



CHAIRMAN'S NEWSLETTER

JANUARY - MARCH 2017





ICPAK National Chairman,
FCPA Fernandes Barasa

It has been my great privilege and honour to serve as the Chairman of ICPAK for 2015-2017. Together with my Council and the management, we have continued to make progress in key areas as well as addressing pertinent issues and challenges facing the profession. As I conclude my penultimate quarter in office, I wish to take this opportunity to share with you my views on some of the key initiatives that have defined my tenure for the last two years.

Strategic Focus

I am happy to note that the Institute has successfully lived up to its 2016-2018 Strategic Plan, it is my hope that the Institute will continue working towards full realization of the Plan. The major areas of focus remain.

1. Customer focus
2. Regulation of Accountancy Profession
3. Thought leadership
4. Institutional Strengthening

including putting more focus on diversification of revenue streams and improvement of governance structures.

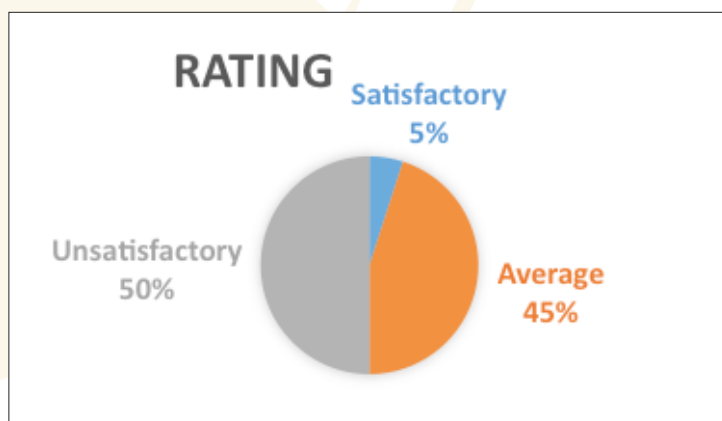
Ensuring the quality of audit and Securing public trust in CPA audit

Given the increased scrutiny from the public, it is important that we all, once again, revisit the mission and responsibilities of the profession to carry out our work faithfully and in an independent manner, while further building up our professional competence and skills. In assisting members in this respect, I have continued to advocate for credible auditing services in both public and private enterprises. Audits provided by CPAs support healthy functioning of the socio-economy by ensuring the reliability of the financial information. As such, audits form an important part of the infrastructure in advancing the sustainable growth of the Kenyan economy. In continuing our effort to secure public trust in CPA audit, it is important that we encompass varieties of views from market participants. To address this, we have engaged in the discussion on enhanced auditors reporting, such as the development of Key Audit Matters (KAM).

In this regard, ICPAK has rigorously taken measures to further enhance

audit quality and engagements by members. We are committed to undertaking quality control reviews to ensure that reports emanating from our members meet international threshold. With increased focus on quality control review unit at ICPAK, we are determined to elevate our self-regulatory system and remain committed to acting on measures to ensure audit quality.

In the year 2016, the AQA team conducted a total of 85 reviews out of the planned 200 within Nairobi, Central Rift, South Rift, Nyanza, Western, Eastern and Coast Regions. There were also compliance checks in Thika and Garissa. The general findings indicate that most firms performed "unsatisfactory". They did not comply with the International Standards on Quality Control (ISQC 1) and the firms were also found incapacitated as most them operate on one partner basis which limits their competitiveness in the market.



