leaders who believe in quality know that the market pays superior rewards only for superior performance.

Such leaders tend to borrow a leaf from what Dr. Martin Luther (Jnr) said, "If a man is called to be a street sweeper, he should sweep streets as Michelangelo painted or Beethoven composed music or Shakespeare wrote poetry. He should sweep streets so well that the hosts of heaven and earth will pause to say there lived a great street sweeper who did his job well."

Martin Luther King (jnr) was talking about how every person should produce excellent quality work whenever called upon to do so. I believe he quoted 'Michelangelo; in his statement because Michelangelo's attitude towards quality work was baffling.

For example, in St. Florence (Italy), there is a special museum that was built to house the statue of David, created by him several years ago. This is perhaps the most beautiful piece of sculpture in the world. I am told that when it was unveiled, the crowd stood gaping in awe. It was breathtakingly beautiful and many people cheered and women fainted when they saw it for the first time. I am further told that when he was asked afterwards how he was able to create such a master piece, he replied," I saw David complete in the marble all I did was to remove everything that was not the David." This is a simple statement indeed but heavily loaded with life lessons about our attitudes towards quality standards.

From the foregoing, I have learned a great lesson that quality is never an accident. Therefore business leaders and others need to impose a mantra of first time quality on the teams that they lead. Taking the building sector for example, some building contractors seem to routinely put up shoddy construction. Why is it not possible to maintain a high standard every time you do something so that you build your brand reputation and minimize any costs arising from re-doing it? Why is it that some utility companies are constantly on the road, attending to leaks, blackouts and cut-offs? Why is it that you buy a house that looks so beautiful only to start repairs after one month?

In my view, it is possible to meet first time quality requirements if we are committed to do so. I say so because I have been picking up my daughter from school occasionally but have never mistakenly picked up a wrong child from the same school. I know also for a fact that no employer erroneously pays out a wrong salary to an employee. The reason is that we are quite conscious of these tasks that they are usually done right the first and every time with great precision. There is a great attention focused on them that one cannot imagine the consequences of not getting them right the first time.

It is possible to reverse the trend of quality in Kenya. A Mexican marathoner named German Silva and his team was leading the pack with about a mile to go when Silva took a wrong turn down a side street. He ran a couple of hundred yards in the wrong direction before realizing his mistake. He reversed the path, got back on the right road and overtook the leader to win the 1995 New York City marathon by only two seconds. Therefore, it is never too late to reverse our path and get back on the road to quality standards. We are tarnishing our names and our companies and businesses for not doing our best to produce quality goods and services.

Shakespeare wrote," Who steals my purse steals trash but he that filches from me my good name robs me of that which not enriches him and makes me poor indeed." When you deliver less than your best, you deliver damaged, inferior goods with your name on them.

To be able to reverse the attitude of low quality, every person or leader needs to embrace principles of excellent quality standards.

First, you need to ensure that you do not settle on average because 'Average' is where quality is buried.

The second principle is that every leader needs to develop a deep commitment to quality. The quality of a leader's leadership will be determined by the depth of his commitment to excellence in whatever field he is in.

The third principle is that a leader must possess ethics and integrity. Whereas ethics are moral standards grounded on principles that govern a leader's beliefs, integrity on one hand is an integration of words with behavior. Thus a leader must develop a mental attitude that controls his beliefs on the level of quality he intends to achieve.

Fourthly, a leader who stands for great quality develops genuine respect for others. In this case to respect means to honour, to esteem, to value highly to place much worth on another. Therefore you cannot claim to respect people when you sell them substandard goods and services.

The fifth principle is for every leader to go an extra mile. In other words an excellent quality spirit goes beyond the call of duty. How many people do you know who do only what you ask them to do? Remember that you beat 50% of the people by working hard. You beat another 40% by being a person of honesty and integrity and the last 10% is a dogfight in the free enterprise system and if you have to survive here you have to go to the extra mile.

The sixth principle is to be consistent. People forget how fast you do a job but will never forget how well.

The seventh principle is never to stop improving. Excellence in quality is a gradual strive of trying to be better. Jean Giraudeuse said," Only the mediocre die always at their best. Real leaders are always improving and raising their bar on how superbly they can perform and how quickly they can move."

The eighth principle is that always give 100%. People who believe in quality go beyond the call of duty in the realm of personal pride and always see their work as their signature.

The ninth principle is that make quality a lifestyle. Do it right the first time all the time. Remember that your first time is your last chance to make an impression. Therefore let there be a spirit of quality upon you.

The tenth principle is that never compare your work with someone elsee's. Leaders of excellent quality never look at what others are doing as a measure of success. They have a spirit of competition with themselves and compete with what they did last.

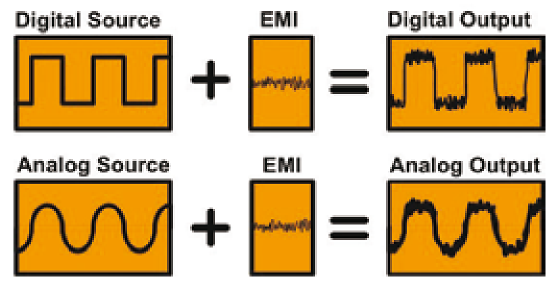
The author Arthur Gordon once approached Thomas Watson, the founder of IBM and asked him how he would succeed twice as fast, Watson replied with these profound words;" If you want to be successful faster, you must double the rate of failure because success lies on the far side of failure."

In the same way, if you want to attain excellent quality faster, you must double the rate of improvement because quality lies on the fair side of improvement scale.

INFORMATION TECHNOLOGY

By CPA Victor Kibe, Photo: amazon

FROM ANALOGUE TO DIGITAL



The advance of technology has been gentle in recent decades but not this one. It took years to shift from the cassette recorder and the diskettes to the compact disc, from the compact disk to the digital visual disc, then the flash disc came followed by the memory cards. Year 2015 cannot be forgotten by Kenyans so easily. At least no one can forget a period of two weeks without major TV stations on the airwaves.

The advance of technology has brought a remarkable change in every household. Only a few experienced the change when offices took up computers and did away with the typewriters. One could still hold on to his old methods of transactions at that time before embracing change. The recent move by television stations from analogue to digital transmission has forced the population to experience a drastic change in technology.

Analogue waves transmit data depending on frequency modulation (FM) or amplitude modulation (AM). These radio waves are not steady in transmission of data leading to a compromise in the quality of audio or video transmitted. Digital transmission is binary and sends packets of data in terms of one and zeros (on and off). Digital data is of a higher quality than analogue data. Analogue technology can handle a limited number of channels since each channel is allocated its own bandwidth. Digital Transmission employs DTV (Digital television) technology which allows more than one program in the same bandwidth. DTV allows non-video qualities in data transmission such as time, region base controls, program guides and copy restrictions. The only advantage of analogue over digital is that while it is possible to evaluate poor analogue wave quality by the level of audio or visual clarity on the screen it is not possible to do so for DTV. Digital television has no grey areas and works or not depending on the strength of the wave.

