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10

MANAGEMENT

The changing face of the accounting profession

- FCPA Julius Mwatu

24

COVER STORY

Fixing economic inequality in Kenya

48

INSPIRATION

What does Luxury mean to you?

56

HEALTH

Cervical cancer major public health concern in Kenya

65

TRAVEL

The trail of the lion of Africa

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Dear Reader,

Kenya has been ranked among the most unequal societies as the rich get richer and the poor get poorer. The concept behind it is a theoretical process called “wealth concentration.” People who already hold wealth have the resources to invest or to leverage the accumulation of wealth, which creates new wealth. The process of wealth concentration arguably makes economic inequality a vicious cycle.

Economy allocates income and wealth, which creates winners and losers. That’s OK; the challenge however, is finding the right balance. It is clear that overall progress remains slow and uneven; too many Kenyans remain caught in downward spirals of poverty, insecurity and marginalization and only a few people benefit from the country’s growth trend and rising geo-strategic importance. It has in addition been noted that too much of Kenya’s enormous resource wealth remains in the hands of narrow elites and, increasingly, foreign investors without being turned into tangible benefits for its residents. Extreme disparities of income are slowing the pace of poverty reduction and hampering the development of broad-based economic growth. Disparities in life-chances – for health, education and participation in society are preventing millions of Kenyans from realizing their potential, holding back social and economic progress in the process. Growing inequality and the twin problems of marginalization and disenfranchisement are also threatening the country’s prospects and undermining the very foundations of its recent success... find out more in the cover story.

In the work place segment, we bring you a feature on transformational leadership. Transformational leadership is where a leader works with subordinates to identify needed change, thus creating a vision to guide the change through inspiration and executing the change in tandem with committed members of a group. With transfiguration leadership the main goal is to develop the followers into future leaders

either in business or job industry and it entails understanding the strengths and weaknesses of various employees/followers in order to align them to the right tasks that optimize their performance; it is a good read.

It always seems that the ideal way to grow plants is to plant them in soil. However, substitutes have been found to possess certain advantages. The ‘modern trend’ of planting in water has been gaining currency for a while now even though it has been in existence in certain countries for many years. South China, Thailand and Indonesia who cultivated and farmed rice in paddy fields in combination with fish are cited as examples of early aquaponics systems. These polycultural farming systems existed in many Far Eastern countries. Aquaponics consists of two main parts, with the aquaculture part for raising aquatic animals and the hydroponics part for growing plants. Aquatic effluents, resulting from uneaten feed or raising animals like fish, accumulate in water due to the closed-system recirculation of most aquaculture systems. The effluent-rich water becomes toxic to the aquatic animal in high concentrations but this contains nutrients essential for plant growth. Although consisting primarily of these two parts, aquaponics systems are usually grouped into several components or subsystems responsible for the effective removal of solid wastes, for adding bases to neutralize acids, or for maintaining water oxygenation. Read more about this interesting topic in the environment segment.

In the economy slot, the writer discusses corporate bond market and economic growth. There has been an upsurge in bond market trading in Kenya since the advent of government infrastructure borrowing. Bond markets as transferable debt securities have increased substantially in the last decade in Kenya. However, there are concerns over whether or not bond market trading has any significant effect on the Kenyan economy. Bond market is one of the major sources of finance to

government and corporate firms in both developed and developing countries. To this effect, people in academics and policy makers have focused extensively on the developmental impact of bond market on the economic growth process of countries. Kenya, has witnessed rapid and remarkable economic growth over the past two decades. You will find interesting insights in this story.

Meanwhile, fraud detection and control is our focus in finance and investment. What is the risk or likelihood of a fraud occurring in your organization? This is a more difficult question to answer than one might think. In the standard audit reports that accompany corporate financial statements, the auditor’s responsibility for detecting fraud is not discussed. Yet whenever an accounting deception is uncovered, one of the first questions investors ask is, “Where were the auditors?” Capital Market Authority has introduced new guidelines, which the auditors must highlight beyond their opinion; this will go a long way in protecting investors’ wealth and creating confidence in the market.

In the financial reporting and assurance section, the author, in discussing the role of auditors during these trying times of corruption, says auditors can actually help to stem graft by enhancing compliance with policies, laws and regulations. Even though these are not the primary roles of an auditor, they can engage management in understanding the laws, policies and regulations in place. They can in addition ensure they adhere to them. Working with regulatory bodies can also enhance management compliance and strengthen ties between the regulatory bodies and management.

We bring you these interesting articles, along with our regular features.

Mbugua Njoroge

Editor

DISRUPTIVE INNOVATION IN AUDITING

*From the place where
Guinness Originated*

Deloitte recently announced that it had chosen Dublin as the location for the Deloitte Europe Middle-East and Africa (EMEA) Financial Services Blockchain Lab as part of its FinTech initiative, “The Grid”. As we love to say in Kenya, are we together? Probably not.

Let us start with “The Grid”. Deloitte point out that a GRID operating model provides a unique framework through which global in-house centers (GICs) can work together in unison to provide high-value services back to the parent as well as to drive innovation and service excellence within their own ecosystems. We do not see many global in-house centers in Kenya: as Lerionka Tiampati, the Managing Director of the Kenya Tea Development Agency Holdings Limited (KTDA) told me once, one has to go fairly far down the sizes of the Gross Domestic Products (GDPs) of countries before one comes across that of Kenya. But GICs have become increasingly common in multi-national companies since they were launched in the late 1990s. As is the case with many things in businesses, they have gone well beyond the original objectives set out by their parent companies of delivering cost savings through labor-cost arbitrage. Today, the scope and scale of

GICs has substantially expanded to often include thousands of employees in offshore, near-shore, or on-shore locations handling multiple functions and serving multiple geographies. So many GICs have succeeded in doing things “better, faster, and cheaper” that they stand at the heart of a global trend toward center-based delivery of services. As GICs continue to scale, however, some are approaching critical mass whereby it is becoming increasingly difficult to deliver more incremental value back to the parent through labor-cost arbitrage and process improvement. Efficiency gains are no longer enough. Moving ahead, many GICs will need to generate exponential strategic value by doing things astutely and innovatively, not just better, faster, and cheaper. This will demand more connectivity and collaboration between the parent and each of its centers as well as among the centers themselves—even extending to the third parties with whom the centers engage. For many organizations, the next wave of exponential value creation will likely come from tapping into the capacity for innovation that lies within their extended shared services networks. In the opinion of consultants, the traditional hub-and-spoke operating model is ill suited for providing the connectivity and synchronization

that will be required for GICs to move beyond adding value through arbitrage to adding it through smarter thinking and collaboration. To accomplish this, a new structure and accompanying mindset are needed, which in the view of consultants can be thought of as the “GRID.”

A GRID operating model can be viewed as an interwoven array of disparate nodes, which are networked for collaboration and synchronized through a common governance structure and value-based methods of measurement. The nodes of the GRID not only include GICs and shared services organizations (SSOs), but also third-party service providers, product vendors, and universities, among others. There are four main characteristics of a GRID operating model: (i) Global centers with “glocal” talent pools, global process ownership, and financials that are competitive around the world; (ii) Responsiveness via adoption of enabling technologies and application of predictive analytics; (iii) Integration into a global delivery network based on collaboration and interaction with other “nodes”; and (iv) Dynamic through on-demand service delivery, value-linked measurement systems, and faster, empowered decision-making. A GRID operating model provides a unique

framework through which GICs can work together in unison to provide high-value services back to the parent as well as to drive innovation and service excellence within their own ecosystems. From the parent's viewpoint, the idea is to be able to plug into the GRID to obtain strategic support whenever and wherever it is needed. For instance, the parent could access certain nodes to obtain finance-process help with regulatory requirements in China or for developing a regionalized version of a product to support market expansion plans into South America. From the GIC's perspective, the concept is to coordinate with other nodes to develop innovative ideas and to build capabilities that would be useful to the parent in fulfilling its broader strategic vision. An innovation center, for instance, could connect to other GICs in the GRID to exchange ideas for driving the parent's new product strategies while simultaneously connecting to local universities or start-up communities, also in the GRID, to develop programs for growing the engineering talent pool. The impetus for transitioning to a GRID operating model must come from the parent as well as the GIC. A bottom-up approach, where the GIC seeks to climb up the value chain, is not sufficient, given that in many GICs, the leadership talent is simply not there to drive business transformation efforts. While the GIC needs to be proactive, it is ultimately the parent's responsibility to drive business transformation and to make sure the GIC is working in a GRID environment.

Next, let us consider the 'FinTechiniative'. The Global FinTech Hubs Federation (GFHF), an initiative supported by Innoripe and Innovate Finance, is an independent and inclusive global network of emerging and established FinTech hubs that helps to foster innovation across the world's financial services industry. As the FinTech sector develops globally, it is creating a growing international community. The Global FinTech Hubs Federation is bringing together FinTech hubs to provide a neutral, cross-border platform to encourage greater collaboration, engagement and knowledge sharing in this growing global community. Kenya is the best known FinTech Hub in Africa. It benefits from inflows of development money since one of the UN's major offices is located in Nairobi. The technical talent pool is maturing, with improvements in skills and development. Viewed from abroad at the present time, Kenya has a

stable political environment and attracts FinTech companies from other parts of Africa, especially in the sub Saharan region. Deloitte has selected Dublin as the seat of its EMEA Financial Services Blockchain Lab. Why? Ireland's low corporation tax of 12.5% is attractive to global firms locating there. A high concentration of regulatory (RegTech) focused startups are based in Dublin to tackle challenges in supporting the city's numerous fund management servicing businesses. Technology firms including Google and Facebook, have selected Dublin as their EMEA headquarters, resulting in high concentrations of tech savvy talent who understand global business models. I hope persons high-up in the Kenya Government have read the immediately preceding two sentences: the Government in Kenya needs to reduce its spending so that the corporate rate of tax can be reduced, so that doing business in Kenya becomes more attractive.

Deloitte will build up a team of 50 people over 18 months to be based in the Dublin center. The lab's team will comprise blockchain developers and designers. What is a blockchain? A blockchain is a public ledger of all Bitcoin transactions that have ever been executed. It is constantly growing as 'completed' blocks are added to it with a new set of recordings. The blocks are added to the blockchain in a linear, chronological order. Each node (computer connected to the Bitcoin network using a client that performs the task of validating and relaying transactions) gets a copy of the blockchain, which gets downloaded automatically upon joining the Bitcoin network. The blockchain has complete information about the addresses and their balances right from the genesis block to the most recently completed block. The Deloitte team will focus on developing strategic blockchain capabilities and proof-of-concepts into functioning prototypes to create 'ready to integrate' solutions for financial services clients. It is already achieving success in this regard, having worked with the Bank of Ireland to complete a joint proof-of-concept trial which combines the technology with the bank's existing systems to provide next generation client experience and regulatory oversight at a lower cost.

The Deloitte blockchain team will work with international organisations looking to roll out blockchain-enabled solutions across different countries. The lab will serve as the Deloitte EMEA centre of excellence in blockchain and will work alongside specialist teams in other member firms.

Deloitte recently announced partnerships with five leading blockchain technology companies as part of its global blockchain delivery initiative. It will also work closely with the firm's wider global initiatives and centres of excellence in digital, analytics, and information management.

Brendan Jennings, Managing Partner, Deloitte Ireland commented: "We are proud that Ireland has been chosen as the location for this lab. Not only was the strength, expertise, and proven capability of the Deloitte Ireland blockchain team recognised, but the proximity to the headquarters of many global technology companies, our strong focus on innovation and R&D, and the support from governmental institutions, academia, and the local FinTech industry were all key factors in securing this investment. We're excited as an organization to be positioning Ireland as being at the forefront of progressing this exciting technology."

Commenting on the announcement, the Minister for Jobs, Enterprise and Innovation, Mary Mitchell O'Connor said: "I very much welcome this initiative by Deloitte as a further enhancement of Ireland's attractiveness for the financial services sector. This sector has been a powerhouse over recent years, providing significant numbers of high quality jobs. Given that it is a dynamic and fast changing business, we need to be able to satisfy the varied and complex needs of the sector, in order to ensure that we retain our competitive advantage for financial services companies locating here in Ireland. This new Blockchain Lab initiative is a valuable addition to the expertise which will be available for such companies."

David Dalton, Head of Financial Services at Deloitte Ireland, and co-lead partner of the lab commented: "Blockchain technology is disrupting the financial services industry for the better when it comes to transparency, efficiency, and improving trust. There is significant demand from clients who are looking to use blockchain to speed up payments and transfer clearances, settlements, reconciliations, digital identities, and many other use cases. By bringing together the best of Deloitte experts and building upon our capabilities, we believe our lab will play a significant role in lifting blockchain use to a new level."

Welcoming the investment Martin

David Dalton, Consulting Partner & Head of Financial Services, Deloitte



"Blockchain technology is disrupting the financial services industry for the better when it comes to transparency, efficiency, and improving trust."

Shanahan, CEO, IDA Ireland said "The decision by Deloitte to locate this blockchain lab in Ireland is a great endorsement of the technical expertise available here. This type of investment directly complements the developing cluster of professional services firms carrying out commercially focused and client-oriented innovation in Ireland. Deloitte's EMEA Financial Services Blockchain Lab will be an important reference site for IDA Ireland as we work to attract additional investment from technology-focussed professional services companies to Ireland."

In addition to existing blockchain specialists within the Deloitte network moving to the Dublin-based lab, roles will be available locally for blockchain developers for back-end developments, in addition to digital specialists for the design of client and user interfaces. Skills that the firm is looking for in candidates include blockchain-specific software development expertise, front-end design, development, and data management skills. A proven commitment to entrepreneurship and innovation will also be important.

Paolo Gianturco, Partner in Milan and co-lead of the Deloitte lab, commented: "Our investment shows our confidence in blockchain to transform the financial services industry. Blockchain's scope is huge and requires dedicated focus and time to research how best it can be used to build practical applications. This blockchain lab, we believe, will be an integral part in driving Deloitte's offering in this area."

While blockchain tech is poised to disrupt a wide variety of industries, it is also poised to dramatically impact those professions that serve all industries. One area that appears primed for massive change is the accounting field. Here, the ability of blockchains to provide a live, indelible record of financial transactions could allow accountants to execute real-time audits of banks' capital and risk positions, mitigating the need for manual, time-intensive audit processes. This accounting-blockchain convergence shows great promise for boosting fiscal accuracy, reducing fraud and improving data transparency, among other benefits. Moreover, it could virtually eliminate

the need for
bookkeepers,
auditors
and other
third parties,
creating greater
economies
of scale and
efficiencies
within the
business and
financial worlds.

These impacts are particularly relevant to the auditing subspecialization — a service predicated on trust and critical to protecting shareholders

and investors. But as a few news-making scandals have demonstrated, manipulation and bias can still leak in, adversely impacting the integrity of the auditing process.

Currently, private auditors involved in verifying the accuracy of financial statements can be caught in a conflict of interest: the act of collecting fees from clients that they are simultaneously conducting audits on. This practice is problematic on two fronts. First, there can be a temptation on the part of auditors to cast financials in a favorable light in order to retain high-paying clients. Second, auditing practices can be error-prone given the need to reconcile large amounts of complex information from multiple sources.

It is here where blockchain technology's value emerges to address the human vulnerability issues in ledger entry reliability and trustworthiness. Blockchain technology provides automated third-party verification by a distributed network, ensuring that all transactions are accurate, complete and unalterable.

Another company at the epicenter of efforts to integrate blockchain technology into the accounting world is San Francisco-based Subledger. Subledger provides businesses with a scalable, blockchain-based, double-entry accounting ledger solution delivering real-time data on finances and performance. Said Tom Mornini, founder and CEO: "Accountants are currently involved in a



lot of transaction processing, reconciliation and control activities that are fraught with error possibilities, both unintended and intended. This scenario could change significantly if blockchain technology gets adopted on a widespread basis in this space. It's a major game-changer for sure." Mornini said that far and away the most interesting work he's been involved in is a cryptographically provable exchange trading engine. "Picture a scenario where trades like those that take place on Nasdaq on a daily basis are bundled into blocks and published with cryptographic chains that show exactly what trades were executed and when and why. That holds huge potential in terms of transparency around everyone knowing that the trading exchange is operating in the way that it should be. One of the problems with trading engines, in addition to getting the trading right, is that you also have to be able to do the accounting well, accurately and at high speed. That's ultimately what we are aiming to address."

Despite pockets of promising conversation, Mornini said that efforts to align blockchain and accounting are still pretty sparse at the moment outside of support for business process and regulatory interface. “The Big 4 accounting guys have made a surprising amount of noise about the blockchain but I haven’t seen anyone really demonstrate anything. They clearly know that it will affect their future, although I’m not quite sure that they are clear as to how.”

With respect to what he sees at the ultimate game changer, M o r n i n i said: "In short, I believe Bitcoin in the not-so-distant future is going to be the common ledger that companies reconcile their internal books against, versus bank records. The Bitcoin blockchain offers this super-easy way to build accounting

systems that automatically reconcile against reality. The value proposition here is that these records will be not only more statistically accurate and representative of reality, but because they will be produced every ten minutes, they'll be guaranteed to be in lockstep with reality."

According to Mornini, the equities market plays a game whereby four times a year, everyone gets out the popcorn and starts waiting for their earnings to come in, to see if their prognostications about the future were correct. He said that he's often amazed at how so many people are interested in trying to predict the future when they all agree that it's the one thing that nobody can do.

“Wouldn’t a stock that gave you real-time accounting results be worth a premium over its competitors, that only give you a peek at their business once a quarter or four times a year? That to me seems like a much lower risk scenario for the holders of the shares. And lower risk usually means a higher price.”

Concluded Morini: "Accounting mechanisms that currently exist in the marketplace today are poorly suited to current business volumes and time-to-information demand. Even worse, they are almost entirely predicated on humans operating the software. This is where the blockchain and crypto currency transaction tools offer the greatest opportunities for change."

Accountants, prepare yourselves to be replaced by technology.

THE ROLE OF AUDITORS DURING THESE TRYING TIMES OF CORRUPTION

By Bernard Ouya B.Com, bernuya@gmail.com

Someone once said that behind every case of embezzlement of funds there is an accountant who made changes to the books of accounts and a lawyer who defended the wrong-doer in court. The truism of this statement, if was to be measured on a scale, in my humble opinion, would incline unfavourably on the true side rather than on the false side. In most instances the embezzlement of funds is done by merely making changes to the books of accounts, rather than stealing the physical cash as many may think. It's the accountants who prepare, amend and keep these books.

Accountants prepare books of accounts and a set of financial statements in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Public Sector Accounting Standards (IPSASs) together with generally agreed accounting principles (GAAPs). In some instances, though, like in cost and management accounting they are allowed to tailor-make their work to best fit the organisational requirements without sticking too much to the conventional requirements. These standards are designed to offer guidance when preparing financial statements whilst ensuring high quality work is produced that meets globally set standards and also puts all accountants on the same level ground by ensuring homogeneity of the accounts. The regulatory body for accountants in Kenya is the Institute

of Certified Public Accountants of Kenya (ICPAK). It is an affiliate of the International Federation of Accountants (the global umbrella regulatory body of the accountancy profession) and is charged with the watch-dog role of ensuring the profession meets the high calibre international bench-mark and promotes the profession locally.

Further to the regulations above, section 159 of the Companies Act requires every public company to appoint auditors to safeguard the interests of shareholders. The shareholders neither have time nor expertise to keep track of their investments and wealth maximisation objective, hence need for a watch-dog that will ensure checks and balances and report the same to them. In a government set-up, the taxpayers are analogous to the shareholders of a company while the executive (of both national and county government) are those charged with management and governance. In the recent reports released by the auditor general, the government's chief watchdog including but not limited to the press releases from non-governmental anti-corruption agencies, there has been lots of reported corruption cases in the public domain. There is a myriad of incidences of misappropriated funds (funds used for the purpose for which they were unintended), unnecessary spending, circumventing procurement procedures, ghost purchases and expenditures, and worst of all, overstatement of expenses just to mention but a few.

This begs the question, "What is the role of auditors during these trying times of corruption?" Is there anything more that they can do? Generally, an auditor's role is to express an opinion whether the financial statements represents a true and fair view. It's the auditor's report that the shareholders and taxpayers rely on and it's from that they build trust and confidence on those charged with management and governance. Auditors can foster confidence and trust by promoting accountability of those charged with management and governance. For instance, external auditors may recommend penalties for those managers or accounting officers that breach procurement procedures and defalcate funds. They could be compelled to take personal responsibility like recommending their sacking, an amount to the tune of what is lost under their watch recovered from their salaries or their personal property taken. Some of these measures may seem very stringent but may go a long way to eradicate impunity in corporate governance.

Auditors can also help to stem graft by enhancing compliance with policies, laws and regulations. Even though these are not the primary roles of an auditor, they can engage management in understanding the laws, policies and regulations in place as well as putting them on toes to adhere to them. Working with regulatory bodies can also enhance management compliance and strengthen ties between the regulatory bodies and management. For instance, regulatory bodies like

Capital Markets Authority, Central Bank of Kenya, Insurance Regulatory Commission, and Communications Authority among others are more willing to work with organisations to foster compliance. Policies, laws and regulations help to keep the organisation on track, ensuring the vision is in congruent to the day-to-day activities, guide the processes, minimise costs and act as controls to the organisation.

External auditors normally do risk analysis and recommend risk mitigating factors for those risks. Being able to identify high risk areas as far as corruption is concerned in an organisation, they would advise management to exercise more caution and put more controls to safeguard those areas from manipulation. Where controls exist auditors would normally evaluate the design and implementation of the controls that is whether they were configured to perform as intended and whether really those controls are used. It has been noted that in most entities that report high levels of corruption, controls exist but they are not used, in which case they are as good as not being there. The operating effectiveness of those controls would then be checked to determine whether the control is producing the desired result. In situations where the controls exist but are weak/deficient, compensating controls would be sought. Corruption normally thrives well in systems that have relaxed internal controls and inadequate risk management systems.

“

It's the auditor's report that the shareholders and taxpayers rely on and it's from that they build trust and confidence on those charged with management and governance.

By obtaining appropriate and sufficient audit evidence at the various stages of the audit engagement process external auditors lay good and solid foundation for stemming out corruption and malpractices in corporate governance. Strong audit evidence could support an opinion, conclusion and decision in a case of corruption. For instance, a qualified opinion on the financial statement plus recommendations on the management letter with strong audit evidence can serve in a court of law to vindicate a wrong doing. During these trying times of corruption, the greatest bottle-neck in the fight against corruption has been inability to prosecute due to lack of sufficient evidence, hence culture of impunity. Impunity is when people manage to get away with their wrong doings without getting punished or facing the consequences for their actions. When this happens overtime, it sets a wrong precedence for the coming generation and with time we find ourselves in a culture

that, a certain class of people due to their political, social and economic affiliations enjoy immunity which erodes justice and devours us of our hard-earned economic wealth.

The US in a bid to try to tame and respond to major corporate and accounting scandals, enacted Corporate and Auditing Accountability and Responsibility Act- commonly known as the Sarbanes-Oxley Act of 2002. This Act was a culmination of major accounting scandals like the Enron Scandal, Worldcom, Tyco international just to mention a few. These scandals withered investor confidence in the securities markets and caused share prices to plummet hence negatively affecting the economy. I think Kenya can borrow a leaf from this Act especially with regards to its enforcement and implementation and ensure a more robust public accounting and oversight board, auditor independence, corporate responsibility, enhanced financial disclosures, analysis of conflicts of interest, corporate and criminal fraud accountability, et al.

