

| JOURNAL OF THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA |

# *A<sup>the</sup> Accountant*

LEARN • EXPLORE • SHARE

JULY - AUGUST 2017

[www.icpak.com](http://www.icpak.com)

Ksh 300  
Ushs 9,000  
Tshs 5,700  
RWF 2,400



COCA-COLA

**EMERGING TRENDS  
IN ACCOUNTING**

**THE ILLUSION OF  
KNOWLEDGE**

**TAXATION OF  
EXPORTED  
SERVICES**

**BANNING PLASTIC  
BAGS IN KENYA**

# **TRADE SECRETS**

**Is Your Data Safe?**



**97 of the world's 100 global leading brands employ ICAEW Chartered Accountants. They are recognised globally as leaders in accountancy, finance and business.**

ICAEW's main qualification, the ACA, is one of the most advanced learning and professional development programmes available. Find out why Catherine chose the ACA, and how it has helped her career.

I joined British American Tobacco – a multinational FMCG company with presence in over 180 countries – as a Finance Assistant. Appreciating the need for an international qualification, I enrolled for the ACA. The ACA was a clear front runner because of its recognition and structured training which combines technical rigour, commercial acumen and ethical considerations.

With the route to chartered accountancy for ICPAK members established and BAT Kenya being authorised as one of the first training employers, I was in the right place at the right time.

Throughout my training, I took on stretch responsibilities at work to grow professionally and meet training requirements.

The ACA is very demanding but equally rewarding, therefore a worthwhile investment.

Being an ICAEW Chartered Accountant marks a key career milestone. I look forward to further consolidating my skills whilst enjoying the benefits of ICAEW membership.

**CPA Catherine Cheburet Chepkong'a**  
ICAEW Chartered Accountant  
Assistant Corporate Finance Manager  
British American Tobacco Kenya Plc

**Start your path to global recognition in accountancy, finance and business.**

ICAEW works in partnership with the Institute of Certified Public Accountants of Kenya to offer a fast-track route to membership for CPAs. CPAs are required to complete the final three Advanced Level ACA exams, practical work experience, ethics training and professional development. All exams and training are available in Kenya.

For further details visit [icaew.com/icpak](http://icaew.com/icpak)







**18**

## ECONOMY

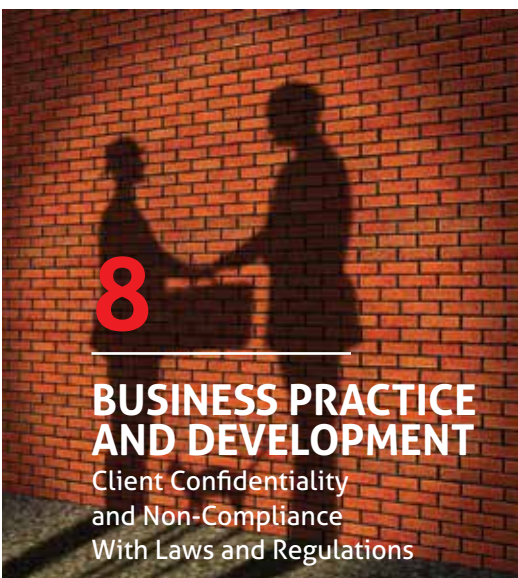
Why Marine Insurance  
is Essential



**34**

## COVER STORY

Trade Secrets



**8**

## BUSINESS PRACTICE AND DEVELOPMENT

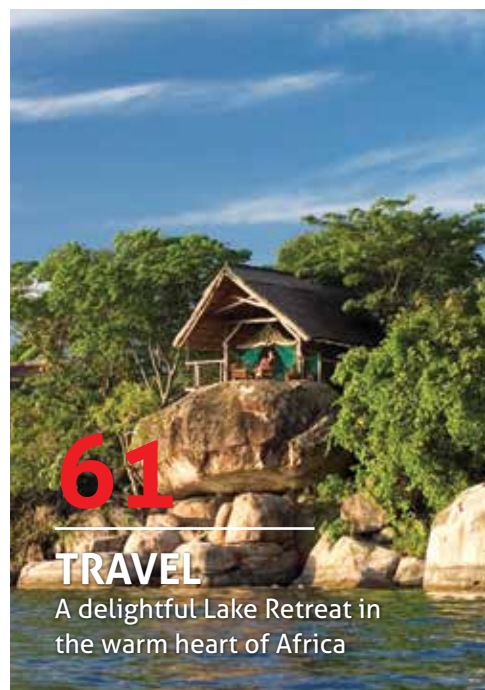
Client Confidentiality  
and Non-Compliance  
With Laws and Regulations



**40**

## INSPIRATION

Why do we lie?



**61**

## TRAVEL

A delightful Lake Retreat in  
the warm heart of Africa

### Members of the Council

**Chairman**  
FCPA Julius Mwatu

**Ag. Chief Executive Officer**  
CPA Edwin Makori

**Council Members**  
FCPA Pius Nduatih  
FCPA Wycliffe Shamiah  
CPA Geofrey Malombe

CPA Obare Nyaega  
CPA Rose Mwaura  
CPA Susan Oyatsi  
CPA June Kivinda  
CPA Samuel Okello  
CPA Denish Osodo  
Ms Damaris Kimosop

**Head of Publication/Editor**  
Mbugua Njoroge  
accountant@icpak.com

**Editorial Consultant**  
Angela Mutiso

**Marketing & Advertising**  
Ideation Marketing  
info@ideationmarketing.co.ke  
Tel: +254 719 650 423

**Staff Writer**  
Valerie Alusa

**Design, Layout & Print**  
Colour Print

### Publication and Circulation

ICPAK, CPA Centre, Thika Road  
P.O. Box 59960-00200 City Square,  
Nairobi Kenya  
Tel: +254 20 230 42 26/7  
Mob: +254 721 469 796/169,  
+254 727 531 006, +254 733 856 262  
Fax: +254 20 856 22 06,  
Email: memberservice@icpak.com

# SHARE YOUR VIEWS



**Email:** [accountant@icpak.com](mailto:accountant@icpak.com)  
**Address:** ICPAK, CPA Centre, Thika Road  
P. O. Box 59963 - 00200 Nairobi Kenya



# Dear Reader,

**I**n our cover story, we discuss trade secrets. Secrecy has been a part of trade for thousands of years; People who depend on making their money by selling something or providing a service which other people are unable to make or provide, defend their turf by raising barriers to entry. Trade secrecy is legal and protects relationships of trust.

Secrecy allowed a region in China to profit for centuries by harvesting silkworms to produce silk – something that could be done in Kenya; not just secret formulas and designs, but even simple facts, such as the features that might be introduced in the next iPhone, or which country a business intends to go into next. In Kenya, there are eleven laws related to intellectual property, seven sets of regulations, three guidelines and fifty four treaties. Enforcing business secrets has nothing to do with a lack of transparency in government.

Although it may seem paradoxical, trade secret laws can enable and encourage technology transfer, because these laws provide a commercially reasonable way to disseminate information. Although some aspects of secrecy laws, such as data exclusivity for drug companies can be controversial, there is a general agreement that confidential disclosure is beneficial in a modern economy.

Meanwhile, an accounting transition is always a tricky affair. The commendable difference is that government has instituted elaborate plans to learn from experienced industry practitioners that have been contracted to assist in compliance with International Public Sector Accounting Standards requirements.

Arguably, government sector accounts has many concepts and technical issues that obtaining a fair presentation of the financial affairs is more complex than it is in the private sector, hence this important effort appears complex and costly to effect. A common problem that has faced the early adopters is that government activities focus on macroeconomic approach and thus its management practices and data reporting methods are significantly different from the private sector. Accrual

based financial reporting gives broader information, which cash accounting does not. It also gives a wider than ordinary view of the liabilities compared to the assets according to this writer. Find out more under Financial Reporting and Assurance; it is titled- Pushing the boundaries of Government sector financial reporting.

In Business Practice and Development, we feature- Emerging Trends in Accounting. The author says that the Accountancy profession has contributed to the development and growth of ancient civilizations. From the Babylonians to the Egyptians, the need for records has satisfied the need to keep day to day affairs well structured, managed and planned for. The development of accounting has over the years since then, developed to a necessity for modern day trade, governance and every day operations. Owing to how integral the service is, it is no wonder that there have been remarkable developments in that space. Scholarly articles, research papers, development of courses and other avenues have been utilized to further advance this field. In line with this development, Accounting has also benefited from the advancements in other fields as well. The Enron Scandal brought to light the evils of poor accounting practices and the need for greater accountability and transparency in the operations of business. While the move for sustainability has lasted longer than this, the need for business to take up more responsibility has been greater appreciated since.

In the Governance segment, the Infrastructural Problems in Kenya's Public Universities are explored; the author wonders whether Public Private Partnerships (PPP) could be the solution. The writer further clarifies that Public Private Partnerships involves a contract between the public and private sector. It describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. The worldwide experience has shown that Public Private Partnerships, if properly formulated, can provide a variety of benefits to the government. For

example: A PPP can increase the value for money spent on infrastructure services by providing more-efficient, lower-cost, and reliable services; a PPP helps keep public sector budgets, and especially budget deficiencies, down; a PPP allows the public sector to avoid up-front capital costs and reduce public sector administration costs; the project life-cycle costs and project delivery time can be reduced by using a PPP. It can also improve the quality and efficiency of infrastructure services and facilitate innovation in infrastructure development, among other things.

Finally, as the global work force is growing both intellectually and in size, the Kenyan work force is not left behind. The average Kenyan employee is becoming more hardworking and extremely aggressive. There is an increase in both healthy and unhealthy competition in the workplace; sometimes making the environment very hostile, especially for the victims. Bullying and mobbing are just some of the work place evils quickly taking root in our Kenyan work places. We feature this rather disturbing state of affairs in the workplace section.

We have also incorporated all your regular features, including health, travel, institute news and pen off in this fascinating Journal. Enjoy!

**Mbugua Njoroge**

*Editor*



# PUSHING THE BOUNDARIES OF GOVERNMENT SECTOR FINANCIAL REPORTING

By Dominic Ooko, [ooko@ca.go.ke](mailto:ooko@ca.go.ke)

**C**hange time is here for government entities. The era of cash accounting is gradually becoming history. The PFM Act 2012 section 192-195 established the Public Service Accountants Service Board. The function of the Board is to provide a framework and generally accepted standards for management and reporting of Public sector accounting.

An accounting transition is always a tricky affair. The commendable difference is that government has instituted elaborate plans to learn from experienced industry practitioners that have been contracted to assist in compliance with International Public Sector Accounting Standards



*Mr. Henry K. Rotich - Cabinet Secretary for the National Treasury*



requirements. Arguably, government sector accounts has many concepts and technical issues that obtaining a fair presentation of the financial affairs is more complex than in the private sector, hence this important effort appears complex and costly to effect.

A common problem that has faced the early adopters is that government activities focus on macroeconomic approach and thus its management practices and data reporting methods are significantly different from the private sector. Indeed accrual based financial reporting gives broader information, which cash accounting does not. It also gives a wider than ordinary view of the liabilities compared to the assets.

There are several challenge areas in the practical implementation of IPSAS 16 and 17 on valuation of vested assets from national government to other government entities that may not ordinarily be conducted at arm's length. Further the valuation of heritage assets

or resources that have no comparable value like frequency spectrum. Similarly, how would one reasonably estimate the equity holding of a government entity? It's easy to assume that this is a simple exercise but its mind blowing for the head of finance to comply with the disclosure of transactions that are at best, based on massive judgment calls and perceptions of the preparer of the financial statements.

The latest consolidated government accounts for state corporation, semi autonomous government agencies and funds for the year ended 30 June 2015 were signed off 10 months later than expected on 31 August 2016 and incorporated financial results of 353 government entities ([www.treasury.go.ke/financial-reporting-templates/consolidated-financial-statements/category/121-consolidated-financial-statements.html](http://www.treasury.go.ke/financial-reporting-templates/consolidated-financial-statements/category/121-consolidated-financial-statements.html)). This comprehensive picture of government financial performance and position is refreshing and follows in the footsteps of the developed world.

The reported public finance numbers provide for interesting read and a tool for effective public financial management aimed at improving governance. Further, it delivers an important source of future government directions in terms of policy making like addressing government borrowing with internally available funds. For instance, the annual debt repayment in 2016 was Ksh 446.4 Billion while tax collection was Ksh 1.2 Trillion, thus Ksh3.7 out of every 10 shillings collected by the revenue authority went towards the redemption of debt principal and interest. Incidentally, cash and fixed deposits held with commercial banks in the year ended 2015 was Ksh 253.1 Billion. This enhanced view of financial reporting provides an important source of future government direction in terms of policy making like in this case of debt management. We have just scratched the surface of the benefits of consolidated government financial reporting and the real test is yet to come.

“**There are several challenge areas in the practical implementation of IPSAS 16 and 17 on valuation of vested assets from national government to other government entities that may not ordinarily be conducted at arm's length.**”



# EMERGING TRENDS IN ACCOUNTING

## Sustainability Reporting

By Rosemary Wabome, [rosemary.wabome@croweborwath.co.ke](mailto:rosemary.wabome@croweborwath.co.ke)

**T**he Accountancy profession has contributed to the development and growth of ancient civilizations. From the Babylonians to the Egyptians, the need for records has satisfied the need to keep day to day affairs well structured, managed and planned for. The development of accounting has over the years since then developed to a necessity for modern day trade, governance and every day operations.

Owing to how integral the service is, it is no wonder that there have been remarkable developments in that space. Scholarly articles, research papers, development of courses and other avenues have been utilized to further advance this field. In line with this development, Accounting has also benefited from the advancements in other fields as well.

The Enron Scandal brought to light the evils of poor accounting practices and the need for greater accountability and transparency in the operations of business. While the move for Sustainability has lasted longer than this, the need for business to take up more responsibility has been greater appreciated since.

### What Is Sustainability?

That business does not operate in a vacuum

is a basic understanding of Systems Theory. Business operates in an ecosystem consisting of the Government, the general public, suppliers, employees, customers, suppliers, investors, shareholders, the natural environment, the media and other stakeholders. These are the persons who are affected by the business and/or may affect the business.

Sustainability brings the business to be more aware of this. This understanding of business on a greater scope will require business to be more aware of its actions and how they directly or indirectly affect the stakeholders. Sustainability is thus a balance of the needs of these stakeholders and founded on three pillars:

- Economic or Profit – The core purpose of business and looking at more than just how much money is made but how it is made. Embracing good business practices for better relationships and thus more profit in future.
- Environment or Planet – As business draws from nature to run its operations, the reliance on these resources will need efficiency to ensure their availability in future. Business must thus look to reduce, recycle and reuse where it can.
- Social or People – This involves the human aspect of the business. How well does the business take care of its people?

Does it value human rights? Does the business appreciate diversity in the workplace?

### What Is Sustainability Reporting?

Having understood what sustainability involves, sustainability reporting is thus the process of capturing the impact of sustainability initiatives undertaken. It is preparing this report in a set format under specific guidelines and sharing the same with stakeholders.

These guidelines have been developed by international organizations that have advanced sustainability in different ways. They endeavor to advance new advancements in the field, train personnel and create awareness on Sustainability. The major providers of sustainability reporting guidelines are:

- Global Reporting Initiative (GRI)
- Integrated reporting by the International Integrated Reporting Council
- The United Nations Global Compact (The communication on progress)
- The Organization for Economic Co-operation and Development (OECD guidelines for Multinational Enterprises)
- The International Organization for





Standardization (ISO 26000, International standards for Social Responsibility).

### Benefits of sustainability reporting

Sustainability reporting practices creates transparency and assists markets to function more efficiently. It also indicates the health of the economy and drives progress by organizations towards smart, sustainable and inclusive growth.

Companies and organizations seeking sustainability from a global point of view can have the numerous benefits. One of these is increased understanding of risks and opportunities, streamlining processes, reducing costs and improving efficiency. The very nature of the sustainability reporting process delves into every part of the organization and can offer much needed expertise especially from a stakeholder's perspective.

An additional benefit of sustainability reporting is that it emphasizes the link between financial and non-financial performance. Tracking performance against environmental and social indicators will show an organization how well or how poorly it is doing on more than just monetary terms.

Preparing sustainability reports allows an organization to compare performance internally and between organizations and industry sectors using a global yardstick. The international standards allow for benchmarking on a greater scale pushing organizations to strive for excellence and efficiency.

Enabling external stakeholders to understand the organization's true value is another benefit. Stakeholders will look to see what more the organization is

doing in addressing pressing issues such as global warming, eradicating poverty, encouraging diversity in the workplace etc. By preparing the sustainability report, these stakeholders such as investors are well informed on the organization's progress on the same.

The transparency and accountability created by the preparation of sustainability reports does well to improve reputation and brand loyalty of an organization. More and more employees and customers are interested to see what organizations are doing. This alone influences the attraction of top talent as well as sales. A recent Nielsen global online study showed that up to 72% of millennials were willing to pay more for products from companies that are committed to social and environmental impact. This points to a growing crop of individuals that will influence what to buy and where to work.

### Who is Sustainability Reporting For?

Contrary to popular belief, sustainability reporting is not a preserve of private sector and large companies at that. Sustainability reporting can be undertaken by any organization regardless of the industry it operates in, its size and geographical location. The international guidelines such as GRI take this into account and have specific disclosures to be made by different sectors e.g. financial services or Not For Profit sector. This considerations and adjustments allow for more organizations to report on their sustainability efforts while maintaining international standards.

### Where to start?

The journey to sustainability reporting

will begin with a commitment from senior management like the Board of Directors or CEO or Managing Director to integrate sustainability in the running of the organization. This commitment may take the form of a statement of commitment or a sustainability policy.

This commitment must then be shared and communicated throughout the organization to ensure that employees and stakeholders are well aware of the vision and goals of the organization with regard to sustainability. This will involve public declarations by the senior management as well as information sharing sessions for employees at all levels.

Having done so, the organization may undertake stakeholder engagement. This process involves open communication with stakeholders in order to identify their main sustainability concerns. The organization may then identify the material concerns and embark on reporting on these aspects.

The final step will be gathering the data on the material concerns and preparing the sustainability report.

As simple as this process may seem, greater detail is paid to these individual steps so as to ensure a complete and accurate sustainability report. Professional diligence must be exercised throughout the process.

To this end, Horwath Erastus and Co. will be offering Sustainability Reporting services to local organizations with the promise of quality international service delivered with an understanding of local organizations.

Undertaking sustainability reporting will aid in the push for sustainable development and indeed a better world for generations to come.

**“Sustainability reporting practices creates transparency and assists markets to function more efficiently. It also indicates the health of the economy and drives progress by organizations towards smart, sustainable and inclusive growth.”**



# CLIENT CONFIDENTIALITY AND NON-COMPLIANCE WITH LAWS AND REGULATIONS

By CPA SamMwaura, [samwathika@gmail.com](mailto:samwathika@gmail.com)

**T**he public appetite for audit reports has increased over the recent past. This has been fueled by the fall of giant companies as a result of financial accounting irregularities. We all remember Enron, Worldcom, Tyco International, Healthsouth, FreddieMac, and at home we have our Uchumi Supermarkets, Chase Bank and Imperial Bank all of these companies have been thoroughly documented.

Globally audit reports are "Big News" and they sell, especially if they relate to real, alleged, probable or estimated graft. Media houses have taken note of the public appetite for audit reports, as such;

they give the masses what they want. If the report relates to a public company, ministry, department or agency then, the "snitch" will be catapulted to the public limelight and become some sort of a "graft-buster".

It is in this line that I would like to focus on the subject, client confidentiality, because most of the audit reports "smuggled" into the hands of third parties have no approval of the concerned clients, and that is why, most of these reports bear the tag "leaked". Recently in Kenya, we have had audit reports for major organizations, departments and agencies leaked to media houses and the general public.

We however note that there are limited exceptions to this, including disclosures to authorised state legal officers and court orders requiring client's records to be produced. However, most of these disclosures of confidential client information are illegal and are being committed by professional accountants in the course of their work. This leads us to four key points of consideration:

- i.) Professional accountants and our ethics code;
- ii.) Professional accountants response to non-compliance with laws and regulations (NOCLAR) by the client;
- iii.) Public interest versus ethical duty;
- iv.) Public expectations



## Professional Accountants and Ethics Code

As accountants we are entrusted with a public interest role. However, in pursuit of our duty, we should refrain and weigh situations carefully to ensure that we do not harm the same public we want to protect if our generosity with findings leads to unintended consequences. Section 140.1(a) of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for professional accountants requires professional accountants to refrain from disclosing confidential client information without proper and specific authority or unless there is a legal or professional right or duty to disclose. Section 140.1 (b) refrains professional accountants from using acquired client information for their personal advantage or the advantage of third parties.

## Professional Accountants and NOCLAR

In the day to day interaction with clients' information systems and records, accountants in practice or in business may come across apparent instances of questionable behavior within an accounting context. When such an instance arises, accountants talk to their client or employer to enable action to rectify, mediate, or mitigate the consequence of NOCLAR and to prevent commission where NOCLAR has not yet occurred.