All countries except North Korea are moving from analogue to digital. International Telecommunications Union (ITU) has been driving this world-wide change and Africa has committed to switch to digital from analogue by June 2015. Though digital migration is a challenge to the African continent some countries moved way ahead; Namibia, Mauritius, Rwanda, Algeria, South Africa and Tanzania among others. Some of the countries are running both transmissions in parallel in order to avoid a blackout caused by an abrupt change.

This overhaul of transmission process now brings the set top boxes (decoders) into picture. With the switch off of the analogue waves the analogue TVs need a device that can turn the digital waves back to analogue so that they can continue to be functional. The set top box has been made to do this. Of course this is more pocket-friendly than buying a new HDTV (High Definition TV) which majority of the population cannot afford. Also most of the shops have not stocked HDTVs. Another reason to buy the set top box is that apart from reception of digital waves most TV sets are modern in other aspects.

There had been a misunderstanding concerning the nature of digital TVs. There has also a shift in production of CRT (Cathode Ray Tube) TV sets to LCD (Liquid Crystal Display) to LED (Light Emitting Diode) and this has nothing to do with reception of digital waves. Though transmission technology and TV monitor production has been going hand in hand the two technologies are two different types of animals. As long as the TV set has been optimized for analogue waves it is still analogue whether it is a flat screen (LCD or LED) or the traditional Cathode Ray Tube. The set top box does not make it digital also unless it has an inbuilt digital tuner.

The results carried out by Ipsos-Synovate during the analogue shut down showed that four out of ten Kenyans had bought the decoders. Thousands of Kenyans are still buying the boxes and the percentage of those that have bought is going up on daily basis. Economically this will boost the income for the traders as the demand will go up following the increase in the number of buyers. This will also increase the mobility of money which will result in national development given that the traders are going to invest in the country. However there will be a challenge to counter this. Kenya is a middle income nation and has not been industrialized enough to handle the production of basic electronics such as digital decoders. The imports of the gadgets will mean pumping the Kenyan currency in the foreign market, an event that will usher a drop in the exchange rate of the Kenyan shilling.

The media houses have suffered the brunt end of this. The court battles have been ongoing for a long time. When it comes to court battles every business man knows what it means to foot legal expenses when income is constant. The digital migration was supposed to happen in December 2013 starting with major cities and then continue to be embraced gradually to cover the entire country. With the courts refusing to extend the deadline for analogue transmission , Communications Commission of Kenya forcefully shut down the analogue transmitters leading to TV blackout since three major media houses, Citizen, Nation and KTN had not embraced digital transmission at the time. This of course has had a negative impact on the income of the media houses. During the shutdown the variable expenses reduced but the fixed costs remained unchanged. The other challenge faced by the media will be the flooding of international stations into Kenyan homes. With the failure to broadcast international programs that have a high local appeal such as the English Premier League among others, the viewership of local stations is at stake.

Since the content provider (TV stations) and the content distributors (decoder manufacturers) are different the media fraternity is afraid that it may lose control of the data it releases to be distributed. This is also a challenge since the integrity of the information broadcasted lies in the hands of the decoder manufacturers. The government has an important role to play in protecting the right of Kenyans to get authentic information.

Kenyans have a cost to pay as some set top boxes require subscription. When digital transmission was first adapted in United States the poor could not afford the subscriptions. To bridge the gap between the poor and the rich the US government introduced free-to-air stations. These are the stations that the viewer does not pay subscription for. With the introduction of digital transmission the government has to ensure that the local television stations will be free to air so as not to leave the population which cannot afford monthly subscriptions locked out.

"I heard gunshot sounds and before I could find out what was happening, everyone was running. Some hid under their beds, others ran to the fence. I escaped by jumping over the fence."

Jacob Wafula. A victim of the Garissa University attack where about 148 students died in the hands of terrorists

"He must have been shot dead as he went back to rescue his girlfriend".

Samuel Irungu uncle of John Mwangi Maina; a victim of Garissa University massacre; the College was closed indefinitely after the attack.

"When the neigbours got to the house, the man, his wife and the two-year old child had already burnt to death."

Bernard Leitich; a Chief in Kericho, explaining that a man killed himself and family members; their other two children managed to escape.

"We have held countless meetings with local leaders over this (flood) problem but there seems to be no headway. We are suffering a lot. It is not fair that people have to be displaced every year and property destroyed."

Ms Atieno; explaining her dilemma after floods displaced her and more than 1,500 people in Muhoroni in Kisumu.

"They descended on us with whips and other crude weapons. The MP came out of the vehicle and hit me with a club fracturing my left hand. Despite my pleas he continued hitting me."

Askaris explaining how they were hit by an MP as they were supervising the demolition of illegal kiosks

"Fifteen percent of women age 15-19 have already had a birth, while 18 per cent have begun child bearing; prevalence of early childbearing is highest in the Nyanza region followed by Rift Valley and Coast; it is lowest in central and north eastern region."

This information was derived from the 2014 Demographic and health survey; it also revealed that at least one in 10 Kenyan men have been physically or sexually assaulted by a wife or partner. Men aged between 20 and 24 years bore the brunt of the assaults and were closely followed by those between 40 and 49 years. Few cases were reported in those between 30 to 39 years. Those in the middle income reported the highest incidences of domestic violence.

"We are leveraging on the teller point of sale system, which allows us to inter-link with other systems."

Post Bank Acting Managing Director Anne Karanja said this when Equatorial Commercial Bank (ECB) signed up an agency agreement with Postbank. This should enable ECB customers to access services through Postbank's over 100 branches around the country.

"Tanzanians have this superstitious belief that the skin and hair of albinos can help win elections or bring wealth which causes an upsurge in killings during their elections; Rwanda and Burundi have also started recording cases of missing albinos."

Isaac Mwaura; Nominated MP for Special Interest groups said this when he launched an awareness campaign on albinism ahead of Tanzania's General elections in October this year.

"There are many cases of corruption and embezzlement of public funds by people claiming to be Christians."

Anglican Diocese of Mount Kenya South Bishop Timothy Ranji; he also said there would be fewer societal problems if Christians practiced their faith. He praised as heroes the students who "did not denounce their Christian faith even at gun point."

"We are giving them one week to close their shops. On Friday next week we will physically close all South African shops like Shoprite and Game if they don't close on their own. If they don't want us in their country, we don't want their goods here."

South Africa's Durban city rallies against xenophobia

REACTING TO XENOPHOBIA IN SOUTH AFRICA

Various countries have reacted angrily to attacks on foreigners by South Africans. Some countries are now threatening to stop trading with them and demanding better treatment from them as thousands flee. Zimbabwe has about 250,000 documented citizens there, making them the highest number of foreign nationals in South Africa. Zimbabwe said it would start repatriating its nationals.

