



## **ICPAK PRESS STATEMENT ON THE SIDELINES OF THE ANNUAL GOVERNANCE AND ETHICS CONFERENCE HELD ON 22<sup>ND</sup> TO 24<sup>TH</sup> MARCH 2017 IN MOMBASA.**

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*March 22<sup>nd</sup>, 2017*

### **Preamble,**

The Institute of Certified Public Accountants of Kenya (ICPAK) is the statutory body of accountants established by the Accountants Act of 1978, and as repealed under the Accountants' Act Number 15 of 2008, mandated to develop and regulate the Accountancy Profession in Kenya. It also has the mandate to advise the Cabinet Secretary (CS), National Treasury on matters relating to financial accountability in all sectors of the economy.

ICPAK is a member of the International Federation of Accountants (IFAC), the global umbrella body for the accountancy profession.

We are issuing our Press Statement on the sidelines of yet another Annual Governance and Ethics Conference that kicked off today and ends on Friday 24<sup>th</sup> March here at the Travellers Beach Hotel, Mombasa.

The theme of the conference is **“HARNESSING COMPETITIVE ADVANTAGE THROUGH SOUND CORPORATE GOVERNANCE AND ETHICS”**

This is a discussion at the right time – a time when the country is having huge challenges on governance and ethics leading to rampant corruption especially in the public sector.

In line with this and to live up with our mandate of promoting and upholding public interest, I would like to comment on several issues currently in the public discourse including but not limited to:

1. Budget Speech for the year 2017/2018
2. Upcoming 2017 General Elections
3. Management of Public wage Bill

## **1. Budget Statement**

As you may be aware, 2017/2018 Budget Speech will be presented before the National Assembly next week, 30<sup>th</sup> March, 2017. Budget Speech is prepared in accordance with the Public Finance Management (PFM) Act, 2012. It outlines the current state of the economy and outlook over the medium term, broad macroeconomic issues and medium term fiscal framework, the set strategic priorities and policy goals together with a summary of Government spending plans, as a basis of the FY 2017/18 budget. We hope that this year's Budget Speech will improve the public's understanding of Kenya's public finances and guide public debate on economic and development matters.

As the CS in charge of National Treasury prepares to present Budget Speech next week, we urge the Government to address key issues that confront the Nation. Several laws need to be enacted to ensure issues of national interest are addressed without fail. In view of this, we urge the Government to speed up enactment of the following Bills in the year 2017/2018:

- a. The Financial Services Authority (FSA) Bill. The Bill seeks to consolidate existing non-bank financial sector regulators and creates a new market framework for the entire non-bank financial sector. We believe that the government will reach out to all stakeholders before the passage and eventual implementation of the proposed law.
- b. The Moveable Property Security Rights Bill. The Bill seeks to facilitate lenders to provide credit using moveable properties as collateral and creates an online electronic collateral registry. We are in support of this Bill given that it will improve and strengthen credit sector in the country.
- c. The Kenya Credit Guarantee Scheme Bill. The bill seeks to support access to credit by Small and Medium Enterprises. As you are aware, SMEs are the backbone of our economy and any plan that aims at uplifting this sector is commendable.
- d. The draft County Governments' (Tax Regulation Process) Bill. The Bill seeks to regulate the process to be followed by County Governments in imposing, varying or waiving taxes, fees, levies and other charges. The Bill provide modalities whereby the counties may exercise their taxation authority -- in accordance with Articles 209 and 210 of the Constitution -- while the National Government, through the National Treasury exercises its policy oversight role. We trust that the draft Policy, the draft Bill will be subjected to broad stakeholder consultations before introduction in Parliament.

## **2. Management of public wage bill**

The rising number of Industrial unrest and the high demand for salary increments by some workers in the country is a threat to the management of the wage bill in Kenya. A huge wage bill is a threat to sustainable government expenditure. It will be difficult to

realize the fiscal responsibility principle related to the percentage of development to recurrent expenditure. The Public Finance Management Act 2012 provides that a minimum of 30% be allocated to development expenditure in the medium-term. This applies to both the national and county governments. Given the above statistics, the country is almost operating at an inverse condition where recurrent expenditure account for 70 percent of the national budget against 30 percent of development. Other negative effects of the wage bill include unsustainable public debt that currently stands at Ksh.3.77 trillion, and lack of competitiveness of the economy. In his State of Nation address last Wednesday, the President lamented the escalating Kenya's public wage bill which now stands at 50% of total Government revenue. Sadly, this amount is consumed by 2% of Kenya's population. Therefore, we support in total the plan by the Salaries and Remuneration Commission (SRC) to review downwards salaries and wages paid to state and public officers. As the government implement SRC proposal we must disabuse the notion that public office is a route to wealth and for that matter ill-gotten riches. We must restore the dignity of public service by ensuring that those who occupy such offices are not motivated by salaries and other incentives, but by the interest of 98% Kenyans, who are outside the payroll of public service.

### 3. **Upcoming Elections**

The Institute calls upon all Kenyans to ensure that they participate fully in the upcoming polls. History has shown that bad leaders assume office once good citizens fail to participate in an electoral process. It is an obligation for all eligible voters to come out in large numbers and vote for their preferred candidates. At the same time, the Institute calls upon professionals to consider running for elective posts to infuse and crossbreed professionalism into the Kenya's elective offices right from the Presidency, gubernatorial, senatorial, women representatives, members of National Assembly and members of County Assembly. We can no longer sit on our achievements and expect magic to happen to the management of public affairs in our country. We must therefore create a critical mass of patriotic professionals to tilt the balance in favour of professionalism, progress and real development. Let us once and for all stop decades old malady of lethargy, cronyism, corruption and lack of value system among some elected leaders.

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