Auditors play a big role in building the economy through their checks and balances on the management and those charged with governance. They ensure that every signature appended on the books, to authorise cash flows and confirm compliance and commitment truly counts and really reflect on the “sheet” and on the “floor” as asserted by management. This watchdog role is the answer to the question of corruption during these trying times.

THE CHANGING FACE OF THE ACCOUNTING PROFESSION

Interviewed by Angela Mutiso, cananews@gmail.com

It is a commonly held view that accountants are by nature 'conservative'. This is because they have to exercise a lot of caution due to the sensitive nature of their work. The accountant's job is dynamic and its profile is always growing. They must rediscover, rebuild and rebrand themselves. They must change their way of thinking, and rapidly equip themselves for bigger tasks ahead.

FCPA Julius Mwatu, the Chief Finance Officer (CFO), Indigo Telecom advises fellow accountants to be ready to rebrand themselves "to the strategic thinker who businesses can rely on for strategic direction". In a candid interview with *The Accountant*, FCPA Mwatu, the current Vice Chairman of ICPAK states that an accountant is nothing short of a leader and must lead from the front. He says branding and thinking in a structured way, is vital for any professional who wants to move forward. "I believe in a structured way of thinking and that you must be proactive," explains the CFO simply. He adds that, "I take the earlier training of an accountant more as a seed, than a harvest, which you must then plant and nurture to grow you into the professional the world out there expects".

Below are excerpts of the interview:

How do you find accounting in Kenya today?

The profession is up there in terms of profile and growth. Last year was particularly a good year; and we saw our members appointed to the top jobs in both public and private institutions. There is indeed confidence that accountants can deliver.

As an Institute (ICPAK), we are doing reasonably well. We now have about 20,000 registered accountants representing

a 100% growth in the last 3 years. A lot of young graduates are joining the Institute, and that is a show of confidence by our young accountants and an assurance to the future of the profession. ICPAK must do more to meet expectations and I am glad the mentorship program for the youth is underway. We need to seek more job opportunities for the youth through internships and placements.

With devolution and the expanded governance structures under the Constitution 2010, there is a bigger opportunity for the accountant professionals in the public sector. This has been a progressive agenda and I believe that we are not there yet but we are getting somewhere. Our destiny is indeed not created by the shoes we wear, but by the small steps we take!

What about mergers? Is it a good thing?

You must understand what you are getting into, because there are pros and cons. You need to pick on people with a similar vision. It's interesting to note that 80% of

our practitioners are single partner firms - I personally support mergers because they create synergies and expand opportunities. Accountancy is very diverse and merging embraces this diversity and opens doors for more opportunities. The world over is going the supermarket way of doing things and everyone now is looking for a one stop shop. Is Kenya ready for it? I think so; I have worked with KPMG, Ernst & Young, and PKF; the bigger accountancy firms have already embraced this and I guess it's the way to go.

From where do you draw your inspiration?

Working with people, listening to divergent views... I consult a lot and reflect a lot. I believe everyone has something to offer and I really get motivated when we finally agree as a team. When you know people have divergent views and finally agree on a common view and a common position, you are sure you have an objective team and the decision is right. Leadership has only two components; the strategic think and character, and the latter is the



bigger one.

Diversity in the accounting profession

Accounting is one of the broader professions. You start as a technician, and then you grow to a manager and finally get into leadership. As a technician the debits and the credits are exciting. You go home satisfied every day the bank reconciliation statement reconciles. Don't stay here for too long. You must quickly appreciate the diversity in the profession and begin to specialise. You must seek to acquire more skills to move to the next (management) level.

The accountant is the business processor. All systems revolve around the finance function and this gives us an advantage ahead of the other professions. We must grab the opportunity; this is what pushes us to the top job - the business leadership. This must be the ultimate goal for all accountants.

Devolution and the future

Devolution is a big agenda in Kenya today. It has both political and economic aspects. Either way, the spirit is to take the services to the mwananchi. ICPAK got this one right back in time. We have 9 branches covering the 47 counties and membership has consistently grown from 835 members in 2011 to 5,033 members in 2016. This was the first job I was given as a council member and I am proud to be part of the achievement. We will strive to take the profession to the people. We want the county leadership and the shopkeeper and the farmer in the village to appreciate what we do as accountants, and how we can be part of what they do on a daily basis.

What should accountants do to move forward?

An accountant is a leader and so much depends on the decisions he/she makes. That is why it matters to everyone who your accountant is. This has created some trouble for the profession especially when it takes a political angle and leaders want to work with loyalists and "accountants" who are not necessarily CPA(K)s. The ICPAK council has been working tirelessly to get this corrected and we have won in some cases and lost in others, we will not tire.

The accountant must re-invent him/herself and expand the knowledge scope beyond accounting and finance. I recently participated in a recruitment of audit committee board members of one



An accountant is nothing short of a leader and must lead from the front. Branding and thinking in a structured way, is vital for any professional who wants to move forward.

of the counties in Kenya and saw non accountants doing better than us in our own area of specialization. We need to do more individually and collectively to package ourselves for leadership because we have the potential to be the best.

What is your greatest achievement and Vision for the Institute?

Being the Vice chairman for ICPAK; I am humbled by the council for electing me for two consecutive years unopposed. I have been in the council for six years now, but the last two, which I have served as Vice Chairman, were the best for me – very enriching (in terms of career), challenging and satisfying. I have enjoyed most the advocacy role; working hand in hand with the Chairman and the CEO to articulate public policy and governance issues. I believe we need to do more to demystify the role of an accountant in society. I know we have not quite met the expectations on the regulation role as an Institute but I believe we are headed in the right direction. A lot is pegged on the proposed amendment to the Accountants' Act and there is good progress.

We need to create opportunities for our members; and I am happy

with the recent partnerships with the Office of the Auditor General, the Council of Governors, and the NGO Co-ordination Board. The internship programme for the youth has already kicked off and the Trainee Accountant Practical Experience Framework (TAPEF) in partnership with KASNEB is expected to take off in July this year. These initiatives will create good opportunities for our members.

I would like to continue serving the Institute and the profession with an opportunity to drive my vision. I want to see a better regulated profession; more advocacy, more opportunities and better services to members and a more devolved profession.

I believe in lighting the candle, as opposed to complaining about being in the dark.



EXECUTING BLUE OCEAN

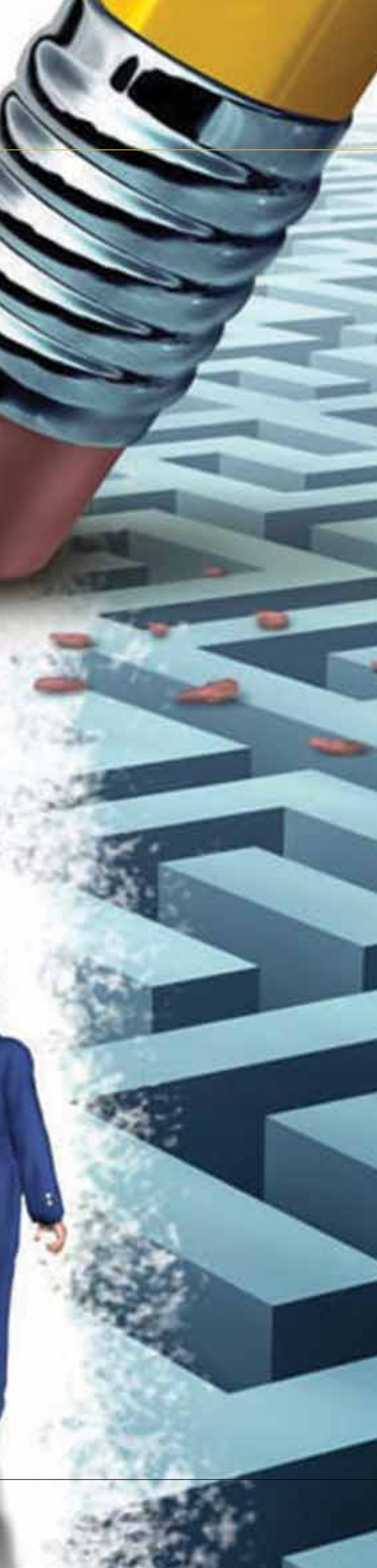
Tipping Point Leadership

Once a company has developed a blue ocean strategy with a profitable business model, it must execute it. The challenge of execution exists, of course, for any strategy. Companies, like individuals, often have a tough time translating thought into action whether in red or blue oceans. But compared with red ocean strategy, blue ocean strategy represents a significant departure from the status quo. It hinges on a shift from convergence to divergence in value curves at lower costs. That raises the execution bar. Managers have assured us that the challenge is steep. They face four hurdles. One is cognitive: waking employees up to the need for a strategic shift. Red oceans may not be the paths to future profitable growth, but they feel comfortable to people and may have even served an organization well until now, so why rock the boat? The second hurdle is limited resources. The greater the shift in strategy, the greater it is assumed are the resources needed to execute it. Third is motivation. How do you motivate key players to move fast and tenaciously to carry out a break from the status quo? That will take years, and managers do not have that kind of time. The final hurdle is politics. As one manager put it, "In our organization you get shot down before you stand up." Although all companies face different degrees of these hurdles, and many may face only some subset of the four, knowing how to triumph over them is key to attenuating organizational risk.

Overcoming key organizational hurdles to make blue ocean strategy happen in action is extremely important. To achieve this effectively, however, companies must abandon perceived wisdom on effecting change. Conventional wisdom asserts that the greater the change, the greater the resources and time one will need to bring about results. This can be done using tipping point leadership. Tipping point leadership allows one to overcome these

four hurdles fast and at low cost while winning employees' backing in executing a break from the status quo. Tipping point leadership traces its roots to the field of epidemiology and the theory of tipping points. It hinges on the insight that in any organization, fundamental changes can happen quickly when the beliefs and energies of a critical mass of people create an epidemic movement toward an idea. Key to unlocking an epidemic movement is concentration, not diffusion. Tipping point leadership builds on the rarely exploited corporate reality that in every organization, there are people, acts, and activities that exercise a disproportionate influence on performance. Hence, contrary to conventional wisdom, mounting a massive challenge is not about putting forth an equally massive response where performance gains are achieved by proportional investments in time and resources. Rather, it is about conserving resources and cutting time by focusing on identifying and then leveraging the factors of disproportionate influence in an organization.

The key questions answered by tipping point leaders are: What factors or acts exercise a disproportionately positive influence on breaking the status quo? On getting the maximum bang out of each buck of resources? On motivating key players to aggressively move forward with change? And on knocking down political roadblocks that often trip up even the best strategies? By single-mindedly focusing on points of disproportionate influence, tipping point leaders can topple the four hurdles that limit execution of blue ocean strategy. They can do this fast and at low cost. In many turnarounds and corporate transformations, the hardest battle is simply to make people aware of the need for a strategic shift and to agree on its causes. Most CEOs will try to make the case for change simply by pointing to the numbers and insisting that the company set and achieve better results: "There are only



two performance alternatives: to make the performance targets or to beat them.” But as we all know, figures can be manipulated. Insisting on stretch goals encourages abuse in the budgetary process. This, in turn, creates hostility and suspicion between the various parts of an organization. Even when the numbers are not manipulated, they can mislead. Salespeople on commission, for example, are seldom sensitive to the costs of the sales they produce. What’s more, messages communicated through numbers seldom stick with people. The case for change feels abstract and removed from the sphere of the line managers, who are the very people the CEO needs to win over. Those whose units are doing well feel that the criticism is not directed at them; the problem is top management’s. Meanwhile, managers of poorly performing units feel that they are being put on notice, and people who are worried about personal job security are more likely to scan the job market than try to solve the company’s problems.

Tipping point leadership does not rely on numbers to break through the organization’s cognitive hurdle. To tip the cognitive hurdle fast, tipping point leaders zoom in on the act of disproportionate influence: making people see and experience harsh reality first hand. Research in neuroscience and cognitive science shows that people remember and respond most effectively to what they see and experience: “Seeing is believing.”

In the realm of experience, positive stimuli reinforce behavior, whereas negative stimuli change attitudes and behavior. To tip the cognitive hurdle, not only must one get managers out of the office to see operational horror, but also one must get them to listen to their most disgruntled customers firsthand. After people in an organization accept the need for a strategic shift and more or less agree on the contours of the new strategy, most leaders are faced with the stark reality of limited resources. Do they have the money to spend on the necessary changes? Either they trim their ambitions and demoralize their work force all over again, or they fight for more resources from their bankers and share holders, a process that can take time and divert attention from the underlying problems. That’s not to say that this approach is not necessary or worthwhile, but acquiring more resources is often a long, politically charged process.

How do you get an organization to execute a strategic shift with fewer resources? Instead of focusing on getting

more resources, tipping point leaders concentrate on multiplying the value of the resources they have. When it comes to scarce resources, there are three factors of disproportionate influence that executives can leverage to dramatically free resources, on the one hand, and multiply the value of resources, on the other. These are hot spots, cold spots, and horse trading. Hot spots are activities that have low resource input but high potential performance gains. In contrast, cold spots are activities that have high resource input but low performance impact. In every organization, hot spots and cold spots typically abound. Horse trading involves trading your unit’s excess resources in one area for another unit’s excess resources to fill remaining resource gaps.

To reach an organization’s tipping point and execute blue ocean strategy, CEOs must alert employees to the need for a strategic shift and identify how it can be achieved with limited resources. For a new strategy to become a movement, people must not only recognize what needs to be done, but they must also act on that insight in a sustained and meaningful way. How can you motivate the mass of employees fast and at low-cost? When most business leaders want to break from the status quo and transform their organizations, they issue grand strategic visions and turn to massive top-down mobilization initiatives. They act on the assumption that to create massive reactions, proportionate massive actions are required. But this is often a cumbersome, expensive, and time-consuming process, given the wide variety of motivational needs in most large companies. And overarching strategic visions often inspire lip service instead of the intended action. Organizational politics is an inescapable reality of corporate and public life. The more likely change becomes, the more fiercely and vocally these negative influencers both internal and external will fight to protect their positions, and their resistance can seriously damage and even derail the strategy execution process. To overcome these political forces, tipping point leaders focus on three disproportionate influence factors: leveraging angels, silencing devils, and getting a consigliere on their top management team.

Angels are those who have the most to gain from the strategic shift. Devils are those who have the most to lose from it. And a consigliere is a politically adept but highly respected insider who knows in advance all the land mines, including who will fight and who will support.

SHARED SERVICE MODEL

By CPA James Njogu

A Concept Multinational Enterprises /Regional Offices in Kenya Should Consider

In recent years, Kenya has witnessed many multinational enterprises setting their regional base in Nairobi notably, Coca Cola, SABCO, General Electric, Phillips, Samsung, Old mutual among others. Equally the home grown companies have established their subsidiaries in East Africa and COMESA region notably Equity Bank, Kenya Commercial Bank, UAP Insurance among others. To manage their cost, maintain high level of controls and leverage on the local capacity in their regional setup adoption of shared service model becomes a very useful model for consideration by Multinational enterprises - MNEs.

Shared Service concept

Shared Services is a business model that enables resources to be leveraged across an entire organization resulting in lower costs with agreed upon customer-service levels. In many instances, Shared Services is a separate business unit created within a company or agency accountable for delivering a suite of services to both the operating business units and the corporate functions. The shared service can be an entity by itself or can be located to the entity that has the largest consumer of the services. Shared Services has the mindset of a business and views the rest of the organization as their customers. As a service organization, their accountabilities are delivering value (balancing cost and service levels), as well as identifying ways of further leveraging their operating model. The operating model is built on three primary capability levers: People, Process, and Technology. There are three broader approaches to shared service concept notably;

The centralized approach

In this model, all business-support services are concentrated in a single centre. This centre provides services to a company's operations throughout the region. The

most cost-efficient model, it is also the most demanding to execute because it requires the most extensive operational restructuring.

The centres-of-excellence approach

In this model, specific business processes are located in different locales based on a company's strongest concentrations of experience. For example actuarial function is allocated in South Africa to leverage the expertise pool and give services to the rest of Africa.

The regional clusters approach

In this model, shared services are provided on a region-by-region basis. One Shared

Service concept –(SSC), for example, might provide business support to Eastern Africa while another would deliver services to Southern Africa as well as another cluster serving West Africa. Many companies view the cluster approach as a stepping stone to a centralized shared services model. The model is designed to bring services closer to its clients.

Why the adoption of the shared service model

Cost reduction was the single most important driver behind the move to a shared services model, according to survey done by PWC in the US. Other key drivers identified in the survey included: better management information/decision support, the need to align business





help the business focus and organize to perform its value creating roles.

Potential benefits

- Business focuses on value-creating activity
- Business units maintain control of decisions
- Enhanced customer service delivery and focus on customer satisfaction and increasing competitive advantage
- Increased strategic and business focus
- Leveraged technology/ERP systems
- Reduced financial and organizational costs through economies of scale
- Reduced IT costs
- Standardized and best practice processes in line with industry benchmarks standards
- Improved controls over regulatory aspects impacting sourcing operations
- Leveraging taxation opportunities to add further value to sourcing operations

The key obstacles that hinder the effective implementation of shared service concept notably; Resistance to Change

Effective change management must be a component of any implementation regardless of sourcing.

The legacy Systems – While not always possible, Shared Services and system integrations as part of a business transformation project can yield excellent results.

Limitations of legacy systems can sub-optimize results

Leadership – There will be tough times, everyone has to be on board and visibly and vocally supportive.

Shared Services Team – The attitude and skill set of a service-oriented team looking to use enabling technology to optimize processes may not exist in the organization today. Find and pre-qualify the right people before you start.

The key learning on the implementation of shared service model as PWC in the survey and professional experience noted included;

To make Shared Services work, a company must have a global organizational structure in place before implementation begins. An SSC cannot thrive in a fragmented

services with a global operating structure, business-process integration following a merger or acquisition, and improving customer service.

On the cost-reduction front, participants' entities in the US cited four benefits: cost savings (42%), head-count reductions (24%), increased efficiency (21%), and lower cost locations (18%). Shared Services' role as a catalyst in the shift from an in-country to a global corporate structure was another major advantage cited by survey participants. Other positive results: better decision support (60%), the development of common practices (40%), and common data structures (34%). In Africa, engagement with the executives indicated they prefer shared service to reduce cost, have a standard operating

procedure, increase efficiency and better flowing organization design on back office services.

Value proposition on the adoption of the concept

Establishing a shared services centre involves taking repetitive common processes out of individual business units and moving them into a stand-alone organization, freeing up the business to spend more time performing higher value-added tasks. The SSC achieves improved efficiencies through economies of scale and clear role focus (often technology enabled) while providing a high level of service to the enterprise. Further there is recognition that the implementation of shared services brings opportunities to

corporate structure, in which country operations are decentralized. Centralizing support services is possible only if a global corporate structure is firmly established before a Shared Services initiative is launched.

Cascading sponsorship and buy-in from key stakeholders are vital to swift, effective implementation. Support for shared services must start at the top and cascade throughout a company if the approach is to take root. Key stakeholders, including the business units served and operation managers, must enthusiastically support the model.

Building a SSC is a long-term, strategic decision, not a short-term, cost cutting tactic. The key to continuous improvement is focusing on the long-term benefits, not just immediate cost savings. While cutting costs is a strong incentive, other benefits such as Shared Services role in supporting globalization, better decision making, and improved customer service are equally valuable.

Strong, consistent communication to every level is essential to success, both during the start-up stage and throughout implementation. In building a robust SSC, relationships are just as important as knowledge or technical experience.

Companies that select SSC directors who excel in people management—and in forging relationships with operation managers and other stakeholders—greatly enhance their chances of success.

Companies that give priority to people/cultural concerns are most likely to create a viable global services program. Survey participants warned against underestimating the depth of change Management required to shift to a Shared Services support model. This is especially critical in areas where major cultural barriers to centralization still exert powerful influence.

Recognize and carefully address the risks and benefits associated with each SSC migration model whether a company chooses to fully centralize, create centres of excellence, or use a regional cluster model in building a Shared Services program, substantial risks are involved. Before selecting an operating model, it is important to carefully weigh both the advantages and liabilities inherent in each approach.

Keep it simple: focus on relationships, buy-in, and long-term benefits rather than purely on structure and technology as e-business escalates in importance, it

is tempting to emphasize technological innovation over human resources. Survey results reveal that this approach can over-complicate the implementation process and obscure its long-term goals.

Invest significantly in IT to build a common platform that supports shared services implementation. Fragmented and/or inadequate IT resources and infrastructure can seriously threaten the viability of even the most carefully planned start-up. A coherent, fit-for-purpose IT infrastructure is essential to launching a global shared services program.

Link reward systems for shared services and country personnel to their performance of end-to-end processes – that is, purchase-to-pay rather than accounts payable. Survey participants indicated that this is a key ingredient in building a strong shared services resource pool that is committed to customer service and continuous improvement.

Tax environment on implementation of shared service concept in Kenya

The main tax issue with locating a SSC is often withholding tax (WHT). The impact of WHT will not only depend on where the SSC is located but also on

TAXES

the invoice flows, so it's important to get it right. Kenya has a double taxation treaty with ten countries notably UK, India, Germany, South Africa, Zambia, Denmark, Norway, Sweden, France and Mauritius. Unfortunately Kenya does not have a ratified treaty with any of the Eastern Africa members hence a challenge on additional withholding tax cost. The absence of a treaty means that the entity in the country paying a service for example a management service will have to gross up with the withholding tax which is an additional cost to the recipient of the service. It's the best time for the government in the region to consider ratification of East Africa Double taxation treaty.

VAT: The activities carried out by an SSC can have a big impact on its VAT status which can be costly. What may seem like simple contractual terms can have significant consequences. Under the Kenyan context, any variable services have to be priced at market value hence the pricing of the service has to be at arm's length. Services offered to the entities outside Kenya and the consumption of the services outside Kenya are zero rated. The recipient of the service who is domiciled outside Kenya may be required to pay

reverse charge VAT depending on their domestic tax laws. The VAT paid can be claimable or expensed in the books.

Corporate tax deduction- Failing to obtain tax deductions can easily eat into the cost savings generated by the SSC. Good governance, in particular relevant and correct documentation, plays a critical part in achieving the required tax deductions as companies often have to prove to the authorities that the service was actually of some benefit and not simply a disguised re-allocation of profit. Particular care should be taken with setup costs as inefficiencies may otherwise arise through aborted projects and capitalised amounts. A cost sharing agreement is often the most practical way of dealing with setup costs, but needs to be in place from the start.

Where a finance SSC is being set up or undergoing a transformation programme, it is imperative that the right system is in place to provide good quality data to support tax decisions and calculations. Tax professionals will be relying on the information provided by the SSC teams at the point of data entry for many of their analysis and decision-making processes (e.g. identifying disallowable expenditure or qualifying capital expenditure). With experienced tax input into the system design and training processes, significant cash savings can often be achieved by enhancing data quality.

There is no standard SSC charging model, but certain types will be more suited to the group's circumstances than others. Companies tend to choose between three main options:

Charging by client turnover- This

method is probably too simplistic and open to tax authority challenge as the number and complexity of transactions is not taken into account.