Responding to the expectation from the Public

ICPAK has now about 20,000 members in total and the profession itself is under steady transformation. Seeing the heightened expectations

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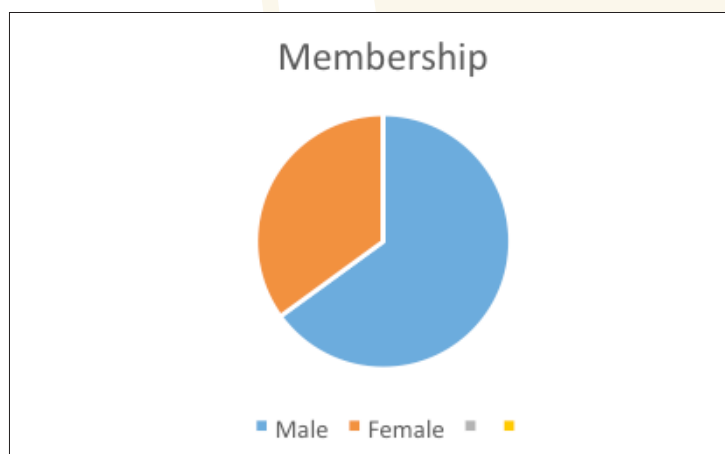
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for the accountancy profession in the society, our members are working in increasingly diverse fields. As we see a growing number of Professional Accountants in Business and members working as public servants, as a membership organization, we are further upgrading member support mechanisms in order to assist members to excel in variety of areas I believe that our members are best placed to promote governance and better financial management in public, private and not-for-profit sectors, we are determined to implement necessary measures to raise the professional competence and skills of our members particularly entrusted to conduct audits in those sectors.

i. Membership Registration

During the year 2016, the Institute registered 1,660 full members and 520 associate members bringing a total of 2,180 members. The Institute also granted practicing certificates to 79 member firms. It is worth noting that for the last 2 years we have had a 50% discount massive recruitment drives. The gender spread for admission of members is 65% male and 35% female.



ii. Deregistration

Last year, the Institute deregistered a total of 1,000 members who were not in good standing since they had not paid up their subscriptions.

iii. Licenses

We have released licenses to all practitioners who applied by the 30th of November 2016 and the certificates are now ready for collection. During the first month of the year 2017, the Institute inspection team will be visiting all practitioners to confirm that they are operating as per the terms and conditions of their licenses.

We are also pleased to note that we have also shortened the time between application and issuance of certificates. One should be able to get a membership certificate or license within a week upon approval. We are strengthening the AQA team and programs and are looking at partnering with donor agencies to intensify reviews.

iv. Disciplinary

A total of four firms who bear the following registration Nos: R428, R387, R651, R291 who failed to meet requirements of AQA Test and their practices found to be wanting have been referred to the ICPAK's disciplinary committee for further assessment. The Institute also carried out raids on illegal PR actioners in Kisumu, Mombasa and North Rift regions.

These measures that we implement to respond to the expectations from the public require close collaboration between ICPAK headquarters and regional branches spreading across the country. In this regard, I truly believe that we need to firmly move

forward to improve governance and organizational structures of the ICPAK and achieve maximum use of IT to advance the institute itself to the next stage.

CPD Programmes and International Liaisons

In line with our 2016-2018 Strategic Plan, the Council continues to put appropriate mechanisms meant to strengthen the Institute into a veritable professional Institute not only in Kenya but regionally and globally. This is being achieved through a robust CPD programme and collaborations with other accounting Institutes in the World.

i. Continuous Professional Development

Beginning 2017, the Institute increased the number of CPD events from the initial 120 to 220 in 2017 which signifies an 85% growth. Additionally, the Institute launched CPD online where members earn Continuous Professional Development points by watching ICPAK events online and by undertaking online examinations. In November, last year, the Council approved a new CPD policy and among them accreditation of independent trainers training in Finance and Accounts related courses. It will be mandatory for such trainers to get accreditation from the Institute to offer such trainings. This year, the Institute plans to hold international events in India, Australia, South Africa, United Kingdom, Namibia and Hong Kong and open a new Chapter in Australia.

ii. ICAEW to admit ICPAK Members Based on Experience

Following the signing of MoU and MRA between ICPAK and ICAEW, it is now possible for ICPAK Members to join ICAEW based on experience based evaluation. ICAEW is pleased to confirm that the "Pathways" route to ICAEW membership for ICPAK Members is now open. You will note that ICPAK is the only professional body from Africa that is currently eligible.