The violence started after Zulu King Goodwill Zwelthini was reported to have said in March 2015 that foreigners should leave; he has since said he was misinterpreted.

Follow up some of Africa.com's top stories below;

ESKOM LOAD-SHEDDING AVOIDS TOTAL BLACKOUT

Generating capacity of South Africa's power supplier, Eskom, plummeted to record lows this week with close to 50% of plants out of service, a result of breakages and depleted diesel levels. The country's Public Enterprises Minister and insiders provided assurances that the risk of total failure of the grid remained low due to Eskom's load-shedding initiatives. Meanwhile the power utility has appointed former Transnet CEO Brian Molefe as its acting CE.

Source: Business Day

AFRICA'S RICHEST WOMAN TO ACQUIRE STAKE IN PORTUGUESE ELECTROMECHANICS COMPANY

Isabel dos Santos is reportedly finalizing a deal to acquire a majority stake in Efacec Power Solutions, a Portuguese electromechanics company. The Angolan businesswoman will pay more than $200 million for a majority stake in the company which manufactures power transformers, mobile substations, and distribution transformers.

Source: Forbes

HOW ONE SOUTH AFRICAN ENTREPRENEUR HOPES TO MAKE MILLIONS FROM MAGGOTS

Self-described Eco-Capitalist Jason Drew of AgriProtein is farming flies to feed the world, clean up waste, and make a mint in the process. By 2050, the world's population will increase by two billion people. Demand for animal protein to feed that nine billion will increase even more quickly, as rising incomes from India to Africa mean a greater demand for beef, pork, fish and chicken.

Source: TIME

ANGOLA'S SOVEREIGN FUND ALLOCATES FURTHER $1.4 BILLION TO AFRICA PROJECTS

Angola's sovereign wealth fund is allocating $1.4 billion to five new vehicles that will invest in sectors such as mining, timber, agriculture and healthcare within the country and elsewhere in Africa. The Fundo Soberano de Angola (FSDEA) said vehicles focused on mining, timber and agriculture will each have $250 million to invest, while a healthcare fund will have $400 million.

Source: Report 24 CA

VIRGIN ACTIVE STAKE SOLD TO SOUTH AFRICA'S BRAIT FOR $1 BILLION

Sir Richard Branson's Virgin Group and his private equity backers have sold a majority stake in the fitness chain Virgin Active to a South African investment firm. Investment firm Brait, which is owned by South African billionaire Christo Wiese, has offered $1 billion for an 80% stake in Virgin Active. Branson founded the gym chain in 1999. It now has 267 clubs across nine countries with more than 1.3 million members. Its biggest presence is in South Africa where it has 114 outlets, compared with 101 in the UK.

Source: The Guardian

CEO OF BIGGEST WEALTH FUND TURNS TO AFRICA FOR PROFIT GROWTH

Norway's sovereign-wealth fund is pouring a bigger share of its cash into Africa in a bid to capture some of the fastest growth in the global economy. The $890 billion fund, which is already in South Africa, is spreading its investments to the north and west of the continent in search of opportunities, says Yngve Slyngstad, chief executive officer of Norges Bank Investment Management, which manages the fund.

Source: Bloomberg

MOBILE PAYMENT METHODS ARE GAME CHANGER FOR AFRICA

GSMA™

According to the GSMA 2013 Mobile Money Adoption Survey, sub-Saharan Africa is home to 53 percent of all live mobile money services in the world. These services, which allow users to withdraw and send cash from one cellphone user to another, using local retailers and trading stores as ATMs, are available in 36 out of 47 countries in the region.

Source: IOL

UPS AND DOWNS OF LUXURY BUSINESSES IN AFRICA

"Most African luxury brands are focused on ready to wear which is still a hurdle for people to purchase online. Our success with online is that we can communicate to a very wide audience befitting for a global brand instantly. The biggest shortcoming is that prospective clients prefer to feel the product before purchasing it..."

Source: AFK Insider

SELF-MADE TYCOON: 'AFRICA IS DOING AMAZING - IT'S OUR TURN TO SHINE'

"The biggest advantage we have at the moment, and you've seen this with mobile phone penetration, is that we don't have legacy systems. We didn't have landlines and we didn't need them. We didn't have to go through that hassle of creating landlines everywhere. We leapfrogged straight into mobile telephony. Today, we have over 750 million phones on the continent -- more than North America and Western Europe put together."

Source: CNN

Rusinga Island

By Ritah Munyiva, rmunyiva@yahoo.com

HOMA BAY COUNTY'S RICH HISTORICAL TOURISTS' ATTRACTION SITES

Located on the south shore of Lake Victoria's Winam Gulf, the Homa Bay is an inlet (bay) with unrivalled, breathtaking islands, hills, valleys and the longest shores. As one of the 47 Kenyan counties, it borders Lake Victoria to the West and North with its neighboring counties as Kisumu, Kericho, Nyamira, Kisii and Migori.

While fishing and agriculture are the main economic activities in Homa Bay County accounting for the largest share of household income in the region, tourism is another major income-earner thanks to its rich historical tourists' attraction sites namely Ruma National Park as well as Mfangano and Rusinga Islands which draw thousands of visitors – local and foreign.

Providing an unspoiled world for game lovers, bird watchers, tranquility and peace for meditation, historians, campers, team building, picnic, sundowners and scenic beauty is Ruma National Park. Located closer to the shores of Lake Victoria and covering an area of 120 square kilometers, the park was initially established known as Lambwe Valley Game Reserve to protect its indigenous population of rare roan antelopes which exist nowhere else in Kenya. More than 400 species of birds have been recorded in the park.

Interestingly, the park's history indicates that it was renamed upon request of the local community.

Camp and picnic lovers have a super site! For than special moment, the place to be is Nyati campsite while Fig tree campsite is a public site and a backpacker's haven. The Korlang'o picnic site is historical having been used as an escape route by the Kalenjin community during the colonial time when they were brought to Lambwe Valley to die during the resistant. The place was inhabited by tsetse flies and malaria however to date it is free of these deadly insects. The Twiga picnic site which is in the middle of the park allows visitors to snack with the animals.

Visitors can also spend time at Oribi Guest House - built on the Kanyamwa Escarpment where Gor Mahia used to frequent. Here, visitors can enjoy the park's tranquility, wilderness, scenic beauty and watch the sunset. The dramatic hills, magnificent escarpment, Ruma National Park is a classic image characterized by the vast East African land of savanna and acacias trees.

Still in Homa Bay County is Simbi Nyaima - a volcanic crater lake in Kendu Bay believed to have been formed around 1680 as a result of an earthquake that was accompanied by volcanic eruption. Simbi Nyaima in Luo means "the village that sank". The waters of the lake are said to have medicinal value and many people claim have been cured after bathing in the lake.

