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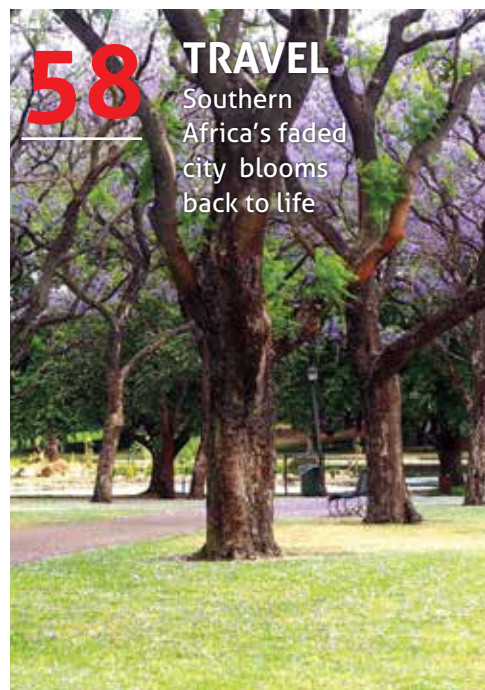
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# Dear Reader,

**A**griculture in many parts of Africa has traditionally been considered grubby and reserved for the poor uneducated and elderly people in rural areas. Besides in some developing economies, agriculture is viewed as a development activity in the social sector and not the big money-making business it is. Recent studies and debates show that agriculture has the potential to transform African economies and holds the key to job creation and improved well being for a number of people. Perhaps the time has come for our unwaged youth to start looking at agriculture as a source of income.

Existing data shows that the average age of an African farmer is 60, a reality that can discourage young Accountants. Kenya has an increasing trend of youth unemployment, estimated at 22% according to the World Bank statistics (World Development Indicators 2017). The indicator considers youth aged 15-24 as a percentage of labour force using modeled ILO estimate. This rate can get to 35% if the age bracket opens to 34 years of age (World Bank 2014). These statistics refer to recent graduates from universities and tertiary institutions like KASNEB that continuously release Accountants to the market. Phenomenal growth in urbanization in Kenya has created urban labour, which urban centres have not been able to absorb, even with the emergence of Counties. As a backbone of the Kenyan economy, the agriculture sector offers solutions to the youth unemployment situation. We delve deeply into this critical subject, in our lead story.

The International Financial Reporting Standard (IFRS) 9 which replaces International Accounting Standard (IAS) 39 is expected to come into force on 1st January 2018. The new standard is currently creating ripples and great anxiety across the globe, owing to the radical provisions which it prescribes in respect to accounting for financial instruments. The anxiety in the markets is understandable because the introduction of new requirements for the accounting for the expected credit

losses in IFRS 9 will bring a significant change to the financial reporting of banks and other institutions which deal with financial instruments. The new accounting regulation will affect many stakeholders among them investors, regulators, analysts, auditors and many other users of financial statements. Find this information in the financial reporting and assurance segment. It is always believed that corruption fights back, but others are of the view that corruption always looks for another target when you block the loopholes being exploited by corrupt individuals. Of course organizations or institutions are not corrupt; it is the individuals who are. Their corrupt tendencies contribute to the many cases of corruption reported. Now, given the prevalence of corruption in public and private sectors, what will be done to fully eradicate this menace which has cost the ordinary citizen the right to a decent life, good health and basic amenities? We now have a new law in Kenya: The Bribery Act, 2016. It is hoped that the clarity brought by the new law, will bring an end to the many corruption cases in our courts, both in the private and public sector. Find this in the workplace.

Most of us are comfortable spending a lifetime without coming across a frog. It is one of the species a number of people don't know how to relate to or think of. But did you know that frogs are actually beneficial to the natural world and to humans and that frogs are good bio-indicators? An article titled 'the benefits of frogs in your garden' and posted by frogs are green not so long ago, says; frogs and toads, just like so many other animal species, are suffering a decline in numbers. This is due to environmental problems, climate change and human factors and show that the changes we are seeing in the environment are signs that something is wrong. What many people need to know is; frogs need to be viewed as an important part of the ecosystem. This is our environment feature.

In Pen Off, the writer talks about - Fake research: Ensuring that research is ethical, accurate, and reproducible. He says if one enters the phrase "Fake Research" into

Google, one discovers that there are one hundred and thirty five million sites that deal with the topic. This is an intriguing subject, you will definitely enjoy reading.