THE INSTITUTE OF CHARTERED ACCOUNTANTS

IN ENGLAND AND WALES



ICPAK full members with 5+ years full membership (in good standing) are eligible to apply. The individual will need to complete an application of experience that ICAEW will review for achievements, as well as for planning and analytical skills, professional judgement, quality of thought and awareness of current technical issues. The application must be supported by a sponsor

who can be an ICPAK member or any IFAC member. This offering recognize ICPAK members based on their experience. Full details are here: icaew.com/pathways

iii. Maximum Exemptions for ICPAK Members Joining ACCA

Following ICPAK Strategic MoU with ACCA, ACCA is extending a great opportunity to ICPAK members

who wish to pursue the ACCA qualification. ICPAK has joined the few national bodies in Africa to gain maximum exemptions with ACCA – the Association of Chartered Certified Accountants. ICPAK members will now earn maximum exemptions, of 9 papers, from ACCA (subject to KASNEB completion date). This means that you will only need to sit for the strategic professional level papers of ACCA.



Think Ahead

ACCA offers eligible ICPAK members preferential fees on registration and exemptions, which provides a saving of approximately KES 131,000 per member.

What this means for you:

- Initial registration - £20 instead of £79
- Annual subscription – first year 100% waiver, instead of £85
- Exemption fees – 100%

waiver, you save £836
ACCA has also partnered with University of London to offer the first integrated Master's degree, MSc in Professional Accounting. Once you are an ACCA member you only need to do 2 units: Global Issues for the Finance Professional and The Strategic Financial Project. You are then awarded MSc in Professional Accounting from University of London. For more information, please contact acca.kenya@accaglobal.com or visit <http://www.accaglobal.com>





iv. ICPAK Hosts AAB Ethiopia Delegation

Delegates from the Accounting and Audit Board of Ethiopia (AABE) visited the Institute on a fact-finding mission in Kenya from the 20th – 24th February 2017. The main purpose of their visit was to learn on how they can strengthen the Accounting profession in Ethiopia. With only two years since its establishment, AABE has a total membership of 400 accountants against a population of over 100 million citizens. The delegation visited KASNEB, the Public-Sector Accounting Standards Board (PSASB), the Auditor General's Office (KENAO), KCA University, Strathmore University, EY, KPMG and Ashvin Ranpara & Co CPAs where delegates gathered critical information and knowledge necessary for promoting accountancy in Ethiopia. The Institute looks forward to share expertise and technical resources towards the development of the profession in Ethiopia.



v. ICPAK Signs an MoU with OPC Burundi

On 3rd March 2017, the Institute of Certified Public Accountants of Kenya together with KASNEB signed a tri-partite agreement and MoU with OPC Burundi (Ordre Des Professionnels Comptables Du Burundi). The Mémorandum of Understanding calls for the establishment and development of the accountancy profession in Burundi, establishment of a Center for the Examination of Professional Accountants of Burundi in collaboration with their Ministry of Higher Education and the Ministry of Finance and, sponsoring and supporting OPC Burundi bid for IFAC recognition and membership. Because of the agreement, the Institute and KASNEB will offer technical expertise to OPC Burundi henceforth.