Charging by the number of people in the SSC working for a particular country business unit:

The logic here is that the SSC is a proxy for the local country people replaced by it, but this is also flawed because the SSC is function-focused rather than country-focused.

Activity based charging: This is probably the best pricing method as it allows the complexity of the task to be taken into account but is understandably more complex and therefore the SSC has to be setup with this sort of charging mechanism in mind.

In conclusion

The MNE in Kenya should consider setting up an SSC is to create a large-scale, efficient function that reduces costs, increases quality and improves control. A whole host of activities including Finance, IT, HR, Legal and other back office services can be found in SSCs around the globe. SSCs are a great way to manage risk, but companies don't expect to make huge tax savings from them. In fact, in many cases the tax charge rises as costs are removed from the business to increase profit. More profit often means greater tax charges. The set-up and operation of the SSC should be considered from an efficiency, risk and availability of capacity perspective early in the process to ensure that the overall efficiency and cost saving benefits are not diluted by unnecessary impediments.



Unfortunately Kenya does not have a ratified treaty with any of the Eastern Africa members hence a challenge on additional withholding tax cost. The absence of a treaty means that the entity in the country paying a service for example a management service will have to gross up with the withholding tax which is an additional cost to the recipient of the service.



EFFECTIVELY PLANNING FOR YOUR ENTERPRISES' SUCCESS

By Dr Victor S Mutindah

Forecasting & Proper Planning

As Entrepreneurs ponder over priorities for the fast rolling year, this may involve umpteen meetings with decision makers to lobby for buy-in and consensus, but any targeted and to be successful' goals would need a good plan.

Growth and success would mean different things to different Enterprises. Your plans could be as grand as multi-million-dollar turnover in the next three years, or looking to expand across different market segments.

Most entrepreneurs' goals are backed by incomplete or intrinsic cues, rather than linking to company strategy – inclusive of vision, governance and financial forecasts. A case sample would be a growing enterprise in the ICT sector seeking to craft a business strategy. At first, the management may remark and think about compensation and incentive structures. The marketing and product strategy would also come into play, as well as the Board / directors having to chip in for emphasis on vital financial targets.

I am not saying these are skewed

priorities. However, having many goals without linking them to strategy and taking into account the enterprises' performance, will result in a cocktail approach. It's important that you choose the right goals for your enterprise, more so built on solid research, with a clear plan of the tactics you will use to achieve them.

As the Guru of Management (Peter Drucker) remarks, "Unless commitment is made, there are only promises and hopes; but no plans."

So, what's the panacea? Here's an area-wide checklist to refer to whilst building your "365-Day Action Plan":

1. Succession Planning

The transition from one CEO to another is monumental in an enterprises' lifespan. A smooth transition is critical to maintain confidence of investors, partners, customer and employees. In turn, this enables an incoming CEO with a sound platform from which to move the company forward. Specifically, I notice owner-managers having an aura of "feeling irreplaceable." This phenomenon threatens the entity's

vision and long-term ambition. By the time a succession plan is required, it is far too late to start building one.

For enterprises that have a clear-cut succession plan, it must be linked to the strategic plan to ensure consistency and longevity. The Board / director's in conjunction with senior HR management, should review the plan twice a year – taking into consideration relevant parameters of the envisaged leader. Collectively, the Board / director's should review company direction and strategy over a 5-7-year period, factoring in various scenarios with the use of analysis and foresight.

2. Product Portfolio

Self-help expert Kiyosaki states, "Most businesses think that product is the most important thing, but without great leadership, mission and a team that delivers results at a high level, even the best product won't make a company successful." Several times when advising clients, less emphasis is given on product strategy – optimizing this to market needs, listening to customers for viewpoints and improvements and

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Several times when advising clients, less emphasis is given on product strategy – optimizing this to market needs, listening to customers for viewpoints and improvements and evaluating product performance in comparison to competitors.

evaluating product performance in comparison to competitors. You can say the right thing about a product and nobody will listen. You've got to say it in such a way that people will feel it in their gut. Because notably so, if they don't feel it, nothing will happen.

3. Talent

Research indicates that employees have three prime needs: interesting work, recognition for doing a good job, and being let in on things that are going on in the company. In today's integrated workplace, no leader can afford to neglect the challenge of engaging employees in creating the future.

Engagement was obscure in the past, but it's pretty much the whole game today. For any enterprise, regardless of its size or industry, it should focus into building a resilient organizational structure that recognizes and rewards performance, identifies talent – short and medium term, involves in decision making and pinpoints potential high performers who

can build winning teams to strengthen organizational performance.

More often than not, an enterprise favors a reactive approach to attract and hire talent – for long that has been modus operandi. Today, I work with diverse enterprises to build a robust future talent pipeline (6-9 months) by projecting their growth and its manpower needs in the short-medium term. As Warren Buffett states, “Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don't have the first, the other two will kill you.”

4. Robust Processes

When was the last time you considered accountability, reporting and governance as key drivers to organizational permanence? Having processes is half-way to the summit, but developing tangible metrics is the course to victory. Today's organizations are faced with changing market dynamics where quick decision making and innovation are a pre-requisite. Hence, if your goals are not backed by clear and measureable metrics to track performance, decision making and governance, it won't be long before you end up on the drawing board reviewing your ambitions for the short and long-term future.

5. Proper Adoption of Social Media

One of the biggest challenges facing CEOs and a mammoth of enterprise's entrepreneurs in this year and moving forward is how to effectively reach audiences online, specifically, social media. More than one million Kenyans use Twitter. Twitter growth in the country has doubled on a year on year basis. Gone are the days when information travelled through traditional forms such as brochures and flyers – as increased usage of social media is employed to effectively communicate press releases, offers, product advice, amongst others. However, as much as the adoption of social media has increased on an individual level, most enterprises have fallen prey to the failure of devising and adopting a social media strategy. I have dealt with business entities who once saw social media as a secondary go-to-market strategy. Today, they find their clientele demanding solutions to resolve their issues mostly through Twitter, Facebook and Instagram. Hence,

reaching customers online will be one of the biggest challenges facing 'to-go-to' enterprises of choice in the modern times ahead.

Auditing the Past Experiences to inform the way forward

It is equally imperative to consider the following as you “audit” this in tandem with other enterprise leaders:

DO's

- What do you wish you had achieved before? What do you want to do more this year and this time round?
- Reflect on realistic goals i.e. You want them to be attainable, but you have to work just a little more to get there with available resources.
- Create a 365-Day Action Plan that details the steps you and your team need to take to achieve a goal. E.g. To increase Sales by 18%, the enterprise needs to hire two sales executives, open one new location and increase prices by 2%.
- Arrange for a monthly or quarterly meeting to see how your plan is unfolding. If there are obstacles from completing the item, work to mitigate it.

DON'T's

- Avoid generic resolutions like “grow my business.” Be specific.
- DON'T set too many targets or go into greater detail than required. Too many details lead to confusion, conflicting goals, micro-management and failure to execute.



By Ndirangu Ngunjiri, operations@watermarkconsultants.com

DETECT FRAUD AND CONTROL IT

What is the risk or likelihood of a fraud occurring in your organization? A more difficult question to answer than one might think. In the standard audit reports that accompany corporate financial statements, the auditor's responsibility for detecting fraud is not discussed. Indeed, the word fraud isn't mentioned at all. Yet whenever an accounting deception is uncovered, one of the first questions investors ask is, "Where were the auditors?" Capital Market Authority have introduced new guidelines, which the auditors must highlight beyond their opinion, this will go a long way in protecting investors

wealth and creating confidence in the market.

An opportunity is likely to occur when there are weaknesses in the internal control framework or when a person abuses a position of trust. Most people do not originally set out to commit fraud, often they simply took advantage of an opportunity; many times the first fraudulent act was an accident – perhaps they mistakenly processed the same invoice twice. But when they realized that it wasn't noticed, the fraudulent acts became deliberate and more frequent. However, the auditors do not examine every transaction and event; there is no guarantee that all material misstatements, whether caused by error

or fraud, will be detected.

The auditing profession calls the discrepancy between what investors expect and what auditors do an "expectations gap." In recent years, audit firms have attempted to close the gap by educating the public on their role during the AGMs.

Employee fraud is a significant problem faced by governments and organizations of all types, sizes, locations and industries. While we would all like to believe our employees are loyal and working for the benefit of the organization (and most of them probably are), there are still many reasons why your employees may commit fraud and several ways in which they might do it; a typical organization

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Employee fraud is a significant problem faced by governments and organizations of all types, sizes, locations and industries. Every organization should have a plan in place as preventing fraud is much easier than recovering your losses after a fraud has been committed. EACC was formed many years ago and have recovered less than a billion shillings, while we have multibillion fraud committed in Kenya.

loses 5% of its annual revenue each year due to employee fraud. Prevention and detection are crucial to reducing this loss. Every organization should have a plan in place as preventing fraud is much easier than recovering your losses after a fraud has been committed. EACC was formed many years ago and have recovered less than a billion shillings, while we have multibillion fraud committed in Kenya.

Asset misappropriation, although least costly, makes 80% of all fraud cases in Kenya. These are schemes in which an employee steals or exploits its organization's resources. Examples are stealing cash before or after it's been recorded, making a fictitious expense reimbursement claim and/or stealing non-cash assets of the organization, use of government resources for wrong purposes.

Financial statement fraud comprised less than ten percent of cases but caused the most median loss. These are schemes

that involve omitting or intentionally misstating information in the company's financial reports. This can be in the form of fictitious revenues, hidden liabilities or inflated assets. Uchumi supermarkets and East Africa Portland Cement are some of the firms that have experienced this.

Corruption schemes happen when employees use their influence in business transactions for their own benefit while violating their duty to the employer. Examples of corruption are bribery, extortion and conflict of interest.

It is vital to governments and organizations, large or small, to have a fraud prevention plan in place, mostly the fraudulent activities last an average of 18 months before being detected. Imagine the type of loss your company could suffer with an employee committing fraud for a year and a half. Luckily, there are ways you can minimize fraud occurrences by implementing different procedures and

controls.

Fraud perpetrators often display behavioral traits that can indicate the intention to commit fraud. Observing and listening to employees can help you identify potential fraud risk. It is important for management to be involved with their employees and take time to get to know them. Often, an attitude change can clue you in to a risk. This can also reveal internal issues that need to be addressed. For example, if an employee feels a lack of appreciation from the business owner or anger at their boss, this could lead him or her to commit fraud as a way of revenge. Any attitude change should cause you to pay close attention to that employee. This may not only minimize a loss from fraud, but can make the organization a better, more efficient place with happier employees. Very often and unfortunately, it's the employee you least expect that commits the crime. It is imperative to



know your employees and engage them in conversation.

Everyone within the government or organization should be aware of the fraud risk policy including types of fraud and the consequences associated with them. Those who are planning to commit fraud will know that management is watching and will hopefully be deterred by this. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft. These employees are assets in the fight against fraud. Since many employees are hesitant to report incidents to their employers, consider setting up an anonymous reporting system, whistle blower policy. Employees can report fraudulent activity through a website keeping their identity safe or by using a tip hotline.

Internal controls are the plans and/or programs implemented to safeguard your company's assets, ensure the integrity of its accounting records, and deter and detect fraud and theft. Segregation of duties is an important component of internal control that can reduce the risk of fraud from occurring. Documentation is another internal control that can help reduce fraud.

Internal control programs should be monitored and revised on a consistent basis to ensure they are effective and current with technological and other advances. If you do not have an internal control process or fraud prevention program in place, then you should hire a professional with experience in this area. An expert will analyze the company's policies and procedures, recommend appropriate programs and assist with implementation.

You might be impressed by the

employees who haven't missed a day of work in years. While these may sound like loyal employees, it could be a sign that these employees have something to hide and are worried that someone will detect their fraud if they were out of the office for a period of time. It is also a good idea to rotate employees to various jobs within a company. This may also reveal fraudulent activity as it allows a second employee to review the activities of the first.

A positive work environment can prevent employee fraud and theft. There should be a clear organizational structure, written policies and procedures and fair employment practices. An open-door policy can also provide a great fraud prevention system as it gives employees open lines of communication with management. Business owners and senior management should lead by example and hold every employee accountable for their actions, regardless of position.

In addition to prevention strategies, you should also have detection methods in place and make them visible to the employees, the visibility of these controls acts as one of the best deterrents to fraudulent behavior. It is important to continuously monitor and update your fraud detection strategies to ensure they are effective. Detection plans usually occur during the regularly scheduled business day. Once the final fraud detection plan has been finalized, all employees should be made aware of the plan and how it will be implemented. Communicating this to employees is a prevention method in itself. Knowing the company is watching and will take disciplinary action can hinder employees' plans to commit fraud.

The reality is that both management and

audit have roles to play in the prevention and detection of fraud. The best scenario is one where management, employees, and internal and external auditors work together to combat fraud. Furthermore, internal controls alone are not sufficient, corporate culture, the attitudes of senior management and all employees, must be such that the company is fraud resistant. Unfortunately, many auditors feel that corporate culture is beyond their sphere of influence. However, audit can take steps to ensure that senior management is aware of the risk and materiality of fraud and that all instances of fraud are made known to all employees. Also audit can also encourage management to develop Fraud Awareness Training and a Fraud Policy to help combat fraud. Finally, audit can review and comment on organizational goals and objectives to reduce the existence of unrealistic performance measures.

Those who are willing to commit fraud do not discriminate. It can happen in large or small companies across various industries and geographic locations. Occupational fraud can result in huge financial loss, legal costs, and ruined reputations that can ultimately lead to the downfall of an organization. Having the proper plans in place can significantly reduce fraudulent activities from occurring or cut losses if a fraud already occurred. Making the company policy known to employees is one of the best ways to deter fraudulent behavior. Following through with the policy and enforcing the noted steps and consequences when someone is caught is crucial to preventing fraud. The cost of trying to prevent fraud is less expensive to a business than the cost of the fraud that gets committed.



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HOW TO FIX ECONOMIC INEQUALITY IN KENYA

By Ndirangu Ngunjiri, operations@watermarkconsultants.com

Kenya has been ranked among most unequal societies; the rich get richer, the poor get poorer. The concept behind it is a theoretical process called “wealth concentration.” People who already hold wealth have the resources to invest or to leverage the accumulation of wealth, which creates new wealth. The process of wealth concentration arguably makes economic inequality a vicious cycle. Economy allocates income and wealth, which creates winners and losers. That’s OK; but the challenge is finding the right balance.

It cannot be said often enough, that overall progress remains too slow and too uneven; that too many Kenyans remain caught in downward spirals of poverty, insecurity and marginalization; that too few people benefit from the country’s growth trend and rising geo-strategic importance; that too much of Kenya’s enormous resource wealth remains in the hands of narrow elites and, increasingly, foreign investors without being turned into tangible benefits for its residents.

After a decade of high growth, a new narrative of optimism has taken hold about Kenya and its economic prospects. Alongside buoyant growth rates, there has been some poverty reduction and some positive progress in sectors such as health and education. However, despite this, there is a broad consensus that progress in human development has been limited given the volume of wealth created.

The effects of wealth concentration may extend to future generations. Children born in a rich family have an economic advantage compared to

children born in Kasarani Elburgon, because of wealth inherited and possibly education, which may increase their chances of earning a higher income than their peers. These advantages create another round of the vicious cycle.

Extreme disparities of income are slowing the pace of poverty reduction and hampering the development of broad-based economic growth. Disparities in life-chances – for health, education and participation in society – are preventing millions of Kenyans from realizing their potential, holding back social and economic progress in the process. Growing inequality and the twin problems of marginalization and disenfranchisement are threatening the country’s prospects and undermining the very foundations of its recent success.

Economic inequality is on the minds of political candidates going to an election year, with all types of fake promises. I think economic inequality is a symptom and trying to solve it won’t change anything. There are deeper problems that we can attack as a society which will do a lot for the symptom. With the bottom half of the world’s population together possessing barely 1% of global wealth while, the top 10% owns 84%, economic inequality is widely and increasingly recognized as a problem in its own right. The late J M Kariuki, in 1970 was quoted as saying: “Kenya has become a country of ten millionaires and ten million beggars.”

With the innovative technical tools that have been developed in iHub and other innovation centers, we have the ability to design policy to empower the individual. The promise of artificial

intelligence and virtual reality will enable even more tech tools that can make government policy a lot better, and cheaper.

Raising the minimum wage is a step to reducing economy inequality. Its sharp decline in real value means the lowest wage earners have no chance of keeping pace with those whose incomes are tied to the stock market or who have university degrees. Wages need to rise to a livable level.

At one extreme is excessive equality. Exceptional personal effort and results are matched with little to no economic gain. The incentive to excel is destroyed. At the other extreme is excessive inequality. Exceptional output is matched with colossal gains. The winners take such a large chunk of the economic pie that common workers are left with crumbs. Most lives are dominated by financial struggle, and the incentive to contribute disappears.

When I was in Elburgon during the Jamhuri holiday, a man who lives on the richer side of the timber producing town told me, you could drop millions on the poorer side of the town (Kasarani), come back next Jamhuri holiday, and absolutely nothing would have changed. Poor would blow it on drugs and cars, he said. Turns out, randomly giving poorer people cash as a form of charity or through various promotions and betting and online casinos may not be such a bad idea. There’s no precedent for giving money at random to poor people in Kenya, which is why only the poor play the betting games. We should get out of our collective comfort zone and create conversations across the economic divide and support policies to help each other.

“

Raising the minimum wage is a step to reducing economy inequality. Its sharp decline in real value means the lowest wage earners have no chance of keeping pace with those whose incomes are tied to the stock market or who have university degrees. Wages need to rise to a livable level.



There's no surer ticket out of poverty than a solid education, by secondary school principal JM Mwangi (Boggi) may his soul rest in peace always said this. But that education has to be affordable, quality and it has to be equally distributed. It would be impossible to argue that's true of Kenya's public schools, which are supported by taxes. Big houses equal better schools. And poorer kids, of course, lose out. That's a tragedy, and leads, to poorer students who are years behind their richer peers.

My retiring mother has over sixty pupils in her class 2, while my daughter still in class two has twenty classmates, what are the comparisons from their performance? Education should be a great equalizer, not a source of division. The community would benefit from closing its private school, and creating a shared asset in the public school system. Right now, the business community and richer families have almost no reason to fully invest in the public schools. Education is the most necessary investment to create economic sustainability and recreate class mobility.

Economic inequality is a problem, but it is a problem created by governance. It is not natural. If we created it, we can fix it. Progressive and enlightened policies can reverse the trends of the last five decades, increasing wage growth for the bottom income quintiles relative to wage growth for the top earners by raising the minimum wage to a livable level and raising top marginal tax rates. Expanding welfare

rolls will also serve to curtail inequality and augment the purchasing power of the lower income earners. Long-term solutions can be crafted.

In Kenya, it is the poor who end up paying more tax as a proportion of their income and this is just not right. When the rich are able to avoid paying their fair share of taxes, KRA must rely on the rest of its citizens to fill its coffers. While tax dodging goes unchecked, governments are severely hampered from putting in place progressive tax systems – so fairer domestic tax systems depend on global transparency measures. Influential corporations and wealthy individuals constantly seek ways to take advantage of special tax breaks to shelter income that should be fully taxed. However, rather than uniting to demand fair deals with investors, Kenya is competing with other developing countries to see who has the best business climate, the most generous tax holidays, the best investor protection and other fiscal incentives'

Power corrupts because it can be used to obtain unfair advantage. One way to address this is a balance of power. That is why unions are important. They can and have abused their power as has every other powerful institution in this country. That is an argument for limiting power across the board with checks and balances. It is not an argument for a single minded attack on labor. From the start, government policy has tilted strongly against unions

contributing significantly to disruptive economic inequality.

What does the Scripture say about these issues? From Genesis 1-3, we conclude that work, industry and economics are all a part of God's good creation. In the perfect environment of Eden, wealth was the natural state; indeed, wealth and abundance were the norm! But due to sin and rebellion against God poverty and disparity of resources are now the norm. As a Presbyterian, Because of sin and judgment upon the entire created order, poverty is now the norm, and Christian economics focuses on overcoming poverty for the sake of the love of God and neighbor.

Wealthy elites have co-opted political power to rig the rules of the economic game, undermining democracy and hindering economic growth and poverty reduction.

Economic inequality can lead to "opportunity capture", which means that the best education, the best health care and the lowest tax rates will be claimed by the children of the rich. If inequality is not addressed quickly, we will soon live in a world where equal opportunity is just a dream. Rather than leaving the rest of us to fight over scraps from the top table, the investments and policies needed to put right the imbalance of inequality must be addressed if the poverty currently affecting millions of Kenyans is to be truly made a thing of the past.

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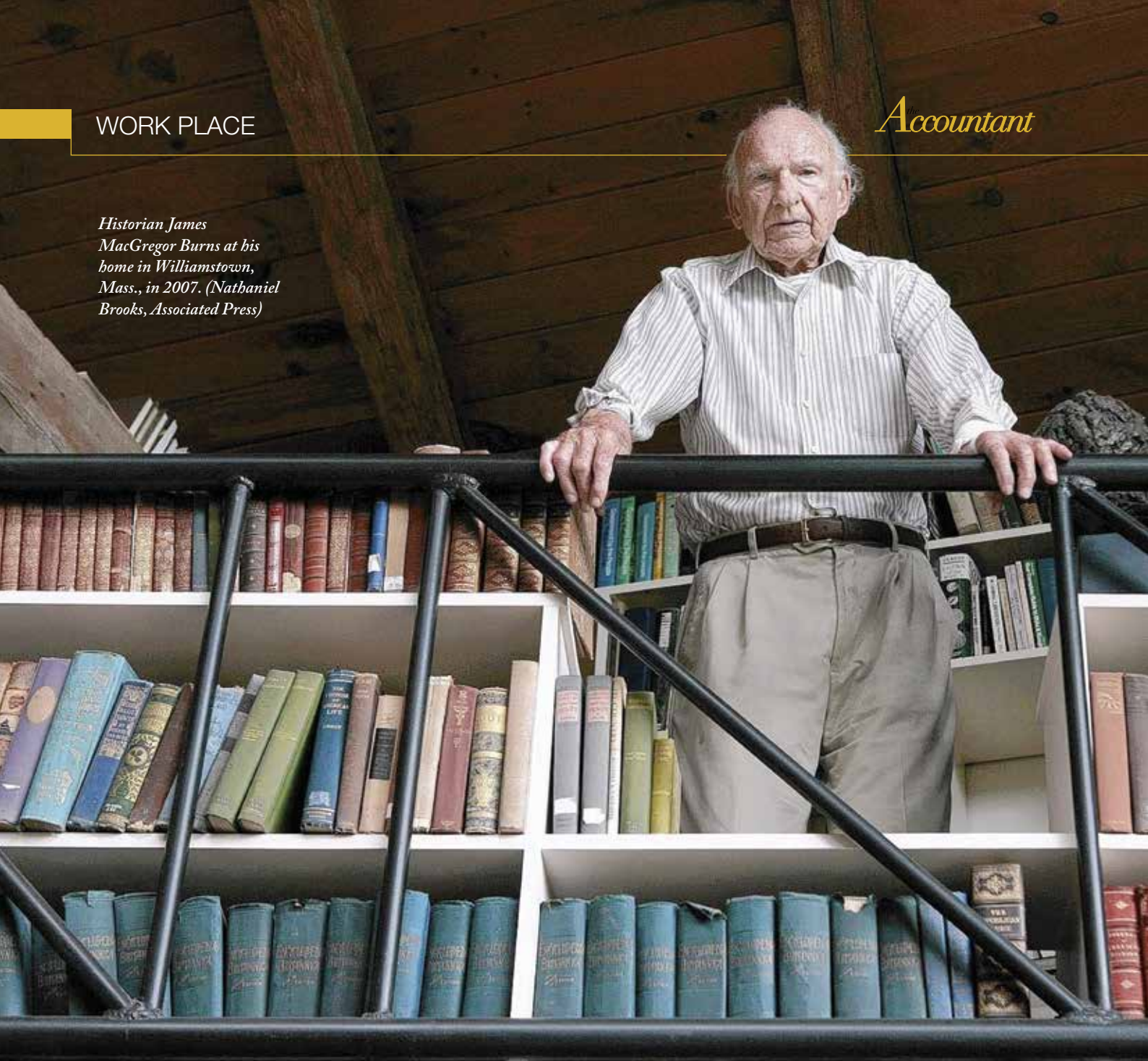
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Historian James MacGregor Burns at his home in Williamstown, Mass., in 2007. (Nathaniel Brooks, Associated Press)



ENCOURAGING TRANSFORMATIONAL LEADERSHIP FOR A BETTER TOMORROW

By CPA Maroa Julius Mwita, juliusmaroas@gmail.com

To start with transformational leadership is where a leader works with subordinates to identify needed change, thus creating a vision to guide the change through inspiration and executing the change in tandem with committed

members of a group.