Adherence to strict client confidentiality makes us trusted confidants to our clients, and clients reveal a lot of vital information regarding themselves and their businesses. Without strict adherence to confidentiality, the very clients that the accountants are seeking to help may keep to themselves vital information, thus limiting the scope of accountants' and consequently their ability to provide clients with informed and high-quality professional services. The ISA currently require auditors to determine whether they have a "responsibility to report an identified or suspected non-compliance to parties outside the entity."

The guidance in ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements – Paragraph A19 states that: "The auditor's professional duty to maintain the confidentiality of client information may preclude reporting

**The lack of certainty on what professional accountants may find in the course of their work may cause clients to limit the information they provide.**

identified or suspected non-compliance with laws and regulations to a party outside the entity. However, the auditor's legal responsibilities vary by jurisdiction and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. In some jurisdictions, the auditor of a financial institution has a statutory duty to report the occurrence, or suspected occurrence, of non-compliance with laws and regulations to supervisory authorities. Also, in some jurisdictions, the auditor has a duty to report misstatements to authorities in those cases where management and, where applicable, those charged with governance fail to take corrective action. The auditor may consider it appropriate to obtain legal advice to determine the appropriate course of action." and Paragraph A20 "A public sector auditor may be obliged to report on instances of non-compliance to the legislature or other governing body or to report them in the auditor's report."

As accountants in private practice and business, we know too well that client confidentiality is paramount and any deviation would be injurious to you and to the profession. Not forgetting the real risk of spending more of your precious time solving a legal problem as opposed to solving accounting problems.

## Public Interest versus Ethical Duty

Professional accountants have both an ethical duty and a public interest mandate to address instances, or suspected instances, of NOCLAR. The IESBA has taken a different stance from certain other international standard setters in this context: while other standard setters

generally use an approach whereby compliance with the standard means that the professional accountant is deemed to have acted in the public interest, the IESBA is proposing the introduction of a "public interest test" in the Code. In practice, this approach is likely to be problematic as there is no common understanding as to what constitutes the public interest.

The IESBA decided motto includes a direct requirement within the Code for professional accountants to break client confidentiality and report certain suspected and identified instances of illegal acts. Legal opinion obtained by the IESBA stressed the concerns raised by many professional accountants, and, in particular, highlighted "significant unintended consequences of the professional accountant becoming a quasi-investigator or prosecutor in relation to NOCLAR."

## Public Expectations

The existing expectations' gap will increase, as the public will expect professional accountants to disclose matters beyond current practice and beyond national legislation, unless that legislation upholds client confidentiality. On the other hand, the uncertainty surrounding exactly when professional accountants may break client confidentiality may prove to be ultimately not in the public interest, and may work against professional accountants.

The lack of certainty on what professional accountants may find in the course of their work may cause clients to limit the information they provide. For auditors, this could have serious unintended consequences in terms of quality of work. In addition, this uncertainty may drive clients away and lead to lack of full cooperation and complete information; such unintended consequences are not in the public interest.

## Parting shot

Illegal acts by a professional accountant's clients or employers pose ethical-social-legal issues and consequently, professional accountants may not turn a blind eye when they come across instances of NOCLAR in their professional work. However, as we balance ethics, commercial pressures and legal requirements, before you spill the beans, make sure you have water tight facts and most importantly seek legal advice.



# TRANSPARENCY IN KENYA

*By Toddy Thairu, Caleb Mokaya and Sharon Terer*

**M**any countries around the world are keen to understand the affairs of their taxpayers to enable them determine their tax status and therefore potential tax liabilities. Taxpayers who have cross-border transactions and economic interests are of particular interest to tax authorities.

Over the years, the Kenya Revenue Authority (KRA) has encouraged the process of voluntary disclosure by taxpayers. On average, KRA carries out tax audits of taxpayers on a 3-year cycle. By law, KRA can only carry out an audit going back 5 years unless there is evidence of fraud, in which case there is no limit as to the period KRA can audit.

However, in case any non-compliance issues are identified from self-review, taxpayers are encouraged to estimate the taxes due and disclose these to the KRA. The self-disclosure process doesn't take long; it would probably require a meeting or two with the KRA. What may take a month or two is the tax health check review process of determining compliance





gaps in a taxpayer's operations.

The key advantage of self-disclosure is that a taxpayer is able to negotiate with the KRA for a favourable payment plan. Also, self-disclosure gives a taxpayer a better chance of negotiating for a waiver of any accrued penalties and interest. We have taxpayers who have managed to get waivers upwards of 50% of the accrued penalties and interest.

While the Kenyan Tax Procedures Act provides for imprisonment terms for instances of non-compliance, rarely do tax offenders undergo a criminal investigation and prosecution, even though the Attorney General has gazetted special economic crime prosecutors.

Globally The Organisation for Economic Co-operation and Development (OECD) is at the forefront of advocating for tax transparency. In pursuit of this, the OECD has developed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MCMAA or the Convention) which aims to facilitate international cooperation and information sharing among its signatories in a bid to combat tax evasion and avoidance which is aided by financial secrecy.

The MCMAA requires revenue authorities to obtain information on the economic activities of non-resident persons from their financial institutions such as banks, mutual funds, custodial institutions and stock brokers, and share the information with other revenue authorities whose countries are signatories to the convention. Under the MCMAA, the Common Reporting Standards (CRS), which came into effect on 1 January 2017, were developed to create a framework for the sharing of tax-relevant information among jurisdictions.

Kenya became a signatory to the Convention on 8 February 2016 and is expected to commence information sharing with other signatories in 2018. Kenya is also a part of the Global forum on transparency and exchange of information for tax purposes and has been rated to be 'largely compliant' with regard to the transparency initiatives.

In view of the anticipated exchange of information and to facilitate a transition to a tax transparency and compliance status, Kenya

recently introduced a tax amnesty program through an amendment to the Tax Procedures Act. The tax amnesty bars the KRA from levying taxes, penalties and interest on foreign income earned prior to December 31, 2016, that is voluntarily declared under the amnesty. However, in order to qualify for the amnesty, taxpayers will be required to repatriate their foreign held assets.

This tax amnesty is only available to taxpayers whose offshore income has not been under KRA's investigation or audit. The deadline for the disclosure period is 30th June 2018.

The amnesty is however still clouded in doubt as its aim is to have all foreign earned income declared in Kenya. The problem with this is that Kenya operates a source-based tax regime and therefore not all foreign earned income is taxable in Kenya. Further, with Kenya not having foreign exchange controls in place, the forced repatriation of funds may be a moot point especially since an investor could easily repatriate cash today as required to comply with the amnesty requirements and tomorrow, he re-invests the same cash abroad.

While the amnesty provisions do not absolve taxpayers of any criminal liability, KRA has in various fora reiterated that the information declared under the amnesty shall be maintained in confidence and shall not be disclosed to other government agencies. That way, KRA "guarantees" that there will be no criminal prosecution in respect of the previously undeclared foreign income now declared. As always, the devil is in the detail and how this works out in practice, only time will tell.

For now, Kenyan residents with foreign income that is taxable in Kenya should consider taking steps to regularize their tax affairs in Kenya under the tax amnesty on or before 30 June 2018. However, for others who have foreign held assets but the income is not taxable in Kenya, they may have to wait for the next amnesty guidelines in order to assess how best to proceed.

*Toddy, Caleb and Sharon are Tax practitioners with KPMG Advisory Services Limited. The views expressed herein are personal and do not necessarily represent the views and opinion of KPMG.*

“

**Kenya became a signatory to the Convention on 8 February 2016 and is expected to commence information sharing with other signatories in 2018. Kenya is also a part of the Global forum on transparency and exchange of information for tax purposes and has been rated to be 'largely compliant' with regard to the transparency initiatives.**

# KENYAN SMALL AND MEDIUM ENTERPRISES (SMES)

## Barriers to Internationalization

By Benjamin Nyaoro, [nyaorobenjamin@gmail.com](mailto:nyaorobenjamin@gmail.com)

**W**ith increased globalization and evolution of information technology, the world has become a global village thereby reducing the distance between the local and international markets. This has therefore made internationalization to be one of the competitive advantages that a firm can develop to achieve growth. Internationalization is the increase in business activities by a firm beyond the borders of one country into foreign countries.

Factors such as threats from the local competitors, poor demand and saturation of the domestic market leaves a firm with very little choices but to venture into

the international market. Firms that take advantage of opportunities in the international market are able to transfer certain existing expertise from the domestic market into the international market and use its dynamic capabilities to exploit new market opportunities. Globalization necessitates firms to strike a balance between business strategies applied in the domestic market and those applicable to the international markets that encourage and enable the transfer of knowledge and innovation.

Constraints such as lack of financial resources, human resources, lack of expertise in international market and market management as being major barriers to internationalization of SMEs. In this piece therefore, I try to examine the various barriers to

internationalization and how SMEs can overcome some of them for successful and effective internationalization.

### Barriers to internationalization

There is no doubt that every business owner or manager would want to expand their business activities beyond the borders of one country. What there is the hindrance to this expectation or dream?

These factors that can broadly be classified into two: Internal factors and environmental factors.

#### 1. Internal factors

Internal factors relate to factors that are perfectly within the control of the firm as below:



#### a) Information access barrier

Owing to the fact that decisions are made based on information, it becomes increasingly difficult for SMEs to make decisions including those related to internationalization since they do not have information to analyze and take a decision. In some cases there are too many sources of information especially on the internet that have cast aspersions on the authenticity and reliability of information provided thus reducing the decision makers' trust in such sources. A manager sitting somewhere in Kenya may read about an opportunity in another country on the internet or papers but would take time to believe the source and by the time they do the opportunity is no longer available. This makes it difficult for them to identify business opportunities as and when they arise.

#### b) Human Resources Barrier

A business entity without people is just a name. Therefore it is important for an organization to get the best people to work in these organizations. However, SMEs owing to their small size lack the capacity to employ some of these best people and therefore settle only for what they can afford which in some cases may not be the best at that time. Training and capacity development is one of the ways to develop capacity in the organization but unfortunately SMEs usually lack the budget to achieve this. This inability to hire the best and the inability to train the existing to become the best have led to overworking the existing employees thereby leaving them with little time to think about internationalization.

#### c) Financing barriers

Finance is the life blood of any entity and lack of it can simply bring the organization to a grinding halt. Internationalization is thus considered an investment and as the norm with any investment a feasibility study always ought to be conducted.

This includes market research, market visits and possibility of adopting foreign market strategies. Being a new territorial boundary, firms are usually unable to tell how much of investment expenditure would be required to commence and conclude the process, this uncertainty would make SMEs unable to source for funds to finance these internationalization activities. Insurance companies are sometimes reluctant to insure products or assets in a foreign market because of uncertainty.

#### d) Distribution, promotion and Logistical barriers

Product placement and promotion is often a challenge in internationalization especially due to lack of effective distribution channels and because they are influenced or occupied by foreign competition. Effective product promotion is that which takes into account the culture of the consumers in a foreign market as well. An advertisement in one country may be considered an insult in another country thereby affecting the chances of penetration of that product or that company in that foreign market. Firms that seek to effectively internationalize should thus be aware of this fact. Transportation costs, insurance, sourcing of raw materials and technical difficulties on offering sufficient after sale service have also posed a challenge to effective internationalization.

### 2. Environmental factors

Environmental factors include factors that are not within the control of the firm starting from factors in the local market to factors in the destination countries as below;

#### a) Procedural barriers

Bureaucracy of paperwork and transactions such as understanding exporting procedure, customs, shipping arrangements may cause low internationalization. Due to distance

challenges, less communication with the customers in foreign markets may come to play therefore affecting the level of relationship with customers in the foreign markets. This could also lead to low collection of payments and sometimes enforcement of contracts.

#### b) Governmental barriers

Governments both in the foreign and home market have a role in promotion of SMEs. Lack of support from both governments can cause low internationalization activities. Lack of incentives, restrictions to foreign ownership, unfavorable import or exportation regulations, protection policy of domestic firms by the foreign governments etc will make SMEs unsuccessful in foreign markets. SMEs decision makers must thus ensure they have a good understanding on these issues before deciding to go to a foreign market.

#### c) Business Environment barriers

These factors include political, socio-cultural, economic and legal factors of the target overseas market. These factors if not carefully assessed could lead to instant failure in the foreign market. They include poor or declining economic conditions that may increase rates of inflation, high foreign debts and unemployment that may reduce the purchasing power in that market. Other risks include foreign exchange risk, language barrier, different culture, political unrest and poor infrastructural networks in some countries.

#### d) Tariff and non-tariff barriers

These barriers are imposed by the governments in the foreign market and some by the governments in the country of origin. They include; high cost of customs administration, impositions of unfavorable quotas and embargos, unattainably high quality standards, arbitrary classification and reclassification of imports and exports and high tariff barriers.

### Recommended solutions to these barriers

In order to overcome the barriers above SMEs could adopt some of the strategies such as use of networks, develop a product with niche characteristics and/or brand identity.

**a) Use of Networks and partnerships**

Access to information, knowledge gaps, financial and internal infrastructural challenges and innovation needs can easily be overcome if a firm employed the strategy of using networks and partnerships with companies in the foreign markets. Networking provides solutions to the challenges of resources, skills, expertise, knowledge and experience. Ability to network with both international partners and local government enable firms to internationalize through exchange of information, ideas, skills and experience. For effective internationalization it is thus important for SMEs to be able to create good networks locally and abroad.

**b) Development of Niche products**

Firms that are able to develop niche products for the foreign markets have the ability to internationalize effectively since they have the capability to dominate that market based on the ability of their product to create demand

for itself. A firm is able to come up with a niche product only if its innovative capacity is higher than that of firms in the foreign markets. With a niche product it is easy for a firm to realize maximum return within a very short time before the product reaches the end of its life cycle and before duplicate products

start flooding the market rendering your product expensive. A very good example of a niche product are the Apple products (phones and computers) that still enable Apple to make money even when there are still a lot of competitors in the market like Samsung and Sony.

**c) Developing Brand identity**

International marketing describes brand identity as the most effective and powerful tool of marketing. Brand identity is a tool that helps companies overcome barriers such as cultural complexities and pricing. A firm with a strong and visible brand would find it very easy to penetrate the international market by overcoming threats posed by international competitors. Brand identity as a tool has been effectively used in the fashion industry. For example a t-shirt with one of the strongest brands will be sold more expensive than a non-branded one and the customer would still be willing to pay more for the product. SMEs are thus encouraged to invest in brand and create a strong brand that can compete in the international markets.

“  
Constraints such as lack of financial resources, human resources, lack of expertise in international market and market management as being major barriers to internationalization of SMEs. In this piece therefore, I try to examine the various barriers to internationalization and how SMEs can overcome some of them for successful and effective internationalization.







# WHERE WOMEN ACCOUNTANTS BELONG!



**Our Vision:** To be a globally recognized women accountants' association.

**Our Mission:** Building capacity among women accountants to enable them access opportunities.

## **WHY AWAK:**

- An avenue of professional growth and development
- Knowledge, information and inspiration
- Accords Networking opportunities
- Placement for Jobs and internships for women Accountants
- Enhances Mentorship and Support for the girl-child
- Earn CPD Hours from affordable events and trainings

## **HOW TO BE A MEMBER:**

### **Requirements for full membership:-**

- Final KASNEB Certificate/Result Slip
- One Passport Size photo
- Copy of your National ID
- Registration fees of Kshs. 500
- Annual subscription fees of Kshs.3,000

### **Requirements for Associate membership:-**

- CPA 2 KASNEB Certificate/Result Slip
- One Passport Size Photo
- Copy of your National ID
- Registration fees of Kshs. 500
- Annual subscription fees of Kshs. 1,500



[www.awak.co.ke](http://www.awak.co.ke)



"Association of Women Accountants of Kenya-AWAK"



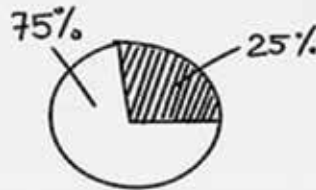
@AWAK2016



**For more information and guidance on application,  
call 0720 016 556 or email [awak@awak.co.ke](mailto:awak@awak.co.ke)**

ANALYSIS

MANAGEMENT



€ ₹ ¥



# THE ILLUSION OF KNOWLEDGE

For lack of knowledge, we whine

By CPA June Kivinda, [junenduku@gmail.com](mailto:junenduku@gmail.com)

**S**tella is a CPA (K); she wakes up early on Thursday, January 5, 2017 to a very promising day. She is about to experience two events that will be turning points in her life. Stella wants to further her education by studying for an MSc degree at the Kenya College of Accountancy University (KCAU). She has set aside her tuition fee for the first semester and she is going to make the payment today.

After that Stella will proceed for an interview to fill the vacant position of Chair for the Audit Committee in the Board of a certain organization. The interview is being conducted by the National Gender and Equality Commission (NGEC).

Two months later, Stella is whining like an uncontrollable tractor. Why? She realizes that she paid approximately Kshs 20,000 extra towards her tuition fee at KCAU. She also missed the opportunity to serve as Chair to the Audit Committee by a whisker.

In both cases she stabbed herself on the back because she had decided not to gather knowledge on how an official letter of good standing from the Institute of Certified Public Accountants of Kenya

(ICPAK) is obtained and in which circles it acts as a benefit.

KCAU required Stella to provide an official letter of good standing from ICPAK so as to enjoy a 20% discount on tuition fees. She did not save approximately Kshs 20,000. NGEC required Stella to provide the same letter from the on-set but she never delivered it. After the interview the scores showed she had performed well but the letter was lacking. Stella lost the opportunity to Chair an Audit Committee in the Board of a certain organization.

In life we lose/dodge countless opportunities in our efforts to progress because amongst other factors we are lazy. We are lazy in our pursuit of knowledge and pre-requisites for certain things to happen. We then whine incessantly saying that our organizations and/or country does not give us an enabling environment to prosper.

## The manner in which we whine

The perspective is that our government does not do anything substantial for the country while in power during a tenure of

5 years or 2 terms of 5 years. We whine that we are qualified and key strategic positions in our country are only given to people from certain tribes. But do we meet the pre-requisites of various institutions as individuals like the example shared on Stella's experience with NGEC?

"We have terrible leaders in our country", we whine. "There are high levels of corruption, the cost of living is high, etc", the whining continues. I challenge the middle class; Are we familiar with the dynamics of elections? Do we get involved at the nominations levels? Do we vote?

"The cost of living is high", we whine incessantly. When environments that encourage saving are availed to us, do we exploit them? If Stella claimed her 20% discount on tuition fee from KCAU, she would have saved Kshs 60,000 for 3 cumulative semesters in a year. This would have been possible as a member of ICPAK in good standing.

## Some Areas of Knowledge

I have just shared how an official letter of good standing from ICPAK is useful in two scenarios. There are many more ways to benefit as a member of ICPAK.





The government has various funds for specific groups to carry out development activities; Youth Fund, Women Fund, Persons with Disabilities, etc. Many of us think we need a “god-father” to help us access these funds. What is there to lose if we were extremely knowledgeable on how to obtain these funds and put forward our application(s)? Challenge natural forces and see if they will conspire to work together for you. “The Youth Enterprise Development Fund is a state corporation under the Ministry of Public Service, Gender and Youth Affairs. It was gazetted on 8th December 2006 and transformed into a State Corporation on 11th May 2007. The Fund is one of the flagship projects of Vision 2030, under the social pillar. Its strategic focus is on enterprise development as a key strategy that will increase economic opportunities for, and participation by Kenyan Youth in nation building” (<http://www.youthfund.go.ke/>).

The government has various commissions; for example NGEK. Work with them. Provide them with prerequisite information to enjoy the opportunities they provide to the citizens of Kenya. “The over-arching goal for NGEK is

to contribute to the reduction of gender inequalities and the discrimination against all; women, men, persons with disabilities, the youth, children, the elderly, minorities and marginalized communities” (<http://www.ngeckenya.org/>).

Institutions and Associations have been formed/created; for example, Institute of Board of Directors. Become a member and get opportunities to sit on boards.”IoD (Kenya) exists to represent Kenyan directors and to advocate their interests. Foremost among its goals is to professionalize the career of directors in all sectors of the economy” (<http://www.iodkenya.co.ke/home>).

### Policy making and formation

Did you know many industries in Kenya do not have tax incentives that reduce environmental degradation? Industries in Kenya such as Tourism, Tea, Horticulture, Petroleum, Mining, Marine, etc do not have policies addressing tax incentives that promote reduction in environmental degradation. We experience cyclical disasters like drought, flash floods, etc. These policies could inform Kenya’s budget policy statements in matters related

to food insecurity, devolution, infrastructure, cost of production, etc.

For financial services, the processes of Securitization and Joint Ventures are underdeveloped in Kenya. These are methods used in developed countries to transfer and/or share risk with an aim of using risk management as a mitigation tool to promote development in a country. If these processes had been embraced in Kenya, where would our investment levels be?

### Reflection

If we actively seek knowledge, the whining will reduce. A positive attitude recognizes/realizes when natural forces conspire to work together to promote an individual who exploits opportunities that are made available through policies, government organs and much more.

May this article help us reflect that “We whine for lack of knowledge”.