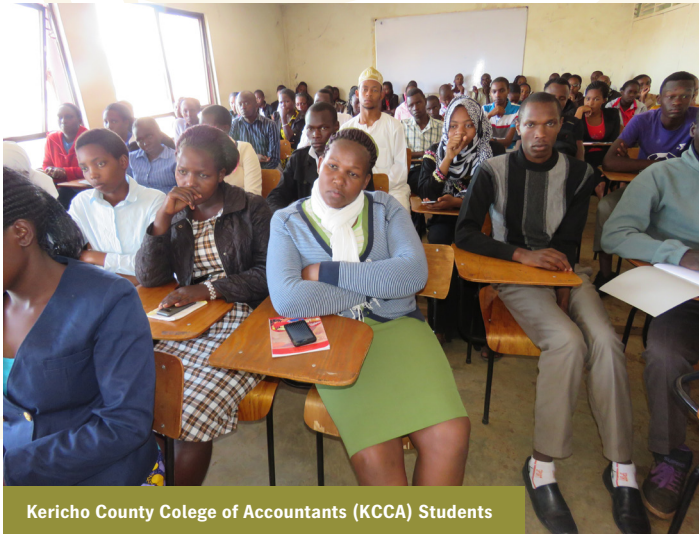
Attracting and Retaining Talents in the Profession

The innovation in information technologies have transformed our environment where virtually every goods and services as well as information are shared and connected on a global scale. With further advances in globalization, free

movement of people, and cross-border transactions, it has become ever more significant to attract and retain talents who can lead our profession.

To achieve widespread recognition of the importance of accounting and auditing in our society I also place an emphasis on financial literacy and

fundamental accounting education initiatives. In this respect, we have excelled in running our CSR programs in selected schools where we not only and conduct promotional activities targeting younger generations, but encourage youngsters in secondary schools to take up accounting subject.



Kericho County College of Accountants (KCCA) Students



KCCA Student engagements



Century Park College in Machakos in February this year

Thought Leadership

The Institute has continued to provide critical insights on matters of governance and accountability. A case in point having contributed in debates that informed and shaped national discourses:

- Capping of interest rates
- Spending by the County Governments
- Revenue Analysis Report

It is also important to note that the Revenue Analysis provided recommendations on issues of direct

taxes and efficient planning for public expenditure considering revenue capitalization and forecasting. It is our hope that the National Treasury will consider adopting these recommendations to improve efficiency in revenue allocation. Besides, the Institute through the Parliamentary Initiative Network participated in the development of a guide to understanding National and County Audit Reports. These guidelines are expected to assist the users of Financial Services and to a large extent the to guide members

of the public in understanding of the auditing process.

Conclusion

With these pillars in place, I will work passionately to engage in the public interest and respond to the expectations from the public and general membership. I thank you for your continuing understanding and support.

FCPA Fernandes Barasa
ICPAK National Chairman

“ It is our hope that the National Treasury will consider adopting these recommendations to improve efficiency in revenue allocation.



Launch of Revenue Analysis Report

MONEY & MARKETS

ICPAK orders disclosure of key audit queries to shareholders

REGULATION Regulator asks members to adhere to new ISA rules in cutting fraud

BY BRIAN NGUGI

The Institute of Certified Public Accountants of Kenya (Icpak) has advised auditors to comply with new guidelines that require greater disclosure of key audit issues.

Icpak chairman Fernandes Barasa yesterday said that the institute would strictly enforce the International Standard on

mandate auditors to disclose to shareholders audit information that was previously only communicated to management through confidential letters.

The new standards that came into force in January will bring to light audit queries raised on matters such as fraud, corruption, money laundering, tax payments, financial products and services, environmental protection, public health and safety.



ICPAK chair Fernandes Barasa. The new auditing regime started in January and affects statements ending on or after December 2016.

"The International Auditing and Assurance Standards Board's new ISA 701 standard will alter

the form and content of audit reports. In effect, the standard lifts the veil on the confidential-

ity principle in certain cases, subject to existing legal framework," said Icpak chairman Fernandes Barasa.

"ISA 701 is mandatory for all listed entities. We highly recommend all public interest entities to adopt it in their subsequent reporting." This ISA is effective for audits of financial statements for periods ending on or after December 15, 2016.

The standard was adopted by global bodies as a response to calls for auditors to be more transparent to give investors and other interested parties knowledge of the aspects of the companies' financial statements that the auditor also found to be challenging.

