

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

“ESSENTIAL ISSUES IN AUDIT: A PRACTICAL APPROACH”

**PRESENTATION ON LEGAL RESPONSIBILITY OF
DIRECTORS AND AUDITORS - 23RD FEBRUARY
2017**

**BY J. WELOBA ADVOCATE, CPS, MCI Arb (K)
COOTOW & ASSOCIATES**

RESPONSIBILITY

- Duty to act professionally
- Obeying the law
- Avoidance of conflict of interest
- Putting clients' interests above self

AUDIT

- Formal examination
- Of systems, records or processes
- Establishment of compliance
- Against set standards

TYPES OF AUDITS

- Compliance audit
- Correspondence audit
- Desk audit
- Environmental audit
- Event driven audit
- Field audit
- Independent audit
- Internal audit
- Transaction or process audit

INTERNATIONAL STANDARDS ON AUDIT

- ISA 200 overall objective of independent auditor conduct
- ISA 2010 agreeing terms of audit engagement
- ISA 230 audit documentation
- ISA 240 responsibilities relating to fraud in an audit
- ISA 250 consideration of laws and regulations in audits

INTERNATIONAL STANDARDS ON AUDIT

- ISA 260 Communication with those charged with governance
- ISA 265 Communicating deficiencies in internal controls to those charged with Governance and Management
- ISA 299 Responsibility of joint auditors

LEGAL REQUIREMENTS

- The Constitution of Kenya 2010
- Companies Act Sections 143 and 145
- Public Audit Act No. 34 of 2015
- International Standards on Audit
- Professional Bodies Standards and Codes of Conduct
- Regulators
- Stakeholders

PUBLIC AUDIT ACT NO. 34 OF 2015

- National Values Article 10, Constitution of Kenya
 - Good governance, integrity, transparency and accountability
- Equality and Freedom from Discrimination Article 27

PUBLIC AUDIT ACT NO. 34 OF 2015

- Responsibilities of Leadership, Article 73
 - Public Trust
 - Respect for people
 - Honour and dignity to the office and nation
 - Promote public confidence in office and integrity

PUBLIC AUDIT ACT NO. 34 OF 2015

- Objectivity and impartiality in decision making devoid of influence
 - Declaration of personal and conflict of interest
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- Code of Conduct for Public Officers, Article 75
 - Avoidance of conflict of interest

PUBLIC AUDIT ACT NO. 34 OF 2015

- Avoidance of demining the office
- No compromise on public interest
- Principles of Public Finance, Article 201
 - Openness and accountability
 - Promotion of equitable society
 - Prudent use of public funds
 - Responsible financial management and clear fiscal reporting

PUBLIC AUDIT ACT NO. 34 OF 2015

- Values and Principles of Public Service, Article 232
 - High standards of professional ethics
 - Efficient, effective and economic use of resources
 - Responsive, prompt, effective, impartial and equitable provision of services

PUBLIC AUDIT ACT NO. 34 OF 2015

- Promotion of Efficiency, Accountability, Effectiveness and Transparency in use of Public Resources

OFFENCES UNDER PUBLIC AUDIT ACT

SEC. 61 (1)

- Engagement in corruption
- Concealing information
- Failure to disclose fraud
- Failure to disclose conflict of interest
- Disclosure of information to third parties

PENALTY SEC. 61 (2)

- Fine of Kshs.10,000,000.00
- Five Years Imprisonment
- Both

FURTHER OFFENCES SEC. 62 (1)

- Obstruction or hindrance to officers
- Failure to provide information generally
- Failure to provide information timely
- Submitting false/misleading information
- Misrepresentation or misleading officers
- Exerting undue influence or interfering with officers

PENALTIES SEC. 62 (2)

- Fine of Kshs.5,000,000.00
- Three Years Imprisonment
- Both

AUDITORS' RESPONSIBILITIES

- Observing confidentiality
 - Personnel assigned
 - Handling and custody of documents
- Ethical and professional conduct
 - Training and capacity building
 - Initiative on emerging issues
 - Compliance with institute standards

AUDITORS' RESPONSIBILITIES

- Objectivity, honesty and impartiality
 - Avert personal/conflict of interest
 - Firm grounding in the subject
 - Proper retainer
- Preparation of proper and comprehensive reports
 - Format
 - Content

AUDITORS' RESPONSIBILITIES

- Adequate audit evidence
 - Time allocation
 - Personnel assigned
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- Preparation and allocation of adequate time and resources
 - Proper profiling of client
 - Assessment of tasks

AUDITORS' RESPONSIBILITIES

- Adequate retainer
- Scheduling activities with client's convenience
- Proper documentation and planning for effective outcomes
 - Fonts
 - Binding
 - Pagination

AUDITORS' RESPONSIBILITIES

- Adhering to timelines and schedules of structured meetings
 - Agenda basis
 - Objective of audits
 - Minutes
 - Conclusions
- Utilization of audit tools and work papers