In the society section, we discuss what Kenyans love doing at Christmas. This is the annual Christian festival celebrating Christ's birth and is held on December 25. Most people try to be home for Christmas Eve, so they can be part of the celebrations from start to finish. Kenyans usually decorate their houses and churches with vibrant balloons, lights, ribbons and flowers. They buy and decorate Christmas trees which brighten their homes. Outside, many decorate Cyprus trees. It is a time when many people travel from cities, back to the villages where most family members live. At home they interact with their aged parents, uncles, aunties, cousins and siblings. In most cases, Christmas accords them an opportunity to meet as families and it may be the only time they will meet their extended family members and see each other in a year.

These are the features we bring you in this last Journal of 2017. We have of course included all your regular articles. In the meantime, we wish all our readers a delightful festive season.

Merry Christmas and a Happy and Blessed New Year!

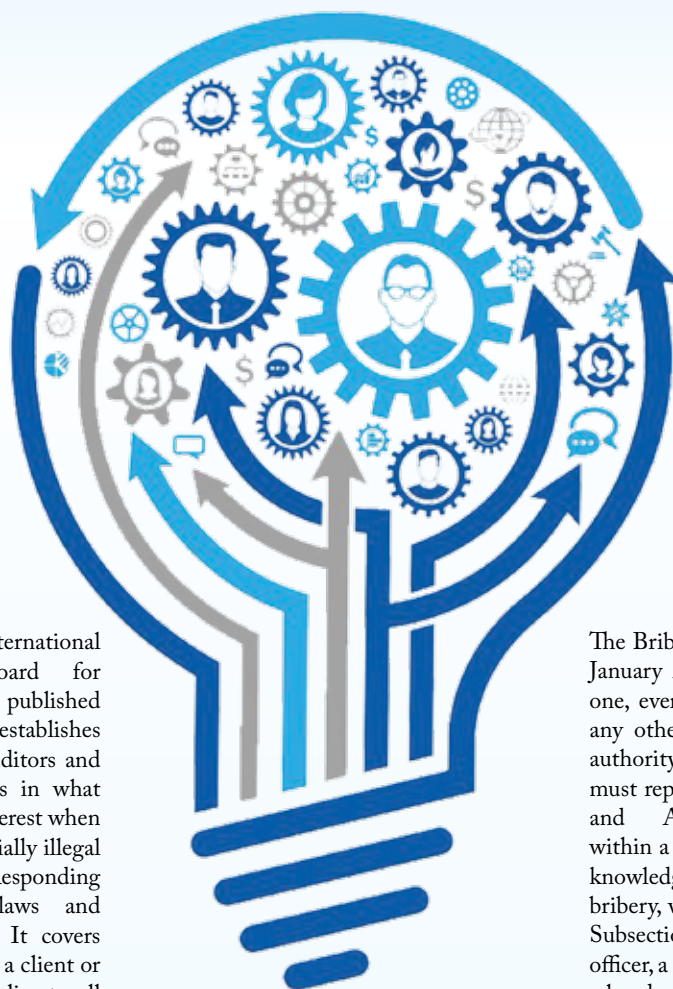
**Mbugua Njoroge**

*Editor*



# RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

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



In July 2016, the International Ethics Standards Board for Accountants (IESBA) published a new standard which establishes a framework to guide auditors and other professional accountants in what actions to take in the public interest when they become aware of a potentially illegal act. The standard is named “Responding to non-compliance with laws and regulations”, or “NOCLAR”. It covers non-compliance committed by a client or an employer. The standard applies to all categories of accountants, including those in businesses, government, education, and the not-for-profit sector. It addresses breaches of laws and regulations that deal with matters such as fraud, corruption and bribery, money laundering, tax payments, financial products and services, environmental protection, and public health and safety. IESBA claims that the new standard provides a clear pathway for auditors and other accountants to disclose potential non-compliance situations to appropriate public authorities in certain

situations without being constrained by the ethical duty of confidentiality. It also places renewed emphasis on the role of senior-level accountants in business in promoting a culture of compliance with laws and regulations and the prevention of non-compliance within their organizations. The standard came into effect on 15 July 2017.

As if this standard was not enough for us in Kenya – we will see that IFAC is turning the world’s accountants into the world’s policemen and policewomen – we now have to comply with the Bribery Act.