This attitude needs to be revolutionized to meet the development agenda of our great country Kenya and change the manner in which we whine.

*PS: Stella’s name has been changed to secure her real identity.*





# WHY MARINE INSURANCE IS ESSENTIAL

By CPA Victor Kipkoeb, [kipkoebvictor@gmail.com](mailto:kipkoebvictor@gmail.com)

**D**espite Kenya being a maritime nation and having enacted Section 20 of the Insurance Act in 1984, the local marine insurance has remained one of the sleeping giants of the maritime industry due to non-enforcement of the law and skewed implementation of international commercial terms.

A simple definition of the word insurance would be "Protection against future loss." Marine insurance is another variant of the general term 'insurance' and as the name suggests is provided to ships, boats and most importantly the cargo that is carried in them.

From 1st January, 2017 the new law that compels all importers to buy policy from local insurance companies takes effect, as per the requirement for local insurance is contained in Section 20 of the Insurance Act but has never been implemented due to compliance challenges. While some of the finer points of this new requirement and how it will be applied are still being contented, what is clear is that there is still significant apprehension amongst

some importers. This is to do with a range of concerns from perceived capacity challenges, price and coverage provided to delays in settlement of claims.

The implementation will be overseen by the Kenya Revenue Authority which will now demand that importers show their insurance contract with a local firm before clearing goods. Importers will have to produce proof of local insurance before their goods can be inspected at the source country. Currently, it is a requirement that imports be verified in the source country under the Pre-Export Verification of Conformity (PVoC) mechanism set up by the KRA and the Kenya Bureau of Standards.

For insurance companies this change is coming at a good time. According to the World Bank's recent Kenya Economic Update, imports of goods and services are projected to increase 6.2 percent in 2016 and 7.6 percent in 2017 and 2018. Plus the expected increase in trade with the completion of the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project. Previously our regulatory

framework and a lack of local market awareness were blamed for the weak uptake of marine insurance products.

Marine insurance is very important because through marine insurance, ship owners and transporters can be sure of claiming damages especially considering the mode of transportation used. Of the four modes of transport; road, rail, air and water, it is the latter which causes a lot of worry to the transporters not only because there are natural occurrences which have the potential to harm the cargo and the vessel but also other incidents and attributes which could cause a huge loss in the financials of the transporter and the importer.

Incidents like piracy and possibilities like cross-border shoot-outs pose a major threat when it comes to water transportation. Therefore in order to avoid any loss because of such events and happenings, in the interest of the importer and the transporter, it is always beneficial to have a back-up like marine insurance. While dealing with the scope and range of marine insurance, it is very important that





a ship's captain follows a rigid protocol in terms of the route taken and the time taken for the cargo and the vessel to reach the intended port of destination. Because if there is any discrepancy or violation in terms of the route taken, i.e. if the captain varies or digresses in his route from the one originally intended as a part of the ship's course, then even if there is any mishap occurring to the vessel or the cargo, the insurance claim will be rejected completely without any possibility of the claim being reimbursed to the claimant at some future date after a few tough negotiations.

Therefore it becomes very important that a ship's captain takes due consideration about the prescribed routes so as to avoid a failed insurance contract because of an unplanned loss due to the deviation in the route. This would bring about not just caution on the part of the captain but would also reduce the possibility of losing important insurance claims because of inadvertence and negligence.

Another important aspect of having marine insurance is that a transporter can choose the insurance plan as per the size of his ship, the routes that are taken by his ship to transport the cargo and many such minor points which could go a long way in significantly affecting the transporter. Since there are various plans and policies in place which spell out how to cover not just the cargo but also the vessel, the transporter can choose and avail the best policy that suits his business.

Marine insurance is a safe haven for shipping companies and importers because it helps to reduce the aspect of financial loss due to loss of important cargo. Also, it helps to bring about to the transporting companies and to the receiving parties, the duty, dedication and the straightforwardness of the insurance companies.

From the time the insurance act comes to effect, all direct marine insurance must be placed locally. This change provides insurers with an opportunity for profitable growth and much needed diversification from the volume-driven business of motor and medical amongst others. Awareness in the market is partly a perception issue. Many of the large importers

are placing some if not all of their insurance locally anyway. Closer to source, they feel like they can have a good relationship with their brokers or insurers. But Kenya's insurers have a responsibility to demonstrate that they have the capacity and expertise to deliver full cover marine insurance in-house without settlement delays.

Market research will help Kenya's insurance companies to design effective strategies for marketing marine insurance. Their go-to-market approaches should target the right market segments. In addition to educating their agents about the retail market for marine insurance, insurers can use cost-effective technologies like mobile applications to help customers compare products and prices.

One of the main concerns of the importers has been the capacity of local underwriters to handle large shipments. Local insurers are taking steps towards addressing these concerns. Co-insurance allows multiple insurers to cover the risk of valuable contracts, which should help to spread risk in the market.

In 2014 five insurance companies in Kenya formed a consortium to offer the police force medical insurance cover. Similar kind of arrangements are likely to continue emerging and becoming a norm in the insurance industry. Co-insurance can help to optimise the total capacity in the market and thereby help reduce the overall cost of the insurance as each insurer would tie up less capital than if they took on the whole risk. Co-insurance can help smaller insurers participate in the marine insurance segment easily.

In co-insurance customers would still deal with the lead insurer with whom they may have a long-standing relationship, but still benefit from lower insurance premiums. While the challenges raised by importers are not unfounded, it is fair to say that Kenya's insurance industry is capable of underwriting marine business with similar if not identical products to those that are already on offer. But the insurance industry still has some way to go to ensure that importers gain full confidence in the level of cover being offered and benefit from competitive pricing.



# COMMUNICATION OF AUDIT MATTERS

By CPA Maroa Julius Mwitwa, [juliusmaroas@gmail.com](mailto:juliusmaroas@gmail.com)

**A**ccording to ISA 260, auditors are required to communicate audit matters of governance interest to those charged with governance as it is sufficient that those charged with

governance are made to understand all significant matters arising from audit. By definition, “those charged with governance” means the person(s) with responsibility for overseeing the strategic direction of the entity and obligations

related to the accountability of the entity. “Governance” is a term used to describe the role of persons entrusted with supervision control and direction of the entity. Before communicating those matters to management, the





auditor should discuss the matters with management first at initial stages in order to clarify facts and issues, and to give management an opportunity to provide further information and explanations. An article entitled ACCA Think Ahead; indicates that when considering the reporting outputs of an audit of historical financial information, attention is usually focused on the audit opinion issued by auditors to shareholders in case of limited companies. However, it further indicates that another great output produced in the auditors' report is the aspect of the auditor's communication to those charged with governance.

In order to make the communication work well, it will be important to understand to whom the communication should be directed to although the Auditing standards do not specify the actual person(s) the communication should be directed. But to my understanding, it should be directed to persons entrusted with supervision, control and direction of the entity (Governance) often called the accounting officers in the public sector in Kenya as those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, with regard to reliability, effectiveness and efficiency of operations compliance with applicable laws. However, the appropriate person(s) to be communicated may vary depending on the matter to be communicated.

It should be understood that audit matters of governance include only those matters that have come to the attention of the auditors as a result of performing their audit function and should be communicated on timely basis in order to enable those charged with governance to take appropriate action. The auditor must communicate with those charged with governance, matters related to the financial statement audit that are, in the auditor's professional judgment, significant and relevant in terms responsibilities of those charged with governance in overseeing the financial reporting process. However, certain aspects like legal requirements depending on the legal structure existing in a given country may require that communication of matters to those charged with governance be communicated to legal entities and this matters may include ; fraud, illegal acts, improprieties in procurement process, violation of contracts or agreements and

other illegal acts.

Auditors should communicate matters relating to;

- Auditor's responsibilities under generally accepted auditing standards.
- An overview of the audit planning, scope and timing of audit.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
- The auditors are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in conformity with Generally Acceptable Accounting Standards (GAAPS).
- The relationships that may bear on the auditor's independence and objectivity, audit findings from the audit including the auditors' views on the qualitative aspects of the entity's accounting and reporting.
- Concept of materiality and its application to the audit approach.
- The way auditors propose to address the risk of material misstatements, with particular reference to areas of high risk.
- The auditors' approach to the assessment of, and reliance on, internal controls.
- The extent, if any, to which reliance should be placed on the work of internal audit and on the best way internal and external auditors can work best on a constructive and complementary basis.
- Expected modifications to the auditors' report in order to ensure that those charged with governance are aware of the proposed modifications and the reasons for it before the report is finalized. Those charged with governance mandate have an opportunity, where appropriate, to provide auditors with further information and explanations in respect to matter(s) giving rise to the proposed modification. This also helps ensure that no disrupted facts in respect of the matter(s) giving rise to the proposed modification or matters of disagreements are confirmed as such.
- Unadjusted misstatements detected by the auditors. When misstatements identified by the auditors are not adjusted by the entity's management the auditors communicate all such unadjusted misstatements. In case of refusal to make further adjustments by those charged with governance, the auditors' should still explain the reasons for, and appropriateness of, not making those adjustments having regard to both qualitative and

quantitative considerations, and consider the implication for their audit report of the effect of misstatements that remain unadjusted. In this scenario, the auditor should seek a written representation from those charged with governance that explains their reasons for not adjusting misstatements brought to their attention by the auditors as per SAS 610.6-Statement of Auditing Standards. Where the communication was done orally, the auditor shall include them in audit documentation, and when and to whom they were communicated. Documents pertaining oral presentation may include a copy of minutes prepared by the entity if those minutes are an appropriate record of the communication.

- Material weaknesses in the accounting and internal control systems identified during audit.

- The selection of or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements.

- Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

- For listed entities, a confirmation that the auditors have complied with ethical standards and appropriate safeguards have been put in place for any ethical threats identified.

- Any deficiencies in the internal control system identified should be communicated in writing or verbally.

- Other matters, if any, arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

The decision to communicate formally or orally, the extent of summarization in the communication, or whether to communicate formally or informally may be affected by such factors as;

- Whether management has previously communicated the matter

- Whether there has been significant changes in the membership of a governing body

- Whether the matter has been resolved satisfactorily

- The size, operation structure, control environment, and legal structure of the entity being audited.

- The amount of ongoing contact and dialogue the auditor has with those charged with governance

- Legal or regulatory requirements that

“  
**Those charged with governance mandate have an opportunity, where appropriate, to provide auditors with further information and explanations in respect to matter(s) giving rise to the proposed modification. This also helps ensure that no disrupted facts in respect of the matter(s) giving rise to the proposed modification or matters of disagreements are confirmed as such.**

may require a written communication with those charged with governance.

- Whether the auditor audits special purpose audit statements apart from general purpose audit statements.

- The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.

In order to achieve an effective communication, there should be a constructive working relationship between the auditor and those charged with governance as the relationship is maintained by developing an attitude

of professional independence and objectivity. To avoid misunderstandings, the engagement letter should specify that the auditor will communicate only those matters of governance interest that come to attention as a result of the performance of an audit and the auditor is not required to design audit procedures for the specific purpose of identifying matters of governance interest.

In the proposed revised ISA 260, the IAASB reviewed use of those charged with governance, management, and related terms such as directors, clients and board. While underlying the use of terms such as “those charged with governance” and “management” the presumptions have been that,

1. Management and those charged with governance are different.

2. Management is responsible for financial statements, whereas those charged with governance play an oversight role only.

However, the auditor needs to be keen in circumstances where in some entities there is no clear distinction between management and those charged with governance as the managers may be the same people who perform oversight role or where those responsible for oversight role also prepare financial statements and do approvals. This may sound a tricky situation and it's my request that IAASB should be specific on how this kind of a situation needs to be handled in terms of interpretations of relevant laws governing audit undertakings.

Additionally, when reporting, it assists the auditor and those charged with governance in understanding matters related to audit, and in developing a constructive working relationship. It helps the auditor in obtaining from those charged with governance, information relevant to the audit and helps them in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatements of the financial statements. Therefore as much as other sections contained in the ISAs are considered important while undertaking audit engagements, it should be remembered that communication of audit matters to those charged with governance is an important part under International Standards of Auditing and should continuously be embraced by the auditors while undertaking their daily or routine tasks.





kasneb

KASNEB is proud to be the **GOLD** sponsor of the ICPAK 33<sup>rd</sup> Annual Seminar.

*We pride ourselves in providing globally competitive professionals by empowering Certified Public Accountants*



KASNEB Towers, Hospital Road, Upper Hill P.O. Box 41362 - 00100 Nairobi - Kenya

Tel: 254 (020) 4923000 Cellphone: 0722-201214/0734-600624

Fax: 254 (020) 2712915 E-mail: [info@kasneb.or.ke](mailto:info@kasneb.or.ke) Website: [www.kasneb.or.ke](http://www.kasneb.or.ke)

Facebook: KASNEBOfficial Twitter: @KASNEBOfficial

bempowered



KASNEB is ISO 9001:2015 certified



In view of the high profile accounting scandals in recent times, the role and responsibilities of auditors has been questioned. In some instances auditors of companies listed in NSE, were alleged to have lacked sufficient understanding of the client's business, risks and exposures. This ultimately caused them to overlook the effects of clients' aggressive accounting practices.

ISA 300 Planning an Audit of Financial Statements requires that an auditor plan their audit to reduce audit risk to an acceptably low level. Audit risk is the risk that an auditor issues an inappropriate audit opinion; for example the auditor issues unqualified audit opinion when the financial statements are in fact materially misstated. The planning stage involves determining the audit strategy as well as identifying the nature and the timing of the procedures to be performed. This is done to optimize efficiency and effectiveness when conducting an audit. Efficiency refers to the amount of time spent gathering audit evidence. Effectiveness refers to the minimization of audit risk.

A well-planned audit will ensure; an understanding of the client, identifying risk factors, developing an audit strategy, and assessing materiality information. This information impacts the decision-making process of the users of the financial statements. Audit strategy sets the scope, timing, and direction of the audit and provides the basis for developing a detailed audit plan execution stage detailed testing of controls and substantive testing of transactions and accounts reporting stage, evaluating the results of the detailed testing in light of the auditor's understanding of their client. It also forms an opinion on the fair presentation of the client's financial statements.

ISA 315 requires auditors to obtain

# BUSINESS RISK VS INHERENT RISK

By CPA Kipkoech Victor, [kipkoechvictor@gmail.com](mailto:kipkoechvictor@gmail.com)



an understanding of the entity and its environment in order to assess the risks of material misstatement of financial statements. This reinforces the importance of obtaining a bird's eye view of the entity's business and significant business risks by the auditor at the audit planning stage. The complexities of modern day businesses and accounting practices have necessitated the consideration of business risks during the course of the audit.

Business risks are the factors that could prevent or hinder a company from achieving its goals and objectives. Audit Risk on the other hand, is the risk that the auditor expresses an inappropriate audit opinion on the financial statements. Audit risk therefore includes any factors that may cause a material misstatement or omission in the financial statements. The auditor's work therefore will be to detect these misstatements and omissions.

Whereas business risks relate to the organization and its stakeholders, audit risk relates specifically to an auditor. Although audit risks and business risks are dissimilar in nature, it is often the case that identification of significant business risks lead to the detection of audit risks.

The auditor will try as much

“

**Although audit risks and business risks are dissimilar in nature, it is often the case that identification of significant business risks lead to the detection of audit risks.**

as possible to lower the level of audit risk. This is done by assessing the audit risk model that is Inherent Risk (IR), Control Risk (CR) and Detection Risk (DR) which are all functions of Audit Risk (AR) giving rise to the audit risk model equation  $AR=IR*CR*DR$ . Inherent risk is the risk that an account might be materially misstated due to its nature for example in a school with a high population, receivables has a high inherent risk.

Business risk and inherent risk both bear on; the audit, the audit risk model, the nature, timing and extent of work performed. Inherent risk and business risk have an inverse relationship to detection risk and have a direct effect on the level of work performed. Neither of risk can be eliminated totally and neither is controllable by the auditor. Business risk relates to the financial statements and affects overall audit risk; inherent risk applies to an individual audit area. Inherent risk is explicitly included in the professional standards and the audit-risk model while business risk is not and has only an indirect bearing on the model. Management can take steps to affect the level of inherent risk, but the perceptions of users of the financial statements bear on business risk.

According to the glossary accompanying the IAASB pronouncements on assurance engagement and related services business risk has been defined as follows:

A risk resulting from significant conditions, events, circumstances, actions or inactions that could adversely affect an entity's ability to achieve its objectives and execute its strategies, or from the setting of inappropriate objectives and strategies. The risk that business is facing problems in achieving its business objectives have important implications on the auditor's work. Thus ultimately business risk gets connected with audit risk which the auditor wants to set very low.

Business risks facing an organization can be wide-ranging and diverse. The ultimate business risk any organization

faces is the risk that it seizes to be a going concern (ISA 570). Business risks therefore comprise any factors that may contribute towards business failure.

Examples of business risks include; loss of major customers, increase in production costs, decline in product demand, litigations and claims, technological obsolescence, increase in market competition, political and economic instability, inadequate financing, high financial risk.

### Why audit risk arises?

Audit risk arises because of existence of material misstatements in the financial statements which audit procedures were unable to detect hence  $DR=AR/(IR*CR)$ . Why material misstatements are in financial statements?

Material misstatements exist because of two reasons:

- i. There are no controls to stop such misstatements from entering the financial statements.
- ii. Controls are in place but they are not effective against misstatements and thus are unable to prevent such misstatements to enter the financial statements. And after they have entered control system is unable to detect and correct such misstatements.

Business risks can arise from any situation for example; government bans the use of a particular raw material to be used, as it causes pollution. This example fulfils the definition of the business risk given above; as due to this government ban, a manufacturer might not be able to achieve their target profit which is one of the business objectives.

Now let's understand how this government policy will raise inherent risk. Because of this order certain production machinery and raw materials may be rendered useless or written off as the manufacturer cannot use any other raw material and thus carry no value. Now this event requires adjustments in the amounts of asset and this event must be detected by the internal control system.





*Principal Secretary for Health, Mr. Julius Korir (centre) meets members of the Kenya Health Federation led by Dr. Amit Thakar (immediate left)*

# INFRASTRUCTURAL PROBLEMS IN KENYA'S PUBLIC UNIVERSITIES

## Are Public Private Partnerships the Solution?

By Benjamin K. Mule, [benjamin.mule@yahoo.com](mailto:benjamin.mule@yahoo.com)

**P**ublic Private Partnerships (PPP) involves a contract between the public and private sector. It describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

The worldwide experience has shown that the PPP, if properly formulated, can provide a variety of benefits to the government. A PPP can increase the value for money spent on infrastructure services by providing more-efficient, lower-cost, and reliable services; a PPP helps keep public sector budgets, and especially budget deficiencies, down; a PPP allows the public sector to avoid up-front capital costs and reduce public

sector administration costs; the project life-cycle costs and project delivery time can be reduced by using a PPP; a PPP can improve the quality and efficiency of infrastructure services; a PPP facilitates innovation in infrastructure development; the public sector can transfer risks related to construction, finance, and operation of projects to the private sector;

For several decades, development agencies have placed great emphasis on primary and, more recently, secondary education. But they have neglected tertiary education as a means to improve economic growth and mitigate poverty. Recent evidence suggests higher education is a primary tool for Africa's development in the new century. Universities can help develop African expertise; they can enhance the analysis of African problems;

strengthen domestic institutions; serve as a model environment for the practice of good governance, conflict resolution and respect for human rights, and enable African academics to play an active part in the global community of scholars.

Most countries are faced with serious budget constraints thus few can afford to allocate the necessary resources to infrastructure. Literature provides widespread evidence of a growing utilization of Public-Private-Partnerships in the delivery of public infrastructure facilities and services to meet the numerous needs of modern economies. The appetite for university education in Kenya has increased significantly. Most of those who qualify for admission into institutions of higher learning are not admitted since universities aren't able





*Nairobi University*

to accommodate the growing number of students due to limited enrolment capacities. Collaborations between the public and private sector can be a solution to the under-investment and poor maintenance of infrastructure in the Education sector.

This tremendous expansion of undergraduate education when combined with declining funding translates to more and more students being admitted to institutions that were originally designed to accommodate far fewer students. So severe is the crisis of overcrowding that it is not uncommon to find students standing inside or outside of lecture halls or even perched on windows during lectures. The period between the end of one lecture and the beginning of another is particularly chaotic as students simultaneously attempt to fill and vacate lecture halls or simply jump in or out through windows to guarantee them seats and space.

### **Benefits accruing from partnerships**

#### **Resources**

Public-Private-Partnerships provide opportunities for development corporations to harness private enterprise as a means towards economic and social

development of their host universities. This implies that PPPs lead to economic development of the institutions in which they are implemented. PPPs lead to resource mobilization through sharing thus enabling Projects to be initiated and completed. Private sectors integrate all community stakeholders in an economy in a way that they all benefit by pooling their resources and sharing. Public-Private-Partnerships involve design, construction, financing, operation and maintenance of public infrastructure and facilities, or the operation of services, to meet public needs. With PPPs public universities' needs can be easily met due to the synergy created when the two come together. Also Public-Private Partnerships brings on board best procurement practices which prevent loss of public resources. The public sector is well known for flawed procurement processes, thus partnering with the private sector will help solve this problem. Public-Private-Partnerships enable the public sector to leverage more financial resources by using the private sector as an intermediary. This shows the synergy created when the two come together as they exploit the strengths of each other. They promote technical efficiency among public projects. They further point out that the rationale for

partnering with the private sector is to bridge the deficit and budget shortfall thus enabling the Government to meet the citizens' demand.