According to one leadership expert James McGregor Burns, transformational leadership is a process where leaders and their followers raise one another to high levels of morality and motivation and makes a leader take a visionary position

while others follow. I will borrow from the Coast Bus slogan of “we lead others follow and: and Toyota’s the car in front is always a Toyota”. With transfiguration leadership the main goal is to develop the followers into future leaders either in business or job industry and it entails understanding

“Some of the basic characteristics of transformational leadership are inspirational, in that the leader can inspire workers to find better ways of achieving a goal; mobilization, because leadership can mobilize people into groups that can get work done, and morale, in that transformational leaders raise the well-being and motivation level of a group through excellent rapport.”

of transformational leadership are inspirational, in that the leader can inspire workers to find better ways of achieving a goal; mobilization, because leadership can mobilize people into groups that can get work done, and morale, in that transformational leaders raise the well-being and motivation level of a group through excellent rapport. They are also good at conflict resolution and can adapt to any business environment. Other characteristics of transformational leaders include:

1. Very well-organized and expect their followers to be creative
2. Team-oriented and expect that followers will work together to create the best possible results
3. Respected, and in turn respects followers.
4. Acts as coach of the team. He or she provides training and motivation to reach the desired goals
5. Responsible for their team, but also instills responsibility into team members
6. Engenders respect through rapport and a personal influence.

More often people even at the work place would follow someone who inspires them than one who does not. In reference to John D. Rockefeller who was the founder of Standard Oil which started as a single oil refinery and grew to a huge company. Much of the company's growth came through acquisitions. But, Rockefeller also spent a considerable amount of time streamlining the organization as it grew. His company's built an early reputation by guaranteeing the quality of Standard's kerosene. He was

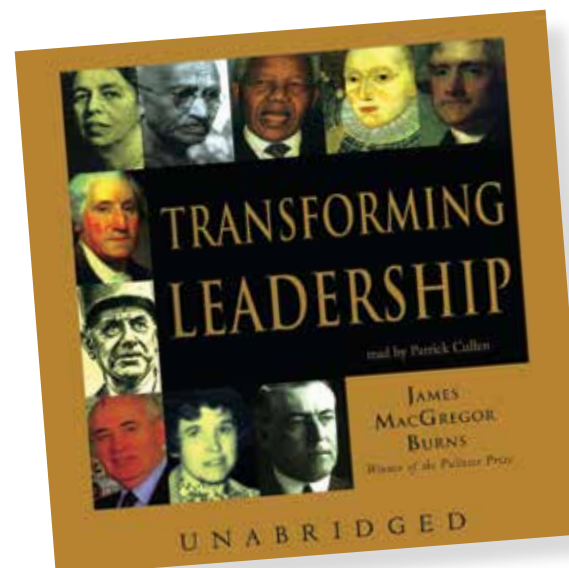
known for his organizational tactics and for using disciplined strategies. One of the reasons for Rockefeller's success was that he could align his company with one simple vision, and then he held everyone accountable for their part in making that vision happen. From this we can learn that in business, transformational leadership is often the most effective leadership style.

Transformational leadership may be found at all levels of the organization: teams, departments, divisions, and organization as a whole. Such leaders are visionary, inspiring, daring, risk-takers, and thoughtful thinkers. They have a charismatic appeal. But charisma alone is insufficient for changing the way an organization operates. For bringing major changes, transformational leaders must exhibit the following four factors as previously outlined above.

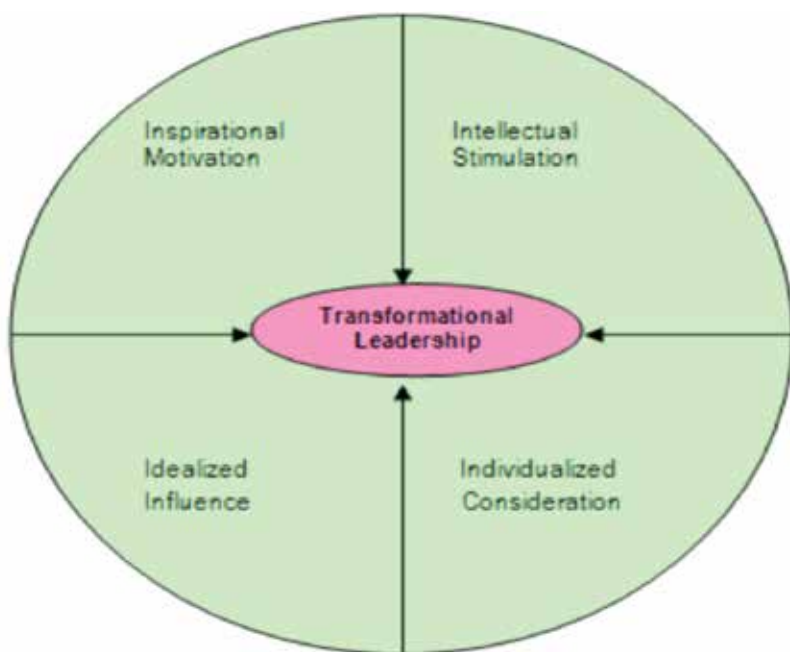
the strengths and weaknesses of various employees/ followers in order to align them to the right tasks that optimize their performance.

Transformational leadership according to Burns should be differentiated from transactional leadership where the former is based on give and take while the later is based on the leader's personality, traits and ability to make a change through example, articulation of an energizing vision and challenging goals. While borrowings from the saying, if you want go faster go alone but if you want to go far go with other sit automatically shows an inseparable aspect between leaders and or managers with their followers as both are key in promoting a better tomorrow.

Some of the basic characteristics



Model of transformational leadership



1. Individualized Consideration – the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower and listens to the follower's concerns and needs. The leader gives empathy and support, keeps communication open and places challenges before the followers. This also encompasses the need for respect and celebrates the individual contribution that each follower can make to the team. The followers have a will and aspirations for self development and have intrinsic motivation for their tasks.

2. Intellectual Stimulation – the degree, to which the leader challenges assumptions, takes risks and solicits followers' ideas. Leaders with this style stimulate and encourage creativity in their followers. They nurture and develop people who think independently. For such a leader, learning is a value and unexpected

situations are seen as opportunities to learn. The followers ask questions, think deeply about things and figure out better ways to execute their tasks.

3. Inspirational Motivation – the degree to which the leader articulates a vision that is appealing and inspiring to followers. Leaders with inspirational motivation challenge followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. Followers need to have a strong sense of purpose if they are to be motivated to act. Purpose and meaning, provide the energy that drives a group forward. The visionary aspects of leadership are supported by communication skills that make the vision understandable, precise, powerful and engaging. The followers are willing to invest more effort in their tasks; they are encouraged and optimistic about the future and believe in their abilities.

4. Idealized Influence – Provides a role model for high ethical behavior, instills pride, gains respect and trust.

Given the current environment characterized by uncertainty, global turbulence, and organizational instability it therefore calls for transformational leadership to prevail at all levels of the organization. The followers of such leaders demonstrate high levels of job satisfaction and organizational commitment, and engage in organizational citizenship behaviors. With such a devoted workforce, it will definitely be useful to consider making efforts towards developing ways of transforming organization through leadership keeping in mind that none of us is as good as all of us and the sum is always more powerful than its parts.

Process of transformational leadership

Developing Vision

- Starts with creating a vision
- Vision that is exiting attracts potential followers

Selling the Vision

- Constantly sell the vision and build network of high potential.

Road Map

- Transformed leaders have a clear vision and read to accept failures
- Have ideas of what direction to move and wants followers to follow

Leading the charge.

- Transformational leaders remain in the fore front as they take the lead.
- Always visible and stand out to be counted

“ One of the reasons for Rockefeller's success was that he could align his company with one simple vision, and then he held everyone accountable for their part in making that vision happen.



Remember when Nelson Mandela used transformational leadership principles while working to abolish apartheid and enforce change in South Africa. In 1995, he visited Betsie Verwoerd, the widow of the architect of apartheid Hendrik Verwoerd, at her home in Orania. Orania was an Afrikaner homeland and a striking anachronistic symbol of racial separation, and Mandela's recurring emphasis on forgiveness contributed toward the healing the prejudices of South Africa and as vast influence as a leader. In 2000, he was quoted as saying, "For all people who have found themselves in the position

of being in jail and trying to transform society, forgiveness is natural because you have no time to be retaliative."

He also set an example for others to follow in terms of sacrifice and philanthropy. Shoemaker describes one such instance:

"One such leader received a call from Mandela's office requesting that he accompany the President to the Eastern Cape. This leader was less than enthusiastic and pleaded that he had an appointment around mid-day clashing with Mandela's request. But there was no denying Mandela, so the leader agreed to

go—but first consulted with his financial director to set a reasonable limit on the size of the anticipated donation request. They settled on 500,000 Rand or about \$50,000 in those days...upon landing, about 80,000 black school children—all adorned in crisp white shirts—simultaneously bowed to acknowledge the great man's arrival. As they were climbing down from the helicopter, Mandela planted his hand firmly in his guest's back and said, 'Now, I hope you are not going to disappoint me?' The business leader decided in that instance to double the donation how could he tell a man who sacrificed as much as Mandela that he couldn't afford to be more generous?"

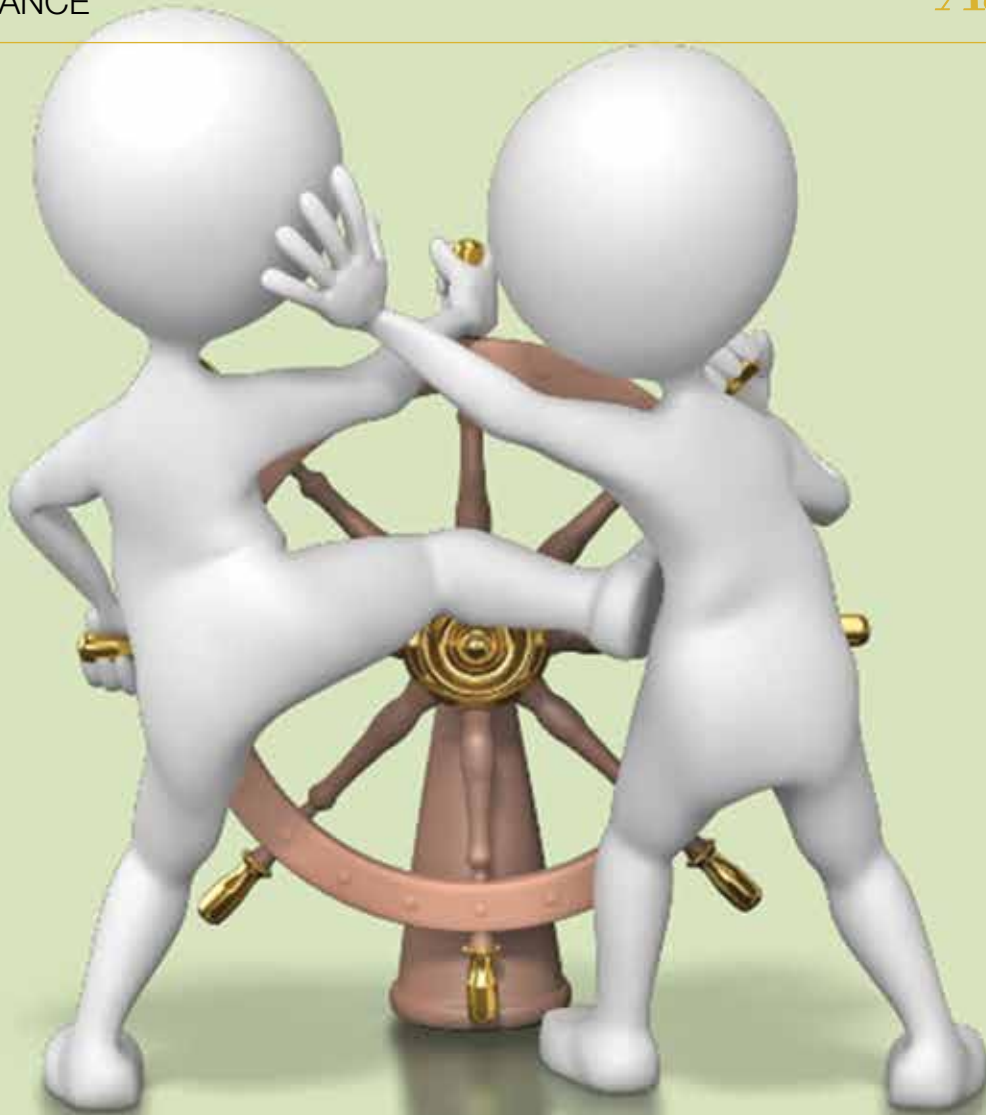
A transformational leader goes beyond managing day-to-day operations and crafts strategies for taking his company, department or work team to the next level of performance and success. Transformational leadership styles focus on team-building, motivation and collaboration with employees at different levels of an organization to accomplish change for the better. Transformational leaders set goals and incentives to push their subordinates to higher performance levels, while providing opportunities for personal and professional growth for each



employee.

It is always better to be constantly positive and open when transforming others as today's leadership style will have an impact on tomorrow's future, both in business and working environment.

It is in regard to the benefits attached to transformational leadership that I ask you at any management level to borrow the same, bearing in mind that different situations call for different leadership styles and I finish by saying before you are a leader, success is all about growing yourself and when you become a leader, success is all about growing others. —Jack Welch.



KEY PRINCIPLES IN EVALUATING AND IMPROVING INTERNAL CONTROL IN SMES

Internal control (IC) system is defined by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), as “the process designed, implemented, and maintained by those charged with

governance, management, and other personnel to provide reasonable assurance about the achievement of an entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance

with applicable laws and regulations.” A Small and Medium Enterprise (SME) is “in control,” when it has achieved its internal control objectives. Internal control objective is defined as the desired level of internal control, achieved by treating the

risks a SME faces in accordance with its risk management strategy and policies on internal control, while achieving the SME's objectives.

ISO Standard 31000:2009 - Risk Management defines risk as "the effect of uncertainty on objectives," which can be positive or negative, and defines risk management as "coordinated activities to direct and control a SME with regard to risk."

Governance is the set of responsibilities and practices exercised by the governing body with the aim of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately, and verifying that the SME's resources are used responsibly. Tone at the top relates to the words and deeds of the SME's governing body and senior management that determine its values, culture, and the behavior and actions of individuals; also defined as "leading by example" or "walking the talk."

Principles of Evaluating and Improving Internal Control

The principles below represent good practice for evaluating and improving internal control existing internal control systems by highlighting a number of areas where the practical application of such guidelines often fails in many SMEs.

Supporting the SME Objectives

With a SME-wide approach to risk management and internal control, risks are viewed and treated in a more holistic way. Therefore, important business decisions are based on proper risk assessment that defines the overall effect of uncertainty on the SME's objectives, so that individual risks are not assessed and dealt with in isolation or in unconnected way. Relevant aspects in this respect include whether the SME:

- Risk identification and control are coordinated;
- Accuracy and comprehensive

roles and responsibilities with respect to internal control, including the governing body, management at all levels, employees, and internal and external assurance providers, as well as coordinate the collaboration among participants as follows:

• **Governing Body** – the governing body should assume overall responsibility for the SME's internal control strategy, policies, and system, and act accordingly.

• **Management** – as the primary risk owner, should design, implement, maintain, monitor, evaluate, and report on the SME's internal control system in accordance with risk strategy and policies on internal control as approved by the governing body.

• **Employees** – each person within the SME's management and other employees alike should be held accountable for proper understanding and execution of risk management and internal control



Controls should always be designed, implemented, and applied as a response to specific risks and their causes and consequences. Before designing, implementing, applying, or assessing a control, the first question should be what risk or combination of risks the control is supposed to modify.



Importance of Internal Control

Effective internal controls enable an SME to take advantage of opportunities, avoid or minimise threats, save time and money, promote the creation and preservation of value, and create a competitive advantage as an SME with effective controls can take on additional calculated risk.

understanding of its current risks;

- Understanding of its various risks and common causes or mutually reinforcing consequences;
- Knows risks within its limits for risk taking per its risk management strategy and policies;
- Treats risks on an individual basis or understands the overall effect of uncertainty on its objectives;
- Knows the effectiveness of its controls and how they could be further improved; and
- Has in place processes for monitoring and evaluation and are they effective.

IC Roles and Responsibilities

The SME should determine the various

within his or her span of authority.

• **Assurance Providers** – both internal and external assurance providers, such as those concerned with health, safety, the environment, quality, operational effectiveness, or financial accounting, play an important role in monitoring and evaluating the effectiveness of the internal control system and conveying results to the governing body. However, they should not assume responsibility for managing specific risks or for the effectiveness of controls.

Organizational Culture

The governing body and management should foster an organizational culture

that motivates members of the SME to act in line with risk management strategy and policies on internal control set by the governing body to achieve the SME's objectives. The tone and action at the top are critical in this respect.

Individual Performance

The governing body and management should link achievement of the SME's internal control objectives to individual performance objectives. Each person within the SME should be held accountable for the achievement of assigned internal control objectives.

Sufficient Competence

The governing body, management, and other participants should be sufficiently competent to fulfill the internal control responsibilities associated with their roles.

Competence in this respect means:

- An understanding of how changes in the SME's objectives, environment, strategy, activities, processes, and systems affect its exposure to risk;
- Knowing how risks can be treated with appropriate controls;
- Knowing the principles of the segregation of duties to ensure that incompatible duties are properly segregated;
- Ability to implement and apply controls, monitor their effectiveness, and deal with any insufficiently covered risks, as well as with possible control weaknesses or failures;
- Capability to evaluate and improve individual controls; and
- Ability to execute or review the evaluation and improvement of the SME's internal control system.

Response to Risk

Controls should always be designed, implemented, and applied as a response to specific risks and their causes and consequences. Before designing, implementing, applying, or assessing a control, the first question should be what risk or combination of risks the control is supposed to modify. Important considerations for adequate selection, implementation, and operation of controls include:

- Characteristics of the corresponding risks;
- SME's limits for risk taking;
- Various types of controls;
- Suitability of the mix of controls;

“A staff who is sufficiently independent from those responsible for the system, such as the in-house/outsourced internal auditor working closely with the Governing Body Audit Committee, could provide additional assurance on the effectiveness and cost efficiency of the internal control system.”

- Cost-benefit of more or different controls; and
- Continuous changes that can make existing controls ineffective or obsolete and drive the need for periodic assessment of controls

SMEs should also remain flexible, avoid over-control, and not become overly bureaucratic so as not to hinder the achievement of SME objectives. An SME can decide to avoid a certain risk, to take on additional risk, to control a risk, to share a risk by insuring against the risk, or to accept a risk by doing nothing apart from monitoring the changes in the risk.

Clear Communication

Internal controls work effectively when they, together with the risks they are supposed to modify, are clearly understood by those involved. Therefore, controls should be documented, communicated and integrated through formal and

informal channels into the elements of the management system in which they are intended to operate, including the related objectives, activities, processes, systems, risks, and responsibilities.

Monitoring and Evaluation

Both individual controls as well as the internal control system as a whole should be regularly monitored and evaluated. Identification of unacceptably high levels of risk, control failures, or events that are outside the limits for risk taking can be a sign that an individual control or the internal control system is ineffective and needs to be improved.

Monitoring and evaluation of individual controls should be done periodically and, in some cases, continuously, depending on factors such as: changes of the environment, the importance of the control, the nature of the control, the stability of the control, the history of failures of the control, the existence of compensating controls, and cost-benefit considerations. Monitoring should include the investigation of events and other incidents to determine how controls have performed and how they could be improved.

SMEs should have a structured monitoring and evaluation process to ensure that the internal control system is being thoroughly evaluated on a timely basis.

A staff who is sufficiently independent from those responsible for the system, such as the in-house/outsourced internal auditor working closely with the Governing Body Audit Committee, could provide additional assurance on the effectiveness and cost efficiency of the internal control system.

Transparency and Accountability

SMEs should periodically and transparently report on the structure and performance of their governance, risk management, and internal control system in their various reports to internal and external stakeholders, such as through their periodic accountability reports or on the SME's website, journals and reports taking into account competitive and confidentiality issues.

The SMEs should also have a mechanism to incorporate relevant and constructive feedback from the various stakeholders into their internal control system.

WHAT ARE SECURITIES ANALYSTS EXPECTED TO DO?

By Ndirangu Ngunjiri,
operations@watermarkconsultants.com

When analysts at brokerage firms recommend a stock to the public that later performs very poorly, or when they fail to uncover negative corporate activities, they can sometimes come under public scrutiny. Industry leaders may then be asked to respond to such criticism and to comment on expectations about the role and responsibilities of analysts. One such instance occurred in the United States as a consequence of the late 2001 collapse of Enron Corporation, an energy, utility, trading, and telecommunication company. In testimony before the U.S. Senate, the president and CEO of AIMR (predecessor organization of CFA Institute) offered a summary of the working conditions and responsibilities of brokerage analysts.

Analysts are assigned companies and industries to follow, are expected to research fully these companies and the industries in which they operate, and to forecast their future prospects. Based on this analysis, and using appropriate valuation models, they must then determine an appropriate fair price for the company's securities. After comparing this fair price to the current market price, the analyst is able to make a recommendation. If the analyst's "fair price" is significantly above the current market price, it would be expected that the stock be rated a "buy" or "market outperform."

Through hard work and due diligence, analysts must study and try to comprehend the information in numerous public disclosure documents, such as the annual report to shareholders and regulatory filings... and gather the necessary quantitative and qualitative inputs to their valuation models. This due diligence isn't simply reading and analyzing annual

reports. It also involves talking to company management, other company employees, competitors, and others, to get answers to questions that arise from their review of public documents. Talking to management must go beyond participation in regular conference calls and coffee dates. Not all questions can be voiced in those calls because of time constraints, for example, and because analysts, like journalists, rightly might not wish to "show their cards," and reveal the insights they have gotten through their hard work, by asking a particularly probing question in the presence of their competitors.