The Bribery Act came into force on 13th January 2017. In Section 14, subsection one, every state officer, public officer or any other person holding a position of authority in a public or private entity must report to the Ethics and the Ethics and Anti-Corruption Commission within a period of twenty-four hours any knowledge or suspicion of instances of bribery, whether inside or outside Kenya. Subsection two lays down that a state officer, a public officer or any other person who, despite being aware of, or suspicious of, the commission of an offence under the Bribery Act, fails to report the act to the Ethics and Anti-Corruption Commission within the specified period, commits an offence. Section 19 stipulates that any person who is convicted of an offence under the Bribery Act, for which no penalty is expressly provided, is liable on conviction to a fine not exceeding five million shillings, or to imprisonment for a term not exceeding ten years, or to both. I often wonder if those who create the law in Kenya are aware that five million



shillings is an incredible amount of money and would require any Kenyan, other than the 9,400 persons in Kenya whose property exceeds one million US dollars, to sell their homes and land to pay this fine. Section 21 specifies that a whistle blower, informant or a witness in a complaint or a case of bribery shall not be intimidated or harassed for providing information to law enforcement institutions or giving testimony in a court of law. However, I hope we all see that this protection is theoretical; what may happen in practice is something that I think we are all aware of.

What is the thinking behind the requirements of NOCLAR? The mission of the International Federation of Accountants (IFAC) is “to serve the public interest by contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking

**“ IESBA claims that the new standard provides a clear pathway for auditors and other accountants to disclose potential non-compliance situations to appropriate public authorities in certain situations without being constrained by the ethical duty of confidentiality.**

out on public interest issues where the accountancy profession’s expertise is most relevant.” The International Ethics Standards Board for Accountants (IESBA) is one of the standard setting boards of the International Federation of Accountants. IESBA issues ethical standards for use by professional accountants and its member bodies. As a member body of IFAC, ICPAK is required to comply with the principles included in the IESBA Code of Ethics.

For some reason, IESBA wishes to distance itself from IFAC. If one goes to the website of IESBA, it is difficult to discern IESBA’s connection with IFAC. IESBA states that it is an independent standard-setting body that serves the public interest by setting robust, internationally appropriate ethics standards, including auditor independence requirements, for professional accountants worldwide. These are compiled in the Code of Ethics for Professional Accountants. But its connection with IFAC cannot be completely hidden: the members of IESBA, including the Chair and Deputy Chair, are appointed by the IFAC Board on the recommendation of



the Nominating Committee and with the approval of the Public Interest Oversight Board.

NOCLAR reaffirms that a distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. I think an accountant has to pause and ask her/himself whether this is true of one's own behavior; it is so easy to put one's own interest before the interest of the general public. NOCLAR continues to state that a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant should observe and comply with the ethical requirements of the Code. "Ethical standards" can be defined as principles that, when followed, promote values such as trust, good behaviour, justice and/or kindness. A "Code of Ethics" is a written set of guidelines issued by an organization to its members or employees to help them conduct their actions in accordance with its primary values and ethical standards.

In the 2008 Code of Ethics promulgated by IESBA, professional accountants are required to comply with five fundamental principles: NOCLAR changes one word in the fifth principle: these five principles are: (1) Integrity: A professional accountant should be straightforward and honest in all professional and business relationships; (2) Objectivity: A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments; (3) Professional Competence and Due Care: A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques; a professional accountant must act diligently and in accordance with applicable technical and professional standards when providing professional services; (4) Confidentiality: A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose; confidential information



**A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques; a professional accountant must act diligently and in accordance with applicable technical and professional standards when providing professional services.**





acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties (we will see that revealing fraud is not a breach of confidentiality); (5) Professional Behaviour: A professional accountant should comply with relevant laws and regulations and should avoid any "conduct" (the word "conduct" replaces the previous word "action") that discredits the profession.

If a practising accountant becomes aware of an independence violation, the accountant should gain a thorough understanding of the matter so that the accountant can determine if s/he is able to demonstrate that the departure does not affect the integrity, objectivity, and professional skepticism of the engagement team and, therefore, their independence was not compromised. Documentation of the member's analysis would be a prudent step, given that multiple parties (such as internal personnel and regulators) may request documentation of your analysis.