The Islands

Of the more than 3,000 islands that Lake Victoria is home to, Mfangano and Rusinga islands, offer excellent sites for hiking, fishing, walking safaris and bird watching while in Homa Bay. Rusinga Island is the home and burial site of the late former cabinet minister Tom Mboya, who was assassinated in 1969. With an elongated shape, the island is rich in fossils and the skull of 'Proconsul Africanus' found here by anthropologist the late Mary Leakey. The anthropoid ape is said to have lived on the island three million years ago.

More than 100 species of bird have been recorded around this island, some of which are endangered. Rusinga is also home to the giant monitor lizards that are so huge in comparison to any other monitor lizards in the entire region.

Historically, Mfangano Island's name might have originated from the fact that it provided refuge to the Abasuba community that were conquered in the mainland by the more populous Luo. Historical reports indicate that between four and eleven generations ago, the Abasuba sub-tribes that lived in the island were the Wagimbe, Wisokolwa, Kakimba-Wiramba, Wasamo, Wagire, Wakula, Wakinga, Wakisori, Wakisasi, Waozi, Walundu, Wiyokia, Walowa, Waganda and Wakiaya.

Mfangano Island is known for its ancient rock art and sacred sites thought to have been created by early forager-hunters, the Twa people. The art in the sites comprises almost solely of sets of concentric circles in two or all three of the colors - red, white and black.

The Kwitone rock art is a concealed 40-metre long overhang just below a high shoulder on Itone Hill and in the custodianship of the Wagimbe clan. The art, almost entirely at one end of the shelter and painted over a ledge three meters above a cleared floor, consists of sets of alternating red and white concentric circles, some with "spokes" between the two outer circles and concentric ovals. The site is associated with supernatural powers and miraculous events by the local residents mainly used for rainmaking.

Locally known as the 'Hand of God', the Mawanga rock art consists of sets of concentric circles, mainly in alternating white and black with visible images superimposed upon each other. The Wasamo clan elders' believe that the paintings were made by their distant ancestors to represent designs on their shields to scare their enemies, their ancestors, used the cave and shields for defense during fights when they vanquished other Abasuba clans; the Walundu, Waozi and Wasasi.

Because the paintings represent the shields, they still retain special rainmaking powers. The paintings acquire additional power from the "Hand of God" which, to this day, has healing properties - when the sick place their hand in the natural formation they receive some benefit.

A total of 36 different types of sacred sites exist in Mfangano Island of which 19 are still intact and can be located. Most of the sites are linked to rain making traditions and represents the link between the people and God. The local people believe that the sacred groves for example, warn the people of the impending danger, usually by producing a distinct noise or by having a fog overcast.

Still in Homa Bay is Mount Homa which forms a broad peninsula on the southern shore of Winam Gulf. The locals refer to it as 'Got Uma' or 'God Marahuma' which means famous mountain.

Travelling to Homa Bay County

The County is accessible by road from Nairobi through Kisumu, a 420 kilometer journey, and from Kampala in Uganda through the 400 kilometer Kisumu – Jinja - Kampala road. Homa Bay is also accessible by lake through Bukoba, Mbita Point, Jinja and Musoma. An airstrip located 5 kilometer south-east of Homa Bay town mainly serves tourists travelling from Nairobi, Maasai Mara and other tourist attraction sites to Homa Bay.

Ruma National Park

Nyati campsite

PERSONALITY PROFILE


June Kivinda

Interviewed by Angela Mutiso, cananews@gmail.com

STRIVING FOR GROWTH CHANGE AND LEGACIES

It took CPA June Nduku Kivinda Finance Management Consultant Earnings Nest Ltd, a while to understand the enormity of ICPAK's oversight role in the growth of the accountancy profession.

Despite completing CPA final exams in April 2007, June only got to join ICPAK membership in 2010, and even then, appeared contented as a back bencher. However when she eventually figured out the real worth of the institute, her passion to serve was ignited.

She made up her mind to play her part in its advancement and that of its members. She noticed for example that during the tenure of FCPA Martin Luke Oduor Otieno, ICPAK moved from Professional Centre in CBD to the land on which it stands today at Ruaraka and that during the tenure of FCPA Patrick Mtange, ICPAK Complex at Ruaraka commenced.

Then during the tenure of CPA Benson Okundi it was time to address non tangible issues critical to the growth of ICPAK; like advancing the chapters in the UK and South Africa and contributing to national policies and governance issues. CPA June was also delighted to note that ICPAK enjoyed recognition during the 2014/15 budget process when the National Treasury Cabinet Secretary Mr. Henry Rotich firmly mentioned on national TV that they took into consideration comments given by ICPAK. She was in addition impressed to see the inclusion of the public sector accountants into the membership of the institute.

In retrospect, she says she now understands why her level of zeal to be a member was at zero. "ICPAK as an institute was quietly seeking salient tangible assets which I did not know about and therefore did not value. Also, I could not afford the fees and it was only in 2010, on negotiating with my then employer, that the fees was paid and then I got sponsored to attend forums to gain CPD hours: This is to encourage Associate members ;There comes a time when… (In this case) the institute is more important than an individual as was said by the late former Vice President Professor George Saitoti' in relation to the country.

CPA June moved from what she calls the back bench to serve in the Member Service Committee of ICPAK Council in August 2013 and has never looked back. She is passionate about growth, change for the better and Legacies (GCL)

"With Growth, Change for the Better and Legacies; real, non-individualistic transformation gets space". On completing her BSc degree in International Business Administration (cum laude honors) with a major in entrepreneurship from USIU, June wanted to pursue a Masters Degree in Development Finance. She was surprised that there was no institution in East Africa offering this course. It was however available in 3 universities in South Africa (Johannesburg and Cape Town) and one university in West Africa (Ghana). "I had to make a decision. Either I go to one of these countries for this course or I look for a way to bring it to Kenya so that it can be available nearer home to East Africans".

She chose the latter and began exploring this possibility in 2012. Her first contact person was the President of Africa Growth Institute (AGI) in South Africa, Professor Nicholas Biekpe. Discussions with him made the project plausible. However, on approaching several universities in Nairobi, none showed interest. She then shared her vision with ICPAK Chairman CPA Benson Okundi in 2013. This elicited a chain reaction; support came from former and current CEO's of ICPAK (FCPA Caroline Kigen and CPA Dr Patrick Ngumi. The President of Africa Growth Institute (AGI) in South Africa (Prof Nicholas Biekpe), Vice Chancellor Prof. Noah O Midambo, SDVC-Academic Affairs Prof. Rosemary Maina and Dean, School of Business and Public Management Prof Silas Onyango all of KCAU. An MOU was signed between KCAU and AGI in May 2014.