Securities analysts are also expected to understand the dynamics of the industry and general economic conditions before finalizing a research report and making a recommendation. Therefore, in order to justify their continued employment, analysts must issue research reports on their assigned companies and must make recommendations based on their reports

to clients who purchase their firm's research.

From the beginnings of the movement to organize financial analysis as a profession rather than as a commercial trade, one guiding principle has been that the analyst must hold himself accountable to both standards of competence and standards of conduct. Competence in investment analysis requires a high degree of training, experience, and discipline.

Additionally, the investment professional is in a position of trust, requiring ethical conduct toward the public, clients, prospects, employers, employees, and fellow analysts. For CFA Institute members, this position of trust is reflected in the Code of Ethics and Standards of Professional Conduct, as well as in the Professional Conduct Statement that they submit annually. The Code and Standards, guide the analyst to be independent, research, and document analysts.





THE CONSTITUTION AND THE ACCOUNTANT

By CPA Robert Kamwara, robert@mkauditors.com

I shall start on a series of articles to sensitize The Accountant on how the constitution affects his daily life as a citizen, his constitutional rights and obligations in the law making process, and how a debate on the existing taxation system can be expounded to benefit Kenyans.

A basic understanding of the hierarchy of sources of law as defined by the Judicature act is:

- The Constitution (The Grundnorm law)
- Legislature also referred to as Acts of Parliament
- Delegated legislations
- Statutes of general application
- Common law
- Equity
- Case law (judge made laws)
- African customary laws

What the above structure signifies is any law made in Kenya cannot go contrary to what the constitution has stated in its eighteen chapters and the annexed six schedules. Also worth noting is that a country is governed by only one



constitution, a document that guides fundamental issues such as the Presidency term, the structure of the Executive, the structure of the Courts and the composition of Parliament and Senate. However a Country is governed by many statutes and a matter in a court of law can be determined and referenced to as many

acts of parliament and previous superior court rulings which form precedence in the court system. I shall attempt to highlight key chapters and articles of the constitution that affect the Accountant directly.

Chapter 1 – Sovereignty

This defines all sovereign power to belong to the people of Kenya, and the same to be exercised only in accordance with the constitution. In simplified language – the people of Kenya have the power to make laws and have delegated this to the state. If the power is misused, the citizenry have the power to take it away and opt for other means of exercising the same.

Article 2 – Confirms the Constitution as the supreme law of the Republic and binds all persons and all State organs at both levels of government. (National and County level)

Simply put, no judge seated in a court of law can approve of a County Governor who adjusts the income tax rates in his county, or demand for the collection of

VAT for usage in his budget, since this will be a contravention of Article 209 (1).

The constitution has bestowed a duty to the state to ensure intellectual rights are promoted under Article 11 (2) (c), joining the international debate on whether the Accountant should recognize patents, copyrights, trademarks and other inventions as assets in the books of account.

Chapter Four – The Bill of Rights Articles 19 - 59

With established tribunals such as the Tax, Business Premises rent and similar business tribunals established under the various statutes, they all remain guided by the spirit of the constitution which is promotion of openness, upholding human dignity, equality, equity and freedom, as defined in Article 20 (4). However the constitution has been seen to give the Economic and Social rights (Article 43) with one hand and take with the other, under Article 20 (5), a possible cause of the stalemate between doctors and state organs for inability to provide necessary medical equipment strongly advocated for by the striking doctors.

Article 46 (1) on Consumer rights states that consumers have a right to goods and services of reasonable quality. This is a challenge that ICPAK as a regulatory body of accountants has been fighting, with the latest move of having a remuneration order for accountants rejected by Communications Authority of Kenya. If ICPAK can convince the court that this order is for the benefit of the consumers, then the CAK rejection would be overruled by superior courts.

Article 47 gives every person including the tax payer a right to administrative action that is expeditious, efficient, lawful, reasonable and procedurally fair; a good reason why the Tax Appeal Tribunal was formed, which enacts time lines that factor in urgency of matters such as perishability of goods at the customs bonded warehouses and the 90 days rule of giving determinations.

Article 48 ensures access to justice for all persons and if any fee is required, it shall be reasonable without impeding access to justice, thus leaving a bitter taste when the tax appeal tribunals demand for a receipt for Kshs. 20,000 for an appeal filled requesting to be heard for an imposition of a tax liability that is unclear to a tax payer.

It is impossible to mention the constitution and fail to mention the rights of the minorities and the marginalized groups, this has resulted to the famous affirmative action programmes. Article 56 covers the same.

Chapter 11-Devolved Governments

A fast forward for the accountant at the County Government, would take us to Chapter Eleven under the heading Devolved Governments.

Article 174 (a) – (g) have all that the accountant does directly or indirectly. Are counties empowered to provide this to its people, or are they exercising the cannibalism to state funds with an

argument that these are devolved funds for mwananchi? How far can an audit go to root out the rot that has engulfed the counties in its provision of services since promulgation of the 2010 constitution?

However, the powers of the County Governments in imposing taxes have been harshly criticized. Outcry by chicken farmers and levying burial ceremony has not gone down well with locals. But how far can a county government go with imposition of taxes and levies?

In my next article I will attempt to evaluate Chapter Twelve on Public Finance and compare the same to what parliament has attempted to do in its legislation of tax laws.

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THE YOUTH

Assets or Liabilities?

By CPA Lennox Nelson Jalango

‘Teach a child the way he should go and when he is old, he will never depart from it’ - The Holy Books.

We have been greatly enriched with the rolling out of the Asset Management Seminars, courtesy of the visions of CPA Esther Mirugi who first saw the need and shared the same with our great Institute about the significance of this theme in our yearly Continuous Professional Development (CPD) calendar of events. The Seminars have been successfully held in the Lakeside City of Kisumu since its inauguration in the year 2015 with CPA Esther herself amongst the many reaping the benefits!

Asset is precisely defined by our profession as a resource from which future economic benefits or services are expected to flow while to the general society, it denotes an item of value capable of generating benefits –be it economic, political or social. It is in this aspect that the youth should be seen as so considering that their best days are still ahead of them. In the Luo language they say ‘nyodo ne okonyo omboga’ meaning the grandchildren secured the generation of the omboga plant thus avoiding extinction.

Article Five of the Kenyan Constitution highlights the protection



of fundamental rights and freedom of individuals. The law defines a youth as a person below the age of thirty five years. Yet a critical analysis of the various interpretations of this meaning has left us wondering whether there should be much more compliance with this definition. A relevant example is the State Department of Youth Affairs which is headed by a person outside this legal age bracket and indeed many Youth Organizations across the world conspicuously exhibit this trend! Rarely do we have youth organizations being run by the youth themselves! It points to the fact that our laws may not be a true reflection of our thoughts, desires, aspirations, values and ways of life. As soon as persons of thirty six years and above acquire higher rewarding responsibilities in life, several praises are showered with such descriptions as to

portray them as very youthful. When the Kenyan President was elected into Office in the year 2013 at the age of 51 years, the congratulatory messages from all over the world depicted him as a youth. The same has been showered on the Obamas and Gordon Browns of this world. It confirms that the society's view might be the most appropriate – that a youth is a person capable of not only dreaming but also striving to have his dreams realized as well and that's why institutions are in constant need of those who are fairly creative to bring about new visions and use their energies and skills to actualize them – hence a youth. It is not the age; one can be young but very old!

A critical examination of our society reveals that that the real youth have been severely misunderstood; that in most cases they have been associated with many

social vices – from carelessness to gross indiscipline. They are taken to be jokers and joy riders, the inexperienced who have no agendas in their lives! They have been abused, condemned and in many instances, driven into hopelessness by actions of careless adults. We have witnessed many of them being kidnapped, raped, killed and abandoned for death. Many parents have opted for their killing just to secure their relations with their potential partners. People have sacrificed them to secure wealth and more notoriously, they have been negatively used by many a politician as ladders to political successes through handouts. The street families are best examples of these abuses.

A thorough audit of these weaknesses and shortcomings reveal that the youth menace is just but a product of the short-sightedness of those with the greatest responsibilities of nurturing them into more responsible individuals in the society – adults. Many of them feel left behind. They are buffeted by unemployment, destitution, and generally, a sad future. To them, things can only get worse; thanks to corruption and bad governance. Corruption makes it harder for the youth to climb up the ladder of opportunity and success. When funds meant for projects that stimulate growth are stolen, they inhibit job opportunities for the youth. Left with little or no options, the youth become cannon fodder for politicians keen to acquire and retain political and state power. Major setbacks have been witnessed in many institutions and organizations: Marriage has been the greatest casualty as couples resort to physical and psychological violence and in many cases, divorce whenever they are faced with less chances of having children in their families. The church has not been spared either. Religious organizations such as the Legion Maria and Holy Ghost churches are on the verge of extinction due to the dwindling youth population in their congregations. Political institutions have lost significant followings owing to their irresponsiveness to the youth issues and this has led to serious voter apathy in elections the world over. Financial institutions have been forced to incorporate products that resonate well with the youth in order to survive. Even institutions of higher learning are today running junior academic programs to boost their revenue streams through youth participation. Big businesses have closed segments, branches



and wound up because of massive exodus of the youth due to exclusion, intolerance and insensitivity.

The results have been quite unpleasant. Many parents have been greatly disappointed by their children. At a time they concentrated on wealth acquisition, they overlooked the importance of laying firm foundations for them through education. Their children in turn have remained deficient of the necessary skills for wealth creation and protections making the vast majority of parents die within the first years of their retirement. It reveals that good retirement and investment decisions must be pegged on proper management of the youth.

In order to perfectly scheme in life, individuals and organizations need to recognize the youth as the main assets. Give them good education, teach them life skills and be a better role model. In doing so, they will be properly equipped to make competent decisions in life. In deed many progressive organizations including ICPAK have resolved to reverse the trend by rolling out programmes aimed at tapping the youth into the mainstream economy and having the youth as the first agenda in their meetings. This is because the youth have been proven to be very active, loyal, flexible, hardworking and ambitious.

Today's youth are outward looking; open-minded, innovative, astute risk-takers and are projected to live longer than their parents. Comparatively, many of the current generation of youth have an easy access to good education, better health

and most of all, technology. By all means, this abundance of youthful exuberance should inspire hope for a better future. With the youth at the center, the going



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concern is guaranteed. Indeed ICPAK has a whole Committee to deal exclusively on youth affairs and have identified that the following will remain the major concerns as progress is made into the future:

- Competent role models
- Relevant skills and experience
- Continuous professional engagements in challenging assignments.
- Clear visions and performance measurement tools.
- Tolerance and accommodation in decision making.
- Recognition of efforts.
- Strong welfare programs

At Kenya's independence the youth were conspicuously represented through the activities of Mr. Tom Mboya, former President Daniel Moi, Paul Ngei among others. This perfect blend of the old and the youth steered Kenya through a successful path resulting into Kenya's food donation to famine stricken foreign countries in the 1960s. Indeed US President Barrack Obama was born out of such youth empowerment programs!

As the aging continues let us think about the youth and the future and make a resolve on how best we should engage them to be more responsible in the life ahead and do remember that in this 21st Century, great leaders are not those who attract the highest of the votes, profits or influence but rather those who willingly strive constantly to empower the youth. Avoiding the pitfalls that had sunk such noble ideas is the start point, actualizing sustainable programs is everything. Thanks and may God bless you.



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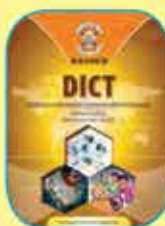
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MOBILE APPS CHANGING BUSINESS

By CPA Victor Kipkoeh
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Mobile apps are changing the way we are doing business and occupying us more than we ever thought possible.

A mobile app is a software application designed to run on mobile devices such as smartphones and tablet computers. Most of such devices are sold with several apps bundled as pre-installed software by the manufacturer. Such apps are web browser, email, contacts, calendar, mapping program, and social media apps. Some pre-installed apps can be removed by an ordinary uninstall process, thus leaving more storage space for desired ones. Where the software does not allow this, some devices can be rooted to eliminate

the undesired apps.

The term “app” is a shortening of the term “application software”. It has become very popular, and in 2010 it was listed as “word of the year” by the American Dialect Society. Mobile apps were originally offered for general productivity and information retrieval, including email, social medias, browsers, calendar, contacts, maps, stock market and weather information. However, public demand and the availability of developer tools drove rapid expansion into other categories, such as those handled by desktop application software packages.

As with other software, the explosion in number and variety of apps made discovery a challenge, which in turn led

to the creation of a wide range of review, recommendation, and curation sources, including blogs, magazines, and dedicated online app-discovery services. Some companies offer apps as an alternative method to deliver content with certain advantages over an official website.

Mobile apps can be downloaded and installed easily from app stores. The two biggest app stores are Google Play for Android and App Store for iOS. While others are Amazon's Appstore, BlackBerry World for BlackBerry devices, Ovi for Nokia Devices and Windows Phone Store by Microsoft for Window phone platform.

Google Play

Google Play (formerly known as the

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Smartphone usage has been on the rise of late. Nearly two-quarters of Kenyans check their mobile phones at least once every hour. Almost all 90 percent of that mobile-phone time is devoted in using mobile apps.

Android Market) is an international online software store developed by Google for Android devices. It opened in October 2008. In July 2013, the number of apps downloaded via the Google Play Store surpassed 50 billion, of the over 1 million apps available. As of February 2015, According to Statista the number of apps available exceeded 1.4 million.

App Store

Apple's App Store for iOS was not the first app distribution service, but it ignited the mobile revolution and was opened on July 10, 2008, and as of January 2011, reported over 10 billion downloads. The original AppStore was first demonstrated to Steve Jobs in 1993 by Jesse Tayler at NeXTWorld Expo. As of June 6, 2011,

there were 425,000 apps available, which had been downloaded by 200 million iOS users. During Apple's 2012 Worldwide Developers Conference, Apple CEO Tim Cook announced that the App Store has 650,000 available apps to download as well as 30 billion apps downloaded from the app store until that date. From an alternative perspective, figures seen in July 2013 by the BBC from tracking service Adeven indicate over two-thirds of apps in the store are "zombies", barely ever installed by consumers.

Smartphone usage has been on the rise of late. Nearly two-quarters of Kenyans check their mobile phones at least once every hour. Almost all 90 percent of that mobile-phone time is devoted in using mobile apps. Most Kenyans now spend more time using their mobile phones than they do watching television, reading newspapers or journals.

This rise in mobile-phone usage means that smartphone apps have become a key marketing tool for companies of all sizes, including small businesses and government agencies. Mobile apps increase engagement with customers. They boost repeat visits, and permit a wide variety of online transactions, including the deployment of loyalty cards, push promotions, and e-commerce transactions. Apps deliver coupons and send announcements that build your sales with customers. Apps also accelerate contact with your company, which enhances relationships with customers in a world where speedy responses are prized by buyers. Mobile phone apps' icons even help build brands by providing a visual design that customers recognize.

Recently Kenya Revenue Authority (KRA) has embraced the use of apps, in order to increase tax net and tax collection by introducing the new generation excise stamps for wines, spirits, tobacco, and beer that will be verified using smartphones in efforts to seal tax leakages. The taxman reckons that smartphone use will enable manufacturers, distributors, retailers and consumers verify and trace all excisable goods throughout the distribution chain. The new excise stamps have a quick response code (QR code) that will enable distributors, retailers and consumers use an app on their smartphones to verify the authenticity of the products by scanning. If you are a big, small business owner or even government and your business does not have a mobile app, you need to get one.

Having a web presence and email address alone is no longer sufficient, as online activity continues to shift to smartphones. Mobile Apps are no longer considered merely a "branding exercise" for big or small businesses. Business owners are becoming wise to the marketing power a well-designed, intuitive app can bring. From simplifying online purchases to providing easy to access information, the benefits are undeniable which is why big and small businesses must develop mobile apps to stay competitive.

Many small business owners still think that getting an app is expensive and difficult. They are worried about the need to build different apps for the various platforms customers are on either iOS, Android, Windows or Blackberry. They are unsure about building dynamic or static apps, and the difficulty of coming up with an app design. Moreover, most small-business owners don't have the expertise to build apps themselves.

A few young companies are simplifying the process of creating and testing mobile-phone apps, putting the tools easily in small-business owners' price range. For instance in United Kingdom there is a company that develops apps for accountants & bookkeepers with complete customised apps, with a wide range of features like the firm icon, tax and finance, communication with clients, Social Media Integration and About Page for the firm information. They build apps supported by both iOS and Android platforms.

Of course, small-business owners need to test their apps to ensure that they are bug free. Studies show that customers are 40 percent more likely to abandon apps when they encounter a bug or too much third party advertisements on the app.

Another young San Francisco based company, can help you with the bug-testing process. In a couple of minutes and for a little money, The Company will conduct a bug hunt on an app. In a matter of hours, they'll send back a list of bugs. Best of all, you will only pay for the bugs you approve.

With companies like these on the market, small businesses can now build and test mobile apps easily and cheaply. Even the smallest businesses can now take advantage of the benefits that a mobile app can provide in attracting customers, speeding sales, and building a brand.



THE EFFECTS OF ATTITUDE IN LEADERSHIP

By Joseph Nyanchama, nyanchamajoseph@gmail.com

William James, who taught psychology and philosophy at Harvard University during the late 1800s said, “The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes of mind.” By

changing your mind, you change your leadership. Our choice of attitude in leadership and towards leadership is absolutely critical. Many times it is not what happens to us that determines our success in leadership, but what happens in us. That means that a great leader needs to understand that it is not what he leaves

behind for the people he or she leads but what he leaves behind in them. Some parents are struggling and can move to any length whether through proper means or not to acquire great wealth for their children. But I wish to remind them that it is not what you leave behind for your children but what you leave in them. This

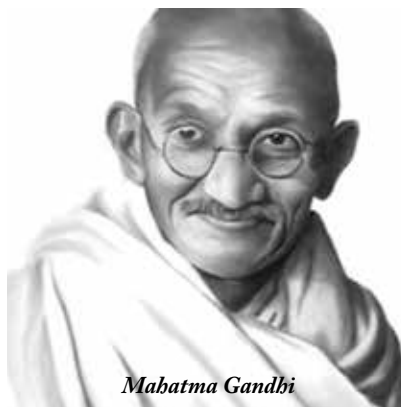
is all about attitude.

Take a lion for example. It is not the tallest or largest or heaviest or most intelligent in the jungle. But when he shows up all the animals start to run away. The lion is always known as the king of the jungle. What makes the lion so unique? The lion believes that all animals including the elephant and the giraffe are meat and strongly believes that he can eat them. He has the right attitude. Attitude is a product of belief. You cannot have an attitude beyond your belief system because your attitude comes from your belief system. Therefore, the lion is the king because of what he believes himself to be. In other words the lion has the right mentality.

In view of the attitude the lion has towards other animals in the jungle, it is important to note that as a leader you cannot fully carry out the mandate of leadership if you do not have the mentality of leadership. It is not ability but mentality that makes a leader. The elephant and the hippo have ability, strength, size and might but what they lack is mentality. Remember that what you think is more important than what you do. So if you want to change your leadership to yield effective results, then you need to work with the right attitude.

I have been reading about the life of Gandhi, a man whom I believe to have been one of the greatest all round leaders ever to have graced the earth through his right attitude and valuable contribution. He had the wisdom to lead his people in the direction that would benefit them. He had also the courage to lead himself and live with great character. He was a model of right the attitude of enlightened and effective leadership through his sacrifice to give change to humanity. His attitude to people is exemplified by what happened when he was alighting from a train. One day he was getting off from a train when one of his shoes slipped off onto the track. As the train started to move he could not retrieve it so he did something that stunned his companion. He removed his other shoe and threw it where his other one was. His companions immediately asked for an explanation. As he walked shoeless down the platform, he smiled gently

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*A great leader
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he leaves behind in
them.*



Mahatma Gandhi

and replied, “Now the poor man who finds the shoe lying on the track will have a pair he can use.”

Martin Luther junior used to admire Gandhi’s attitude to life and leadership so much that one day he said, “Jesus gave me the message but Gandhi gave me the method.” Gandhi was a selfless leader with the right attitude to life and leadership. Compare and contrast him with our contemporary leaders. They are entrusted with organizations to lead but instead they make resources and destroy them in the end. They have a bad attitude of what leadership is all about. They enrich themselves and cultivate a web of cartels to loot the very institutions they are supposed to protect. Wesley Hubbert said, “There is nothing quite so dead as a self-centered man, a man who holds himself up as a self-made success and measures himself by himself and he is pleased with the

result.”

To alter all these, it is important to focus on your attitude right away. Take for example Jacob in the Bible, he learned from his past mistakes. He limped away from the fight with the angles but became a stronger man later after he changed his attitude. Remember that before the fight and the limp, Jacob was willing to do anything to get things. He was willing to hurt whatever he had to and do whatever he had to do just to accumulate things. If Jacob changed his attitude you can change yours too.

Change your attitude to leadership and know that true leadership is actually service to humanity. Albert Einstein said, “Many times I realize how much of my own outer and inner life is built upon the labors of my fellow men and how exhaustively I must effort myself in order to give in return as much as I have received.” It is an attitude problem when you read that there are leaders who withdraw huge amounts of money from banks that they have not honestly earned and yet a simple economics principle says that we get paid for bringing value to the market place. If you allow any payment as a leader to be effected without any value in return, then you have an attitude problem and it means your leadership mentality is incorrect.

Your destiny as a leader anchors on service and the right attitude. Many leaders are living for what to consume and it is time they start leading for posterity. Take note that you are not a leader who is a millionaire because you have a million shillings; you are a millionaire by leading and influencing a million people. That is the correct attitude of true leadership.

So as a leader do not have an attitude of a “paper millionaire” but have an attitude of a “people millionaire” which can only come through a true leadership mentality.

Finally, remember that a car’s abilities are not fully seen on the showroom floor, a boat in the harbor is not demonstrating its full capabilities and a new attitude is not authentically ours until it is tested and tried in the arena of everyday leadership life. So put your new attitude to test to bring fourth effective leadership.



CORPORATE BOND MARKET AND ECONOMIC GROWTH

By Ndirangu Ngunjiri, operations@watermarkconsultants.com

There has been an upsurge in bond market trading in Kenya since the advent of government infrastructure borrowing. Bond markets as transferable debt securities have increased substantially in the last decade in Kenya. However, there are concerns over whether or not bond market trading has any significant effect on the Kenyan economy. Bond market is one of the major sources of finance to government and corporate firms in both developed and developing countries. To this effect, people in academics and policy makers have focused extensively on the developmental impact of bond market on the economic growth process of countries. Kenya, have witnessed rapid and remarkable economic growth over the past two decades.

Corporate, government, and total bond financing are measured by the size of total corporate bonds, total government bonds, and total bonds (sum

of corporate and government bonds) of an economy, respectively, as a percentage of each economy's GDP. Bond markets have positive externalities with respect to economic growth, financial inclusion, and financial stability. They represent an important component of a diversified finance sector. On a macro level, financial development has been linked to economic growth and poverty reduction; roads have been constructed in Wajir, Mandera opening the areas for business. On financial inclusion, the core factors that enable bond market development are the same factors that enable borrowing and lending within an economy.

