

**ICPAK PRESS STATEMENT ISSUED TO PRESS ON THE SIDELINES OF THE  
ANNUAL GOVERNANCE & ETHICS CONFERENCE ON WEDNESDAY 16<sup>th</sup>  
MARCH 2016, AT VOYAGER BEACH HOTEL, MOMBASA**

---

*March 16, 2016*

**Preamble,**

- Members of the fourth estate, fellow Kenyans and all people of good will ó GOOD MORNING.
- We about to issue a press statement on the sidelines of the Annual Governance and Ethics Conference organized by ICPAK
- As introduced, I amí í í í í í , flagged byí í í í .
- Kindly request if you can introduce yourselfí
- Thanks, who ICPAK í
  - *Established in 1978*
  - *Draws its mandate from the Accountants Act (no 15 of 2008).*
  - *The Institute is mandated to protect and uphold public interest as well as develop and regulate the accountancy profession in Kenya.*
  - *It is also a member of the International Federation of Accountants (IFAC), the global umbrella body for the accountancy profession.*

We, the Institute of Certified Public Accountants of Kenya, share the great concern of all Kenyans in regard to the economic, social and political wellbeing of our country.

It is in this context of appreciating the recent trends in the boardroom as well as the need to share experiences and prepare boards and senior management, that ICPAK has organized yet another annual governance and ethics conference that kicked off today and ends on Friday 18<sup>th</sup> March here at the Voyager Beach Hotel, Mombasa.

The theme of the conference is **“FACING THE CHALLENGE OF ETHICAL GOVERNANCE IN KENYA”**

It is against this backdrop that the Institute wishes to comment on governance and ethics issues affecting our country today:

**Objective:**

- Corporate Governance and Role of Internal Audit Department
- Unethical and corrupt practices
- Ongoing ICPAK member recruitment

## 1. Corporate Governance and Role of Internal Audit Department

Corporate Governance and Ethics cannot be contradicted in the management of public affairs. Failure to adhere to corporate governance and ethics has led to some catastrophic failures of the largest and well-known companies as a result of unbearable losses and law suits.

Aware of this, the Institute of Certified Public Accountants of Kenya (ICPAK) carried out a survey on effectiveness of Audit Committees in the public sector late last year. The survey was informed by the National Treasury's Circular No 16/2005 on the appointment and composition of audit committee.

The study revealed several gaps hampering full realization and adherence to corporate governance principles. To start with, it was observed that **inadequate capacity and skills** of the members of the Committee, is the greatest roadblock to effectiveness of the audit committees with 62% of the respondents holding this view.

Other challenges identified include:

- **Limited financing** and delays in timely disbursements of cash;
- **Operational challenges** including lack of succession planning and quorum issues;
- Committee **independence** especially where individuals do not understand their roles properly and
- **Conflict of interest** especially from members seconded from parent ministries.

In view of these findings, the following measures are proposed to enhance the operation and effectiveness of the audit committees in the public sector:

1. By the very nature of the appointment process, independence of Boards and hence Audit Committees are questionable. Lack of independence hampers the ability to deliver on the mandates. In accordance with Section 194 of the PFM Act and its Regulations, Public Sector Accounting and Standards Board (PSASB) should provide **guidelines on the minimum requirements** for one to serve in the Audit Committee in terms of qualifications, experience and skills.

***“ICPAK is working very closely with the Office of the Accountant General to develop these guidelines”***

2. On lack of adequate capacity of the audit committees, we are of the opinion that the Audit Committees should have at least one member with demonstrated understanding of audit, risk management and control and extensive knowledge in accounting with at least five years of experience. In accordance with the Mwongozo Code, the Chairperson of the Audit Committees in all public sector Institutions must be a registered member of the professional accountancy organization recognized by law in Kenya, **in this case ICPAK.**

***“This is not the case at the moment. We have engaged the various stakeholders to ensure implementation of the same”.***