After all requirements are met for starting a new course in universities, the Masters Degree in Development Finance will hopefully be offered at KCAU. Development Finance is necessary because there is a shortage of Development Finance experts in Africa where the expertise is needed most." I want to tell Accountants that Africa is under development and the developing market needs people to help develop it. This course has been designed to develop people who can help provide expertise related to the design and implementation of reforms and capacity building programs adopted by governments, the private sector, NGOs and the wider emerging market. We need this course in East Africa"

Currently, CPA June is a (volunteer) member in the Board of Trustees (BOT) for Ufadhili Trust; an organization that has been actively involved in the FiRe Awards since it was launched by ICPAK in 2002. It exists to promote social responsibility of governments, corporations, organizations and individuals in East Africa. "So what?" you may ask.

Michael G.W Armstrong observed at the 2014 Fire Awards that "Integrated Reporting (IR) is gaining momentum. The Institute of Chartered Accountants in England and Wales (ICEAW) is a strong supporter of Integrated Reporting which gives organizations the opportunity to differentiate themselves. It gives organizations the opportunity to tell their stories about Corporate Governance, Social and Environmental matters and Sustainability".

Being part of BOT enablesJune to help boost the level of awareness on prudent financial reporting first amongst Ufadhili Trust BOT and then integrated financial reporting to ICPAK members and other stakeholders. If SMEs, SACCOs, Not for Profit categories are now integrated in the FiRe Awards, it has the potential to attract players in the public sector as the awards are becoming a potent communication tool. She is glad that Kenya Roads Authority has been awarded the 2014 IPSAS recognition award.

To succeed, June says she seeks God's intervention and then gets involved in arenas that need GCL . One such arena is the Member Service Committee of Council: One of the strategic priorities of Council is to enhance focus on member services. This committee endeavors to address this priority. For example; in 2014, the Member Service division of ICPAK Secretariat undertook needs and satisfaction baseline surveys. One of the objectives of these surveys was to profile members. The categories of members that arose were Associate, Practicing, Overseas, Internal Audit, Public Sector and Private Sector (including SMEs).

This profiling enabled June to engage in deliberations within the committee which resulted in Council approving the following in 2013/4: Introduction of affordable CPD events in the branches for our members; the launch of the Service Charter; having the first CPD event held in December 2014 i.e SMEs and owners of SMPs who identify their entities as businesses. (She notes that SMEs cannot be ignored as they form the backbone of many strong economies in the world) ; she had the following new CPD events introduced in 2015; Associate Member Forums, Public Sector Tax Workshop, Inaugural Public Sector Internal Audit Conference and IPSAS & PFM for counties workshops. June says there are still more ideas and projects to be implemented by this committee which have been guided by feedback from members. She was awarded the Certificate of Commendation by ICPAK in recognition of Services rendered to the Profession. It was issued under seal on 5th June 2014. This was an extremely splendid surprise for her.

Job progression

The triad; GCL found a platform for expression in her places of employment. "My first job was with National Council of Churches of Kenya (NCCK). My line manager was a blind man Mr. S Kabue and to date he is one of the sharpest men I have ever worked with". In 2002 NCCK and Kenya Catholic Secretariat (KCS) were awarded some funding by a consortium of donors who had an interest in the political changes taking place. PriceWaterhouseCoopers (PWC) was the financing agent tasked with ensuring that there was accountability and good governance in the usage of these funds. Being the project accountant, she was tasked with creating a manual accounting system that would harmonize the activities of NCCK and KCS in this project. PWC gave it a clean bill of health and it was used through the duration of the project. Working with Population Services International (PSI) in 2004/5, she introduced the budgetary control and variance analysis processes. Being an NGO with a marketing and sales department, these processes were appreciated by management as they strengthened accountability and decision making. A budget unit was then created in the finance department at PSI. n 2005/6 she moved to Save the Children UK (Nairobi Office).

Her last formal employment was with the International Federation of Red Cross (IFRC) from 2007 to 2012 where she worked as a Finance Analyst for Africa. Here is where her talent in training and capacity building in Finance Management for both finance and non-finance managers was identified and sharpened. She was involved in Organizational Development, Project Management, Training and facilitation in countries like Johannesburg, South Africa; Mbale, Uganda; Mwanza, Tanzania; Nairobi, Kenya; Burundi; Asmara, Eritrea; Ethiopia; Dakar, Senegal; Nigeria; Liberia and Mauritius.

From IFRC, June ventured into the SME sector in 2013 to start her own business Earnings Nest Ltd. June is able to design and implement capacity building programs on Finance Management issues adopted by governments, the private sector, NGOs and the wider emerging markets. She also engages in consultancies involving Costing of Strategic Plans and Governance.

She enjoys music, dance, reading science fiction novels especially those written by Robin Cook and travel.

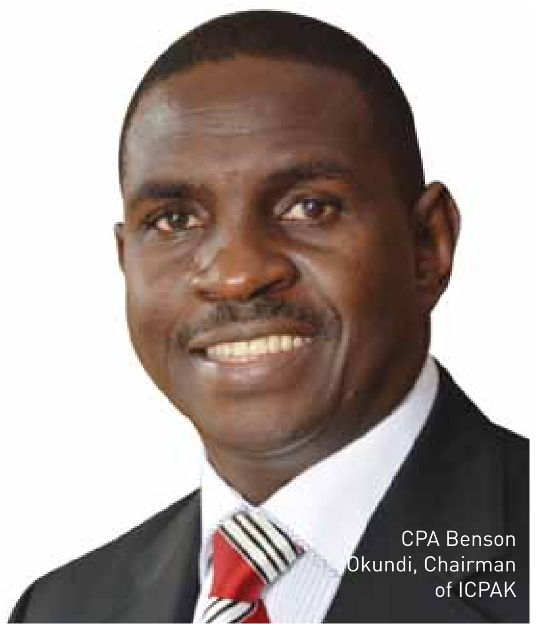
After all requirements are met for starting a new course in universities, the Masters Degree in Development Finance will hopefully be offered at KCAU. Development Finance is necessary because there is a shortage of Development Finance experts in Africa where the expertise is needed most.

INSTITUTE NEWS

By Staff Writer

ICPAK MEMBERS VOTE A RESOUNDING "YES" TO STRATEGIC PARTNERSHIP WITH MAARIFA EDUCATION

(Right) Maarifa Co-Founder and CEO Scott R. Royster



CPA Benson Okundi, Chairman of ICPAK

Nairobi, 18 March 2015: Members of The Institute of Certified Public Accountants of Kenya (ICPAK), in a Members' Special General Meeting on 11th March, voted overwhelmingly to enter into a strategic partnership with Maarifa Education that will, subject to regulatory approval, lead to Maarifa making a US$17.5 million investment in KCA University.

Commenting on the news, CPA Benson Okundi, Chairman of ICPAK, said, "This is a great day for education in Kenya and for the next generation of our business and accounting talent. As the Sponsor of KCA University, ICPAK and its members are proud to support this proposal, to ensure the continued success of KCA University and to support its transformation into a truly best-in-class university. We have found the right blend of vision, values, expertise and financial resources in Maarifa to achieve our goals."