AUDITORS' RESPONSIBILITIES

- Peer review mechanism
 - Confidence building
 - Soft skills
 - Practical experience

DIRECTORS' RESPONSIBILITIES

- Keeping proper records of management and periodic self-audits
 - Reduced disruption of process
 - Anticipation of issues and solutions
- Appointment and engagement of qualified auditors
 - Responsibility for exercise
 - Value for audit

DIRECTORS' RESPONSIBILITIES

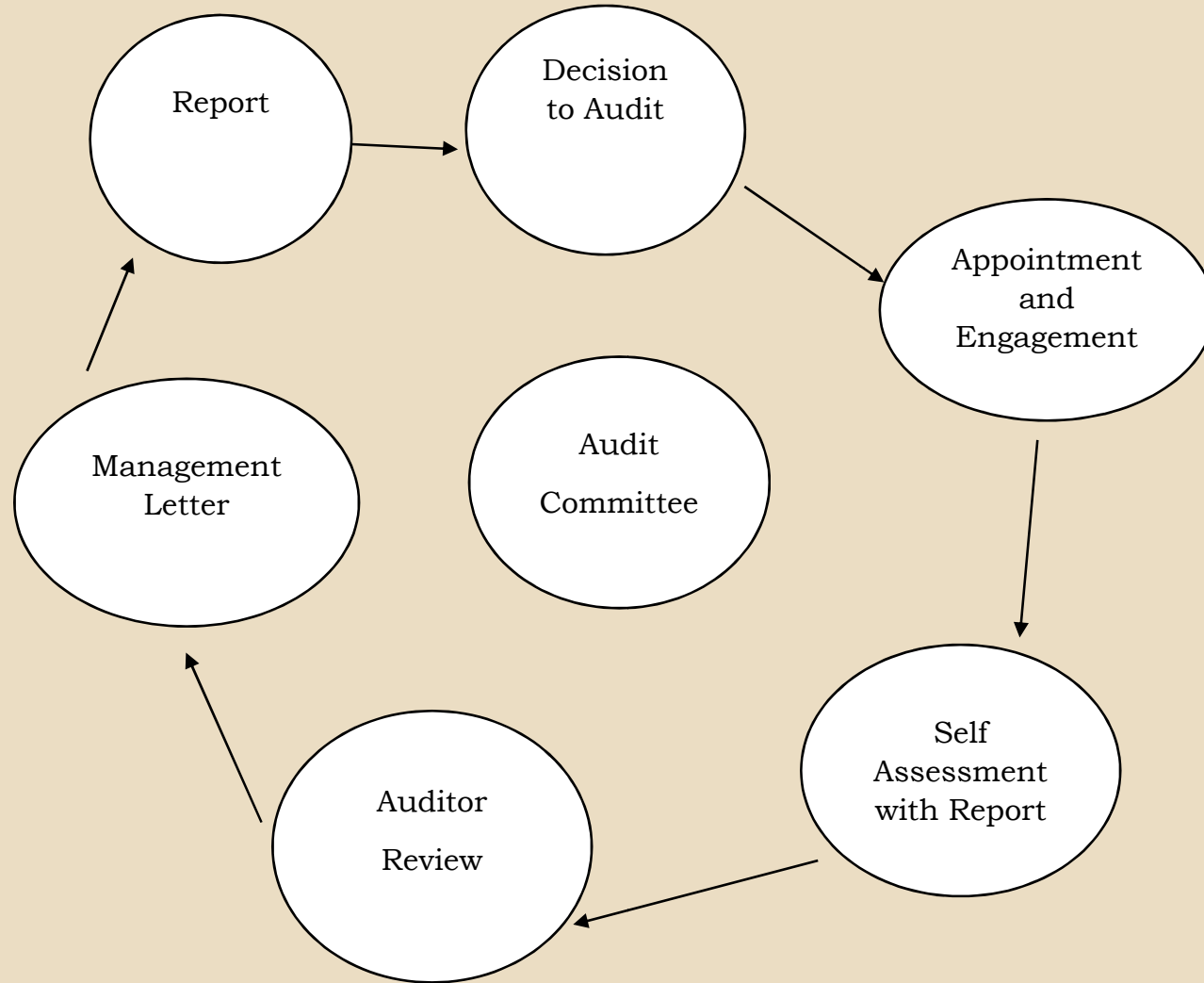
- Proper management presentation and ownership of process
 - Purpose achievement
 - Ownership
 - Staff preparation and acceptance

DIRECTORS' RESPONSIBILITIES

- Facilitation of a process through designation of personnel, space and time
 - Not a war but introspection
 - Maximum utility of the auditor
 - In calculation process into management system

DIRECTORS' RESPONSIBILITIES

- Unrestricted access for the Auditor to audit evidence and personnel
 - An auditor confidence and support
- Availing requisite information, records and all relevant audit evidence
- Availing any additional information requested by the Auditor



THANK YOU