3. ICPAK feels that there is need for a **policy intervention to entrench succession planning**. We recommend a staggered appointment of members of the audit committee for continuity and institutional memory.
4. It is proposed that the Office of the Auditor General maintains close working relationship with the internal audit to establish the reliability of the work and systems of internal audit with a view to placing reliance on the work by the department in assessing overall compliance. This would contribute to effectiveness of overall oversight.  
*“You can imagine the external auditor spends 2-3 weeks to audit the work done over a whole year! – Collaboration between the internal and external auditor would help the OAG a great deal – a more focused and a more efficient audit”*
5. The Internal Auditor General should support the internal audit departments in the public sector through **appropriate guidelines** and review already issued circulars to deal with various limitations arising from the same. It should also spearhead the reviewing of various Acts of parliament to allow diverse skills, attaching reward or punishment incentives to encourage effectiveness

At the same time, we note and laud the Government for launching Mwongozo Code which addresses matters of effectiveness of Boards, transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. These practices are at the core of the values and principles of Public Service as enshrined under Article 232 of the Constitution of Kenya, 2010. To ensure full compliance with this code, the Government should send out a strong signal that the code is not an option to be applied selectively by state agencies. The Institute also takes notice of the Government Owned Entities Bill currently before Cabinet. The Bill seeks to streamline board appointments to the public organizations. In our considered view, this is a step in the right direction. Both houses of Parliament should move with speed and enact this law as way of addressing issues of corporate governance in the public owned entities.

## **2. Unethical and corrupt practices**

Considering the flood of reports of high level corruption in various Institutions, Kenya's position among the community of nations could suffer even further. The 2015 Corruption Perception Index published by the Transparency International ranks Kenya poorly. Kenya scored 25 on a scale of zero to 100 (with zero perceived to be highly corrupt, and 100 very clean) and sits at position 139 out of 168 countries and territories ranked.

This report comes in the wake of recent revelations of mismanagement of public resources in various ministries, departments, agencies and county governments. We call for swift and decisive action against individuals involved. We recognise that we have laws against corruption and Institutions that have been set up to lead in the fight against corruption. We are however appalled that these Institutions lack the energy and support required for them to discharge their mandates. The Anti-Corruption and Economic

Crimes Act, the Public Officer Ethics Act, The Public Procurement and Disposal Act and all other relevant laws must be enforced expeditiously and to the fullest.

- *“There is a lot of tough talk but we are yet to see heads rolling!”*
- *“We have the legal framework to support good governance and ethics”*
- *“We have independent Institutions – as per the Constitutions, but we are yet to see the results”*

The Institute calls for firm and expeditious enforcement of the law including administrative and criminal sanctions against those who violate the law to steal from the public. We note with concern the trend by public officials to pass the buck to junior officers when faced with allegations of corruption. We are enraged by the circus surrounding the corruption scandals under the Ministry of Devolution, Youth Enterprise Fund, and various, state corporations and county governments.

- *“Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed”*
- *“It’s a communal responsibility”*
- *The leadership, especially, can never be excluded!*

The Institute calls for an immediate and systematic lifestyle audit of all public officials starting from the Cabinet secretaries, governors, constitutional office holders, parliamentarians, MCAs, state corporations, law enforcement agencies (judiciary, police, DPP), government agencies and the civil servants.

### **ICPAK member recruitment**

Members of forth estate, allow me to one major ongoing activity by the Institute as per its mandate as stipulated in the Accountant Act of 2008. This activity is geared towards development and regulation of accountancy profession in Kenya.

The Institute calls on all qualified accountants and who are not members of ICPAK to take advantage of 50% discount on joining fee. This offer started on 4<sup>th</sup> February and runs up to **31<sup>st</sup> May 2016**. Full members will enjoy a 50% discount on their application fee and will pay Kshs. 13,000 only. Associate members transiting to full membership will pay Kshs. 10,000 only. The CEO and his team are doing door to door to the major Institutions in Mombasa and its environs the whole of this week.

We urge employers to ensure that they engage only qualified and employees who are duly register with the Institute. This will not only ensure that their employees render professional services but will give re-assurance that they operate in a regulated professional environment.

**FCPA Julius Mwatu**  
National Vice Chairman, ICPAK

---