Developing sound, sustainable, stable, and liquid bond markets will reduce the dependence of the corporate sector on banks and foreign currency financing. Companies such as Athi River Mining and even University of Nairobi can list their own corporate bonds. Through the local bond market, the corporate sector

can borrow for longer maturity periods in local currency, which matches their investment needs and thus enables them to avoid balance sheet mismatches. To attract investment through issuing local bonds, Kenyan firms have to adopt international accounting practices, and enhance corporate governance, thereby becoming more transparent. Most Kenyan companies have failed in this considerably.

To further develop and integrate bond markets, Kenya needs to promote bond issuers and investors from the region as well as outside the region. This requires a legal and regulatory framework conducive to investors, a regional guarantee mechanism, harmonized credit and trading standards, a regional clearing and settlement system, and an enhanced local and regional credit rating system. Central Bank of Kenya (CBK), with its specialist knowledge and financial resources, has been playing an important



To further develop and integrate bond markets, Kenya needs to promote bond issuers and investors from the region as well as outside the region. This requires a legal and regulatory framework conducive to investors, a regional guarantee mechanism, harmonized credit and trading standards, a regional clearing and settlement system, and an enhanced local and regional credit rating system.

role in developing the aforementioned bond market infrastructure. The M-bond whose launch has been postponed twice by the National Treasury will enable my grandmother in Elburgon village to participate in the bond market with as little as Ksh 3,000; this will contribute to the development of the economy.

Well-developed bond markets can provide Kenya with alternative sources of financing and at the same time make the country more financially resilient by balancing the dependence on the banking sector. Achieving a better balance between bank finance and bond markets requires a more planned, top-down approach by

policymakers through required reforms and appropriate rules and regulations. Kenya also needs to utilize its huge savings and international reserves to meet the large needs for productive investment in the country, particularly in infrastructure through bond market development.

Regional cooperation schemes, such as the EAC and the COMESA, are important instruments for facilitating regional bond market development. There is an urgent need to strengthen, expand, and deepen these initiatives and to include other growing economies of Africa. In this regard, multilateral development banks such as the ADB have an important role

to play in developing Africa bond markets. New initiatives, such as developing a liquid corporate bond market and broadening the issuer base, may also prove useful. To further integrate and deepen bond markets, Kenya needs to harmonize and strengthen financial regulation as well as the legal and regulatory framework; develop innovative financial instruments; and promote better access to regional and international investors.

Bond markets are not immune to instability. In the past, one source of instability was currency mismatches. That risk has diminished as a result of reduced reliance on foreign currency borrowing. Kenya has experienced impressive development of her local currency bond markets, which should contribute to continued growth and financial stability. It has reduced reliance on foreign currency borrowing, thereby making her financial systems more resilient, but the vast majority of its local currency bonds have maturities of 1 to 10 years.

In view of the 2000s global financial and economic crisis, the development of bond markets in Kenya assumes a high level of importance for financing the country. Even though our bond market has witnessed considerable growth in recent years, bond market financing size, particularly corporate bond market size, is still quite low. Therefore, it is essential to identify the major determinants of bond market development.



WHAT DOES *Luxury* MEAN TO YOU?

By Angela Mutiso, cananews@gmail.com

“**T**o me, luxury is that level of service and comfort that makes me feel special, to be happy to be away from home comforts when travelling for business and allows me to relax when on holiday. It's a bed that gives me a great night's sleep, a meal that delights my taste buds, service that makes me think Wow. Luxury is not the service I want to give....It's the experience that you will never forget- “. Garry Manser; regular guest - Radisson Blu -Edwardian Hotels

I used to visit a bookstore across the road from where I worked to buy interesting, low priced books. One day I went as usual to buy some, however, upon reaching the counter, was surprised to discover that the prices were much higher than usual. When I asked why, I was informed by the amiable Indian shopkeeper I had come to like chatting with, (bless his soul) that he had revised the prices upwards because as long as the prices were low, the books were not moving. Surprisingly, as soon as he raised the prices, the books got moving fast. This was a great lesson to me; clearly, quite a few people visiting this shop believed that the more expensive something is the better its quality and the more luxurious it is. Me thinks it beats reason to spend more on something that

can cost less. A few points in this feature may help us to understand a few things about consumer behavior.

The psychology behind why people buy luxury goods

Writing on the psychology behind why people buy luxury goods in investopedia Vanessa Sage notes that the physical appeal of luxury goods is undeniable – the leather is softer, the shoes are more comfortable – but the price tag is often off-putting. Unless you've got a good job or fantastic savings habits, luxury consumer goods will sit on your credit card for a long time. She further notes that It's well known that people don't behave rationally, and considering the enormous consumer debt, Americans have, consumers clearly don't always act in their best financial interests.

Luxury goods are a great example of how irrational we can be; a decent and sturdy handbag can be purchased for \$50, yet people will still spend

thousands to buy a brand name. One reason is the way we tend to look at the positive elements of a product while ignoring its disadvantages. There's no need to explain why this works in the favor of the luxury goods companies' marketing departments. Take Apple Inc. (APP), for example. Consumers wait overnight for new releases and have immense brand loyalty even though



Macbooks and iPhones aren't technologically unique or superior. In fact, Samsung makes phones with better features and Microsoft Corp. (MSFT) and Xiaomi make phones at a much cheaper price point. Nevertheless, iPhone second-quarter sales increased 35 percent from the previous year. (2014) Since we perceive non-luxury goods as inferior, we are quick to point out the negatives of those products. We conclude that higher priced goods are of better quality and we spend irrationally, believing you get what you pay for regardless of whether the goods are proven better than their affordable counterparts.

Investopedia delves deeper into this subject: According to researchers, low self-esteem is a big factor in whether a person will buy luxury goods that he may not be able to afford. For consumers trapped in institutionalized poverty or those living paycheck to paycheck, a luxury good can go a long way in increasing self-esteem or providing a sense of belonging...With

marketing departments creating a need for luxury goods and the rise of online shopping, purchasing a \$500 scarf can be as easy as clicking a few buttons. Luxury goods are the ultimate retail therapy, and fortunately for luxury brands, the Internet has made them easily accessible for impulse shopping when you're feeling blue.

A sense of accomplishment is yet another reason why people buy luxury goods. Long gone are the days when your friends would throw a small party and someone would bake a cake to celebrate a new promotion. Rational people would rather buy a pair of black shoes for \$50 and paint the soles red than spend hundreds on a pricey pair of luxury shoes. But where's the fun in that? There's a reason why people will pass the fake Rolex sellers on the street to pay full-price for an authentic one: despite appearing the same, the owner will know that he doesn't have a real luxury good. This flies in the face of reason yet again. If we buy luxury goods to show off to others and to feeling like

we belong, why wouldn't a facsimile do the trick?

The Bottom Line concludes investopedia, is that people buy luxury goods for a variety of reasons, all of which are related to the strong emotions that we attach to expensive material goods. Whether we are financially comfortable or not, we will often purchase luxury items to show off to or gain acceptance from others and to reward ourselves for an accomplishment. Now that we understand the psychology behind why people buy luxury goods, we'll be better equipped to quash down any emotions that try to convince the rational part of our brains that the more expensive something is, the better its quality.

So what is luxury? Luxury is the art of comfortable and extravagant living. It could also be having in abundance luxurious things that you do not really need. It means different things to different people. For some people, luxury is home; where you go to nurture your body and spirit. It might surprise you to discover why people buy luxury

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items... they include among others: self esteem, self accomplishment, feeling blue, keeping up with the joneses and showing off.

If you think about it, your home might well be where you can afford to be most luxurious. Angela Tunner, Editor-in-Chief, Eat love savor magazine says: "Home is an Oasis. A place to renew and indulge our senses, provides safety, gives ultimate comfort and luxuriation. Home is our soft place to land, to prepare us to tackle the world outside our door. It is much more than four walls: it is a place that surrounds us with beauty, feeds and nurtures us."

In discussing luxury, Tunner points out (briefly) that while things like prestige, exclusivity, and premium price tags are the enduring hallmarks of buying luxury items, there is much more to luxury than that. There is an evolution and change to the definition of the word 'luxury'. This new definition centers on the more easily attainable aspects of luxury; something that our modern living, mass consumption lifestyles have caused the masses to move away from and now, we are returning to them: they are the aspects of quality and comfort. These are coming back and are much sought after. Luxury on a Mass Scale: Big name luxury brands also see this trend and are coming out with affordably priced versions of their high end items making it attainable by more people. Cars like Mercedes Benz are coming out with less costly versions of their car, that still carry their famous status symbol logo and all the perks. You can still experience a better quality product. Though it does cause one to wonder, if luxury is mass, can it really be considered luxury? For example, in Asia, Louis Vuitton is viewed as a middle class brand.

She points out that luxury as a State of Mind- "Luxury" and a sensory experience:



The Luxury experience extends beyond ownership of a 'luxury' good. There is the appreciation, attention and enjoyment that makes luxury. There are many simple luxuries that can be added without cost that can shift you into a luxurious way of thinking. Being luxurious involves how we experience the things around us. What things do you do to make your everyday a little more luxurious? Regarding satisfying a desire for better quality she

believes the trend here is a movement back to purchasing quality and with quality, also comes comfort. Comfort in the materials used that effect the feel and experience, comfort knowing that quality lasts longer than a consumable from leading and holds its value, sometimes that value over time appreciates. And particularly where cars and luxury goods like handbags are concerned, now you benefit from better customer service



*Emirates Palace,
Abu Dhabi*

experience that only buying a luxury brand brings. Meanwhile, it's been said recently by financial forecasters and luxury industry experts alike that 'luxury is becoming the new normal'. It is my thought says Tunner that there is a flaw in that thinking and is further damaging to the already fractured definition of luxury. Perhaps mass manufactured products need to raise the bar and return to a state of higher quality instead of the disposable nature....in order to restore consumer confidence. Eat love savor- is an International digital luxury lifestyle magazine.

So what does luxury mean to you?

To conclude, sample excerpts of what africaonline.com had to say about growing wealth in Africa; under the heading Luxury brands turn to Africa.

It should not come as a surprise that luxury retailers have increased their outlets in Africa. There are now around 16,000 millionaires in Nigeria, 50,000 in South Africa and 6,500 in Angola. Other markets are expected to expand at pace, with Côte D'Ivoire forecasted to see the fastest growth of high net worth individuals. "There are roughly 160,000 millionaires living across Africa, with combined wealth just short of \$700bn, and they are extremely keen to spend it," said Jeremy Nel, managing director of South African-based luxury marketing firm Luxury Brands. These high net worth individuals generally travel extensively

and visit luxury shopping hotspots in London and New York, he adds.

New millionaires

These new millionaires are responsible for luxury retail sales in Africa reaching \$4bn in 2014, according to Euromonitor. It is still the world's smallest least developed luxury market, but is projected to grow by 31 percent by 2019. The economic downturn may crimp this forecast. Cultural factors are also helping drive sales of luxury goods. Heavily branded, so-called 'blinged-up' goods are big sellers in markets like Nigeria due to the high social status these goods convey. South Africa remains the undisputed regional luxury leader. Johannesburg's Diamond Walk at Sandton City Mall is home to 11 high-end boutiques, including Burberry, Louis Vuitton, Dolce & Gabbana and Jimmy Choo. Italian menswear brand Ermenegildo Zegna became the first high-end fashion house to enter Nigeria's capital city of Lagos in 2013.

An exclusive luxury shopping centre, called the 'Sky Gallery', is under construction in Angola's capital city of Luanda. Prada, Gucci, Armani and Hugo Boss are some of the brands that are expected to open their first Angola stores at this location. According to a 2014 report from UK-based consultancy New World Wealth, the number of African millionaires has grown by 150 percent between 2000 to 2013, far higher than the 73 percent rate recorded worldwide during the same period.

World's Most Luxurious Phones

- #10 – iPhone Princess Plus (\$170,400)
- #9 – Savelli Smartphone (\$250,000)
- #8 – Black Diamond VIPN Smartphone (\$300,000)
- #7 – Vertu Signature Cobra (\$310,000)
- #6 – Gresso Luxor Las Vegas Jackpot (\$1 Million)
- #5 – Diamond Crypto Smartphone (\$1.3 Million)

The World's Most Luxurious Hotels

- Emirates Palace, Abu Dhabi. ...
- Mardan Palace Hotel, Turkey. ...
- Burj Al Arab Hotel, Dubai. ...
- The Boulders, Arizona. ...
- Secrets Marquis, Los Cabos. ...
- Atlantis Paradise Island, Bahamas. ...
- Palms, Las Vegas. ...
- The Westin Excelsior, Rome

World's Most Luxurious Cars

- Mercedes S-Class saloon. Often imitated but never quite equalled, the Mercedes S-Class is the definition of 'flagship'. ...
- BMW 7 Series saloon. ...
- Porsche Panamera hatchback. ...
- Audi A8 saloon. ...
- Jaguar XJ saloon. ...
- Rolls-Royce Ghost saloon. ...
- Bentley Continental Flying Spur saloon. ...
- Lexus LS saloon.



GROWING PLANTS WITHOUT SOIL

Compiled by Angela Mutiso, cananews@gmail.com

Revolutionizing Farming Through Hydroponic and Aquaponic Growing

It always seems that the ideal way to grow plants is to plant them in soil. However, substitutes have been found to possess certain advantages. The 'modern trend' of planting in water has been gaining currency for a while now even though it has been in existence in certain countries for many years.

South China, Thailand and Indonesia who cultivated and farmed rice in paddy fields in combination with fish are cited as examples of early aquaponics systems. These polycultural farming systems existed in many Far Eastern countries. Aquaponics consists of two main parts, with the aquaculture part for raising aquatic animals and the hydroponics part for growing plants. Aquatic effluents, resulting from uneaten feed or raising

animals like fish, accumulate in water due to the closed-system recirculation of most aquaculture systems. The effluent-rich water becomes toxic to the aquatic animal in high concentrations but this contains nutrients essential for plant growth. Although consisting primarily of these two parts, aquaponics systems are usually grouped into several components or subsystems responsible for the effective removal of solid wastes, for adding bases to



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Green leafy vegetables with low to medium nutrient requirements are well adapted to aquaponic systems, including Chinese cabbage lettuce, basil, spinach, chives, herbs and watercress.



neutralize acids or for maintaining water oxygenation. Typical components include:

- Rearing tank: the tanks for raising and feeding the fish;
- Setting a basin: a unit for catching uneaten food and detached biofilms and for settling out fine particulates;
- Biofilter; a place where the nitrification bacteria can grow and convert ammonia into nitrates, which are usable by the plants;
- Hydroponics subsystem: the portion of the system where plants are grown by absorbing excess nutrients from the water;
- Sump; the lowest point in the system where the water flows to and from which it is pumped back to the rearing tanks.

Green leafy vegetables with low to medium nutrient requirements are well adapted to aquaponic systems, including Chinese cabbage lettuce, basil, spinach, chives, herbs and watercress. Other plants, such as tomatoes, cucumbers, and peppers,

have higher nutrient requirements and will only do well in mature aquaponic systems that have high stocking densities of fish. Plants that are common in salads have some of the greatest success in aquaponics, including cucumbers, shallots, tomatoes, lettuce, chillies, capsicum, red salad onions and snow peas. Some profitable plants for aquaponic systems include Chinese cabbage, lettuce, basil, roses, tomatoes, okra, cantaloupe and ball peppers. (Wikipedia)

Hydroponic and aquaponic are both water based, and many definitions have been given to point out the difference between them. However, one definition that really brings out the difference is that of Sowmya Manikandan; a content writer at Admarkon Pvt who notes that “Basically both are soil free methods of gardening plants. Aquaponics is a system where you will grow fishes on the bed and plants on the top area. It’s a combo of both cultivating fish and veggies simultaneously. In short, aquaponics merges both aquaculture and hydroponics together. But hydroponics is solely based on growing plants using nutrient enriched water and state of the art technology watering methods.”

How would you define hydroponic growing?

Hydroponics is a division of hydro-culture,

which is the growing of plants in a soil less way, or an aquatic based environment. It uses mineral nutrient solutions to feed the plants in water, without soil. It does not confine you to climate or season. In fact, you can grow almost any plant at virtually any time of the year. The simple, effective hydroponic systems now available, alongside modern horticultural lighting, have made it possible to grow plants where and when you want.

Types of Hydroponic systems

Growth technology gives us the following points – (extracts); when you think of hydroponics, you instantly imagine plants grown with their roots suspended directly into water with no growing medium. However this is just one type of hydroponic gardening known as N.F.T. (nutrient film technique). There are several variations of N.F.T. used around the world and it is a very popular method of growing hydroponically. What most people don’t realise is that there are countless methods and variations of hydroponic gardening.

Wicks System; The Wick system is described as a passive system, there are no moving parts. From the bottom reservoir, your specific Growth Technology nutrient solution is drawn up through a number of wicks into the growing medium. This system can use a variety of mediums, perlite, soil or coco.

Water Culture; The roots of the plant are totally immersed in the water which contains the specific Growth Technology nutrient solutions. An air pump with help oxygenate the water and allow the roots to breathe.

Ebb and Flow System (Flood and Drain); this hydroponic system works by temporarily flooding the grow tray. The nutrient solution from a reservoir surrounds the roots before draining back. This action is usually automated with a water pump on a timer.

Drip System (recovery or non-recovery)

Dip systems are a widely used in hydroponic methods. A timer will control a water pump, which pumps water and the Growth Technology nutrient solutions through a network of elevated water jets. A recovery system will collect excess nutrient solution back into the reservoir. A non-recovery drip system will avoid this allowing the pH of the reservoir not to vary.

Nutrient Film Technique; uses a

constant flow of your Growth Technology nutrient solution (therefore no timer is required). The solution is pumped from a reservoir into the growing tray. The growing tray requires no growing medium. The roots draw up the nutrients from the flowing solution. The downward flow pours back into the reservoir to be recycled again. Pump and electric maintenance is essential to avoid system failures, where roots can dry out rapidly when the flow stops.

Aeroponic systems; are seen to be a high tech method of hydroponic growing. Like the N.F.T system the growing medium is primarily air. The roots hang in the air and are misted with nutrient solution. The misting of roots is usually done every few minutes. The roots will dry out rapidly if the misting cycles are interrupted. A timer controls the nutrient pump much like other types of hydroponic systems, except the aeroponic system needs a short cycle timer that runs the pump for a few seconds every couple of minutes.

Meanwhile EcoPost: a blog for ecological and environmental news and

views set up by a group of university students, discusses this topic further. The students who set it up explain that this blog brings them together in their shared love of all things related to the environment and ecology.

The feature in Ecopost written by Chris an urban hydroponic hobbyist who blogs about his hydroponic experiences at HealthSmartLiving.com says hydroponic gardening is a great way to grow your vegetables, fruits, and herbs under totally controlled conditions. He goes on to explain the following:

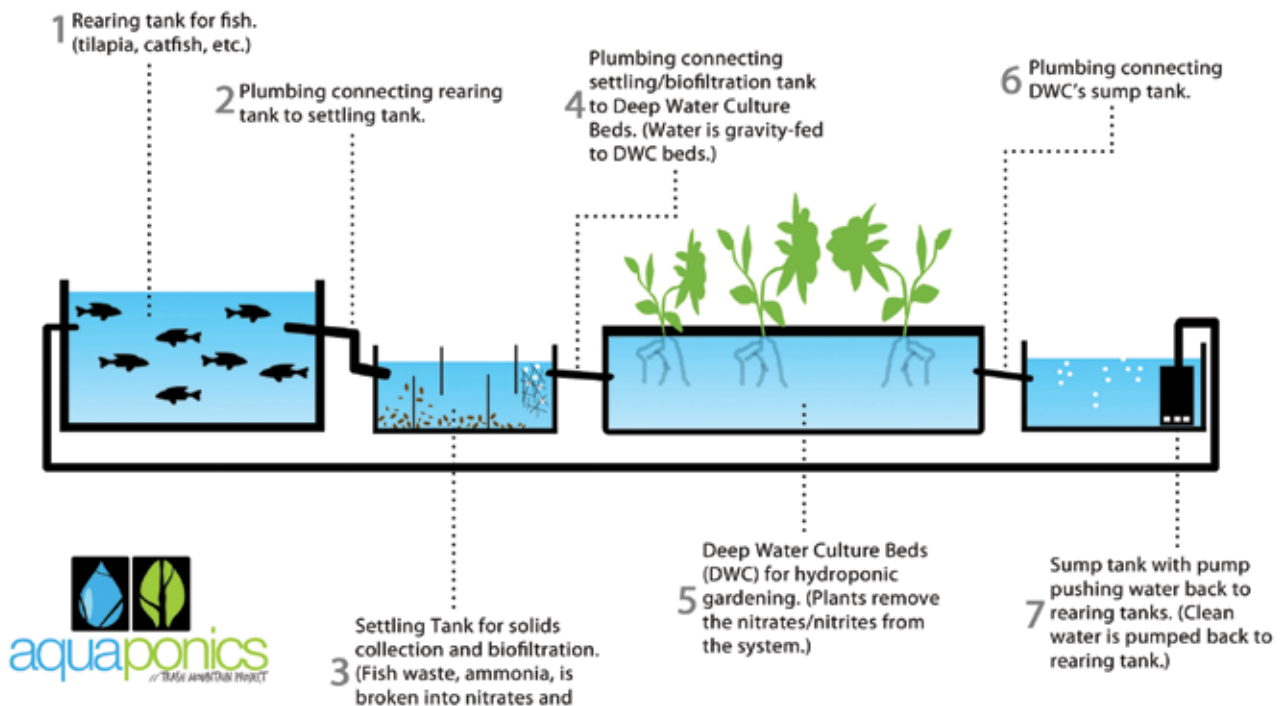
How it Works

Indoor hydroponics gardens grow using artificial lighting, just like any other indoor garden. The difference between growing an indoor garden and growing hydroponically is that you won't be using soil. Instead the plants are rooted in an inert growing media.

Soil Robs Plants of Vital Nutrients

While soil grows can be a little more forgiving, the plants always end up being robbed of vital nutrients which limits





their growth potential. If you've ever purchased hydroponic vegetables, you've probably noticed how much larger, juicier, and colorful they are. Soil based plants can't use all of the nutrients we give them. As time wears on, certain elements begin to crystallize within the soil or are simply washed away, robbing the root system and over time, limiting the plant's nutrient uptake.

- They take up to 50% less land to grow the same amount of crops: Leaving more land for other uses such as wildlife reserves and also saving trees, which would otherwise be cleared for agricultural purposes.
- Less water usage: In fact, less than 10% the amount that would be required for growing in soil. The only water lost with hydroponics is through evaporation, or occasional changes to the feeding solution.
- 60% less fertilizer is required: The hydroponic growing solution circulates through the plant's roots, the plant absorbs what they need, and you never lose anything due to settling or crystallizing in the soil
- Reduced fossil fuel consumption: Food is shipped all over the world to places where agriculture is hard or impossible – or where certain foods cannot be grown due to shorter growing seasons. With hydroponics, you can grow those foods locally!

• Less pesticide use: Due to the fact that you're growing indoors and eliminating soil (which hold bacteria and many common insects), there's no need for toxic pesticides to protect your plants.'