NOCLAR now adds: If a significant conflict cannot be resolved, an accountant may consider obtaining professional advice from the relevant professional body or from legal advisors. The accountant generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with the professional body on an anonymous basis or with a legal advisor under the protection of legal privilege. If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, an accountant shall, unless prohibited by law, refuse to remain associated with the matter creating the conflict. The accountant must determine whether, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement, the firm or the employing organisation. When communicating with those charged with governance in accordance with the provisions of the Code, the accountant or firm must determine, having regard to the nature and importance of the particular circumstances and the matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the accountant or firm communicates with a subgroup of those charged with governance, for example, an

audit committee or an individual, the accountant or firm must determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The accountant or firm can nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the accountant or firm would otherwise communicate in their governance capacity. Another area dealt with by NOCLAR is confidentiality: as a fundamental principle, confidentiality serves the public interest because it facilitates the free flow of information from the accountant's client or employing organization to the accountant. Nevertheless, the following are circumstances where accountants are or may be required to disclose confidential information or when such disclosure may be appropriate: (a) Disclosure is permitted by law and is authorized by the client or the employer; (b) Disclosure is required by law, for example: (i) Production of documents or other provision of evidence in the course of legal proceedings; or (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and (c) There is a professional duty or right to disclose, when not prohibited by law: (i) To comply with the quality review of a member body or professional body; (ii) To respond to an inquiry or investigation by a member body or regulatory body; (iii) To protect the professional interests of an accountant in legal proceedings; or (iv) To comply with technical and professional standards, including ethical requirements.

NOCLAR also lays down some changes on Client Acceptance and Continuance. Before accepting a new client relationship, an accountant must determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behaviour

may be created from, for example, issues associated with the client (its owners, management or activities) that, if known, could threaten compliance with the fundamental principles. These include, for example, client involvement in illegal activities (such as money laundering), dishonesty, questionable financial reporting practices or other questionable practices.

An accountant in public practice must evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an acceptable level. Examples of such safeguards include: (i) Obtaining knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities; or (ii) Securing the client's commitment to address the questionable issues, for example, through improving corporate governance practices or internal controls. Where it is not possible to reduce the threats to an acceptable level, the practicing accountant must decline to enter into a client relationship.

NOCLAR also changes the situation in relation to the custody of clients' assets: As part of client and engagement acceptance procedures for services that may involve the holding of client assets, an accountant shall make appropriate inquiries about the source of such assets and consider legal and regulatory obligations. For example, if the assets

were derived from illegal activities, such as money laundering, a threat to compliance with the fundamental principles would be created. In such situations, the accountant shall comply with the provisions that follow. What follows is the most important change introduced by NOCLAR.

An accountant in public practice may encounter or be made aware of non-compliance or suspected non-compliance with laws and regulations in the course of providing a professional service to a client. The purpose of the following guidance is to set out the accountant's responsibilities when encountering such non-compliance or suspected non-compliance, and guide the accountant in assessing the implications of the matter and the possible courses of action when responding to it. This applies regardless of the nature of the client, including whether or not it is a public interest entity.

Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client which are contrary to the prevailing laws or regulations.

In some jurisdictions, notably Kenya, there are legal or regulatory provisions governing how an accountant should address non-compliance or suspected non-compliance which may differ from

or go beyond what is laid down here. When encountering such non-compliance or suspected non-compliance, the accountant has a responsibility to obtain an understanding of those provisions and comply with them, including any requirement to report the matter to an appropriate authority and any prohibition on alerting the client prior to making any disclosure, for example, pursuant to anti-money laundering legislation.

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the accountant are: (a) To comply with the fundamental principles of integrity and professional behavior; (b) By alerting management or, where appropriate, those charged with governance of the client, to seek to: (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or (ii) Deter the commission of the non-compliance where it has not yet occurred; and (c) To take such further action as appropriate in the public interest.

What follows sets out the approach to be taken by an accountant who encounters or is made aware of non-compliance or suspected non-compliance with: (a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the



client's financial statements; and (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the client's financial statements, but compliance with which may be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties. Examples of such laws and regulations include those that deal with: (a) Fraud, corruption and bribery; (b) Money laundering, terrorist financing and the proceeds of crime; (c) Securities markets and trading; (d) Banking and other financial products and services; (e) Tax and pension liabilities and payments; (f) Environmental protection; (g) Public health and safety