Maarifa Co-Founder and CEO Scott R. Royster said, "We sincerely thank ICPAK members for their vote of confidence. Subject to our proposal being granted the necessary regulatory approvals, we look forward to fulfilling our promise to work together with KCA University management and its Council to help transform the university into an outstanding institution with the resources it needs to compete locally and beyond in an increasingly global education market."

Maarifa is a specialist education company that invests in and partners with universities across Africa to expand access to high-quality higher education that produces graduates with the knowledge, skills and attitudes required in today's world. Maarifa's founders are passionately committed to building quality African education institutions that serve the students, alumni, faculty and staff, as well as the communities and countries in which the universities operate.

The proposed investment will help KCA University to make substantial improvements to its programmes, campuses, and service offerings, so it can compete more effectively within the growing Kenyan higher-education market and attract a greater number of qualified students. The investment will also address the near-term capital requirements and provide KCA University with the expansion capital it needs to enable it to invest in core infrastructure, systems, faculty development and student facilities. Maarifa also plans to establish a Foundation with seed funding of US$1 million, through which KCA University will grant scholarships to financially needy students.

The proposed partnership heralds a new era for Kenyan private education showcasing how private sector investment and engagement can significantly increase access to the financial and operational resources universities need and, in so doing, fulfil their social missions and benefit the communities in which they operate. The KCA University and Maarifa partnership, with its innovative structure, will pave the way for further private investment in the Kenyan tertiary education market.

Mike Eldon, Chairman of the KCA University Council, said of the vote, "This is a momentous occasion for KCA University, as it will enable us to offer all round excellence to the students, the staff and the wider community. It also marks a successful end to the Council's three year search process for a partner to support the university's growth and development. Having Maarifa as a strategic partner will secure our future and provide the Council members and faculty with the significant support we need to transform the university into a leading, internationally recognised tertiary education provider. I also wish to acknowledge the critical role played by the KCA University Board of Trustees and the ICPAK Council in progressing this transaction to the advanced stage it has now reached."

Vice Chancellor Professor Noah Midamba added, "The faculty, staff and students at KCA University have all united behind Maarifa's proposal. We are delighted that the ICPAK members have supported this proposed partnership, which places us on very solid ground for a successful implementation."

In addition to investing significant capital into its partner universities, Maarifa intends to draw on the international education experience of its management team to provide strategic, financial and operational support to KCA University.

Speaking about his inspiration for founding Maarifa, Scott R. Royster said, "We believe that through partnerships with great institutions like KCA University, we can help transform Africa into an economic and intellectual powerhouse, based on the strength and knowledge of her people, her sheer size and scale, as well as her vast untapped resources in which all Africans deserve to have a share."

Emerging Capital Partners (ECP), one of the oldest and largest private equity firms investing in Africa, has provided financial backing to Maarifa and the proposed partnership with KCA University.

Alex-Handrah Aimé, Managing Director at ECP commented on the news, "ECP is proud to support Maarifa in its partnership with KCA University and ICPAK. It is precisely these types of innovative strategic partnerships that will help to address the critical supply-demand imbalance for quality market-relevant tertiary education in Kenya today. We are delighted that ICPAK members have formally agreed to this partnership. This important milestone further reinforces the strong sense of shared common values and goals between the various institutions."

In addition to investing significant capital into its partner universities, Maarifa intends to draw on the international education experience of its management team to provide strategic, financial and operational support to KCA University. Alex-Handrah Aimé, Managing Director at ECP commented on the news, "ECP is proud to support Maarifa in its partnership with KCA University and ICPAK. It is precisely these types of innovative strategic partnerships that will help to address the critical supply-demand imbalance for quality market-relevant tertiary education in Kenya today.

TRANSFORMATIVE ACCOUNTANCY

Interviewed by Angela Mutiso, cananews@gmail.com

Age: 39

Academic Qualifications

MBA (strategic Management)
University of Nairobi
Bachelor of Commerce (Finance) Catholic University of Eastern Africa

Professional Qualifications

Strathmore University (Pursuing CFA exams) 2011 to date
Kenya College of Accountancy
CPA part 111
CPA part 11
CPA part 1
KATC (Kenya Technician Certificate)
Planning to enroll for PhD later this year and to complete CFA studies in three years time

Other skills and experience

- Senior management course on Financial Management (KIA)
- Financial Management Course at Harvard University Kennedy School of Government
- Finance Managers Seminar on Financial Management at Kenya Institute of Administration – (KIA)
- Seminar of Public Finance in GTI Mombasa
- UNDP Kenya (public Service Transformation Programme (PST) – November 2011-2013- worked as a programme head of Finance and Director Project Management Division (PMD) in the Programme.

Here his tasks involved:

Programme planning, work planning and reporting progress, monitoring and evaluation, administration and implementation of programme operations and strategies, supporting management of programme and administration of budgets as well as accounting and administrative support. He was also involved in presentation of information for formulation of the programme work plans, budgets, proposal on implementation arrangements and execution of modalities and monitoring their status, accuracy verification of combined delivery reports from UNDP and World Bank, monitoring budget preparations and modifications tracking and reporting on mobilized resources and preparation of reports and also in presentation of thoroughly researched information for planning of financial resources of the department and reports containing analysis of the financial situation. He has worked in the Ministry of Transport as a Chief Accountant in charge of: Northern Corridor Project; was Project Accountant –East African Transport Facilitation Project and was also in charge of the LAPSET project.

CPA Mwikamba also worked with the Ministry of Finance Public Finance Management Reforms Secretariat) as a Deputy Financial Specialist and later on as Financial Specialist where his duties included: Budget forecasting and preparation, processing disbursements of Statement of Expenditures (SOEs) for development partners such as World Bank and other donors in their respective formats, vote, book control, and overall expenditure control systems for the funds among other things.

While at the Ministry of Finance Headquarters, Accountant General's Department (IFMIS) Division Integrated Financial Management Information System) he was involved in the rolling out of IFMIS to other Government Ministries where he was in charge of managing the Accounts Payable Module which involved invoicing stage to payment of transactions in the five ministries he was assigned to. CPA Mwikamba at some point worked as an accountant in Uasin Gishu Treasury, as Deputy District Accountant in Marakwet District Treasury and at the Office of the President, Department of National Registration of Persons Headquarters.

Our Star this month, CPA Mwikamba Mghenyi , currently the Director, Finance and Accounting at KONZA Tecnopolis Development Authority, strikes you as an adventurous and highly motivated accountant, who enjoys a challenging working environment that enables him to use his great experiences and skill to benefit his country and the organizations he works for.

He is an experienced accountant with extensive organization and administration skills. Additionally, he has gained exposure in diverse fields of Finance and Accounting, particularly in areas of donor funded projects such as UNDP, IDA-World Bank, JICA, DANIDA, GTZ, SIDA, EC, ADB, CIDA and other global development partners.