#### **Expertise**

A well planned and adequately structured Public-Private-Partnership arrangement should efficiently and effectively achieve superior results than the traditional public sector infrastructure financing approaches. This is because the Public-Private-Partnership approach strives to harness a wide range of managerial, commercial and technical skills of the private sector while benefiting from the low risk, socio-political goodwill and the lower cost of capital of the public sector. This combination is expected to enhance time, quality and cost efficiency of resultant projects. The private sector has better technology, management skills and experience. This shows that the private sector is better placed to handle expertise issues in infrastructure development compared to the public sector thus necessitating the need to partner. Studies have shown that PPPs yield financial expertise, superior technology and proper management techniques that exceed the capabilities of an individual government agency or department.



**Private sector manages risk better compared to the public sector; indicating that the private sector is well suited to handle issues related with risk. Appropriate risk allocation between the private and public sector's affect the success of PPPs, Risk Reduction; Risk Transfer and Risk Retention does affect the success of PPPs. The involvement of the private sector can also lead to better risk management.**

### Value for money

Value for money is the ultimate test for a project. A PPP arrangement will only be approved if it demonstrates the lowest cost alternative to the taxpayer. The project should demonstrate an economic advantage to the Province. A project must commence with a sound business case, establishing reasonable estimates of costs and benefits. The business case must continue to be sound throughout the process. Anticipated efficiency and effectiveness of service delivery must meet or exceed identified standards. Quality service, which is responsive to the needs of the public, must be ensured. PPPs provide high quality infrastructure at a cost effective manner, the private sector enables the public sector to be competitive and dynamic in addressing the ever changing market dynamics. PPPs which bring together public and private sector do yield efficiency in the market environment. PPPs lead to efficiency in provision of infrastructure. The public sector on its own can't achieve the desired efficiency needed to have the required infrastructure; Thus the need for partnering. PPPs yield benefit in terms of cost cutting while achieving the highest possible results. Public-private-partnerships reduce the time frame taken to complete a given project. Thus it will take a shorter time to build infrastructure through a partnership than it would have taken the individual university to build on its own. Public-private-partnerships reduce the cost of acquiring goods and services, thus PPPs will lead to better cost management compared to the public sector cost management abilities. Competitive procurement is a very important element of the private sector thus when it partners with the public sector it leads to better procurement practices.



### Risk management

Private sector manages risk better compared to the public sector; indicating that the private sector is well suited to handle issues related with risk. Appropriate risk allocation between the private and public sector's affect the success of PPPs, Risk Reduction; Risk Transfer and Risk Retention does affect the success of PPPs. The involvement of the private sector can also lead to better risk management. The risks attached to an investment can in principle be shared between private operators and the State, with each bearing the type of risks – and associated incentives – for which they are most suited. PPP leads to better risk management. The allocation of risk to those players that can manage it best is the underlying driver of PPPs. That is, the public sector bears risks related to politics and, to some extent, economics. The sharing of risk enables both public and private players to focus

their strengths and resources for the project's benefit. However, risk allocation must be aligned with the political climate and government policies. The truth of a problem or risk in public sector is often obfuscated by wrong or incomplete analyses, fake targets, perceptual illusions, unclear focusing, altered mental states, and lack of good communication and confrontation of risk management solutions with reliable partners. Strategies to manage threats (uncertainties with negative consequences) typically include avoiding the threat, reducing the negative effect or probability of the threat, transferring all or part of the threat to another party, and even retaining some or all of the potential or actual consequences of a particular threat, and the opposites for opportunities (uncertain future states with benefits). The ability to transfer certain risks to the private sector has a value because it eliminates those risks for the institution and, by extension, for the taxpayer.



# OVERHAULING THE INCOME TAX ACT AMID CONFLICTING DEMANDS

By Timothy Mukiti, [tmukiti@kpmg.co.ke](mailto:tmukiti@kpmg.co.ke)

**T**he National Treasury recently invited the public to share their views on the proposed overhaul of the Income Tax Act, Cap 470 of the Laws of Kenya (ITA). The invitation comes as the government embarks on the last leg of the overhaul of the domestic tax legislation which has already seen the enactment of new Value Added Tax, Excise Duty, Tax Procedures, and the Tax Appeals Tribunal Acts.

The ITA was first codified in 1974 and has undergone numerous amendments in

takes effects from 1 January 2016 while the previous restriction took effect from 1 January 2010, there is a gap on the treatment of losses realised between 2010 and 2015.

The recent High Court decision in the case of the Law Society of Kenya v Kenya Revenue Authority further exemplifies the ambiguities arising from the piecemeal amendments to the Act; causing the Act to be in conflict with itself.

The Finance Act, 2015 amended the Eight Schedule of the Act by introducing

(KRA) quickly made changes to the iTax platform to collect CGT before completion of the transfer, causing an unnecessary burden to taxpayers who would be required to source for funds to finance the CGT as they wait to receive the disposal proceeds.

One of the key issues that have come up in the debate over the overhaul of the ITA is the impact of tax concessions and whether they remain useful in attracting foreign direct investments. This is an issue that elicits strong emotions. Some parties argue that the incentives are necessary to make Kenya competitive while others such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) contend that the incentives are prone to abuse and present an avenue for tax leakages. Finding a middle ground that satisfies the two divides, will require solomonic wisdom.

The government continues to face significant fiscal pressures with a 2017/18 budget of KES 2.6 Trillion against revenue collections of KES 1.7 Trillion. Income taxes contribute approximately 45% of total revenues and the government is likely to take advantage of the overhaul to enhance this contribution. It will however be a lost opportunity if the changes only target existing taxpayers without expanding the tax base and taking steps through fiscal measures to address the growing inequality.

Adopting global best practise will require that the final legislation is simple, in-tune with peculiarities of different industries. The new legislation should take cognisance of changing business practices and address the challenges of e-commerce and transfer pricing, among others, which threaten to ravage the tax base.



the intervening years. This has resulted in a considerably convoluted document with a number of contradictory provisions that make it difficult to apply.

A classic example is the amendment of Section 15(4) of the ITA by the Tax Procedures Act, 2015 to the effect that tax losses can be carried forward for up to nine subsequent years. This amendment was designed to extend the existing provisions which restricted the carry forward to four subsequent years. However, since it

paragraph 11A, which deemed the due date for the payment of Capital Gains Tax (CGT) for transfer of land and buildings as the date "on or before" the date of application for transfer of the property at the Lands Office. The import of this amendment was that CGT became due before the actual transfer of ownership since the a transfer is not complete until it is registered with the land office as provided for under section 43(3) of the Land Act. The Kenya Revenue Authority



# TAXATION OF EXPORTED SERVICES

By Ernest Muriu, [ernest@ernestandmartin.com](mailto:ernest@ernestandmartin.com)

**T**he treasury has finally issued the long-awaited VAT regulations, The Value-Added Tax Regulations, 2017 dated 30 March 2017.

These regulations repeal the 1994 VAT Regulations. Paragraph 13 of the VAT regulations 2017 have redefined the tax treatment of exported goods and services. It provides that

13. (l) An exportation shall be a taxable supply-

(a) in the case of goods, when the taxable supply involves the goods being entered for export under the East African Community Customs Management Act and delivered to a recipient outside Kenya

at an address outside Kenya; or

(b) in the case of services, when the taxable supply involves the services being provided to a recipient outside Kenya for use, consumption, or enjoyment outside Kenya.

Provided that the exportation of services shall not include-

(a) Taxable services consumed on exportation of goods unless the services are in relation to transportation of goods which terminates outside Kenya;

(b) Taxable services provided in Kenya but paid for by a person who is not a resident in Kenya.

(2) The documentation relating to a supply required as the proof of an exportation of

goods or services shall be-

(a) a copy of the invoice showing the recipient of the supply to be a person outside Kenya;

(b) proof of payment for the supply;

(c) for goods, a copy of-

(i) the bill of lading, road manifest, or airway bill, as the case may be;

(ii) the export or transfer entry certified by a proper officer of Customs at the port of exit;

(iii) for excisable goods, the documents shall be in accordance with the provisions of the Excise Duty Act, 2015;

(c) For services, such other documents as the Commissioner may require as proof that the services had been used or





consumed outside Kenya

(3) Where the Commissioner has reasonable grounds to believe that goods treated by a registered person as exported may not have been exported-

(a) the Commissioner may, by notice in writing, require the registered person to produce, within the time specified in the notice, a certificate signed and stamped by a competent authority outside Kenya stating that the goods were duly landed and entered for home consumption at a place outside Kenya;

(b) The supply shall not be treated as exportation until the certificate referred to in paragraph (a) has been provided to, and accepted by, the Commissioner.

For the case of goods, the goods will be

zero rated, if the goods are processed under the requirements of East African Community Customs Management Act and delivered to a recipient outside Kenya at an address outside Kenya. In this case, a customs entry is required as proof of export. To prove that the goods were delivered to the recipient an import entry generated in the country of the recipient may be required or any other reasonable proof to show the goods were delivered.

As per the main VAT act, services exported out of Kenya qualify for zero rate if provided for use or consumption outside Kenya. Regulation 13 has further stated that the services exported outside Kenya must be provided to a recipient outside Kenya for use, consumption, or enjoyment outside Kenya. It has also stated that zero rating does not apply to;

(a) Taxable services consumed on exportation of goods unless the services are in relation to transportation of goods which terminates outside Kenya;

(b) Taxable services provided in Kenya but paid for by a person who is not a resident in Kenya.

The first proviso, excludes from zero rating all taxable services consumed on exportation of goods other than where the services are in relation to transportation of goods which terminates outside Kenya. This limitation appears to clarify the requirement set out in paragraph 10 of Part A of the Second Schedule that provides that the 'Supply of taxable services in respect of goods in transit are zero rated'. This would therefore exclude from zero rating services such as outbound customs clearing services.

The second proviso, excludes from zero rating all taxable services provided in Kenya but paid for by a person who is not a resident in Kenya. These are services that would be considered used, consumed or enjoyed in Kenya, but are paid for by a person who is not resident in Kenya. Such services include attending a training session in Kenya or a conference meeting in Kenya by an employee of a non-resident company.

The use of the word enjoyment is not found in the main act but is an introduction into the VAT lingo by the regulation. An online dictionary defines enjoyment as the state or process of taking pleasure in something e.g. the

enjoyment of good wine. It also means the action of possessing and benefiting from something.

The regulations do not give any further guidelines on which services are:

a) used, consumed or enjoyed in Kenya,

b) are for the benefit of a nonresident or paid for by a nonresident, and

c) subject to VAT in Kenya (the place of taxation).

In the absence of any further local guidelines, we seek guidance from The International VAT/GST Guidelines (OECD guidelines) Published on April 12, 2017. (Citation:OECD (2017), International VAT/GST Guidelines, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/9789264271401-en>). In an increasingly globalized economy, the OECD guidelines present a set of internationally agreed standards and recommended approaches to address the issues that arise from the uncoordinated application of national VAT systems in the context of international trade. They focus in particular on trade in services and intangibles, which pose increasingly important challenges for the design and operation of VAT systems worldwide.

The OECD guidelines provide (in Guideline 3.1) that VAT for internationally traded services and intangibles should be taxed according to the rules of the jurisdiction of consumption (The destination principle). It further provides (in Guideline 3.2) that for the purposes of implementing Guideline 3.1, for business to business supplies, the jurisdiction where the consumer is located has the taxing rights over internationally traded services and intangibles. The location where the customer has located its permanent business presence is the first proxy used to determine where the customer intends to use the services or intangibles. This is referred to as the general rule.

The general rule is applied after determining the nature of the supplies as well as the identity of the supplier and the customer.

Paragraph 3.114 of the OECD guidelines provides that where services are rendered to the consumer and are consumed by the consumer at the same time and place where they are physically performed in the presence of both the person performing the supply and the person consuming the supply, the place of taxation is the place of performance.

This brings about an exception to the general rule. Guideline 3.5 provides that the jurisdiction in which the supply is physically performed has the taxing rights over business to consumer supplies of services and intangibles that:

- i. Are physically performed at a readily identifiable place, and
  - ii. Are ordinarily consumed at the same time as and at the same place where they are physically performed, and
  - iii. Ordinarily require the physical presence of the person performing the supply and the person consuming the service or intangible at the same time and place where the supply of such a service or intangible is physically performed.
- Examples or services that would fall under this would include restaurant, hairdressing services, theatre performances etc.

Guideline 3.7 allows for the use of any other proxy beside the proxies set out in guideline 3.1, 3.2 and 3.5; Such proxies of determining which jurisdiction has the taxing authority / rights over a supply of a service or intangible. Such proxies may include location of movable or immovable tangible property, actual location of the customer, or place effective use and enjoyment. These are referred to as Specific rules.

Paragraph 3.156 of the OECD guidelines provides any specific rule, based on Guideline 3.7, should be supported by clear criteria and its application should remain limited.

In applying Guideline 3.7, a two-step approach is recommended to determine whether a specific rule is justified.

- i. Test if the general rule leads to an appropriate result, in which case a specific rule shall not apply. Where an inappropriate result arises the use of a

specific rule might be justified.

- ii. Use of the specific rule should lead to a better result considered in the light of neutrality, efficiency of compliance and administration, certainty and simplicity, effectiveness and fairness.

However, use of the specific rule may lead to double taxation or non-taxation.

Guideline 3.8 provides that services directly connected with immovable property, the taxing rights may be allocated to the jurisdiction where the immovable property is located. Such services may include transfer, sale lease or the right to use, occupy or exploit immovable property, construction services, alterations, maintenance of the property and other services closely connected to the property e.g. architectural services.

Services connected with movable property include those physically carried out on the specific movable property e.g. repairs, alterations, maintenance, rental. Therefore, taxation may take place at the location of the movable property.

However, the OECD Guidelines, in paragraph 3.180, do not give guidelines on the treatment of services that are incidental to the export or import of goods e.g. packaging, loading, transport, insurance, storage, customs agency, security inspection services etc. which are considered out of scope. On this basis, how then does an exporter in Kenya treat services that are incidental to the export of goods?

Given that the VAT regulations exclude from zero rating all taxable services consumed on exportation of goods unless the services are in relation to transportation of goods which terminate outside Kenya, are other services that are incidental to the export of goods zero

rated? Such services are in effect exported as part of the goods being exported and therefore consumed outside Kenya. VAT is by design a tax on consumption and should be paid by the final consumer.

As a counter-narrative, one may take a case study of Australia.

(<http://law.ato.gov.au/atolaw/view.htm?docid=GST/GSTR20072/NAT/ATO/00001>) and (<http://law.ato.gov.au/atolaw/view.htm?docid=GST/GSTR20037/NAT/ATO/00001>)

A supply of work physically performed on goods situated in Australia, when the work is done is subject to VAT, regardless of whether the goods are exported immediately thereafter. The place of consumption is, in effect, determined by the location of the goods. The inference is that the supply is so closely aligned with goods that it is appropriate to treat the location of the goods or real property as the place where consumption occurs. Fundamental to establishing whether there is a direct connection between a supply and particular goods is determining what the supply is for. For example:

- a supply of repairs to goods is directly connected with those goods
- a supply of advice or information to a non-resident about the potential for investment in the real property market in Melbourne is not directly connected with real property. While the supply is connected with real property, the generality of the advice or information means that the supply does not have a direct connection with real property. The supply is not one so closely connected with real property in Melbourne that the place of consumption is regarded as Melbourne.

In determining whether there is a direct connection between a supply and particular goods, the location of the recipient of a supply is not relevant. Rather, the issue is one of determining whether the relationship between the supply and the goods is sufficiently close to be directly connected including:

- the supply changes or affects the goods in a physical way;
- the supply changes or affects the goods in a physical way; or
- there is a physical interaction with the goods but without changing the goods; or
- the supply establishes the quantity, size, other physical attributes or the value of the goods; or
- the supply affects (or its purpose is to





affect) or protects the nature or value (including indemnity against loss) of the goods; or

- the supply affects, or is proposed to affect, the ownership of the goods including any interest in, or right in or over goods.
- there is a physical interaction with the goods but without changing the goods;
- transport services - the removal of goods from one place to another;
- security services in relation to goods; and
- storage services for goods.
- the supply establishes the quantity, size, other physical attributes or the value of the goods;
- testing and analysing goods, for example, to see whether goods such as drugs or appliances meet specified standards;
- surveying services that are physically carried out on particular land, for example, to determine its boundaries or topography;
- counting goods, for example, a stock-take of goods;
- exploration services such as a seismic survey, aeromagnetic survey or drilling services; and
- the examination of goods to establish a value.
- the supply affects (or its purpose is to affect) or protects the nature or value (including indemnity against loss) of the goods;
- a supply of design engineering services for particular goods;
- a supply of insurance of goods; and
- the supply affects, or is proposed to affect, the ownership of the goods including any interest in, or right in or over goods.
- services in preparing a lease agreement for a lease of goods;
- services in preparing an instrument of mortgage over a chattel mortgage, such as a bill of sale;
- legal services for the preparation of a contract to effect the sale of goods;
- legal services in respect of the enforcement of a contract of sale; and
- a supply of a right or an option to buy goods.

Given that the final consumer, for work physically performed on goods for export situated in Kenya when the work is done, is not in Kenya, KRA would need to clarify the appropriate tax treatment, zero rate or not.



**Associate David  
Ochieng Okello**  
Age - 26

## PRESENT POSITION - Management Accountant at Minolta Ltd

### 1. WHAT DOES YOUR PRESENT JOB ENTAIL?

Strategic planning, handling and reviewing tax returns, aid in budgeting, managing general ledgers, assess internal control system, developing and analyzing financial statements.

### 2. ACADEMIC QUALIFICATIONS

I am a certified public accountant from KCA University and an associate member at ICPAK, currently undertaking Certified Investment and financial analyst and Bachelors of commerce (Finance) at KCA University.

### 3. WHAT WAS YOUR FIRST JOB?

Worked as an accounts clerk at Alrie construction ltd company back in 2011.

### 4. WHAT DID YOUR FIRST JOB ENTAIL?

Being an accounts clerk I performed a variety of general accounting support tasks to the accounting department.

### 5. PROFESSIONAL DEVELOPMENT AND OTHER TRAINING

- Training in tax consultancy
- Training in global citizenship-Oxfam, British council and Vso
- Training in personal Security-Red R UK

### 6. MAIN GAINS

- Worked as a cost accountant at new wide Kenya where I was able to cut operational cost by a wider margin thus increasing profitability for the company.
- Converting nearly all accounting procedures from manual system thus reducing paperwork by a great percentage at VSO Kenya.
- Stayed within budget for a whole financial year at VSO.

### 7. HOW HAS THE ACCOUNTING PROFESSION DEVELOPED LATELY IN YOUR VIEW?

With the changing nature of work dynamics every day, professions need to be at par

with change and Accounting profession is no exception and has developed through technology over time which has enabled accountants to analyze and conceptualize data more accurately and timely.

### 8. WHAT WAS YOUR BIGGEST CHALLENGE?

The advent of new online technologies; i.e. cloud based accounting software continue to be an issue that needs to be addressed especially for the Junior professional because occasionally owners of small businesses overlook the need to hire professional accountants because they can do a large number of functions for themselves.

### 9. WHAT CHANGES WOULD YOU LIKE TO SEE?

Change is inevitable and the institute is no exception, first and foremost the institute should come up with clear guidelines on who should be called an accountant i.e. the qualifications needed for an individual to hold that title. This will help streamline the accounting sector and save the all the stakeholders from pitfalls of quack accountants. Secondly more needs to be done in order to embrace upcoming professionals by tailoring more products that will enhance their professional skills, their input cannot be underestimated. Thirdly the institute should be on the lead to educate small enterprise owners on the pitfalls of self-administered online accounting and facilitating requirements of such enterprises on "click of a button" by continued innovation in the accounting field and regular training of Junior professionals to match the market needs. Lastly the institute should put more on the accountant's act section 8b on promoting research in accounting and finance in order to cope with the changing scope of market needs.

### 10. MAJOR WORK HIGHLIGHTS

- Preparing financial statements analyzing company financial performance and making long term forecast.
- Working with all department and management team to help make sound financial decisions.
- Aid in strategic planning of the organization in liaison with all stakeholders.
- Handling tax issues and budgeting for the organization.

### 11. WHAT INSPIRES YOU?

Living today knowing that tomorrow will be better than today.

### 12. WHAT'S YOUR HOPE FOR THE INSTITUTE?

Apart from the fact that the institute will continue being a going concern, it should continue to balance the interest of all the stakeholders including the government, members of the profession and the general public in order to ensure defined individual groups are subject to equity and not equality.