How Aquaponics Works

Nelson Pade at aquaponics.com gives the following explanation about Aquaponics; Aquaponics is the ideal answer to a fish farmer's problem of disposing of nutrient rich water and a hydroponic grower's need for nutrient rich water. Essentially, aquaponics mimics every natural waterway on earth. It is used to grow food crops in a concentrated, yet sustainable manner.

The main input to an aquaponic system is fish food. The fish eat the food and excrete waste. More than 50% of the waste produced by fish is in the form of ammonia secreted in the urine and, in small quantities, through the gills. The remainder of the waste, excreted as fecal matter, undergoes a process called mineralization which occurs when heterotrophic bacteria consume fish waste, decaying plant matter and un-eaten food, converting all three to ammonia and other compounds. In sufficient quantities ammonia is toxic to plants and fish.

Nitrifying bacteria, which naturally live in the soil, water and air, convert ammonia first to nitrite and then to

nitrate which plants consume. In an aquaponic system the heterotrophic and nitrifying bacteria will attach to the tank walls, underside of the rafts, organic matter, the growing medium (if used) and in the water column. The beneficial bacteria discussed here are natural and will inhabit an aquaponic system as soon as ammonia and nitrite are present.

Essentially, you have three crops to keep alive in aquaponics; the fish, the plants and the beneficial bacteria. These three living entities each rely on the other to live. The bacteria consume the fish waste keeping the water clean for the fish. In the process, the bacteria provide the plants with a usable form of nutrients. In removing these nutrients through plant growth, the plants help to clean the water the fish live in.

Aquaponics is a very efficient method of growing food that uses a minimum of water and space and utilizes waste, resulting in an end product of organic, healthful fish and vegetables. From a nutritional standpoint, aquaponics provides food in the form of both protein (from the fish) and vegetables.

Essentially, when considering taking up this kind of farming, it is necessary to take into account all factors mentioned above. Always choose a method that will bring maximum results and which is good for the environment.

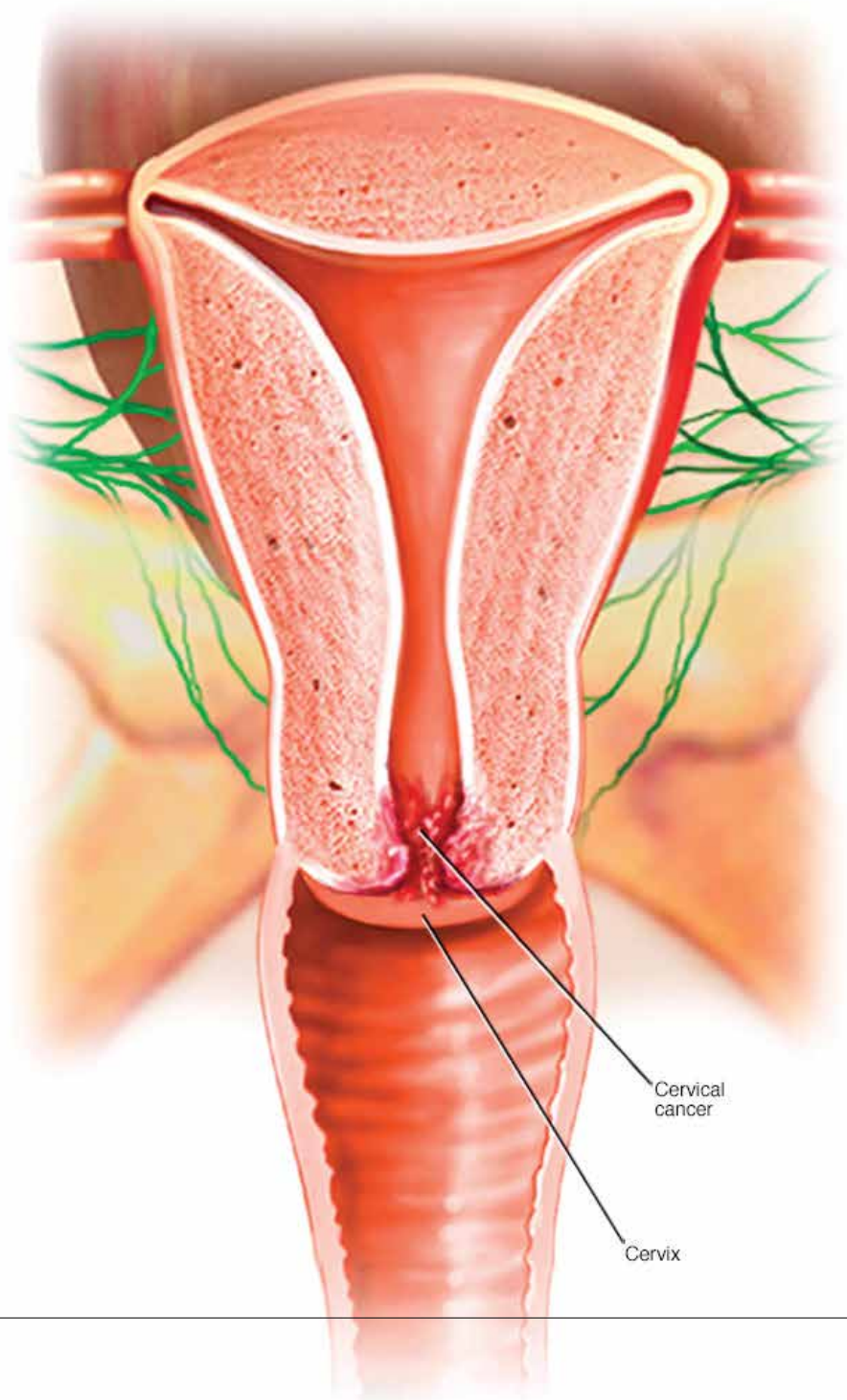
CERVICAL CANCER MAJOR PUBLIC HEALTH CONCERN IN KENYA

By Carol Ngura, carolngura@gmail.com

Cancer is becoming the new threat to our survival but it never really concerns many until it affects people close to them....the truth is CANCER is as real as day and night. It financially, emotionally and physically drains both the victims and their care givers. It knows no race, tribe, height, weight or wealth....it doesn't discriminate. It is a scary disease but NOT a death sentence. They say information is power and true to these words, cancer especially of the cervix can easily be treated if detected early. This emphasizes the need for every lady to find time and get a pap smear/ HPV test.

Cancer of the cervix is a cancer that affects women and like any other cancer occurs when abnormal cells on the cervix grow out of control. It starts in the cervix, the narrow opening into the uterus from the vagina. Coming in as the second most common cancer among women worldwide after breast cancer, a lot of awareness and sensitization needs to be created to equip ladies with the knowledge necessary to fight this menace. Despite the fact that it is one of the most preventable types of cancers, it remains the leading cause of cancer deaths in developing countries. Kenya not left out.

Statistics from the Ministry of Health show that about fifteen new cases of cervical cancer are reported in Nairobi weekly. The estimated number of cervical cancer cases annually is nearly 3,000, while the death toll is about 1,600. By 2025, the number of new cervical cancer cases annually will reach 4,200, according to the Kenya Cancer Registry. This makes



cervical cancer a major public health concern.

To prevent our mothers, sisters, wives and daughters from being victims of this deadly yet preventable cancer, we first need to understand what causes it. A virus called HPV (Human Papillomavirus) is believed to be the cause with more than 70% of the cancers attributed to the high-risk HPV types HPV-16 and HPV-18. Now, does this mean a woman with HPV definitely has cervical cancer?? The answer is NO....HPV does not equal to cervical cancer. HPV infections for most women clear on their own. However, in a few the infections may not clear, putting them at greater risk of developing cervical cell abnormalities and eventually cancer. This however happens over time allowing for early detection and treatment. Other factors believed to increase the risk of developing cervical cancer include:

- Many sexual partners or becoming sexually active early: the high-risk HPV types are nearly always transmitted as a result of sexual contact with an infected individual. Women who have had many sexual partners generally have a higher risk of becoming infected with HPV, which raises their risk of developing cervical cancer.
- Smoking: just as it increases the risk of developing many other cancers, it increases the risk of developing cervical cancer.
- Weakened immune system: such as those with HIV/AIDS, or persons taking immunosuppressive medications.
- Long-term mental stress: Women who experience high levels of stress over a sustained period may be less able to fight off HPV.
- Giving birth at a very young age: Women who gave birth before the age of 17 are significantly more likely to develop cervical cancer compared with women who had their first baby when they were aged 25 or over.
- Several pregnancies: Women who have had at least three children in separate pregnancies are more likely to develop cervical cancer compared with women who never had children.
- Contraceptive pill: Long-term use of some common contraceptive pills slightly raises a woman's risk.
- Other sexually transmitted diseases (STD): Women who become infected with chlamydia, gonorrhea, or syphilis have a higher risk of developing cervical cancer.



• Socio-economic status: Studies in several countries have revealed that women in deprived areas have significantly higher rates of cervical cancer.

Unfortunately symptoms of cervical cancer more often than not come too late when the cancer is in advanced stages. Precancerous cervical cell changes and early cervical cancers do not present any obvious symptoms. This again highlights the importance of regular screening. In advanced stages, cervical cancer may present the following as possible symptoms:

- > Abnormal bleeding, such as
 - Bleeding between regular menstrual periods
 - Bleeding after sexual intercourse
 - Bleeding after douching
 - Bleeding after a pelvic exam
 - Bleeding after menopause
- > Pelvic pain not related to your menstrual cycle
- > Heavy or unusual discharge that may be watery, thick, and possibly have a foul odor
- > Increased urinary frequency
- > Pain during urination

Having known what cervical cancer is, the causes/ risk factors and symptoms, it is of equal if not more importance to know what we can do as women to lower the risks or prevent ourselves. There are no black and white guidelines on how to prevent cancer, but the good news is, unlike all the other cancers, cervical cancer has a vaccine. The HPV vaccine significantly reduces a woman's risk of getting the virus strongly believed to cause the cancer. Other practices that would stem the risk of cervical cancer include:

1) Safe sex

The HPV vaccine only protects against two HPV strains. There are others which can cause cervical cancer. Using a condom during sex helps protect from HPV infection.

2) Cervical screening

Regular cervical screening will make it much more likely that signs are picked up early and dealt with before cancer develops at all or too far.

3) Have fewer sexual partners

The more sexual partners a woman has, the higher the risk of developing cervical cancer.

4) Delay first sexual intercourse

The younger a female is when she has her first sexual intercourse, the higher the risk of developing cervical cancer. The longer she delays it, the lower her risk.

To lower the number we are losing to this cancer, women are encouraged to do regular screening. Screening involves a doctor or nurse taking a small sample of cells from the surface of the woman's cervix. The two main ways of screening for cervical cancer are Liquid based cytology and a pap smear (Papanicolaou cervical smear).

It is our responsibility to educate the society and especially the females around us about cervical cancer and encourage them to get screening. This is the only way we will save our mothers, sisters, daughters, colleagues and friends from being victims of this very preventable cancer.

Courage is not the absence of fear, but rather the judgment that something else is more important than fear, ladies let us gather the courage to acknowledge that getting a pap smear/HPV test is more important than the fear of cervical cancer....**LET US GET TESTED.**

BANKING CRISIS

By CPA Abdhalla Mambo Dallu, abdhallamambo@yahoo.com



The Future of the Banking Industry in the East African Community

Fears of structural weaknesses in the East African Community (EAC) regional banks have resurfaced following the crisis in 5 banks among them Chase bank, Imperial and Dubai banks in Kenya, Twiga bank in Tanzania as well as Crane Bank in Uganda with analysts pointing to weak supervision and outright fraud by directors.

The Central Bank of Kenya has since put two Banks under receivership and one into liquidation whereas its counterparts in the East Africa region; Tanzania and Uganda have put at least one bank each into receivership. The circumstances in each are not different as most were instigated by panic withdrawals from clients following chitchat in social media that the banks were going under. Currently there are two banks in Kenya; Family bank of Kenya and Prime bank which have since released press statements to suppress the false alarms going round in the social media questioning their financial soundness.

Speculation is rife on which other lenders could be in the crosshairs of the regulator. The situation is similar to the speculation that prevailed during major bank failures caused by systemic weaknesses in 1988, 1993 and 1998 that claimed more than 50 financial institutions. A running

thread in the failures of what came to be known as 'political banks' was unsecured lending to directors, politicians and their associated companies; a factor in the closures of Dubai Bank, Imperial Bank and Chase Bank in Kenya, Twiga Bancorp in Tanzania and now Crane bank in Uganda.

Are these prophetic signs?

The answer to this question is an emphatic 'No'. While analysts say another round of bank failures is not on the cards, they have been warning banks since 2012 to stop understating loan provisions and to increase their capitalization. These are not prophetic signs for the collapse of the banking industry in the region.

Towards the end of (2015), the International Monetary Fund (IMF) called for close monitoring of Kenyan banks to ensure that their regional expansion plans do not compromise their soundness.

In its latest review of the region's economic situation, IMF said though the risks from the global financial and economic conditions have lessened and financial indicators have remained favorable, there was a need to be more cautious, with the focus on closely monitoring the health of the banking system and adapting banking supervision to growing regionalization.

What is ailing the EAC region's financial institutions?

i) Lack of corporate governance

The closure of three banks in a span of one year (Dubai Bank in August 2015, Imperial Bank in October 2015 Chase Bank in Kenya, Twiga Bancorp in Tanzania in October 2016 and Crane Bank in Uganda) has sent jitters among millions of bank customers. So far all the five banks that have been put under receivership have suffered corporate governance issues. The common denominator in all the five cases is irresponsibility of senior management and the boards in these banks, who had been lending excessive amounts to related parties without paying due regard to collateral and their capacity to pay back.

A simple case of operational risk; that would then transform into credit risk. Operational risk; as in failure of people, systems and processes. Corporate governance problems faced by the regional banking sector are partly caused by the tendency for bankers to pursue other interests beside their core business. This has created the temptation for insider lending, as these bankers want to promote their interests outside of banking.

So in effect, governance malpractice within banks, has become a way of life in some parts of the region, enriching a few at the expense of many depositors and investors. Some of the boards and

management are also not equipped to run their banks. In some of these institutions, the board chairman or the CEO often have an overbearing influence on the board while in some cases boards lack independence.

ii) Lack of transparency

The banks in the region make public information on their operations on a highly selective basis. In most jurisdictions that have adopted the now best practice Basel rules, regulators have comprehensive Pillar 3 disclosure requirements that are meant to ensure investors and the public in general are able to make informed decisions on the quality of bank earnings, the strength of their balance sheets or the risks in their businesses.

The current banking 'mini crisis' we are experiencing has clearly shown us that some of the banks are engaged in manipulating their books to artificially enhance financial positions and profitability. Poor transparency, limited financial disclosure, and poor accounting and auditing practices of the banks means the market and the depositors would not have sufficient information to exert discipline on owners of the banks and corroborate the information contained in the banks' financial statements.

iii) Regulatory framework and supervision

Our banking legislative framework is not necessarily weak but the problem is that laws are being violated left right and centre. Regulatory authorities seem not to be proactive in detecting breaches of prudential rules and regulations. There seems to be a lack of co-ordination between bank supervisory bodies; Central Bank of Kenya (CBK), Bank of Tanzania (BoT), Bank of Uganda (BoU) and other regulators in the financial sector such as the Stock Exchange and Capital Markets Authorities.

Both Imperial and Chase banks issued bonds a few months prior to them being put under receivership while Twiga Bancorp had planned to issue an Initial Public Offering (IPO) at Dar es Salaam Stock Exchange (DES) market to raise capital. The Banking Supervision department within the supervisory bodies, in my view, also seems not well structured to supervise effectively and to enforce regulation. Critical processes, like on and offsite visits seem not to be delivering the

results required to effectively supervise and engage banks to enforce good conduct.

The future of the banking industry in East Africa Community (EAC) region

The banking sector in EAC region is a very competitive sector and its future is very bright. It is very competitive in terms of market segmentation with the heaviest competition being seen in the SME enterprise banking which is a fairly vibrant part of the EAC economy and a lot of banks; Kenya- 42, Uganda – 25, Tanzania 41, each have value propositions targeting that particular segment.

The regional banking sector is also highly integrated with telecommunications money transfers so it is very competitive on what kind of value propositions banks are able to offer for peer to peer money transfers and business to customer and customer to business payments; mostly riding off the M-Pesa, Airtel money, MTN, Zantel Ezy Money innovations which have now integrated back into the banking system.

In February 2016, Global ratings agency Moody's gave regions' lenders a clean bill of financial health, just after Imperial Bank and Dubai Bank went under receivership. The study, which assessed the overall stability of 109 fully fledged EAC

regions' banks, saying most lenders had promising growth prospects, although it pointed out that their asset quality faced risks stemming from structural weaknesses, rapid loan growth and rising interest rates. The agency noted that despite the backdrop of global emerging market volatility, they expect the regional banks to maintain solid capital and liquidity buffers over the next 12-18 months. They also noted that the regions banks' resilience came from continual improvements to the regulatory and supervisory environment, as well as its predominantly deposit-funded liability structure and strong profitability.

Conclusion

The momentum is difficult to ignore and will lead to more opportunity creation. This is the time that banks need to think through their own business; it's a transition point where they need to strengthen their business model and also consolidate with other institutions, find strategic investors that will make the bank more resilient.

It is time financial institution supervisors adopted global best practice prudential rules like Basel IV accords. This will not only improve the quantity, quality and consistency of the industry's capital and liquidity, but will also bring disclosure requirements to levels expected in major financial centres.



The common denominator in all the five cases is irresponsibility of senior management and the boards in these banks, who had been lending excessive amounts to related parties without paying due regard to collateral and their capacity to pay back.



Gambia's Jammeh Finally gives In

Leader of 22 years announces on state television that he has decided to relinquish power. The announcement came after hours of last-ditch talks with regional leaders and the threat by a regional military force to make them leave.

Source Al Jazeera



South Africa Is The Choice Destination For Migrants

South Africa has anywhere from 1.5 million-to-3.2 million migrants, and two thirds of them come from elsewhere on the continent, mainly neighboring countries but also from as far away as Eritrea and Morocco.

Source: AFK Insider

Remembering Granny MacGuffie who saved Kenya's children

Dr. Martha "Bobby" MacGuffie of New City was praised by many people she left behind as they marked her passing more than 5 years ago. She is especially remembered in Kenya where she left a legacy of accomplishments that stretch across the globe. In the minds of many people, the 87-year-old epitomized the belief that one person can make a difference. She was widely recognized as a humanitarian and activist and well respected as a plastic and reconstructive surgeon. Pamela Hudson, one of MacGuffie's five daughters said, "She was a 'oner.'



Her accomplishments are so difficult to even count. She left a phenomenal legacy." Dr. MacGuffie did not believe in barriers.

The mother of eight children, directed her grief over the deaths of her two youngest sons, Reid and Rob, to helping Kenyan children affected by the AIDS epidemic, the disease that killed her sons. Her first trip to Kenya, Africa gave her a mission. She founded SHARE in 1987 to bring help and hope to Kenyan children living in extreme poverty. MacGuffie and Dr. Renée M. Brilliant, a pediatric hematologist, based SHARE in New City with an affiliate in Kisumu, Kenya. Over the course of more than 20 years, Dr. MacGuffie left her private practice in Rockland County on a regular basis to travel back and forth to Kenya.

The Wealth of half the world is in the hands of 8 people

Oxfam's report, 'An economy for the 99 percent', shows that the gap between rich and poor is far greater than had been feared. It details how big business and the super-rich are fuelling the inequality crisis by dodging taxes, driving down wages and using their power to influence politics.

Source: CNBC Africa



Trump at his inauguration

America is entering a new era of insularity. Ending an age of free trade and heralding one of protectionism. More than 60 years of military and development aid and diplomacy is to be turned on its head. This is the era of President Donald J Trump - when America is going to withdraw from the world and throw an arm around its own.

Views of an editor...SN

Crocodiles Turn On Their Keeper

A South African tour guide working at a crocodile farm in the Western Cape Province near Cape Town has been mauled to death by the animals.

Source: Africa New

Why Mozambique is in a financial rut

The "tuna bonds" were the first misstep in a widening scandal that led the government to say on January 16th that it would default on its debt...

Source: The Economist

Meghan Markle and Prince Harry

Their eight-month relationship, Meghan Markle and Prince Harry have already welcomed in the New Year together, met each other's friends and family, been on vacation, and even picked out a Christmas tree together — so what other key moments can we expect to see this year? It was reported that Meghan met Prince William and Prince Charles last year, and has recently spent time with Kate and Princess Charlotte, so what's still to come? Meeting the queen will be next in protocol, and Harry will be very keen for Meghan to meet his grandmother sooner rather than later. *Yahoo News*

A word from WEF of Africa

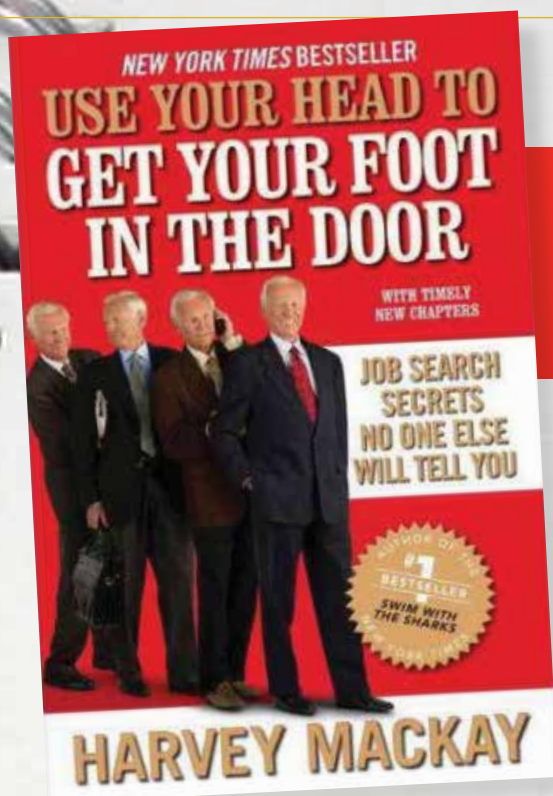
Elsie Kanza says the conference in Switzerland is an opportunity for African countries to look at the way they are responding to what is considered the 4th Industrial revolution.

Source eNCA Africa

William Onyeabor, reclusive African Electro-Funk Pioneer, Died at 70

He may not be a household name, but William Onyeabor, made a major contribution to African music through his pioneering works in the electro-funk genre.

Source: New York Times



Reviewed by Angela Mutiso, cananews@gmail.com

Title: Use your head to get your foot in the door

Author: Harvey Mackay

Category: Business/Education

Publisher: Gildan Media Corp



Harvey Mackay

Are you job hunting? Are you about to be retrenched? You had better start making yourself delectable. In this time of downsizing and outsourcing, you can never be sure your job will still exist in five years-or five weeks. So you'd better think of your career as a perpetual job search. That demands a passion for lifetime learning and the skills for relentless and effective networking.

Harvey Mackay, *Fortune* magazine's "Mr. Make- Things-Happen," has written five New York Times bestsellers, including one of the most popular business books of all time-*Swim with the Sharks Without Being Eaten Alive*. Now he returns with the ultimate book on how to get, and keep, a job you truly love whether you're twenty-one, fifty-one, or seventy-one.

The average person will have at least three career changes and ten different jobs by age thirty-eight. In this era of downsizing and outsourcing, you can never be sure your job will still exist in five years-or five weeks. So you'd better think of your career as a perpetual job search. That demands a passion for lifetime learning and the skills for relentless and effective networking.