The Kenyan audit fraternity has in recent years been on the spot after creative accounting was exposed among some listed firms,

leading to pressure on ICPAK to enforce stricter audit standards to protect the public from fraud.

A number of firms including Imperial Bank, Dubai Bank, CMC Holdings, Mumias Sugar, Kenya Airways and Uchumi have at various points hit financial trouble without their auditors raising the alarm.

New regime

The new audit regime will therefore boost the capacity of investors to make good investment decisions in listed firms.

Mr Barasa said the standard will apply to all categories of professional accountants and auditors, including those in public service, private practice, and non-profit organisations.

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PEOPLE DAILY | Thursday, February 16, 2017

Deal Signed



Tourism Finance Corporation (TFC) chairman Patrick Osero, UN-Habitat Urban Energy Unit chief Vincent Kitio and TFC managing director Orumoi Jonah during the signing of a memorandum of understanding on promoting energy and resource efficiency in the hospitality industry. PHOTO: ALICE MBURU

Icpak roots for audit standards

Body says listed firms should adopt new international benchmark

by Zachary Ochuodho @zachuocho

Institute of Certified Public Accountants of Kenya (Icpak) is urging listed firms to adopt the new International Standard on Auditing (ISA) 701 to help them deal with issues related to law and regulations.

It said the standard will alter the form and content of auditing reports presented to stakeholders and urged officials in the public sector to adhere and participate in the "audit exit", where

certain cases that would breach laws and regulations.

"It will deal with matters such as fraud, corruption and bribery, money laundering, tax payments, financial products and services, environmental protection, and public health and safety," he said.

The standard applies to all categories of professional accountants.

"We recommend all public interest entities to adopt ISA 701 in their subsequent reporting. In view of this, the Icpak Council has mandated the Professional Standards Committee to sensitise regulators and those charged with governance on the impact of new and revised standards," said Barasa.

The institute also noted with concern the recent attempt by Members of Parliament to pass a law that will allow them to con-

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MONEY & MARKETS

Unlicensed audit firms risk penalty as ICPAK carries out inspections

BY JAMES NGUNJIRI

About 1,250 accounting firms registered with the Institute of Certified Public Accountants of Kenya (ICPAK) have until the end of next week to obtain a valid practising licence.

The professional body has commenced countrywide inspection exercise to safeguard public interest and ensure only licensed accountants do audit and assurance work.

"The ICPAK compliance team has set up a two-week programme to visit and verify the validity of annual licences for all the firms starting January 16 to 27," said ICPAK chief executive Patrick Ngumi in a statement.

"The programme started in Nairobi and will be rolled across the country."

Already, 756 firms have applied for their 2017 annual licences but only 400 of them have collected their permits.



ICPAK boss Patrick Ngumi. SALAH NABU

It is an offence for audit firms to operate without a valid annual licence, according to the Accountants Act.

"The majority of the firms are therefore in contravention of the provisions of the Act (Accountants Act No. 15 of 2008,

section 22(3)), and it is to this end that ICPAK seeks to enforce compliance among its members and also ensure that only licensed accountants offer services to the public," said Dr Ngumi.

A person operating without a practising certificate and a licence is liable to a fine not exceeding Sh100,000 or imprisonment for a period not exceeding three years or both.

The ICPAK says it wants to make sure the public gets value for money through the services of licensed accountants who adhere to professional and ethical requirements.

The institute has been in the spotlight lately with a number of firms involved in accounting scandals and malpractices. The high profile ones included Uchumi Supermarkets and Kenya Airways financial scandals.

ICPAK is required to discipline errant members but so far there has been limited high profile punishment.

A week ago, the accountants lobby announced that it will start deregistering non-compliant members. ICPAK has lined up 698 members for deregistration, mainly over failure to pay subscription fee.

The institute has over 18,000 members drawing a substantial part of its revenue from the annual subscription fees.



*We would love to
hear from you, please
send your thoughts,
comments or even
articles that you would
like included in the
newsletter to*

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