### 13. WHERE /WHAT DID YOU STUDY?

I am a CPA graduate from KCA University; I am currently a part time student in my final year undertaking Bachelors of commerce (FINANCE) at KCA University. I am currently a Certified Financial Analyst student.

# TRADE SECRETS

## Is Your Data Safe?

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

**O**n Tuesday 6 June 2017, the Chief Executive Officer of Goldman Sachs, Lloyd Blankfein, took to Twitter to praise the infrastructure of China and suggest that the US is falling behind in its maintenance of roads, bridges, and airports. "Arrived in China, as always impressed by condition of airport, roads, cell service, etc. US needs to invest in infrastructure to keep up!" Blankfein tweeted.

China has a new stealth fighter plane, the J-20, the country's first radar-evading combat aircraft. It made its first public flight at the Zhuhai Air Show in early November 2016. The US claims that the J-20's design comes from stolen

plans obtained by hackers. The claims have been firmly denied by the Chinese. Tan Ruisong, the president of China's state aerospace company AVIC, said that 'military enthusiasts at home and abroad have watched closely'. Earlier in 2016, a Chinese national, 51-year-old Su Bin, was sent to prison for his part in stealing US military plans and sending documents to Beijing.

The documents were reported to include plans for the F-35 and F-22 fighter jets, which would have enabled the Chinese military to rapidly catch up with US capabilities. In Shanghai, there is a building with the Bosch sign above it; in the building are produced goods labelled Bosch; but the German company

Bosch has no connection whatever with the Shanghai entity, and is unable to shut down the China business. Some Kenyans import goods from China which have "Made in Kenya" stamped on them – counterfeit goods which have the effect of killing industry in Kenya.

Secrecy has been a part of trade for thousands of years. People who depend on making their money by selling something or providing a service which other people are unable to make or provide, defend their turf by raising barriers to entry. Trade secrecy is legal; it protects relationships of trust. Secrecy allowed a region in China to profit for centuries by harvesting silkworms to produce silk – something that could be done in Kenya



“

## Some Kenyans import goods from China which have “Made in Kenya” stamped on them counterfeit goods which have the effect of killing industry in Kenya.

not just secret formulas and designs, but even simple facts, such as the features that might be introduced in the next iPhone, or which country a business intends to go into next. In Kenya, there are eleven laws related to intellectual property, seven sets of regulations, three guidelines and fifty four treaties.

Enforcing business secrets has nothing to do with a lack of transparency in government. Although it may seem paradoxical, trade secret laws can enable and encourage technology transfer, because these laws provide a commercially reasonable way to disseminate information. Although some aspects of secrecy laws, such as data exclusivity for drug companies can be controversial, there is a general agreement that confidential disclosure is beneficial in a modern economy. Indeed, keeping secrets – often information about customers and their needs and preferences – is the main way that small and medium-sized enterprises (SMEs) protect their business advantage.

A US based law firm, which has a partner who is a Kenyan, has decided not to open a branch in Nairobi because of what the firm perceives as a general lack of confidentiality amongst professionals in the city. What would it be like if no one could count on the law to enforce obligations of confidence? Businesses would hire fewer people, since each new employee would expand the risk of information loss. The cost of enforcing physical security – locks, fences, etc. – would increase; this certainly increases the cost of doing business in a country. Perhaps most important, many licensing transactions and research collaborations would never happen, because there would be nothing to ensure that partners would not run off with the new technology and unfairly compete against its creator. The general approach would be to hoard information, slowing the progress of innovation. Even persons in the so-called developed countries often cannot be trusted: a Kenyan developing a way of

diagnosing maladies using smart phones with an US partner found a sudden halt in communications between the two; the US partner ran away with the jointly developed software.

In one part of Kenya, one is regarded as foolhardy if one puts all one's cards on the table in a business discussion. Why do businesses turn most often to secrecy to maintain their advantage? First, it is cheaper than other forms of legal protection that require registration with a government agency, often with the expense of hiring lawyers or other professionals – often there is no point of trying to go to court to protect the entity's position. In contrast, to establish one's trade secret correctly, all one need do is be careful with it, spending only what is necessary to keep it from becoming generally known. Usually keeping facilities secure and getting nondisclosure agreements from employees and vendors is enough.

In addition, much more information can be protected through secrecy than is possible with patents, which can only be granted for truly novel technical innovations. Secrecy covers any information that gives one an advantage, even if someone else is already using it; the only limitation is that it is not generally known. Coca-Cola has never filed a patent to protect the secret formula of its concentrate; if it had, the patent would have expired long ago, and Coca-Cola may have sunk, like many other companies founded in 1886, the year of Coca-Cola's birth.

However, the downside of secrecy is that there is no guaranteed exclusivity. If someone else discovers your secret without stealing it from you, there is nothing you can do about it, although for most businesses this is not a significant drawback.

Trade secret law, like other forms of intellectual property (IP), is governed by national legal systems. However, international standards for protecting

on a much greater scale than is being done at the moment.

Recently trade secrets have shot to the top of the news, with stories of “cyber-espionage” attacks on companies all over the world, with spies using fake email messages to get inside corporate networks and trawl for useful information. A manufacturer of security products in Australia found that its business had declined enormously, only to discover that a firm in China was producing low-quality substitutes that appeared identical. In 2016, major initiatives to preserve secrecy have been launched by the European Commission as well as the US government.

What is a trade secret? It is information that the business does not want the competition to know about. The law in developed countries generally protects

secrets (called “undisclosed information”) were established as part of the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), an international legal agreement between all the member nations of the World Trade Organization (WTO). Article 39 of the agreement provides that member states must protect “undisclosed information” against unauthorized use “in a manner contrary to honest commercial practices” (this includes breach of contract, breach of confidence and unfair competition). The information must not be generally known or readily accessible, must have value because it is secret, and must be the subject of “reasonable steps” to keep it secret. This general formula for trade secret law has been adopted by well over one hundred of the one hundred and fifty nine members of the World Trade Organization.

Articles 42 to 49 of the TRIPS Agreement cover enforcement, requiring that civil judicial proceedings be available to enforce all IP rights and that “confidential information” be protected from disclosure. Nevertheless, because

**“Confidential documents should be marked “Confidential.” A reminder to attendees before a meeting involving confidential information, and picking up and properly disposing of any confidential materials handed out at a meeting (assuming they are not otherwise needed by the attendees) are important.**

national judicial systems, including the methods for granting access to evidence, vary greatly, enforcement of trade secret rights around the world is generally viewed as uneven.

The practical challenges of protecting secrets are more difficult to overcome than the legal ones. Paradoxically, the great explosion of innovation that has brought so many benefits to the world has also made it easier for thieves to steal valuable business information. For example, through a process known as “spear-phishing”, commercial spies send an email using personal information gleaned from Facebook or other social media, leaving the recipient unaware that the message is a hoax. Once the embedded link is clicked, the thief’s malicious software, “malware”, invades the recipient’s computer and through it, the employer’s network. Staying in the computer system for months or sometimes years, this silent invader searches for important confidential files and passwords, and sends all of it back to the hackers who use or sell the information. Tracing the source of cyber-espionage is always difficult, given the ubiquity and anonymity of the Internet. Estimating damage to businesses is likewise challenging, in part because many enterprises do not know that their systems have been compromised, and also because those who do know are often reluctant to report it. Nevertheless, studies show that the problem is growing, and that governments around the world are looking for ways to address it.

For businesses, the issue is not only the issue of protecting their own valuable information, but also about avoiding being infected by secrets belonging to others. In a global market characterized by easy movement of employees and complex webs of connections among companies’ suppliers and customers, it takes special vigilance to avoid contamination by unwanted information. Greater competition also means that businesses have to work continuously on finding ways to exploit their secrets, either through direct commercialization, collaborations or licensing.

Examples of trade secrets include new business models, customer and





supplier information (especially around price), marketing strategy, processes and formulae, and other confidential business information. If the company does not take appropriate steps to keep information confidential, it can lose the ability to claim such items are trade secrets.

The trade secrets of the company should be catalogued: a simple inventory of all of the company's trade secrets (excluding patents or trademarks, which are already protected by law and are publicly disclosed and therefore not confidential) should be maintained. An inventory can assist one to identify what steps are needed to keep those specific items confidential and protected and be clear with the business what items are not considered trade secrets.

Core to any protection strategy is ensuring several key agreements are in place and regularly reviewed and updated. These include non-compete agreements, to prevent key employees from working for a competitor; non-solicitation agreements, to prevent former employees from cherry picking company employees with offers of a new job; non-disclosure agreements, both internal and for use with third parties; and work-from-home or telecommuting agreements, ensuring the employee is aware of expectations around confidentiality when they work remotely.

The right policies need to be in place. These policies should educate employees and prevent trade-secret leaks: proper marking of documents and materials deemed confidential; what can be put on social media; limiting disclosures to those who "need to know"; visitors to the business (possibly including the need for escorts and sign-in agreements whereby the visitor acknowledges obligations around confidentiality); clean desk policies and policies around proper storage and disposal of confidential material; password and information security (including the potential disabling

of USB ports); removal of confidential information from the premises; security cameras and building access controls; work from home (including the use of virtual private networks –VPN, firewalls, passwords, etc.); email use and the use of company computers (and the company's right of access to all emails); Bring Your Own Device (BYOD) procedures and requirements around security of information (including smartphones); procedures for providing confidential information to third parties (including the need for non-disclosure agreements); procedures around On-boarding and Off-boarding employees.

Employees must be taught and regularly reminded how to protect trade secrets. Training should be conducted for all new hires and yearly for other employees. Regular company-wide email reminders from the legal department about trade secrets and confidentiality are essential.

Confidential documents should be marked "Confidential." A reminder to attendees before a meeting involving confidential information, and picking up and properly disposing of any confidential materials handed out at a meeting (assuming they are not otherwise needed by the attendees) are important.

Unhappy and or disloyal employees are among the biggest risks of the loss of confidential information, and other assets. Watch employees who have received layoff notices, or were passed-over for promotion; if an employee refuses to carry out an exit interview or is required to follow a performance improvement plan, s/he probably needs closer observation.

Exit interviews should always be carried out by HR. Departing employees constitute one of the biggest risks for trade-secret theft. Departing employees should be reminded of any confidentiality, non-compete, non-solicitation agreements, etc., that they signed when they were being employed;

it is best if the employee signs a document acknowledging any ongoing obligations; whether the employee has any company information at home or stored on any cloud system should be determined, as well as if the employee will work at a competitor and plans on engaging in any competitive activity (if so, that should trigger several additional steps, e.g., non-compete enforcement). If there is no non-compete agreement in place, a short, non-hostile business letter to the competitor's legal and HR departments explaining the departing employee's confidentiality obligations should be prepared; the letter should point out that one expects their help in ensuring that confidentiality is honored and that you will take legal steps to ensure that it is. The employee must surrender all company property and sign an acknowledgement that s/he has not kept or provided anyone copies; immediate termination of all passwords and access to systems and buildings should be effected, as well as a search of his/her email, hard-drive, computer files, and voice-mail if there is an indication of improper activity.

What should be done if a breach of confidentiality occurs? A plan should be put in place using HR, Information Security and Internal Audit; know who one will call in the event one needs immediate legal action.

Trade-secret procedures should be revised at least once a year and updated as necessary. Being prepared for a trade-secret breach should be one of the goals for the year. Prevention is key, because once a trade secret is revealed, it may be too late to undo the harm. If the business team has not thought about this issue in a while, now, not later, is the perfect time to think about confidentiality. And remember to back up all the business' data in a secure, off site location. A Kenyan I know was a victim of the recent ransomware attack: be ready to pay the hacker in Bitcoins if it happens to your business.

Trade Secret



# MOBBING AND BULLYING

## Work Place Evils

By Carol Ngura, [carolngura@gmail.com](mailto:carolngura@gmail.com)

**A**s the global work force is growing both intellectually and in size, the Kenyan work force is not left behind. The average Kenyan employee is becoming more hardworking and extremely aggressive. There is an increase in both healthy and unhealthy competition in the workplace sometimes making the environment very hostile especially for the victims. Bullying and mobbing are just some of the work place evils quickly taking root in our Kenyan work places.

### What is bullying?

According to the Workplace Bullying Institute (WBI), workplace Bullying is repeated health-harming mistreatment of one or more persons (the targets) by one or more perpetrators. It is abusive conduct that is:

- Threatening, humiliating, or intimidating, or
- Work interference — sabotage — which prevents work from getting done, or

- Verbal abuse

### What is mobbing?

Mobbing is emotional and psychological terror or harassment perpetrated by a group of people and aimed at a specific target person. The victim is ridiculed, humiliated and in the end dismissed from the work place. The perpetrators may be superiors, subordinates or even colleagues. Mobbing can take a less aggressive approach, the group starts spreading rumors about the victim, isolating them and just doing everything they can in the background to make their life difficult. It can also encompass more confrontational actions like humiliating, belittling and directly harassing the victim.

### Difference between bullying and mobbing:

- Bullying encompasses more confrontational and often violent actions like belittling the target, directly harassing and humiliating them. Mobbing takes a less confrontational and nonviolent approaches like isolating the target.

- Bullies discredit their target to any avenues; the target may seek support from like management, human resources and union representatives. Perpetrators of mobbing only work in environments favorable to them.

### Likely targets:

Mostly the common targets are new entrants in the organization especially if the juniors were eyeing that position. They tend to gang up against their new boss just to make his/her work difficult and make him/her look incompetent. The competent employees are another easy target. Their colleagues may find them a threat to their positions and as a result become hostile to them.

In addition, women employees are likely targets especially if they hold a position of authority and their juniors are men. This happens because of the patriarchal society that believes women cannot lead men.

On the onset of aggression, many targets are often clueless that there is a group/mob forming against them. Most



people ignore the red flags even as the aggression gains momentum until it starts affecting them emotionally. For most it is too late to save their jobs.

### How mobbing affects the target/victim:

- 1) The victim loses motivation and their performance at work deteriorates drastically.
- 2) They are less enthusiastic about their work and they lose their focus.
- 3) They distrust the intentions of their colleagues especially the perpetrators and feel isolated.
- 4) They find it hard to ask for assistance from their colleagues even when tasked with difficult announcements.
- 5) Creates a lot of anxiety in the victim.
- 6) They end up stressed and sometimes even depressed. This can lead to having headaches, intestinal issues and high blood pressure
- 7) Exhaustion. The pressure does not give the victim time to relax both at work or at home

Mobbing/bullying targets go through stages similar to those of grief and it is important to understand these stages so that the target can understand what they are going through.

**Denial:** This is a normal reaction for most victims. When they start seeing signs of harassment either mobbing or bullying, they become emotionally numb or shocked and do nothing about it. This ends up preventing the target from focusing on their work and often leads them into depression.

**Anger:** It is very natural to become enraged when treated unfairly. But it is the stage the perpetrators enjoy the most since the target reacts in all manner of ways. They issue threats, use abusive language on the perpetrators, plan revenge and acquire a negative attitude; All these acts to fuel the harassment and empower the mob or bully. The angered worker becomes scary and colleagues start gossiping and avoiding him/her.

**Bargaining:** At this stage the victim tries to reason out with the aggressors or the employers. This move equips the perpetrators with information they can later use against the target. The more desperate the target seems to end the aggression, the more certain

“  
**Many emotions and thoughts may cloud your judgment after discovering you are the target of mobbing or bullying at work. You may want to retaliate, to seek legal action, to give up and simply resign or to develop a thick skin and ignore. Whichever way the target chooses.**

the perpetrators become that they are winning. More often than not, bargaining does not work. Instead, it only fuels the aggression.

**Depression:** This becomes more profound after job loss but it can still hit while on the job. It is particularly inevitable and very severe if the harassment is extended to ones broader social and professional network. The target in this stage needs to seek mental health treatment besides other coping strategies.

**Acceptance:** This stage is the final and most difficult to achieve. It is the first stage of true healing for any mobbing or bullying target who has suffered profound injustice and loss. When the target reaches this stage, they come to terms with the fact that they are going through work place bullying/mobbing and soberly decide what their next cause of action will be. Getting out of the proximity of the aggressors is the best way to achieve faster and greater psychological and professional recovery.

Many emotions and thoughts may cloud your judgment after discovering you are the target of mobbing or bullying at work. You may want to retaliate, to seek legal action, to give up and simply resign

or to develop a thick skin and ignore. Whichever way the target chooses, it is important to tread carefully because the psychological impact of bullying or mobbing can be detrimental.

### Dealing with mobbing or bullying at the workplace;

To cope with the harassment, one needs to be resilient, to be careful and to get out of that toxic environment soon as they can.

First step and most important is naming what you are going through and legitimizing yourself. You can choose to call it mobbing or bullying, psychological harassment, psychological violence or just emotional abuse. Whichever name you choose, you realize that it makes you feel better. Understand that the source of the problem is external and not internal. You did not invite the mob to harass you and make your working environment hostile. Second important step is to take time off. You can choose to take leave for a few days. During your time away, it is advisable to visit a mental specialist or psychologist just in case the harassment has unknowingly affected your mental stability. It is also wise to check your physical health status. Get tested for stress related diseases like high blood pressure and heart disease. It is at this time when you are away from the toxic environment that you need to make a level-headed decision whether you want to take legal action, quit your job or just stay there and fight back.

Third, expose the perpetrators. This does not exactly have to be through taking a legal action. You can just talk to your manager about the issue (that is if they are not the perpetrators). This will go a long way in fastening your healing process and at the same time discourage such unacceptable behavior in the organization. As you do this, remember there is a possibility they can side with the bully. Therefore it is wise to have your escape route well mapped out in advance.

Being a recipient of mobbing or bullying is not easy or fair but it can only destroy you if you let it. You must rise above it, be healed and offer your unique personality, skills and gifts to the world. It is the only time you begin to get your life back probably in a more rewarding way.

Always remember; to give in to the psychological torture and rage is to join the perpetrators against you. You cannot afford to treat yourself in the same way they treat you...Rise above the aggressors.



# WHY DO WE LIE?

By Angela Mutiso, [cananews@gmail.com](mailto:cananews@gmail.com)

How many lies do you think you have told this last week?  
Who did you tell the lies to?  
Why did you tell the lies?  
How do you feel about the lies you told now?

Lying may seem simple and harmless at first, but just like any addiction, you'll soon find yourself trapped and entangled more than you could have ever imagined. **Dawson McAllister Network –The hope Line**

People, by and large, are honest by default – **David J. Ley**

**G**ordon, a well groomed and easy going man had enjoyed a near incident free existence with his diligent assistant, Luka for close to twenty years. Accordingly, he believed he had no reason to lock up anything in the beautiful home he shared with Luka – thanks to Luka.

As a consequence, it was clear to Luka too, that if he did anything unusual, it would be a real breach of trust on his part, for a boss who had bailed him out several times and deceit would trigger a reaction he would not be able to cope with. Besides, Gordon had a lot of influence because of his work and social interactions, infuriating him therefore, as Luka saw it, was tantamount to self destruction.

Despite being armed with this knowledge, Luka lied to his boss; it was an incident that was to devastate their well nurtured relationship forever. To date Luka still wonders why he let it happen; he recalls events of that day vividly; Gordon was unhappy, when Luka looked up at him on that fateful morning; he noticed that his eyes, which were usually so cool, were extremely angry. Such moments were rare for the burly man. "Did you see

the money I left in the pocket of my grey coat yesterday; about 10,000?" Gordon had asked suddenly. "No Sir!" Are you sure?" His vehemence was too much, Luka observed ruefully. "No I haven't Sir!" Luka always referred to his Master as rafiki; (friend) but on tense occasions like this, it did not seem appropriate. Such instances made him very tense; he could sense that it almost seemed clear to Gordon that he was lying. He hoped desperately that Gordon would blame the occasional guests who constantly came and went. Nonetheless, no one else was ever allowed into the bedroom by Gordon whose family lived overseas and had nothing but praise for Luka.

To cut a long story short, Gordon unable to throw light on this complex puzzle or to believe that this could happen, consulted a friend in security circles. Sitting in the lounge of his house, he explored all possibilities with his close friend. He wanted desperately to rely on Luka's years of loyalty to dispel the thought that he was the culprit in this distasteful act. But this was never likely to solve the problem. So he followed his friend's advice, laced some money with a touch of invisible and indelible ink, and more or less put it on

display in his bedroom. To his utter shock and dismay, it did not take long before... you guessed it, the trusted servant Luka, was...caught with his hand in the cookie jar. His fingers were stained with some bright and very visible ink-like substance that just couldn't come off; try as he might to remove the incriminating evidence. As a last resort, he tried using a razor blade to scrape off the ink. But all this was in vain. What made Luka, suddenly become a liar or had he been one all along? Bottom line: Whatever his reason, Luka had changed and he had lied; a lot of things started falling into place with regard to recent events. Gordon observed disappointedly that lying had become the order of the day for his servant; but when did the rain start beating them? He had no plausible answer. However, in view of the fact that their relationship had been based purely on trust, it was no longer tenable; Regretfully, Luka was to leave immediately. This is a typical example of the devastating effect lies can have on great relationships.