Even though he has done remarkably well in his profession at his age, he rates his successful completion of a Public Financial Management Course at Harvard University John F. Kennedy School of Government and completing the Oracle University course in Oracle financials as some of his greatest achievements.

His other notable accomplishments include working at Huduma Kenya Secretariat (2013-December, 2014) where his responsibilities included financial planning, budgeting, budget execution, reporting and general project management and working at Konza Technopolis Development Authority (KOTDA) from 2014 to date.

All too quickly he has moved fast, weathered the occasional rain and storms that accountants encounter in sensitive assignments, with one of the most difficult one, being the alcoblow roll out where he encountered all manner of challenges; and a very special one, like the Harvard enrollment. While at Harvard University, he discovered a great new learning formula and a brand new meaning to how budgets are done and research is carried out. These included downloading budgets of three countries, critically analyzing them and giving your own original version of your comprehension with no attempt to copy paste or to explain anything in your tutor's words. It was a learning style that makes you question all the systems you have used in the past … in other words, unlike any other.

Below are excerpts

What was your biggest challenge when you started working?

Integrating into a new environment after school was a challenge since I had no experience. In my current job, I had challenges of setting up structures of a new organization and picking up people to fill the subsequent positions created therein.

How has the institute progressed so far?

So far the institute has been able to progress extremely well; since inception:
- The College of Accountancy (KCA) was an idea born of ICPAK
- Conversion of KCA into a University
- The construction of the ICPAK complex
- Partnership of KCA and Maarifa facilitated by ICPAK
-
- The current leadership has done well by initiating a better structured engagement with the government where ICPAK has a fruitful engagement with the government (the national treasury) on budget and tax issues.

Changes you would like to see?

I would like our institute to look deeply into the issue of the practicing certificate and the subsequent process of vetting and issuing of practicing certificate and the vetting and issuing the same. I feel there are certain processes which can be adjusted to make it more accommodating by looking at one's experience in the field of finance. For example if one has been working in an audit field in the public sector for more than 5 years, the institute (ICPAK) should be able to come up with ways of vetting them in order to issue then with practicing certificates and avoid subjecting them to further supervision from audit firms or practicing auditors who may have lesser experience. This should apply to accountants practicing across the country. Regarding intensive lobbying by ICPAK members to occupy key positions, I feel we should make it mandatory; all financial positions should only be occupied by ICPAK members. When it is professionally done, members will appreciate that disciplinary measures can be taken against them if there is professional negligence. Besides, only qualified accountants are able to get professional indemnity insurance. So in the event that a mistake has a financial impact on a client, the client is able to be paid compensation.

What inspires you?

I am driven by the concept that just about

anything is achievable through the creation of inclusive structures and policies that harmonize roles of various departments and skill sets in organizations.

Work highlights?

I was involved in the initial set up of the National Transport and Safety Authority (NYSA) and the roll-out of alcoblow operations which has drastically reduced road carnage in the country.

What does your present job as Director of Finance and Accounting entail?

Planning, budgeting, resource mobilization, executing and reporting

What did your first job entail?

Filing of records and later, revenue collection

Advice to upcoming accountants?

Be professional; be professional; be professional. Also aspire to be different, decent and above all, involve God in your business and He will involve you in His greater business.

What are your interests?

Reading educative books and journals like Harvard Business Journal, traveling, participating in youth mentorship programmes and taking part in church related activities.

Finally, there are two things in life that I believe in; reasons and results; but reasons don't matter.

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

Photo: Members of the ASAF hold inaugural meeting, sign joint MoU

WHAT ARE THE PLANS FOR THE ACCOUNTING STANDARD-SETTERS IN THE US?

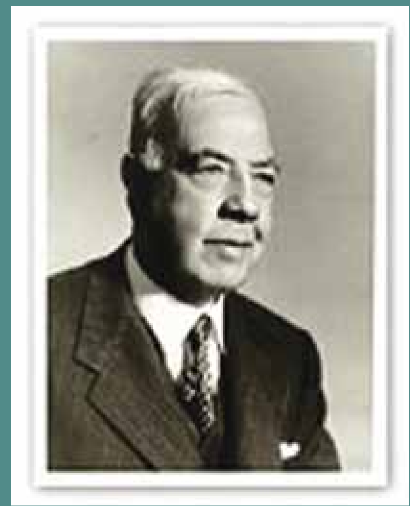
The International Accounting Standards Board (IASB) is the independent, accounting standard-setting body of the International Financial Reporting Standards Foundation (IFRSF). It was really as a result of the insistence of the Financial Accounting Standards Board in the US that IFRSFwas incorporated on February 6, 2001, as a tax-exempt organization in the US state of Delaware.The IFRS Foundation is an independent, not-for-profit organization: its primary mission is to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted International Financial Reporting Standards (IFRS) based upon clearly articulated principles.IASB was founded on April 1, 2001, as the successor to the International Accounting Standards Committee (IASC). It is responsible for developing International Financial Reporting Standards (the new name for International Accounting Standards issued after 2001), and promoting the use and application of these standards.

In the US, the equivalent of the IFRS Foundation is the Financial Accounting Foundation (FAF). The FAF is located in Norwalk, Connecticut. It was organized in 1972 as a non-stock, Delaware Corporation. It is an independent organization in the private sector, operating with the goal of ensuring objectivity and integrity in financial reporting standards.

The FAF is responsible for:

(a) Establishing and improving financial accounting and reporting standards;
(b) Educating constituents about those standards;
(c) The oversight, administration, and finances of its standard-setting Boards, the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), and their Advisory Councils;
(d) Selecting the members of the standard-setting Boards and Advisory Councils; and
(e) Protecting the independence and integrity of the standard-setting process.

The FAF Board of Trustees is made up of members from constituent organizations having an interest in financial reporting. These constituent organizations include:
(a) The American Accounting Association (AAA), an offshoot of the AICPA; the AAA promotes worldwide excellence in accounting education, research and practice. It was founded in 1916 as the American Association of University Instructors in Accounting; its present name was adopted in 1936. The Association is a voluntary organization of persons interested in accounting education and research.