Harvey Mackay has been a New York Times, Wall Street Journal, and USA Today bestseller. Reviewers say; you can have the finest moves in the talent contest,

you can boast a trophy speed-dial list on your iPhone, you can possess the single-mindedness of Paul Revere and be as self-assured as Muhammad Ali . . . and you still won't nail the job unless you know how to mold and merchandise your personal pitch. If this is true when times are booming-and it is-you can only imagine how true it is in times like these."

In this captivating book, Mackay shows you how to be at your best when things are at their worst. His topics include:

- beating rejection before it beats you
- warning signals that you might be losing your job
- acing interviews
- negotiating the job you want not the job they offer
- taking advantage of the way bosses make hiring decisions
- blending the latest contact tools with old-fashioned face-to-face networking
- Anger is only one later from danger
- You are never a failure until you think you are
- Electronic Résumé Screening: Use Language That Computes
- Multi tasking
- Headhunters: Making Yourself Delectable

This information packed book has been referred to as uplifting, amusing, and jam-

packed with proven tips. *Use Your Head to Get Your Foot in the Door* will guide you through the toughest job market in decades. It's also the definitive A-to-Z career resource for the rest of your life. This book is designed more for business professionals who seem to see no way in the job market. Upon reading it you will also know why networking is important, how to handle job interviews, create an explosive resume, how to tell when your job is at risk and how to add creativity to your job search. You must develop confidence and let it show in the interview room, you should try to impress your employers with your work, so what strategies should you use to move forward and how can you deal with rejection when it happens? These are some of the answers you will find in this book.

Larry King says: "Harvey Mackay hits the bull's-eye; an important book for important times in our lives. The Shark Man at his very best."

Uplifting, amusing, and jam-packed with proven tips, *Use Your Head to Get Your Foot in the Door* will guide you through the toughest job market in decades. It's also the definitive A-to-Z career resource for the rest of your life.

AUTHOR NOTES

- Harvey MacKay graduated from both the University of Minnesota and the Stanford University School of Business. In 1959, at the age of 26, he purchased a small, failing Envelope Company and turned it into Mackay Mitchell Envelope Company, a \$100 million business. He is the chairman and CEO of the company and a nationally syndicated columnist for United Feature Syndicate.

- He is the author of several books including *Swim With the Sharks Without Being Eaten Alive*, *Beware the Naked Man Who Offers You His Shirt* and *The Mackay MBA of Selling in the Real World*.

This book is also available in audio format. It is available at Amazon.com and in leading bookshops.

"I received with regret news that the Air Force, working to mob up BH (Boko Haram) insurgents accidentally bombed a civilian community in Rann, Borno State. I sympathize with the families of the dead, and with the injured. Nigerian President Muhammadu Buhari regretting the incident at refugee camp
Source: CNN

"Being jailed presented an opportunity for me to proceed with formal education, something I had already given up on".

Aggrey Ondego; 36 year old inmate who was among the best performing candidates from prison in Kenya in last year's KCSE examination. He scored a mean grade of B-

"I've taken heart from the hope of young graduates and our newest military officers. I've seen our scientists help a paralyzed man regain his sense of touch, and wounded warriors once given up for dead walk again. I've seen Americans whose lives have been saved because they finally have access to medical care, and families whose lives have been changed because their marriages are recognized as equal to our own. I've seen the youngest of children remind us through their actions and through their generosity of our obligations to care for refugees, or work for peace, and, above all, to look out for each other."

"seen you, the American people, in all your decency, determination, good humor, and kindness. And in your daily acts of citizenship, I've seen our future unfolding. All of us, regardless of party, should throw ourselves into that work – the joyous work of citizenship. Not just when there's an election, not just when our own narrow interest is at stake, but over the full span of a lifetime. I'll be right there with you every step of the way. And when the arc of progress

seems slow, remember: America is not the project of any one person. The single most powerful word in our democracy is the word 'We.' 'We the People.' 'We shall overcome.' Yes, we can." Immediate former US President Barack Obama; He wrote a final thank you letter to the American people on his final day as President.

"From this day forward it's going to be only America first - America first.

"Every decision on trade, on taxes, on immigration, on foreign affairs, will be made to benefit America workers and American families.

"We must protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs.

"Protection will lead to great prosperity and strength." "For many decades we've enriched foreign industry at the expense of American industry,"

"One by one the factories shuttered and left our shores with not even a thought about the millions and millions of American workers that were left behind.

"The wealth of our middle class has been ripped from our homes and then redistributed all across the world." New American President Donald Trump's quotes upon taking office

"More than two decades after Warren lent it to me — and more than four decades after it was first published — 'Business Adventures' remains the best business book I've ever read," Bill Gates the billionaire co-founder of Microsoft Bill Gates wrote this on his blog.

Gates, who goes through about 50 books a year, carves out time to read no matter how hectic his day may be. After all,

reading is a core habit of the most successful people — and science shows that it could benefit you in more ways than one. cnbc.com

"Become a regular somewhere. Because once you've become really comfortable in your favourite coffee shop, bookstore, or whatever, and are on familiar terms with the staff, you'll find you have the confidence to talk to people you meet there. "Chris Hart" on relationships... in the Daily Nation

Quotable quotes

"I've never been poor, only broke. Being poor is a frame of mind. Being broke is only a temporary situation." -Mike Todd

"Don't wait for someone else to make your life terrific. That's your job." -Unknown

"You never achieve real success unless you like what you are doing" -Dale Carnegie.

Success is a never ending quest because there is no such thing as too much success and when you reach one goal it becomes habit to reach a new and higher goal- Andy Zeus Anderson

"Formal education will make you a living. Self-education will make you a fortune." -Jim Rohn



ICPAK INTERNSHIP PROGRAMME

1.0 ICPAK Internship Programme

The Institute is rolling out an internship programme for its members to equip them with skills and competencies in relevant areas of the Accountancy profession. The programme aims at cultivating adaptability and creativity in accountancy in light of the dynamic professional operating environment. The Internship programme will employ a participant (intern-supervisor) centred approach to create opportunities for both parties for professional support. This will be done in a monitored environment where the Institute's role will be to link the parties and monitor the knowledge transfer as well as professional development.

2.0 Eligibility for Internship

To qualify as an intern, one should be:

- A CPA graduate and registered as an ICPAK Associate or Full Member (for skills-set building)
- Aged 35 years and below
- Unemployed or working in a non-accounting function/performing non-accounting duties.

3.0 Eligibility for Supervisors

To qualify as a supervisor, one should:

- Be a Full Member of ICPAK in good standing
- Have the requisite technical skills and competencies to lead and supervise an intern at his/her place of work.

4.0 Benefits to Supervisors

During the internship period, supervisors will earn 1.5 CPD Hours per month (1 Unstructured, 0.5 Structured).

5.0 Application Procedure

- i. Download the application forms on www.icpak.com under 'Membership'
- ii. Fill and email them to: internship@icpak.com
- iii. Upon availability of internship opportunity, both parties will be notified and paired for interview.
- iv. Upon successful interviews, the internship programme will commence once official notification to the Institute has been received (this will be useful in monitoring for quality assurance purposes and awarding of CPD to the supervisor).

Legal and Disciplinary Matters **updates**



ICPAK Disciplinary Committee has been established pursuant to Article 31 (1) of the Accountants Act of 2008. The Committee is mandated to: Consider evidence of the results of the investigations undertaken by the Registration Committee; make inquiry into the matters involving members and submit to the Council reports of the inquiry with appropriate recommendations. Currently, the Disciplinary Committee is reviewing the following cases.

- i) **D/120/2/14:** KENTRADE – Vs – Gabriel Kimani
- ii) **D/121/2/14:** KTDA – Vs – Nyasae & Associates
- iii) **D/123/6/16 (a):** Uchumi – Vs – Jonathan Ciano
- iv) **D/123/6/16 (b):** Uchumi – Vs – Chadwick Okumu
- v) **D/122/2/15:** Capital Markets Authority – Vs – Mazaars
- vi) **D/125/2/16:** CPDA – Vs – Elkana Mweseli Mugodo
- vii) **D/126/2/16(a):** FEP Holdings – Vs – Isaiah Mutahi Maranga
- viii) **D/126/2/16(b):** FEP Holdings – Vs – Stephen Kanyonyo Chege
- ix) **D/127/11/16:** Mr. Nitin Pandya - Vs - Auditors of Biashara Bank Building (Grant Thornton, PKF and KPMG)
- x) **D/128/11/16:** Waiganjo Limited Company -Vs- FCPA Julius Wokabi

The Disciplinary Committee will give further updates once the review of these cases is complete.



Paul von Lettow-Vorbeck

By Clive Mutiso, clivemutiso@gmail.com

THE TRAIL OF THE LION OF AFRICA

Adolf Hitler had a problem. Planning a war to conquer Europe, he needed an ambassador respected by the British who could persuade London to stay out of the conflict so that the German invasion could proceed smoothly without having to guard against intervention by the British. So it was, in 1935, that the Fuhrer offered the post of

Ambassador to the Court of St James to General Paul von Lettow-Vorbeck, revered in the German army as the Lion of Africa. The General's response was instant, uncompromising, and characteristically blunt. He told Hitler to go perform a sexual act upon himself that science tells us would have been anatomically impossible. The story of the German general who had the courage and integrity to tell

Hitler what to do to himself is centred on the sleepy Tanzanian town of Tanga, now designated a city, where remnants of German colonial architecture evoke the memory of a desperate war a hundred years ago in which a small contingent of German officers and men, leading a highly disciplined African army, fought a numerically superior British-led force for more than four years, and stood proud and

Old German Hospital of Tanga

undefeated at the end of the First World War. It was this campaign that earned von Lettow-Vorbeck his name of the Lion of Africa.

Tanga today is a port, manufacturing, and agricultural centre but its pristine beaches, lush green hinterland, and fascinating colonial history make it a great place to visit, not just for German history enthusiasts, but for East Africans looking for a refreshing coastal break at surprisingly affordable prices. The city is especially attractive to younger tourists, wanting to avoid the beach boys of the bigger, more popular, coastal destinations, and keen to learn more about the laid-back, friendly, people of the Tanzanian coast. There is plenty of hotel accommodation to choose from, several attractive and affordable restaurants, some unusual tourist attractions within easy reach, and good communications by road, sea, and air to Dar es Salaam, Mombasa, Arusha, Zanzibar, and beyond.

Tanga boasts one of the finest small hotels in East Africa, Mkonge Hotel, which has been refurbished to international standards and has an enviable reputation for efficient and friendly service, great food, and comfortable spacious rooms, many of which have a superb view of Tanga Bay, which is one of the most attractive vistas on any coast in the world. It overlooks Toten Island which is graced by giant baobab trees and surrounded by thriving mangroves, and which, although uninhabited for more than 150 years, attracts visitors who explore the ruined mosques and other ancient structures on the island. While Mkonge Hotel takes its name from the sisal plantations and factories that were the backbone of the pre-Independence economy of Tanga, Toten Island derives its name from its description by the Germans as The Island Of The Dead because of the graves scattered across it.

Although Mkonge Hotel is a world-

class property charging three-star rates, there are cheaper alternatives just a stone's throw away, including the Inn by The Sea, right next door. The Inn By the Sea enjoys a similar view of Tanga bay, including the Yacht Club moorings to the South, and there is a staircase down the cliff atop which the inn is located down to the strip of beach below. However, the inn is in serious need of a makeover, and despite its prime location cannot match the standards of the newer hotels and guest houses that have opened in Tanga as its tourist trade expands. Many visitors opt for the four-star luxury of the Tanga Beach Resort and Spa which, although it does not have the same bird's-eye view of the bay as Mkonge, is at the edge of a pristine mangrove forest that has its own unique charm.

A number of German visitors travel to Tanga to learn more about the Battle of Tanga, which was fought in November 1914 and is also known as the Battle Of The Bees because of the number of times that the two-day conflict was interrupted by the warring sides being attacked by swarms of hostile bees. The battle ought to have been a walkover for the British forces, who numbered 8,000 men and were led by a veteran colonial officer, Acting Major General Arthur Aitken. There was just one German infantry company, just more than 100 strong, in Tanga as the British landed after a naval bombardment, and a quick British victory could have been expected. Instead, Aitken found his nemesis in the shape of another colonial veteran, von Lettow-Vorbeck, who conjured up seven additional companies of reinforcements overnight and thoroughly thrashed the numerically superior British forces, who were forced back into the sea. News of the British defeat was suppressed for some time, and General Aitken was demoted to Colonel and shipped back to Britain in disgrace. However, as von Lettow-Vorbeck chalked up an endless series of victories all

over East Africa in the successive years, the British came to understand better the sort of inspirational guerrilla fighter Aitken had been up against, and he was exonerated, retired on full pay, and restored to the honorary rank of Brigadier General. Because the sites of all of von Lettow-Vorbeck's battles are located in what are now national parks, the sites are relatively well-preserved, and visitors can find clear signs of the battles and the artefacts associated with them. Battle re-enactment, with military history buffs kitted out with replica uniforms and equipment, is becoming an increasingly popular 21st-Century hobby and battlefield tourism is now being promoted both in Tanzania and Kenya, where von Lettow-Vorbeck's troops rampaged through Tsavo.

But Tanga is not all war and nostalgia, and about half an hour's drive from the port city are the foothills of the spectacular East Usambara Mountains, which have some of the characteristics of the Shimba Hills further North in Kenya, while asserting unique features of their own. In contrast to the humid coastal plain around Tanga, where year-round temperatures above 30 degrees C provide the perfect environment for growing oranges and sisal, the East Usambara Mountains are one of the few places in Africa which feature old-growth cloud rainforest. The mountains were formed more than two million years ago and have never been subject to glaciation, resulting in an ecosystem that has evolved slowly over eons to produce many species of plants and animals that are found nowhere else, including at least six endemic bird species.

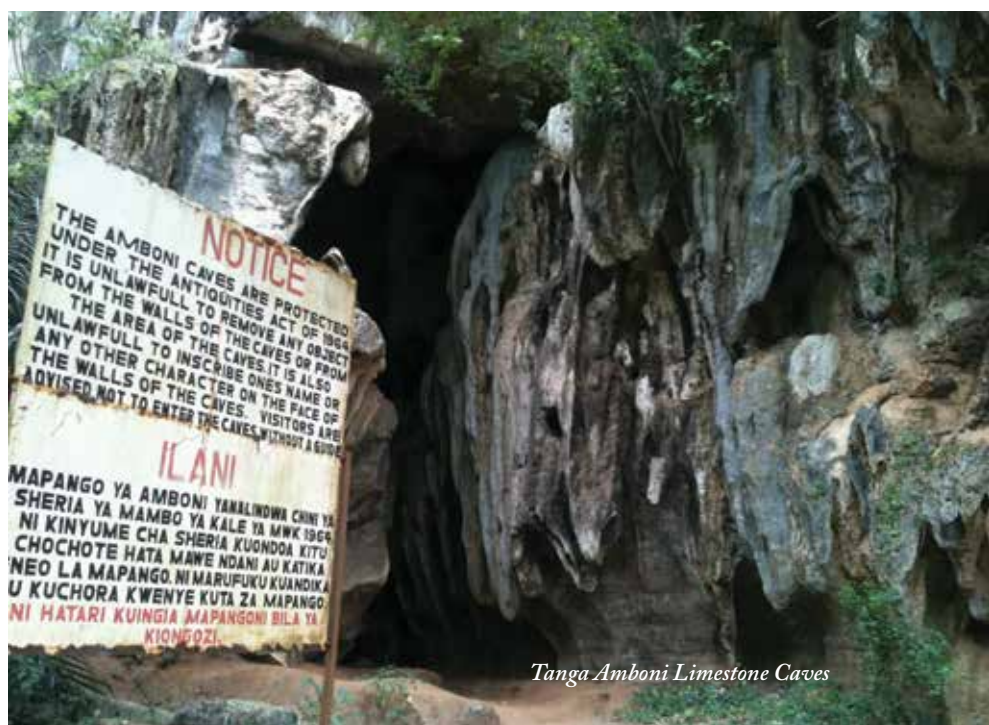
Although much of the East Usambara rainforest is still pristine, some areas have been cleared and replanted with tea over the past century, and the tea estates benefit from daily rain throughout most of the year. There is a guest house at Amani close to the summit of the mountain



range, which can be accessed through a winding road from Muheza, between Tanga and Segera, and apart from the cool, clean, mountain air the big attraction of Amani is the possibility of glimpsing one of the most critically endangered great forest antelopes of Africa, the red bongo. The perfect base for an ecological exploration of the area is the Amani Forest Camp, which was set up 20 years ago to simultaneously raise awareness of the natural beauty of the mountains while promoting their conservation. The camp is the pivot of a number of forest trails on which the wildlife can be seen at close quarters and astonishing views can be enjoyed to the fullest.

Among the other attractions in the close vicinity Tanga City are the mysterious Amboni Caves, the most extensive network of limestone caves in East Africa, sacred to the indigenous Bondei, Digo, Sambaa and Segeju peoples and which have never been fully explored. There are at least eight distinct cave networks, all of which are under the control of the Tanzanian Department of Antiquities, but only one is open for public tours.

One word of warning when traveling to, or through, Tanga and its hinterland – although Zanzibar has been amazingly successful in almost completely eliminating malaria, with no deaths from the disease for several years, that success has not been replicated in Tanga, where a particularly virulent strain of malaria is still endemic, and mosquitoes lurk in several



Tanga Amboni Limestone Caves

corners. At the first sign of headache, fever, or any other potential malaria symptom, seek immediate medical attention.

There is one delightful post-script to the story of General von Lettow-Vorbeck and his invincible African troops. In 1964, shortly after the General's death, the parliament of West Germany voted to give decades of back pay to the soldiers who had fought for the German Empire nearly 50 years before. There were still 350 African former soldiers of the German East African forces and they were called to the lake port of Mwanza to receive their

dues from the German Consul. Only a handful still had the discharge papers with which they had been issued in 1918, and the Consul needed a way to be sure that every claimant was genuine. He devised simple and effective test. Each former soldier was given a broomstick, told to imagine that it was a World War One rifle, and to perform the Prussian rifle drill in which he had been trained all those years before. One by one, each of the old men firmly grasped the broomstick, ran through the drill meticulously – and collected all his years of back pay.



HOW WILL KENYA'S ECONOMY PERFORM IN 2017?

By FCPA Jim McFie, a Fellow of the Institute of Certified Public Accountants of Kenya

It is extremely difficult to predict how Kenya's economy will perform in 2017. Towards the end of December 2016, the Nairobi Stock Market 20 Share (NSE20) index continued its decline of earlier in 2016 but there was an upturn late in the year and the index closed slightly below 3,200 at the end of the year. The NSE 20 had achieved an all-time high of 5,499.64 (say 5,500) in March 2015. It has gone down steadily from this number in March 2015 to December 2016. The NSE 20 has continued to fall more or less throughout January 2017. In 2016, more than twenty companies issued profit warnings – under the rules of the Capital Markets Authority, if an NSE company foresees its profits for the current year are likely to be lower than those of the preceding year by 25%, the company must issue a statement of this fact in the media: even the NSE itself, being a company quoted on the NSE, issued a profit warning. The outlook for the NSE has to be extremely measured: there is one exception – Safaricom – Kenyans will keep talking, transferring money through MPesa and downloading almost anything.

The drought that Kenya faces will have an effect on agricultural production; since agriculture is the single biggest component of the Gross Domestic Product (GDP), the drought will at least stunt growth in this component of Kenya's economy, or even reduce the value of agriculture overall. It has been predicted elsewhere that Kenya would be spared the worst of the drought but would face rising food insecurity due to more expensive maize imports from neighbouring countries (in fact, Kenya will import maize from Mexico). However, this prediction claimed that the country may not be affected too adversely if La Nina, which was expected to form at the end of 2016, materialized. As it happened, La Nina did not materialize; the reports that

I receive from around the country indicate that agricultural output will actually decrease. It must be remembered that tea, which is Kenya's biggest export, in value terms, and coffee, which is now a relatively small proportion of Kenya's exports, are both rain fed and therefore very susceptible to shortage of rain. Although the met department has assured us that the long rains will arrive in April, it might be wiser for Kenyans to pray like Uhuru prayed for rain during his visit to the Mount Kenya region recently.

It is predicted that the Kenya Shilling will gradually weaken over the year: this will raise earnings for exporters and will increase, in Kenya Shillings, the value of remittances from the Kenya diaspora. In my opinion, I think oil prices will not rise excessively; any rise will bring back the fracking community in the US, which will keep prices in check. The trade deficit will increase because export earnings will not increase at the same rate as imports – Kenya's propensity to import is huge.

It is very difficult to predict what will occur in tourism. When I saw photos in the media of foreigners, and some richer Gambians, leaving Banjul as the troops of the Economic Community of West African States (ECOWAS) approached the city, it reminded me of early January 2008 in Kenya. I would not want to die in a country I was visiting as a tourist. Two unpredictable outcomes are relevant here. Will Al Shabab carry out a major atrocity in 2017? So far, we have become complacent about the position and we are assured by the authorities that we are safe? How sure can we be that no relatively large attack will take place? Secondly, will the election be peaceful? If the answer to those last two questions is "yes", tourism will continue to grow.

Corruption and crime, including

cybercrime, will continue unabated because, although we discuss every aspect of the various bodies that suffer as a result of the condemned act, nothing is done about the perpetrators: trials take place in the newspapers, on radio and on TV. But the Courts are not part of the system and people are never put behind bars – this word could be misinterpreted – the culprits are probably found frequenting the many bars in the city of Nairobi and in the suburban areas all over Kenya – so they are behind bars!

Will the Standard Gauge Railway (SGR) contribute much to the economy in 2017? In my opinion, the answer is no: it will take a fairly long period of time to see tangible changes to the economy as a result of the presence of the SGR. Although transport makes up quite a sizable portion of Kenya's GDP, will the SGR reduce the number of Ugandan, Rwandan and South Sudan trucks on Kenya's roads? My answer would be no. And if one speaks to persons involved in the transport industry in Kenya, they will point out the length of time it will take to load containers on the trains and the enormous traffic jams that will occur around the terminals inland: these two factors on their own may make transporting containers by rail something less attractive than an unthinking cheer that the railway is here.

Banks are going to earn a lower level of profit; job cuts will continue in the banking industry. Insurance companies should do better because importers have to insure locally the goods being imported. Let us hope that a vessel full of expensive cars destined for Kenya does NOT sink on the high seas during a storm.

The World Bank predicts that Kenya's Economy will grow at 6% in 2017. My suggestion is that we cut that to 4.8%: let us hope I am being too cautious.



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Date:
29th - 31st March 2017

Theme:
Resetting the
Sails; Reassessing
Accountants Public
Interest Role in Africa

Charges:

Category	Early Bird Registration	Normal Registration
	Booking & Payment on or before 22nd March 2017	Booking & Payment or LSO/LPO received by ICPAK by after 22nd March 2017
Associate Members & CPA Students	83,950	124, 950
ICPAK Members	119,950.00	124, 950
Non-Members & International Delegates	KShs 124,950 (1300 USD)	KShs 129,950 (1350 USD)

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For Exhibitions and Sponsorships, please get in touch with
CPA Makokha Wanjala on the above lines or email.