David J. Ley, (Ph.D) a clinical psychologist and author of *Insatiable Wives*, *Women Who Stray* and *The Men who love them*, in a feature about lies and



lying, says people, by and large, are honest by default. One of the reasons people lie is because they don't want to disappoint you. He says that it may not feel like it to you, but people who tell lie after lie are often worried about losing the respect of those around them. They want you to like them, be impressed, and value them. And they're worried that the truth might lead you to reject or shame them.

He however explains that people tell the truth most of the time. Our very capacity for language is built on an assumption of honesty — we agree that the words we use mean the same thing consistently, and we don't use words deceptively because this would render language and the very communication of ideas impossible. Some people lie more than others, but even frequent liars are actually honest most of the time. But it stands out dramatically when their deceptions are so blatant, easily disproven, and seemingly unimportant.

As frustrating as it is when people tell whoppers, we can begin to understand the motivations behind them. Asking the person, "Why is this situation so important to you?" or, "Why do you need me to see this the same way you do?" can be a useful, non-threatening way to get at the foundations of stress and desperation that often underlie deceptions. Don't ask, "Why are you lying?" We need to remember that the person is often motivated by not being seen as a liar, and this question paints them into a corner. Of course, understanding a big fibber's motivations and having empathy in such situations is valuable. But to function effectively in the real world, we also need people to learn to be more honest. Communicating empathy for a person's desperation can be a valuable tool to give them permission to tell the truth. And then, recognizing and reinforcing when a person does tell the truth is a powerful way to get more truth-telling. It shows people that the truth is not scary, and that the world won't end when the truth comes out, he concludes.

Dawson McAllister Network –The hope Line, in discussing why people lie says that: (Al) most everybody, at one time or another, has lied. Tell the truth now: that includes you and me. In fact, some people, sad to say, lie almost all the time. Psychologists call these people compulsive or psychopathic liars. They tell lies even when they don't have to. Even the youngest of children will lie, especially if they think by doing it they won't get punished for something. When children first learn how lying works, they lack the moral understanding of when to

refrain from doing it. He asks

Why does the world lie? This is a question with many answers. Below are excerpts from Dawson McAllister regarding why people lie.

**1. Fear** – "People can be so afraid of what might happen if they told the truth. Maybe they have done something wrong and are afraid of the consequences of their actions, so they lie to cover up what they did. As often said about political scandals: It's not the crime that gets you in trouble, nearly as

**“McAllister concludes that the big problem with lying is that it becomes an addiction. When you get away with a lie it often drives you to continue your deceptions, and in the process, we ruin relationships, hurt others, lose our integrity, and lose our peace.”**

much as the cover-up.

**2. Manipulation** – Lies are typically motivated by a desire to get other people to either do something or not do something, or to make a decision in the favor of the person doing the lying. Someone might lie to get something they desire such as sex, **money, status, power, love, etc.**

**3. Pride** – Many times, a person will lie because of pride. They use it for nothing more than a tool to create a favorable image of themselves. This leads to exaggeration, which is a form of lying. Often people will create fascinating, yet completely false, stories to improve their image.

**Bottom line:** We deceive other people

because we think it serves our purposes in some way. And it's easy! McAllister concludes that the big problem with lying is that it becomes an addiction. When you get away with a lie it often drives you to continue your deceptions, and in the process, we ruin relationships, hurt others, lose our integrity, and lose our peace. Truth becomes a feared enemy of the liar. It's a sick and tragic cycle that doesn't ever have a happy ending.

You can make the choice right now to live an honest life. Even if you are afraid; because when you're honest, you can feel at peace.

In conclusion, from world renowned Dr.Phil, we discover that a lot of research has been done about lying, and the fact is that everybody lies. A recent survey revealed that men lie six times a day, and women lie three times a day. Some lies are small — what are often referred to as "white lies" ("You look terrific!" or "This is delicious!"). But other lies, like infidelity, can destroy relationships.

So, why do people lie? Dr. Phil lists some common reasons:

- Take what is not rightfully theirs
- Escape accountability
- Create a fantasy/false self-esteem to escape their mundane life
- Avoid punishment
- Inflict pain
- Feel better in the moment; "steal" admiration
- Gain an advantage to exploit others

Finally, truth about deception.com discusses why lovers lie; it explains at length why this happens and notes that it's not pleasant to think about being betrayed by someone you love. No one likes to think that a husband or wife may be lying, especially not in their own relationship.

And it's probably safe to assume that everyone wants a close, romantic relationship that is built on openness, intimacy and trust.

But despite our best intentions, our close relationships do not always work that way. Often, our romantic relationships involve some secrecy and deception.

It advises that if you want to create better outcomes in your life, stop spending so much time thinking about your morals, values, and beliefs; rather use this time to create situations and relationships most likely to bring out the best in yourself and others.

So get going.

# THE CULTURAL ENVIRONMENT OF MANAGEMENT

By Ruth Gatwiri, [ruthkgatwiri@gmail.com](mailto:ruthkgatwiri@gmail.com)

**T**he socio-cultural framework is the combination of both cultural and social factors that affect organization's operations. Peoples' basic beliefs, values and norms are largely shaped by the society in which they live. The social setting consists of among other things, people and their characteristics, their real or apparent roles and their

interpersonal relationships e.g. there are defined roles for men and women.

## 1. CULTURAL FACTORS

Definitions of Culture:

1. According to Czinkota et al (1996), culture can be defined as "an integrated system of learned behaviour patterns that are characteristic of the members of any given society".

2. According to Hofstede, Nimenwirth and Weber, culture is "a system of values and norms that are shared among a group of people and that when taken together constitute a design for living".

3. Culture has also been defined as that complex whole that includes knowledge, beliefs, art, customs and any other capabilities and habits acquired by people as members of a society. It is





**The social organization refers to the ways in which people relate to one another, form groups and organize their activities, teach acceptable behaviour and govern themselves. It thus comprises the social, educational and political system of a society.**

a peoples' way of life and is composed of common habits, patterns of peoples' behaviour in their daily activities and their common interests. It is divided into sub-culture i.e. a group of people sharing normatives, taboos, among others. Sub-culture includes: materialism, symbolism, language, religion, colour and association.

### Importance of culture

Culture helps to account for variations among organizations and managers, both nationally and internationally. It helps to explain why different groups of people perceive things in their own way and perform things differently from other groups. Culture can help reduce complexity and uncertainty. It provides a consistency in outlook and values, and makes possible the process of decision-making, co-ordination and control.

Basically the concern of a business manager is to identify cultural dimension differences in order to understand their effects on business transactions especially in the following areas:

- a. They must predict trends in social behaviour likely to affect the firm's operations e.g. the consumers' spending patterns given the economic situation of a country.
- b. Understand ethical standards' and concepts of social responsibilities exhibited in the country.
- c. They must conduct business transactions in different cultural backgrounds appreciating the variations in culture.
- d. Effective communication with their stakeholders such as employees, suppliers among others i.e. must develop effective means of communication.

Culture is manifested in all aspects of life, such as: the peoples' farming life, their ways of transport, how they spend their leisure time and in various things that human beings do in the process of living.

It is therefore developed by people and is not a product of nature that man has had no influence over. Culture is quite dynamic and continues to evolve.

### Major elements of culture

The major cultural parameters that affect managers of businesses are:

1. Social Organization/structure
2. Religion
3. Language
4. Education
5. Attitudes
6. Norms and values
7. Aesthetics

#### Social organization/ structure

The social organization refers to the ways in which people relate to one another, form groups and organize their activities, teach acceptable behaviour and govern themselves. It thus comprises the social, educational and political system of a society. Social organization is also evidenced in the operation of the class system e.g. the Hindu caste system and the grouping of society members according to age, sex, political orientation among others.

### Religion

This may generally be defined as the belief in the supernatural. Religious beliefs and motives can explain many things that people do. The following are some of the direct effects that religion can have on an economy:

- a. Religious holidays which can affect laid down work schedules and business programmes. For example, some communities may choose to work only during particular hours of the day or during particular days.
- b. Consumption patterns which may be as a result of religious requirements and taboos e.g. pertaking of alcoholic drinks may be taboo in some religions.
- c. The economic role of women in society

e.g. in Islamic and Buddhist societies.

d. Restriction of participation of certain groups in the economy e.g. caste system in India.

e. Joint decision making e.g. among the Hindu joint family, which affects consumption, employment and acceptance of responsibility.

f. Pressure groups – affecting business decisions and strategies e.g. SUPKEM

g. Religious divisions and conflicts which can affect distribution, promotion, and other aspects of business management in a country e.g. opening of a pork factory in a Muslim dominated town or country.

### Language

Language refers to symbols, whether verbal or non-verbal that people use for communication. The meanings conveyed through language may be:

- a. Denotative meaning (direct meaning)
- b. Connotative meaning (Implied meaning)

Language differences are particularly important, and managers must remember that not all words translate clearly into other languages. Many global companies have had difficulty crossing the language barrier, with results ranging from mild embarrassment to outright failure. For example, in regards to marketing, seemingly innocuous brand names and advertising phrases can take on unintended or hidden meanings when translated into other languages. Advertising themes often lose or gain. E.g. Coca-cola's English "Coke adds life" theme translated into "Coke brings your ancestors back from the dead" in Japanese.

### Increased education

Education refers to the learning or acquisition of knowledge, skills, attitudes and values that are important for life in the society. Education may occur through either formal training in schools and colleges or is informally acquired through traditional social activities. Whether education is formally or informally acquired, the end result is that it increases the level of awareness of an individual.

Increased educational levels allow people to earn higher incomes than would have been possible otherwise. This has led to increased expectations of workers, and has increased job mobility. Workers are less accepting of undesirable working conditions than were workers a generation ago. Better working conditions, stable

employment, and opportunities for training and development are a few of the demands managers confront more frequently as a result of a more educated workforce.

**Culture helps to account for variations among organizations and managers, both nationally and internationally. It helps to explain why different groups of people perceive things in their own way and perform things differently from other groups.**

### Substantive findings of increased education are as follows;

1. The chances for upward mobility increase steadily with increased education.
2. The proportion who move up a long distance from their social origins are 8% of those with less than 5 years of education, and 53% of those with some postgraduate work.
3. Immobility corresponds to decreasing educational attainment.
4. Men with an intermediate amount of education (at least 8 years of compulsory education, but have not finished college) experience considerable downward mobility from their social origins, which are relatively high.

### Attitudes

Attitudes are reflected in people's likes and dislikes and in their beliefs and ideas about things. They are important in explaining people's behaviour and managers should take this into account when making decisions, actions and plans.

Attitudes, values and ethics of the locality within which the business operates and from where the staff are drawn e.g. certain communities may refuse to accept female leadership, others may choose to work only during particular hours of the day or during particular days.

All sorts of attitudes exist but some are positive while others are negative. Managers must therefore understand attitudes of their employees towards their work as it determines motivation, morale, job satisfaction and productivity.

### Norms and values

Norms are the social rules and guidelines that prescribe appropriate behaviour in particular situations i.e. they are the standard accepted forms of behaviour.

Values are abstract ideas/assumptions about what a group believes to be good, right and desirable i.e. they are attitudes towards right and wrong.

Norms and values differ across time and between geographical areas. Lifestyles differ as well among different ethnic groups. As an example, the application in the United States of Japanese-influenced approaches to management has caused firms to reevaluate the concept of quality. Thus customers have come to expect increasing quality in products which has forced managers in marketing firms to reexamine production and marketing strategies to respond to changes in consumer expectations.

### Aesthetics

This refers to a culture's ideas concerning beauty and good taste, as expressed in the fine arts, such as, music, art, drama and dancing.

Aesthetics also involves appreciation of colour and form. Different societies have different esthetical preferences and insensitivity to it may lead to offending prospective customers. For example, different colours may vary considerably from one culture to another, like colour white which expresses joy to those living in Kenya and Ghana (white weddings, or child baptism), represents death in Asian countries.

Aesthetics also embraces people's dress and appearance, i.e. their outward garments and adornments or accessories and therefore managers must be careful when coming up with appropriate dressing codes for their organizations.





---

# INAUGURAL ANNUAL CHAPTER SEMINAR - SIDNEY, AUSTRALIA

---

**DATE: 19<sup>th</sup> to 22<sup>nd</sup> September 2017**

**VENUE: Sidney, Australia**

**TOPICS**

- Trends of automation for enhanced efficiency in accountancy
- The Accountancy Sector's Susceptibility to Automation,
- The accountant's role as a knowledge broker,
- Emerging issues in cyber security and data analytics,
- Implications of enhanced automation for the accounting profession among others

**Contact us:**

**E-mail: [memberservices@icpak.com](mailto:memberservices@icpak.com)**

**Telephone: +254-20-2304226/7, 020-8068570 020-806857**

# BANNING PLASTIC BAGS IN KENYA

By Angela Mutiso, [cananews@gmail.com](mailto:cananews@gmail.com)

## Is it a tall order?

The media in Kenya and the public alike has been awash with debates on plastic bags since the Kenyan government declared that it would soon set up a national ban on them. We have been using these bags in Kenya ever since we can remember; which is probably why this announcement has triggered unending discussions on the matter.

Indeed, it is not uncommon to encounter these bags, flying all over us; we see heaps of used plastic bags strewn all over rubbish dumps, floating in polluted waters, filled with rubbish awaiting collection, used by shops and supermarkets to enfold goods and in more bizarre cases, used as flying toilets and unwittingly consumed by most animals that graze in urban areas. They are used to wrap almost anything. We would, it seems be at a loss without them, or so we think. Many people are not really sure how this declaration will be enforced. But the government seems determined this time. According to a report in the Standard, The ban on the use of plastic bags as from

August 28 still remains. The National Environment Management Authority (Nema) has maintained that any manufacturers found producing the bags and supermarkets using the bags after the ban date will be prosecuted. Nema Director General Geoffrey Wakhungu said the ban would not be reversed, and advised the affected to put in place measures to ensure compliance.

Speaking from Egerton University during an awareness conference ahead of World Environmental Day (marked on June 5th every year around the world) Director General for Nema Geoffrey Wakhungu said the Authority has come up with alternatives that will curb further use of plastic bags. "We have been working with stakeholders concerned with conservation matters. We have come up with alternatives including the manufacture and use of fabrics, papyrus, sisal packaging as well as other eco-friendly materials," Mr Wakhungu said. (Read more on [standardmedia.co.ke](http://standardmedia.co.ke))

According to (Gazette Notice No. 2356 (Feb. 28, 2017), 119:31 KENYA

GAZETTE (Special Issue) (Mar. 14, 2017), at 1077.) The ban will apply to two categories of bags: the carrier bag, a "bag constructed with handles, and with or without gussets," and the flat bag, a "bag constructed without handles, and with or without gussets." (Id.)

According to the Act: Any person who contravenes against any provision of this Act or of regulations made thereunder for which no other penalty is specifically provided is liable, upon conviction, to imprisonment for a term of not less than one year but not more than four years, or to a fine of not less than two million shillings [about US\$19,417] but not more than four million shillings [about US\$38,835], or to both such fine and imprisonment[,] or to both such fine and imprisonment. (Environmental Management and Co-ordination Act, No. 8 of 1999, § 144 (Jan. 14, 2000), KENYA LAW website.)

This is the third time Kenya is attempting to ban plastic bags in the country. There was an attempt in 2007 and 2011.



“

**The number of plastic bags used and discarded worldwide has been estimated to be on the order of 1 trillion annually.**

**The use of plastic bags differs dramatically across countries. While the average consumer in China uses only 2 or 3 plastic bags a year, the numbers are much higher in most other countries: Denmark: 4, Ireland: 20, Germany: 65, USA: > 300, Poland, Hungary, Slovakia: more than 400.**

**What are plastic bags? Why is it in such high demand?**

According to Wikipedia, a plastic bag, polybag, or pouch is a type of container made of thin, flexible, plastic film, nonwoven fabric, or plastic textile. Plastic bags are used for containing and transporting goods such as foods, produce, powders, ice, magazines, chemicals, and waste. It is a common form of packaging.

Most plastic bags are heat sealed together. Some are bonded with adhesives or are stitched. Bags can be made with a variety of plastics films. Plastic bags usually use less material comparable to boxes, cartons, or jars, thus are often considered as “reduced or minimized packaging”.

Depending on the construction, plastic bags can be well suited for plastic recycling. They can be incinerated in appropriate facilities for waste-to-energy conversion. They are stable and benign in sanitary landfills. If disposed of improperly, however, plastic bags can create unsightly litter and harm some types of wildlife.

Bags are also made with carrying handles, hanging holes, tape attachments, or security features. Some bags have provisions for easy and controlled opening. Reclosable features, including press-to-seal zipper strips, are common for kitchen bags bought

empty and for some foods. Some bags are sealed for tamper-evident capability; including some where the press-to-reseal feature becomes accessible only when a perforated outer seal is torn away. Boil-in-bags are often used for sealed frozen foods, sometimes complete entrees. The bags are usually tough heat-sealed nylon or polyester to withstand the temperatures of boiling water. Some bags are porous or perforated to allow the hot water to contact the food: rice, noodles, etc.

Because of environmental and litter problems, some locations are working toward a phase-out of lightweight plastic bags.

### Medical uses

Wikipedia further explains that plastic bags are used for many medical purposes. The non-porous quality of plastic film means that they are useful for isolating infectious body fluids; other porous bags made of nonwoven plastics can be sterilized by gas and maintain this sterility. Bags can be made under regulated sterile manufacturing conditions, so they can be used when infection is a health risk. They are lightweight and flexible, so they can be carried by or laid next to patients without making the patient as uncomfortable as a heavy glass bottle would be. They are less expensive than re-usable options, such as glass bottles. Plastic bags and plastic wrap are also used to prevent water loss and hypothermia in very premature babies

### When did we start using plastic bags?

American and European patent applications relating to the production of plastic shopping bags can be found dating back to the early 1950s, but these refer to composite constructions with handles fixed to the bag in a secondary manufacturing process. The modern lightweight shopping bag is the invention of Swedish engineer Sten Gustaf Thulin.

The number of plastic bags used and discarded worldwide has been estimated to be on the order of 1 trillion annually. The use of plastic bags differs dramatically across countries. While the average consumer in China uses only 2 or 3 plastic bags a year, the numbers are much higher in most other countries: Denmark: 4, Ireland: 20, Germany: 65, USA: > 300, Poland, Hungary, Slovakia: more than 400.

A large number of cities and counties

have banned the use of plastic bags by grocery stores or introduced a minimum charge. In September 2014, California became the first state to pass a law banning their use.

### How Plastic bags affect children

Thin conformable plastic bags, especially dry cleaning bags, have the potential for causing suffocation. About 25 children in the United States suffocate each year due to plastic bags, almost nine out of ten of whom are under the age of one. This has led to voluntary warning labels on some bags which pose a hazard to small children.

Non-compostable plastic bags can take centuries to decompose. In the 2000s, many stores and companies began to use different types of biodegradable bags to comply with perceived environmental benefits.

Plastic shopping bags which escape the garbage collection process can end up in streams, which then lead them to end up in the open ocean. An estimated 300 million plastic bags end up in the ocean due to escaping the garbage. The way in which the bags float in open water can resemble a jellyfish, posing significant dangers to marine mammals and Leatherback sea turtles, when they are eaten by mistake and enter the animals' digestive tracts.

Even though the bags are plastic, most recycling plants do not recycle them. The type of plastic in plastic bags makes it

difficult to be recycled into new material. Additionally, the material frequently causes the equipment used at recycling plants to jam, thus having to pause the recycle machinery and slow down daily operations. (Wikipedia on phasing out lightweight plastic bags).

Plastic shopping bags are in most cases not accepted by standard curbside recycling programs; though their composition is often identical to other accepted plastics, they pose problems for the single-stream recycling, process, as most of the sorting equipment is designed for rigid plastics such as bottles, so plastic bags often end up clogging wheels or belts, or being confused as paper and contaminating the pulp produced later in the stream.

Some large store chains have banned plastic shopping bags such as Whole Foods in the U.S. and IKEA in the U.S. and the U.K. explains Wikipedia.

Concern has understandably been expressed that among other issues, this ban might lead to job losses at a time when unemployment is a major concern. However, if the views expressed by - The National Environment Management Authority (Nema) - Kenya are anything to go by, Kenyans might soon have to change the way they enfold and discard staff; this ban will chiefly affect the issues described in the second paragraph of this feature.

### Food for thought

#### *How plastic bags affect our environment*

The impact of plastic bags on the environment is enormous. As of August 2010, between 500 billion and 1 trillion plastic bags were being used each year worldwide. Approximately 100,000 sea turtles and other marine animals die every year because they either mistake the bags for food or get strangled in them, says Natural Environment. In Australia, 50 million garbage bags end up as litter yearly, and the "plastic soup" patch floating in the Pacific Ocean is twice the size of the continental United States. It is roughly 80 percent plastic, according to The Independent, a British newspaper.

According to the Natural Environment website, 60 to 100 million barrels of oil are required to manufacture a year's worth of plastic bags worldwide, and it takes approximately 400 years at least for a bag to biodegrade.

