

27th JULY 2016

ICPAK PRESS STATEMENT

ICPAK COMMENDS GOVERNMENT FOR APPOINTING INSTITUTE MEMBERS TO KEY GOVERNMENT POSITIONS

Preamble,

Once again we have invited you to this press briefing in order to appraise you on various issues affecting our country. In my brief I will comment on the following issues:

- a. Appointment of Accountants to key Government positions
- b. Budget Implementation Report for the National Government – from the Office of the Controller of Budget.

1. Appointment of Accountants professionals to key Government positions

The Institute of Certified Public Accountants of Kenya (ICPAK) would like to take this opportunity to thank and appreciate His Excellency President Uhuru Kenyatta, his Deputy His Excellency William Ruto and the entire government for appointing our senior members to key government positions in the last few months. This demonstrates the confidence the government has in our members in as far as steering and management of key Government institutions is concerned.

We are particularly pleased to note with gratitude the following key appointments:

- a) FCPA Fernandes Barasa - Managing Director/Chief Executive Officer of Kenya Electricity Transmission Company (KETRACO).
- b) CPA Hamisi Gowa Bakari - Managing Director of Kenya Ferry Services (KFS).
- c) CPA Joe Sang – Managing Director, Kenya Pipeline Company (KPC)
- d) CPA Catherine Mturi- Managing Director, Kenya Ports Authority (KPA).

The Institute appeals to the newly appointed Chief Executives to uphold the Institute's mantra as encapsulated in our professional ethos and portrayed by our values of Credibility, Professionalism and Accountability.

The Institute knows that there is the much that a government can do. As professionals we have a duty and an obligation to support citizens and corporate organizations in fulfilling their obligations. We have a duty to promote a culture of sustainable co-existence by corporate organizations.

Engaging Professional Accountants

At the same time, the Institute would like to appeal to all employers in Kenya to ensure that they **only** engage professional accountants in their business dealings. We further advise employers to always seek reference from the Institute so as to verify the authenticity of CPA qualifications and professional membership before employing such employees.

You should take the comfort in the fact that, ICPAK members operate under a regulated environment, hence the Institute is obligated by law to step in and take remedial disciplinary action in case of professional misconduct by our members. The Institute will not hesitate to de-register any member found culpable of professional misconduct.

2. Budget Implementation Report for the National Government - Office of Controller of Budget (OCOB)

1. The Controller of Budget 3rd quarter report identifies the following challenges to budget execution.
 - Delay in release of development Funds by National Treasury - As per this Report the total amount released for development expenditure by the National Treasury stood at Kshs. 174.6 billion, representing 44.9% of the annual net development estimates (KShs. 389 billion) compared to the expected performance of 75% (KShs. 292 billion).
 - Delay in submission of Expenditure Reports by Ministries, Departments and Agencies (MDAs), the report notes that this affected timely reporting by the Office of the Controller of Budget.

2. We note with dismay the fact that these two issues have been regularly captured in the previous Controller of Budget reports. This implies that not much is targeted at remedying the situation. If these issues remain unresolved, they will in turn negatively impact on revenue generation. This is based on findings from the Controller of Budget Half report FY 2015/16 which enumerated factors that negatively affect revenue collection, namely;
- Value Added Tax (VAT) foregone on donor funded projects.
 - Weak performance in some sectors due to restructuring and decline in contribution by a large number of private firms as a result of deteriorating economic environment.
 - Withholding tax adversely affected by delay in government disbursement for development projects.
3. Equally, attention should be placed on the progress in implementing previous findings and recommendations. These include but not limited to the following:-
- **Low outturn of donor funding:** According to the Controller of Budget Half report FY 2015/16, the National Treasury targeted to mobilize Kshs.349.32 billion from development partners to finance development projects. By the end of the first half of FY 2015/16, the disbursements from development partners were Kshs. 85 billion or 24.3 per cent of the annual gross estimates, against an expected out- turn of Kshs. 174.65 billion or 50 per cent of the annual gross estimates in the first half of the year.
 - **Non-disclosure of Appropriations-in-Aid in the IFMIS generated Reports:** The OCOB reported that although the IFMIS comprehensively captures transfers to the MDAs and expenditure, it does not capture Appropriation in Aid (A-I-A) generated by MDAs. A-I-A is the Income that a Government department is authorised to retain (rather than surrender to the Consolidated Fund).
 - Therefore, financial reports generated from the system are incomplete. The report further proposed that the IFMIS be modified to ensure that A-I-A generated by MDAs is captured and disclosed in the IFMIS reports for completeness.

FCPA Julius Mwatu

**National Vice-Chairman, Institute of Certified Public Accountants of
Kenya**

27th July 2016.