George Oliver May was an influential American accountant

American Institute of Certified Public Accountants

Interesting (I say interestingly because Gayling May was a senior partner of PricewaterhouseCoopers in Nairobi), the President of the AAA in 1926 was George Oliver May (May 22, 1875 – May 25, 1961); he led a joint study by the American Institute of Certified Public Accountants and the New York Stock Exchange that was impetus for the stock exchange requiring its listed firms to undergo independent annual audits. The study also is credited for causing the then new Securities and Exchange Commission to allow the accounting profession to define accounting principles, rather than taking on that responsibility itself.He rose to senior partnership in Price Waterhouse & Co. and wrote more than 100 articles in professional journals.In 1944, he received the AICPA's Gold Medal Award.In 1950, he was named with two others to the Accounting Hall of Fame, in its first year.Lynn Turner, a past chief accountant of the SEC credits George O. May with contributing to the development of stronger authorities on accounting, noting that in 1952 May commented "'accounting income was on its way to becoming a political, not an economic concept'".
(b) The American Institute of Certified Public Accountants (AICPA);
(c) The Institute of Chartered Financial Analysts (CFA);
(d) Financial Executives International (FEI);
(e) Government Finance Officers Association
(f) Institute of Management Accountants
(g) National Association of State Auditors, Comptrollers and Treasurers
(h) Securities Industry and Financial Markets Association

The mission of FAF is to establish and improve financial accounting and reporting standards to provide useful information to investors and users of financial reports and educate stakeholders on how to most effectively understand and implement those standards.

The present President and Chief Executive Officer of FAF is Teresa S.Polley: she earned a B.A. degree, summa cum laude, in accounting and French from St Francis College in Loretto, Pennsylvania. Prior to joining FASB in 1987, she was a senior accountant with Arthur Andersen, where she handled the preparation of financial statements, consolidations, SEC filings and internal control evaluations and commentary with clients in manufacturing, electronics, mining, banking and trust services. Earlier this year she stated: "There is a song on George Harrison's last album – released after he had died – that features a thought-provoking refrain. It goes like this: 'If you don't know where you're going, any roadwill take you there'. The point ofcourse is that if you do not plot a carefully considered course for the future, you could, literally, wind up anywhere. That's true for individuals. And it is certainly true for organizations.And that is the central reason that the Financial Accounting Foundation, the Financial Accounting Standards Board (FASB), and the Governmental Accounting Standards Board (GASB) began working with the FAF Board of Trustees to develop an updated strategic plan for the organization".A final draft was published early this year. The goal was to establish clearly articulated, easily understood statements of its vision and its mission, accompanied by a short list of its top priorities. Its plan was to use this as an opportunity to initiate an in-depth dialogue about these issues, not only internally, but also with its stakeholders, and then craft a high-level planning document to guide it as it moves forward in the months and years ahead.After several months of work, it is at a point where it would like to share a draft of this plan with its stakeholders, andit would welcome comments.

The strategic plan establishes four top priorities for carrying out the mission of FAF, FASB and GASB – the group:

(a) Practising and promoting continued excellence in standard setting; simply put, this means that the group will set the highest quality standards through the best possible process, one that embraces and promotes integrity, objectivity, independence, transparency, inclusiveness and leadership. As part of this process, the group will always consider first the best interests of those who invest and otherwise participate in US capital markets, as well as others around the world who use or rely on Generally Accepted Accounting Principles

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(GAAP); the group will improve the usefulness of financial reports for users, while considering costs to provide the information; it will improve and maintain an effective and efficient standard-setting process; it will attract, develop and retain a high-quality and a diverse work force; it will educate and explain to stakeholders the benefits of GAAP financial statements and the critical importance of an independent standard-setting process; FASB will focus on public and private companies and not-for-profit organizations, while GASB will focus on state and local governments;

(b) Demonstrating a commitment to leadership in standard setting; the group will create the highest-quality accounting standards through a process that reflects its core values, which will result in its work being recognized, respected and emulated by others around the world; FASB and GASB standards will be recognized as a premier set of high-quality accounting standards; FASB will collaborate and cooperate with other national standard setters, and will participate in and shape the development of IFRS; and GASB will participate in and through its intellectual leadership influence the development of international public sector accounting standards; the group will lead by example;

(c) Building and maintaining trust with stakeholders; the group will build trusted relationships with and seek to maintain the support of its stakeholders, who play a critically important role in the independent standard-setting process; it will interact with its stakeholders, sharing its thoughts—and seeking theirs—on important financial accounting and reporting issues; through this type of open communication, it plans to identify and assess stakeholder perceptions of FAF, FASB and GASB; it will develop a plan to address any issues that may become apparent; and promote an "ambassador culture"; in promoting an "ambassador culture," the group will equip its leaders and staff to serve as ambassadors for FAF, FASBand GASB in their interactions with the group's stakeholders; the ambassadors will include current and former members of the FAF Board of Trustees, FASB and GASB, their advisory groups, their Fellows, their Post-Graduate Technical Assistants, and their staff; by enabling their ambassadors to discuss at a high-level what the group does, why it is doing it, and how it is doing it in dialogues with colleagues, peers and others;the group will provide a deeper layer of personal outreach to itsstakeholders; and

(d) Contributing to the public discourse on current and future financial reporting issues; the group will establish themselves as influential thinkers—or "thought leaders"—to help shape and lead the discussion of financial accounting and reporting issues that are of importance to the group's stakeholders - put simply, "thought leadership" means that the group will become a recognized authority to key audiences by identifying and providing credible, innovative commentary on the biggest questions on their minds; successful thought leadership will support the group's vision of becoming a recognized leader in financial accounting and reporting, and promote its goals of demonstrating a commitment to leadership and building trusted relationships with stakeholders; as one writer put it: "Thought leadership should intrigue, challenge, and inspire even people who already are familiar with a company. It should help start a relationship where none exists, and it should enhance existing relationships"; to accomplish this objective, it will develop a process to identify the issues which it will discuss, establish their priority, and determine the issue-specific channels it will use to share those views.

The FAF Board of Trustees, and the leaders of the Financial Accounting Foundation, the Financial Accounting Standards Board, and the Governmental Accounting Standards Board developed the strategic plan during 2014. The Trustees reviewed progress made on the plan during their 2014 May and August meetings. In developing the plan, the group considered the following issues: How should it prioritize stakeholder needs?How should it measure success? Should it become more pro-active in its response to accounting issues? What should its role be in international standard setting? How can it recruit and retain the best people? What role should it play in standard setting beyond the core financial statements? What should be its role in education?

An area which is of significant interest to me is FASB's Simplification Initiative. A number of narrow-scope simplifications and improvements to accounting standards will be sought through a series of short-term projects.The projects included in the initiative are intended to improve or maintain the usefulness of the information reported to investors while reducing cost and complexity in financial reporting.

In addition to the Simplification Initiative, FASB recently completed several projects, and currently is working on several projects, that are intended to reduce cost and complexity in financial reporting. Many suggestions for simplification were identified by stakeholders. FASB encourages stakeholders to submit additional ideas for simplification in other areas of accounting. Stakeholders should email their suggestions to fasbcomments@fasb.org. Although we in Kenya use IFRSs, maybe we can use FASB to correct some of the blatant inconsistencies in IFRS: for example, putting the revaluation of biological assets in the Statement of Profit or Loss rather than through the Statement of other Comprehensive Income – it is worth a try.

Welcome

TO OUR NEW ICPAK COAST BRANCH OFFICE

ICPAK
Credibility . Professionalism . AccountAbility

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