Source: [livestrong.com](http://livestrong.com)





# CAN LOSING WEIGHT BOOST YOUR CONFIDENCE?

*Compiled by Angela Mutiso, [cananews@gmail.com](mailto:cananews@gmail.com)*

## **A radical look at weight loss**

Obesity is a worrying situation, because it makes us vulnerable to a number of ailments. These include hypertension, heart disease, and type 2 diabetes. In some cases, it also bashes our self confidence. So we should strive to have a healthy life style in order to avoid the complications that come with it.

Confidence comes from success; and the harder the challenge, the sweeter the reward. Losing weight can be very difficult, so when you have succeeded, it is empowering. You begin to be able to

picture yourself tackling other challenges in your life. You lose some of the fear that you had been carrying with those extra pounds, and you gain the confidence to clear hurdles that had previously slowed you down or kept you from reaching your goals. -fatchicks.com

### Are you getting it right?

Ronald Ruden M.D introduces Paul McKenna's number one bestseller; I can make you thin thus: "As a medical nutritionist for more than two decades, I have seen patients lose weight on any number of diet programs, then watched as they struggled to maintain their weight loss. The ability of overweight individuals to accept chronic food deprivation at levels as low as 400 calories a day for extended periods of time has never ceased to amaze me. Nor has the sad reality that most of them regain their hard-won losses. A significant number have undergone this process repeatedly...But diets don't work, eating is not due to lack of will-power. Eating ultimately, is under the control of the brain. He says in this book that has been reviewed in *The Accountant* before, that "like our inability to resist sleep, our brains will override our minds and make us eat... How can we alter this course?" Ruden says "the answer lies not in the diet but in changing our response to signals from the brain."

### What can weight loss gain for you?

Listening to the analysis of the snap British elections in June 2017, after the conservatives failed to get the majority they had anticipated, it was interesting to hear some of the ladies interviewed say that among other things; a good lean body, charisma, a fresh look, an articulate and youthful person were some of the factors they considered when voting in a leader. Really, is that so? Don't their policies matter? asked the interviewer – perplexed; To prove their point, they named some leaders they had voted for with this in mind.

So as you can see, a good appearance seems to matter most of the time; and a lean body seems to be a confidence booster. If truth be told, that's probably why people who look attractive, almost always get away with a lot; in business, at work, in some difficult lawsuits, in con jobs, in good jobs, in good times and bad times, and in almost anything you can



**Confidence comes from success; and the harder the challenge, the sweeter the reward. Losing weight can be very difficult, so when you have succeeded, it is empowering. You begin to be able to picture yourself tackling other challenges in your life.**

think of. It almost looks like splendor should not be locked away; but interacted with instead. This seems to apply to innumerable aspects of our lives. Where there is beauty, like: smart people, smiling faces, fine ambience, exotic furniture and alluring music, there is always action and people happily pay to be part of the exploit.

Take the example of Mitch, an average shopkeeper. Mitch wanted to build a successful brand. He was aware that the healthy foods he had been selling for close to three years ought to be more appealing to his customers than they did; Could his beefy appearance and serious face, be the reason many people were snubbing him? Or was it his derelict looking shop? Conversely, his next door neighbor, Job; an ever smiling, masculine, fitness-nut and Mitch's regular customer (whose shop Mitch also visited frequently) was selling what could only be described as junk food, but was doing much better. Job's state – of- the- art shop was dazzling and he was always as busy as a bee.

Mitch decided to do a complete makeover. He carried out a research and

concluded that apart from having a good location; it was necessary to look great; and that, he decided included getting some weight off. Whether his appearance was the real cause of his lackluster business, he had no way of telling. However, after he made the requisite changes, he could almost have been a different person. So dramatic was the contrast and comeback. He had changed from a burly, weary-looking shop attendant to a market maker; besides, his shop was now alluring. He still pinches himself in disbelief as he gleefully observes the dramatic changes his actions have generated and how much time he had lost; doing nothing about his cluttered existence.

### How does society perceive fat people?

Now that we have explained how losing weight can boost ones confidence, let's delve into why fat people are in some instances considered ugly. In the African context, fat is not really bad. Many people believe for example that a woman with some flesh is more attractive than a thin one; a woman with very round butts is also more appealing to most African men, than one with flat butts. And a man with a big stomach, (especially if it is as a result of alcohol and good food rather than just our staple food- ugali-lol) is considered as living a good life.

Dr. Tom Sanders and Peter Bazalgette in their book you don't have to diet! Dieting's the problem. Not the solution... observe that until relatively recently, fictional characters who were fat were not always portrayed in a bad light – they could be seen as jolly, cheerful and kind, but perhaps feckless...Nowadays, many films portray fat people in a stereotypical way as ugly, greedy, immoral, stupid, slothful and villainous. Even in squeaky clean, politically correct America the villain in the film Jurassic Park is portrayed as a fat slob – he is untidy, greedy and living on a diet of junk food. They say that, there was a time fat curvaceous women were considered very sexy. They also note regretfully that when we go on a diet we are more than likely to be fed a succession of half-truths and bogus science.

They pose; why have we developed a fear for food? What are the influences in society that cause millions of perfectly healthy teenagers –particularly girls to decide that they need to 'go on a diet? How did the cult of thinness start?



### What should you do?

The authors' advice that among other things:

- We need to eat a variety of foods (meat, fish, dairy products, cereals, fruits and vegetable) to get all the nutrients we require.
- Avoiding heart disease involves eating less saturated fat of the type found in meat, dairy fat and solid vegetable oils (such as sunflower oil) for cooking.
- Starchy foods and fruit and vegetables are believed to help protect against cancer and bowel disease.
- Avoiding the frequent consumption of sugary foods between meals helps prevent tooth decay.

Additionally, knowing which foods are most fattening, how to control portion size, a regular pattern of eating avoiding over or under-eating, and being physically fit and a good frame of mind will go a long way in aiding your weight loss.

### What should you eat?

Research shows that there are a lot of natural foods we can eat to aid weight loss and keep us energetic. They include: Lemon juice, apple cider vinegar, aloe vera, green tea, cayenne pepper and curry leaves. In addition nutritionists add: note down what you eat, eat food that contains a lot of water, walk, exercise, eat cereal, eat fruits instead of fruit juice, take coffee, snack on nuts, stick to water after breakfast, do some house work, home-made food is always good, brush your teeth and eat many hours before going to bed. In addition, get enough sleep, drink lots of water, reduce sugar, take green tea, chew slowly, eat fibre, cut down carbs, no processed foods, eat eggs, if you are addicted to certain foods try to overcome this addiction, avoid alcohol, and sugar and don't smoke.

### Stress and weight loss

Meanwhile, did you realize that having a relaxed mind is necessary if you want to

lose weight? Brandt Passalacqua advises in [huffingtonpost.com](http://huffingtonpost.com) that reducing stress in the body should be the starting point to any weight-loss plan. A simple breathing-and-moving practice can often start this process. When we get used to more relaxed states, we are less likely to react and set off our fight-or-flight response. We can gradually learn to deal with daily stress without our minds spinning out of control. We continue to find ways to reduce our attachments to past regrets and future fears, and we have the ability to make better choices about how we talk to ourselves, think about ourselves, and nourish ourselves.

So, losing weight can certainly boost your confidence. If you look confident and calm, it will be obvious. So pay attention to what you eat, how you look, exercise and dress. If everything around you is tidy, you will get a sense of internal confidence which will show outwardly and you will feel good about yourself.

#### Health Tip

Remember. Repetition is the key to success. When we repeat an action, a neural pathway is created in the brain and each repetition reinforces it. As you think of yourself as slim and healthy you are sending signals to your unconscious mind to behave, to feel and to eat like a slim person. As your body gets lighter you will feel more sensitive, more energetic and more alive.

**Paul Mckenna**







## They've broken free of the White House bubble and they're not looking back

Barack and Michelle Obama have been keeping busy since leaving office, and as the former president's new go-to leather jacket might suggest, it's been more play than work (although they've also managed to squeeze in book deals, surprise school visits and meetings on Obama's presidential library and foundation).

As the former first couple has been settling into their new 8,200-square-foot home in Washington, D.C., they've been exploring the city in a whole new way, including a recent visit to the National Gallery of Art that ended with a round of applause from fellow museum-goers. This was also the first time Obama was spotted wearing his sleek brown leather jacket and new and improved dad jeans — both of which have earned rave reviews from the PEOPLE style team.

Source; [people.com](#)

The twin epidemics of diabetes and obesity sweeping the country have forced a re-evaluation of the American diet, including the notion that fruit juice is a healthy alternative to soda.

Read more at [news.harvard.edu](#)

*In addition to opposition from environmentalists, governors, and mayors, many prominent business leaders reacted with dismay to President Trump's decision to withdraw the U.S. from the Paris climate agreement. Members of the higher education community also recommitted to fighting climate change, with Harvard President Drew Faust among a dozen leaders of research universities issuing a joint statement in support of the Paris agreement and the importance of transitioning to a low-carbon economy.*

Read more at [news.harvard.edu](#)



## Pippa Middleton weds

Pippa Middleton and James Mathews wedded on 20 May, 2017. Philippa Middleton, known to most as Pippa, is the middle child of the three Middleton children— Catherine, Duchess of Cambridge, and James William Middleton, an entrepreneur whose company sells cake-making kits for birthdays. The 33-year-old socialite graduated from the University of Edinburgh with a degree in English literature, something she later put to use by releasing her own non-fiction book, *Celebrate*, in 2012. However, she is most known for almost stealing the spotlight on her sister's wedding day to Prince William by wearing a figure-hugging bridesmaid's dress that turned her bum into a national talking point.

Source; [The Sun](#)



## Game-Changers: How Africa is transitioning into Financial Technology

*The digital world is growing exponentially across the continent*

The rapid urbanisation, technological and economic growth seen in Africa is exceedingly going digital, opening up a successfully secured venture into e-commerce technological investments. Evidence of what is predicted can already be seen in Africa's major cities, where a growing number of consumers have greater disposable income, with more than half the consumers having access to internet-capable devices, 3G, and other wireless networks. The explored continental infrastructure investment developments, such as increased access to mobile broadband, fibre-optic cable connections to households, and power-supply expansions, together with the rapid spread of low-cost smart phones and devices, millions of Africans are able to stay connected. This has devoted a growing surge of innovation in entrepreneurs and large corporations alike to launch new web-based technological ventures.

*Source; Africa.com*



## Dangote to invest \$1bn in Nigeria rice production; Company to set up mills to process 1 million tons per annum

Dangote Group is making a five-year investment of at least \$1 billion to grow and process rice in seven Nigerian states, bringing sub-Saharan Africa's biggest importer of the grain closer to its goal of self-sufficiency. Dangote Rice, a unit of the Lagos-based company, plans to increase cultivation of paddy, or raw rice, to 150 000 hectares (371 000 acres) and harvest an annual 1.7 million metric tons by 2019. Most of the output will be grown by medium and smallholder farmers through an "outgrower scheme" that would see Dangote Rice providing equipment and training, project director Robert Coleman said in an emailed response to questions. "Ultimately, at harvest, Dangote guarantees to buy the farm produce back from the farmers at an agreed/prevaling market price," Coleman said.

*Source: Moneyweb*



## African executives not taking cyber security seriously, study finds

Key decision makers do not have confidence in their Boards' ability to manage cyber security threats, according to the latest cyber security analysis from Control Risks. The global Cyber Security Landscape survey is an independent global survey of 482 IT and business decision makers from organisations with over 2,000 employees from across private and public sectors in 20 countries. The survey was conducted between January and February 2017. George Nicholls, Senior Partner based in Johannesburg at Control Risks commented: "The misalignment between treating cyber security as a technological issue or a business risk is not new. Yet, the survey shows that this misalignment remains a considerable and on-going concern for many organisations."

RABBI LEVI BRACKMAN | SAM JAFFE

JEWISH  
WISDOM FOR  
BUSINESS  
SUCCESSLESSONS FROM THE TORAH  
AND OTHER ANCIENT TEXTS

**R**eading Rabbi Levi Brackman and Sam Jaffe's book, *The Jewish wisdom for business success* is a learning experience. By the time you reach the last page you will have learnt many lessons regarding business and life. It is noted in this 230 page book, packed with great information, that for millennia, sacred Jewish texts such as the Torah, the Tanach, the Talmud and the Kabbalah have provided a unique view of the world, giving readers a particular sense of the right and wrong, an ordering of priorities, and a way of doing things that reaches back to founding fathers like Moses and Abraham. Far more than just religious artifacts, these ancient Jewish writings are amazing repositories of knowledge, containing powerful advice anyone can apply to success in business as well as any other aspect of their life.

Readers will find practical insights on: conquering fear; harnessing will power; removing ego from the equation; mastering negotiation techniques; dealing with failure; utilizing spiritual entrepreneurship; harvesting the power of positivity; and finding the right balance of character traits to succeed in any career or business venture. The ancient Jewish writings contain a breadth of knowledge anyone can use, in business and in life. This enlightening and practical guide gives readers the direction they need to make it work for them.

Reviewed by Angela Mutiso, [cananews@gmail.com](mailto:cananews@gmail.com)

**Title:** Jewish Wisdom for Business Success; lessons from the Torah and other ancient texts

**Author:** Rabbi Levi Brackman and Sam Jaffe

**Category:** Business/Judaica

**Publisher:** Random House

Excerpts from some editorial Reviews...

Herb Rubenstein author of leadership for Lawyers says this book will help guide you up the ladder of success in a most satisfying way. It is full of history, insights, and approaches that have stood the test of time and are relevant for today.

This is an enlightening, inspiring guide that will help you climb the rungs of success using the same principles that have worked since the days of the Bible."  
—Jewish Ledger

"Those seeking a spiritual dimension to their commercial enterprises might find this book useful." — Book News, Inc.

"This book may not turn you into a millionaire, but it could certainly help save—or wisely invest—the money you have." — Jewish Exponent (Philadelphia, PA)

"Brackman and Jaffe have done a superb job of demonstrating how the ideas found in ancient Jewish texts feed directly into successful business practices. Jewish Wisdom for Business Success will also help the reader deal with aspects of their personal life that affect their business, and it will no doubt take its place amongst the great business advice books. I am delighted to recommend this book, which will greatly contribute to the success of both your business and life." Michael Port, author of *Book Yourself Solid* and *Beyond Booked Solid*.

Meanwhile: Eddy Leks in his review says Jewish people have always been famous. One event that we may know well is because of the holocaust conducted by the Nazi led by Hitler. Another is the great recognition that a Jew is usually very rich. They are financially much better than any other race, even Chinese (maybe). Jewish population only consists of 0.2% of the world population. However, more than 10% the richest man in the world are Jewish, according to FORBES 400, more than 10% becomes CEO of the 500 biggest companies, according to FORTUNE, and almost 30% is the Nobel



Rabbi Levi Brackman

Prize winner. It is remarkable, isn't it?

### Move Forward, Conquer Your Fear, Nobody Can Hinder Your Intention, Humility Path

Do not be arrogant. Remember that when you achieve success, many people have helped you. God will always be with you when you endure all trials and errors before you can be on top.

### Patriarch Business Model

Marketing is very important in business, as well as credibility, honesty and your belief on the sold product. However, there are also other factors that are required for long term success. Do what is right

### Making Sales

Note that you always negotiate with other people. Negotiation skill is very important for every business. If you improve your negotiation skill, then your business will also be improved.

### Positive Thinking

Think positive is the identity of a successful person.

### Way of the Wise

Be rational. Use your head. Do not use your emotional feeling too much. You must balance your ratio and your feeling. When you use your feeling too much, it may result in a difficult situation. Get a copy from Amazon.com or from any well stocked bookshop near you.



"If you cast your eyes over a group of women on holiday, you will at least glean some sense of what year we're in. With men, it's often hard to tell the decade."

Laura Craik on men's fashion fails;  
Evening Standard

"We have no choice but to rethink our water use management as well as consider investing in wastewater treatment and recycling technology, which will ease use and generate more palatable water for use in factories."

Environment and Natural Resources Cabinet Secretary Professor Judy Wakhungu ; she said this as water rationing was expected to continue since dam levels had not improved.

"These pumps are affordable and efficient for the smallholder farmer. They enable one to cheaply water their greenhouses as they can pump water to an elevation of 33 feet and a distance of up to 70 metres." James Koome, a horticulture specialist from Kenya Agricultural Value Chain Enterprises (KAVES) a USAID-sponsored water pumps, explaining the advantages of the pumps.

Source; seeds of gold; Saturday Nation

"Manchester's strength and togetherness is an example to the world. My thoughts are with all those affected."

Prince William paying tribute to the people of Manchester for their 'strength and togetherness' nearly a fortnight after the terror attack that left 22 people dead.(dailymail)

"push back against those trends that would violate human rights or suppress democracy or restrict individual freedoms" and to "fight against those who divide us".

"We can see the terrible violence that took place just recently in Manchester. It is a reminder that there is a great danger of terrorism and people who would do great harm to others just because they're

different. How heartbroken we are by the loss of life, and we grieve with the families."

Former US President Barack Obama speaking after receiving a hero's welcome when he reunited with German Chancellor Angela Merkel for the first time since leaving office. Obama called Merkel "one of my favourite partners throughout my presidency". He said she had done "tremendous work" and he staunchly defended her refugee policy, which has come in for criticism. (The Guardian)

"Throughout his long career, Douglass Frederick Douglass (1818-1895) cut an imposing figure, renowned as an impassioned abolitionist, a fiery writer and newspaper editor. He was a great public speaker, who became a one-man crusade for black liberation, part of it conducted in collaboration with Abraham Lincoln, the president who would secure the end of slavery." Robert McCrum in the gurdian

The hundred best non-fiction books; Frederick Douglass vivid memoir was influential in the abolition of slavery, and its author would become one of the most significant African Americans of the 19th century...Theguardian.com/books

"In the 1920s, domestic court judges and psychiatrists were popular U. S. oracles on marriage. Their pronouncements usually were guesses, often contradicted each other. While some commentators, for example, said adultery was the chief cause of divorce, others contended it was poverty, low mentality, drink, nagging."

Time Magazine on Science; marriage and happiness The wealthiest people in Africa are strolling along the sun-kissed beaches of Mauritius, according to a new report from the AfrAsia Bank. (CNN)

"Mauritians are the wealthiest individuals in Africa with an average wealth of US\$25,700 per person,

whilst people living in Zimbabwe are the poorest with US\$200 per person. Interestingly, North African countries such as Algeria, Egypt and Morocco all rank high on the list despite recent instability."

Reported by cnbcafrica.com

"In addition to the project's staggering cost, there are certainly significant questions about how effective a strategy it is to build a wall to seal the borders. Arizona Governor Janet Napolitano (D) sums it up: 'Show me a 50-foot wall and I'll show you a 51-foot ladder.' Aside from questions about whether a wall will keep people out, there are obstacles to getting it built in the first place. Veteran border agents who know these areas better than anyone point to several challenges—rugged desert, creek beds prone to flash flooding, and difficult mountainous terrain—that will make any wall extremely difficult, if not downright impossible, to construct."

WEEKLYWASTEBASKET -Building a Wall of Waste-taxpayer.net

"Obstacles are like wild animals. They are cowards but they will bluff you if they can. If they see you are afraid of them...they are liable to spring upon you; but...if you look them squarely in the eye, they will slink out of sight."

Orison Swett Marden

"What you choose to focus your mind on is critical because you will become what you think about most of the time."

Noel Peebles

"If a man does not keep pace with his companions, perhaps it is because he hears a different drummer. Let him step to the music which he hears, however measured or far away."

Henry David Thoreau

"The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes of mind."

William James



# NEW CHAIRMAN FOR ICPAK



FCPA Julius Mwatu (right) is the new National Chairman of ICPAK. He has been elected to serve for a period of two years. FCPA Mwatu was inaugurated during the Annual General meeting of ICPAK held on Friday, 9th June 2017. He takes over from FCPA Fernandes Barasa. Look out for the new Chairman's Agenda in the September/October 2017 issue of the Accountant Magazine.



Newly elected ICPAK National Chairman FCPA Julius Mwatu



Newly elected ICPAK National Chairman FCPA Julius Mwatu (centre) is flanked by ICPAK former National Chairman FCPA Benson Okundi (left) and ICPAK immediate past National Chairman FCPA Fernandes Barasa (right)

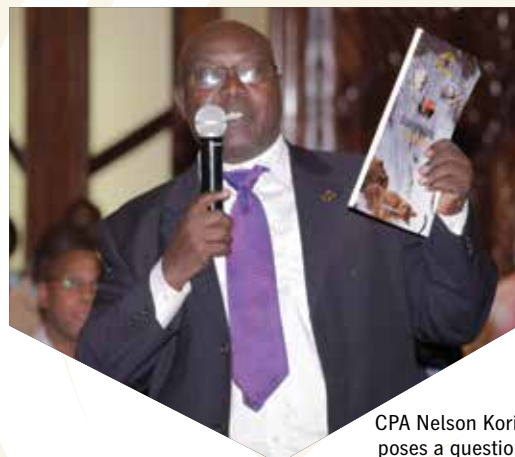


# Annual GENERAL MEETING

9<sup>th</sup> June 2017



ICPAK Council members launch the ICPAK Research Handbook alongside the AGM



CPA Nelson Korir poses a question



Immediate past Chairman FCPA Fernandes Barasa (left) and ICPAK Ag. Chief Executive Officer CPA Edwin Makori (right) welcomes the new National Chairman FCPA Julius Mwatu



The returning officer CPA Issac Ruto officially announces election results



Members follow proceedings during the 39th AGM



# The 33<sup>rd</sup> Annual Seminar

Over 2,000 delegates congregated for the 33rd Annual Seminar of the Institute of Certified Public Accountants of Kenya on 23rd to 26th May 2017 at Whitesands Hotel In Mombasa. The event was officially opened by Mombasa Senator Hassan Omar. Alongside the Annual seminar was the Annual Charity golf tournament-Mombasa edition which was held on Tuesday 23rd May 2017 and a visit to Shanzu Transitional Workshop for young disabled Women.



Chief guest Senator Hassan Omar makes his opening remarks



Officials sing the National Anthem during the official opening ceremony



ICPAK Ag. Chief Executive Officer CPA Edwin Makori



Immediate ICPAK past Chairman FCPA Fernandes Barasa in his element



Panel discussion on political accountability as a driver for economic development



Council members aspirants forum



FCPA Fernandes Barasa hands a token of appreciation to Wundanyi Constituency MP Hon Thomas Mwadeghu



# *ICPAK thanks the 2017 Annual Seminar Sponsors*

**| You made it possible! |**



CaseWare Africa



kasneb



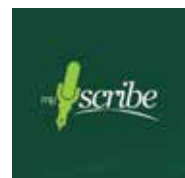
sage One



Think Ahead



*Tally*  
POWER OF SIMPLICITY



*Asanteni Sana!*

# The 33<sup>rd</sup> Annual Seminar



Senator Hassan Omar receives a token of appreciation from Theuns Holtshousen of CaseWare Africa



ICPAK immediate former Chairman FCPA Fernandes Barasa addresses a press conference



CA. Debashis Mitra makes his presentation



KASNEB CEO Pius Nduatih gives a token of appreciation to Hon. Dr Miria Matembe



Golf tournament in Nyali



Delegates enjoy the African themed Gala Dinner



CSR - A visit to Shanzu Transitional Workshop for Young Disabled Women





# A DELIGHTFUL LAKE RETREAT IN THE WARM HEART OF AFRICA

By Clive Mutiso, [clivemutiso@gmail.com](mailto:clivemutiso@gmail.com)

**A**frica's beautiful lakes have never been properly promoted as tourist destinations and perhaps the most neglected of them all is Lake Malawi, a superb destination in the very heart of the continent. Although the lake is bordered by both Tanzania and Mozambique to the East, the easiest way to reach it is from the west, through the Malawian capital of Lilongwe.

Readily accessible by air from Nairobi, Lilongwe is one of smaller cities of Africa, thrust into prominence in 1974 by the decision of Malawi's founding president, Hastings Kamuzu Banda, to defy history and economics and move the country's

capital by decree from Zomba in the southern Shire Highlands. Since then, Lilongwe has grown to a population of more than a million people, and is the largest urban centre in the country, although Blantyre, which comes a close second, is the major centre of finance, commerce and industry, and is older than Nairobi, Harare, or Johannesburg.

Lilongwe's principal ethnic group are the friendly Chewa people and one of the most striking things about their culture are the close similarities between their language, *Chechewa*, and the *Kikamba* language of Kenya, with much of the vocabulary of one language being replicated in the other, with the same

grammatical structure and intonation of speech. For a Bantu speaker from any part of Africa, Malawi is an easy place to feel at home. Like any country in the world, Malawi must have some rude or unfriendly people, but it would take a real effort to find even one of them. The welcome starts at Kamuzu International Airport and dominates the spirit of the country.

Lilongwe is a well laid-out city, with wide avenues and plenty of green spaces. Although there is a wide choice of accommodation to suit all pockets, the Capital Hotel has been the best value in the city for as long as anyone can remember and, with its old-world





charm, has a loyal following. In the evening, the hotel is the centre of the capital's social scene, and during the day its formal gardens and poolside provide the perfect alfresco environment for relaxation. The gardens are the perfect place to sip Malawi's national drink, called a rock shandy, which is ginger ale and lemonade poured over crushed ice in a tall glass, and a touch of angostura bitters, which give it a rose tinge. Malawi Rock Shandy is non-alcoholic, but some philistines have been known to adulterate it with Malawi gin. The Capital Hotel has a fine dining restaurant in addition to the lobby bar and the all-day dining room and one specialty that should not be missed during your stay is the national fish, known as chambo, which is a close relative of the tilapia of Lake Victoria and Lake Turkana, although fish-lovers insist that chambo is vastly superior.

However, the fact that the Capital Hotel is the preferred choice of returning visitors does not mean that it is the most luxurious property in the city. That accolade is reserved for the fancy President Walmont Hotel on Malawi Square, the only five star hotel in the whole country. The Walmont has 130 rooms, including 10 executive suites, and 14 presidential





villas nearby in a complex that includes a private club. The main hotel has a large, elegant, reception area, a beautiful lobby bar, a relaxing lounge and features the elegant Wild Orchid Restaurant, serving local and international delicacies and an enviable selection of wines. The President Walmont Hotel houses a gym, spa, and the Afroma Terrace Bar where sundowners are served in the bar or at the outdoor lounge that overlooks the entire precinct.

There is an open-air crafts market in the old town, which can be reached in a five-minute taxi ride, and the most unique and popular items are the polished hand-carved hardwood fruit bowls and the large, ornate, Malawi chief's chairs, each one of which is different from any other. However, when carrying a chief's chair home by air, brace yourself for the fact that a large specimen can tip the scales at more than 25 kilos, which can wreak havoc with your baggage allowance if you are carrying more than a pair of socks and a toothbrush.

The 300-room Presidential palace in Lilongwe, named after Kamuzu Banda, and built at a cost of more than \$100 million, in an opulent rococo style, is the official residence of the head of state. It is not open to the public, although from



**Like any country in the world, Malawi must have some rude or unfriendly people, but it would take a real effort to find even one of them. The welcome starts at Kamuzu International Airport and dominates the spirit of the country.**



time to time over the years it has hosted state functions and visitors have had the chance of seeing for themselves some of the idiosyncrasies of the structure. Most notable is the way that the edifice was built to match the height of Life President Banda, who barely reached 5 feet. All the door handles in the building are lower than usual, as are the ceilings, and light fittings hang just over six feet above the floor.

Tourist accommodation on Lake Malawi is far more practical and less intimidating than the Kamuzu Palace and the lake can be reached in a 90-minute drive from the capital, via Salima. There is a wide range of different types of hotel, lodge, and backpacker accommodation to choose from located on the various bays around the lake, with prices to match, and plenty of fresh food. All of the hotels and

lodges can be booked in advance, but for a first time visitor it can be worth taking a chance and exploring the different settlements around the lake and just looking for a place with a vacant room. Wherever you choose, you can be assured of a friendly welcome and great service.

Lake Malawi National Park surrounds the southern end of the lake, around Cape Maclear peninsula, and the main attractions are the sandy beaches and granite islands which can be visited on hired boats. Apart from chambo there hundreds of different species of cichlid fishes, some of which are really colourful and which are clearly visible in the clear waters of the almost pristine lake. The reason why the lake's biodiversity is so varied is that invasive species, which might have preyed on indigenous fish, have been carefully excluded from the





lake's waters. Although the waters of the lake are clear, there is an unusual mist that hangs over the waters for most of the day, giving the sky an opaque grey aspect, and the sunlight reflected off the lake water onto this low cloud produces a fiery glowing effect that gave rise to the name Malawi in the Chechewa language. It is the same fiery reflection that features on the national flag and which is a recurrent theme in Malawian art and carvings.

No holiday on Lake Malawi would be complete without at least one trip on the ancient ferry that plys the lake, the mv Ilala, which is based at Monkey Bay and operated by Malawi Lake Services. The venerable motor ship can carry 360 passengers and 100 tons of freight. Launched in 1949, the ship was built on the River Clyde in faraway Scotland, carried to Central Africa in sections and assembled on the shores of the lake. Since then it has become the

beloved icon of the lake and some regular overseas visitors to Malawi spend much of their time on the ship, exploring all of the different routes which include Senga Bay to Likoma Island which takes 18 hours, Chilumba to Nkhosakota (36 hours) and Nkhosakota to Monkey Bay (19 hours). Despite its ancient appearance, the ship is well maintained, and seaworthy, and first-time passengers are surprised to find that it features a congenial bar and a real cafe that serves freshly-cooked food.

One of the few authentic adventures still available in Malawi, the Ilala offers four different classes of travel, all at different costs. On the lower deck, there are rigid Second Class benches, which tend to fill up quite quickly, and can consequently be a bit squeezed. The two decks above comprise First Class, and cost a little more, but on overnight voyages you can lay out a sleeping mat and doze under the stars. Then there are First Class cabins, which offer a bed and a chance to shower, but which are not too well ventilated. For real luxury, there is the "Owner's Cabin", with an en suite toilet, bath and shower, although these do not always work. So the Ilala is not the Queen Elizabeth, but you can take heart from the fact that it is not the Titanic either, and on the balmy waters of Lake Malawi the risk of icebergs is a world away.







# INTEGRATED REPORTING

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

**A**t the Financial Reporting Excellence (FiRe) gala dinner on 24 October 2014, Mr Paul Ngugi, the then acting Chairman of the Kenya Capital Markets Authority (CMA) welcomed guests and pointed out that the CMA has been a promoter of the FiRe Award from its inception thirteen years earlier. As a promoter of the FiRe Award, the aim of the CMA was, and is, to strengthen the quality of financial reporting in corporate Kenya by enhancing the financial as well as the non-financial elements of the annual report,

such as sound corporate governance practices and sustainable corporate social responsibility, in recognition of the changing dynamics globally.

He then went on to speak about Integrated Reporting. He pointed out that the International Integrated Reporting Council chaired by Prof. Mervyn King has defined Integrated Reporting as “a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term”. He added that the debate

on Integrated Reporting elicits emotions and sometimes protests from companies listed on securities exchanges in many African nations because they are wary of ‘too much disclosure’ and the associated compliance costs. Mr. Ngugi stated that contrary to popular belief, Integrated Reporting is not about giving more information for the sake of it. Rather, it is about the quality of reporting that provides information to investors that enables them to make informed decisions. He claimed that, regrettably, not too much effort goes into communication with investors. Organizations choose to



focus more on the cost of communication rather than the benefit of meaningful communication, he added. For instance, the majority of annual reports are based on templates where very little fresh information is provided. Investors in Kenya need to demand and expect more and companies will need to enhance the standard of their reporting to meet this expectation.

The CMA issued the Code of Corporate Governance Practices for Issuers of Securities to the Public for application by both listed and unlisted public companies in Kenya on 15 December, 2015. The Code defines integrated accounting as “a process that brings together the material information about an organization’s strategy, governance, performance and prospects in such a way that reflects its commercial, social and environmental context within which it operates; provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future; and combines the most material elements of information currently reported in separate reporting strands (financial, management guidelines, governance and remuneration, and sustainability) into a coherent whole”. The Code states that “the Board (of Directors) shall continually work

**“The term corporate social responsibility gives a chance to all the employees of an organization to contribute towards the society, environment, country and so on. Corporate social responsibility goes a long way in creating a positive word of mouth for the organization on the whole.**

towards the introduction of Integrated Reporting”. That “shall” means “must”. Hence companies listed on the Nairobi Securities Exchange have to adopt, sooner or later, Integrated Reporting. The CMA argues that the adoption of integrated reporting will lead to more effective disclosure. From the company’s point of view, it means that more issues and areas have been taken into account in running the business including, suppliers, customers, regulators, government, creditors, debtors, investors and even the community where this business is located. Taking care of the interests of varied stakeholders can only lead to better management and control of the company. In addition, the various stakeholders will be able to assess the status of the company from the integrated reports.

The International Federation of Accountants (IFAC) has now added its support for Integrated Reporting. In January 2017, IFAC published its Policy Position 8 entitled “Enhancing Organizational Reporting: Integrated Reporting Key” – to make the title more understandable, a slight rearrangement of the words needs to be made – “Integrated Reporting is key to enhancing organizational reporting”. IFAC points out that regulators are aware of the need for a broad range of information about how organizations run





their businesses in order to fulfill their organizational and regulatory objectives. Regulators are paying greater attention to enhanced organizational reporting, and are increasingly of the view that assessments of an organization—for example, its performance or compliance with regulatory requirements—depend on a wider range of information than is available from financial reports. It is generally agreed that high-quality organizational reporting is important for all types of organizations. In a number of countries, the importance of public sector entities reporting more broad-based information is already evident by the range of reporting and associated assurance that is currently in place.

I believe that we are quickly heading to a position of over-regulation in Kenya. In 2016, when I informed the managing director of a stock broking firm that all of his staff who actually deal with stock broking work would have to register with the Institute of Certified Investment and Financial Analysts, he joked that soon, when one wants to recruit a gardener, one will have to make sure that s/he is a member of the Institute of Certified Gardeners and Car-washers of Kenya. Regulators all over the world think that they will solve the world's problems by passing "good" legislation. But what happens when the increase in legislation only makes it more difficult for businesses to function? Before we approved the

“  
**IFAC believes it is in the public interest for organizations to report more broad-based information that is important to, and useful for, stakeholders, all those involved with the organization, from customers, to suppliers, employees, investors, lenders, the tax department and the government.**

present constitution of Kenya, I asked one of the Committee of Experts how we would finance a 50% increase in the size of Parliament, a new Senate of 67 persons (if the US had a Senate of comparable

size, it would have 497 members as opposed to its present 100), a governor in each of the 47 new counties and a county assembly of 60 persons in each of the 47 counties: the "Expert's" reply was "the counties will generate their own economic resources". In early 2017, small businesses in Bungoma were complaining about the large increase in licence fees in 2017; Bungoma is the county where 10 wheelbarrows were purchased for KShs. 1 million in late 2015. Coffee farmers in Bungoma sell their coffee in Uganda because they get a better price there: but they buy sugar and maize meal from Uganda, because these commodities are cheaper in Uganda. But let us return to Integrated Reporting.

IFAC believes it is in the public interest for organizations to report more broad-based information that is important to, and useful for, stakeholders, all those involved with the organization, from customers, to suppliers, employees, investors, lenders, the tax department and the government. IFAC argues that the enhanced organizational reporting domain is increasingly seen as fragmented with different reporting requirements for different purposes and capitals. There is a debate about how the broader information needs of stakeholders should be met through a single channel—the annual or integrated report—or whether different channels should be used for different purposes. A number

of frameworks, standards, and principles have begun to emerge, covering social and environmental accounting and reporting; corporate social responsibility (CSR) reporting; environmental, social, and governance (ESG) reporting; sustainability reporting; and integrated reporting.

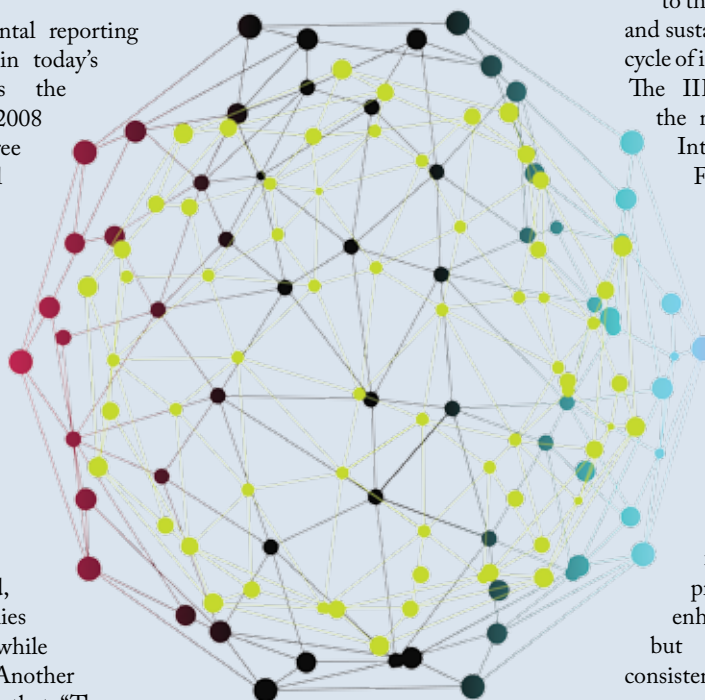
“Corporate environmental reporting becomes a crucial issue in today’s corporate reporting” is the opening sentence of a 2008 study carried out by three academics, Pramanik, Shil and Das, and published in International Journal of Business and Management. In a 2012 article entitled “Six Reasons Companies Should Embrace CSR”, Epstein-Reeves recognizes that “corporate social responsibility (CSR) is not going to solve the world’s problems. That said, CSR is a way for companies to benefit themselves while also benefiting society”. Another anonymous article claims that “The term corporate social responsibility gives a chance to all the employees of an organization to contribute towards the society, environment, country and so on. Corporate social responsibility goes a long way in creating a positive word of mouth for the organization on the whole. Corporate social responsibility also gives employees a feeling of unparalleled happiness. Believe me, employees take pride in educating poor people or children who cannot afford to go to regular schools and receive formal education”. When one is trying to squeeze more money out of a client, it is important to be enthusiastic about the product you are selling and to stress how important the product is for the welfare of the customer.

A number of different bodies deal with providing a more comprehensive picture of the state of a company than just its financial performance and position.

The United Nations Conference on Trade and Development (UNCTAD) sponsors an Intergovernmental Working Group of Experts on International



UNITED NATIONS  
UNCTAD



Standards of Accounting and Reporting (ISAR) highlighting the importance of high-quality corporate reporting for maintaining financial stability and sustainable development and, thereby, for attaining the Sustainable Development Goals (SDGs).

The Global Sustainability Standards Board (GSSB) has just “successfully” launched its latest Global Reporting Initiative (GRI) Standards. On 23 November 2016 it approved its 2017-2019 Work Program, which sets out the high-level priority areas for the GSSB over the next three years. The GSSB Work Program includes supporting the implementation of the GRI Standards, developing sector specific guidance, and updating Standards on a regular basis. The GSSB claims that its “First Global Sustainability Reporting Standards are Set to Transform Business”.

The International Integrated

Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. It promotes communication about value creation as the next step in the evolution of corporate reporting. The IIRC’s vision is to align capital allocation and corporate behaviour to the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking. The IIRC’s “Breakthrough Phase” is the move from the creation of the International Integrated Reporting Framework and market testing to development and early adoption by reporting organizations around the world. The IIRC’s objective for this phase is to achieve a meaningful shift towards early adoption of the International Integrated Reporting Framework.

IFAC considers it vital that regulators, standard setters, and others involved in the development of reporting frameworks recognize and promote not just the need for enhancing organizational reporting but also the need for globally consistent and convergent practices and arrangements. The challenges associated with the convergence of financial reporting arrangements in the last decade provide a sound reason for all parties to aim for a consensus, or at least the identification of the relationships and consistency between the different frameworks, at the earliest possible time. Having one globally-accepted framework also helps provide a basis for a more coherent corporate reporting system.

Having made clear that IFAC would like one globally-accepted framework, it is clear from IFAC’s statement, “IFAC believes that integrated reporting is the means to bring about a more coherent corporate reporting system”, that the IIRC model is what it would like to see adopted.

So as we follow CMA’s instructions to move to Integrated Reporting, we can be sure that that is what will be accepted as the Standard in the future. The lesson is that future accountants must have a much broader expertise than that at present: prepare yourself now.





# CPA Centre

**TO LET**



## Structure

- Eleven storey office tower.
- Basement parking facilities.
- Adequate washrooms with a provision for executive washrooms & superbly fitted kitchen facilities on each floor.
- High-speed service lifts.
- Spacious lift/staircase lobbies.
- Office suites available in flexible sizes.
- Generous floor heights allowing for suspended ceilings, facilitating the installation of air conditioning if required

## Available for letting:

- **BANKING HALLS**
- **OFFICES**
- **RESTAURANTS**

Please contact Lloyd Masika Property Agents and Valuers  
Tel: 0722 481 504, 0733 597 050



# Explore!

## WITH YOUR **ICPAK** SMART CARD



### ICPAK Smart Card benefits:

- The smart card will be your member identification card at ICPAK events and when accessing services offered by ICPAK partners and is absolutely free
- Up to 20% discount on tuition fees at KCA University for you and your family members
- A negotiated 3.5% discount on motor vehicle insurance premiums at Jubilee, Pacis, APA, UAP and Britam
- Credit facility from National Bank
- Up to 15% discount on purchase of motor vehicle, repairs, service and spare parts at Toyota and Toyotsu
- Up to 20% discount on purchase of motor vehicle, repairs, service and spare parts at Simba Colt/Corp
- Free access to KCA Library
- Up to 15% discount at Hilton Hotel
- 5% discount at Text Book Centre
- Dry cleaning services at 25% discount from Tintoria Dry cleaners

***And many more***



For more information, please visit [www.icpak.com](http://www.icpak.com)