Where an accountant becomes aware of a matter in this area, the steps that the accountant takes to comply must be taken on a timely basis, having regard to the accountant's understanding of the nature of the matter and the potential harm to the interests of the entity, investors, creditors, employees or the general public. The accountant should assess the appropriateness of the response of management and, where applicable, those charged with governance. In light of the response of management and, where applicable, those charged with governance, the accountant must determine if further action is needed in the public interest. The determination of whether further action is needed, and the nature and

extent of it, will depend on various factors, including: (a) The legal and regulatory framework; (b) The urgency of the matter; (c) The pervasiveness of the matter throughout the client; (d) Whether the accountant continues to have confidence in the integrity of management and, where applicable, those charged with governance; (e) Whether the non-compliance or suspected non-compliance is likely to recur; (f) Whether there is credible evidence of actual or potential substantial harm to the interests of the entity, investors, creditors, employees or the general public. Examples of circumstances that may cause the accountant no longer to have confidence in the integrity of management and, where applicable, those charged with governance include situations where: (a) The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance; (b) The accountant is aware that they have knowledge of such non-compliance and, contrary to legal or regulatory requirements, have not reported, or authorized the reporting of, the matter to an appropriate authority within a reasonable period.

Further action by the accountant may include: (a) Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so; (b) Withdrawing from the engagement and the professional relationship where permitted by law or regulation. If the

accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, this will not be considered a breach of the duty of confidentiality of the Code. When making such disclosure, the accountant must act in good faith and exercise caution when making statements and assertions. The accountant must also consider whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.

In relation to an identified or suspected act of non-compliance that falls within the scope of what is stated above, the accountant must, in addition to complying with the documentation requirements under applicable auditing standards, document: (a) How management and, where applicable, those charged with governance have responded to the matter; (b) The courses of action the accountant considered, the judgments made and the decisions that were taken, having regard to the reasonable and informed third party perspective; (c) How the accountant is satisfied that the accountant has fulfilled the responsibility set out above.

I have not dealt with the whole of NOCLAR. The original document is very thorough in covering the matters dealt with above. You can obtain the document free of charge from the IFAC website. It is worth reading this revolutionary pronouncement.

# KENYAN MARKET GETS READY FOR IFRS 9 IMPLEMENTATION

## ICPAK *Preparing implementation guidelines for the standard*

By CPA Cliff Nyandoro



**T**he International Financial Reporting Standard (IFRS) 9 which replaces International Accounting Standard (IAS) 39 is expected to come into force on 1st January 2018. The new standard is currently creating ripples and great anxiety across the globe, owing to the radical provisions which it prescribes in respect to accounting for financial instruments.

Kenya has not been left behind in that rush to beat the January 2018

implementation date which has been set by the global standard setter, the International Accounting Standards Board (IASB), one of the standard setting bodies under the International Federation of Accountants (IFAC). ICPAK is a member of IFAC which comprises a total membership of 175 professional accounting bodies drawn from across the globe.

The anxiety in the markets is understandable because the introduction of new requirements for the accounting for

the expected credit losses in IFRS 9 will bring a significant change to the financial reporting of banks and other institutions which deal with financial instruments. The new accounting regulation will affect many stakeholders among them investors, regulators, analysts, auditors and many other users of financial statements.

Owing to the significance of banks and other financial institutions in the global, regional and domestic capital markets and in the wider economy, effective implementation of the new standard



has the capacity to cause immense benefits to many players within the diverse segments of the economy. On the flipside is the humongous risk associated with the flippant and unprofessional implementation of the standard based on approaches which are not compliant, or properly aligned with the purpose for which the standard is intended. Chief among these risks is the prospect of the negative impact on the confidence placed on the financial results of financial institutions due to poor implementation and adoption of the standard.

As we approach this momentous milestone of the IFRS 9 implementation deadline, it is significant that entities that report under the IFRS framework must apply IFRS 9 in their 2018 financial statements. To achieve this, it will be necessary for the various institutions such as banks and other firms in the financial services sector to complete certain projects which will engage the skills of finance, risk and IT experts. These projects will call for strong oversight initiatives in terms of governance, internal controls as well as reliable data in order to give all the stakeholders confidence in the resulting financial information.

In order to produce financial statements that will inspire the expected confidence in the various stakeholders, there is need to consider the different aspects below in the implementation of IFRS 9.

The first key consideration will be the effect on significant accounting policies for different organizations which will be applying the standard. Such consideration will entail addressing aspects of what can be considered loan modification for retail or corporate banks, what could be considered a lifetime of a credit card, how to handle sovereign credit risk among other accounting aspects which need to be taken into consideration in light of the new requirements of IFRS 9.

Another key area for thought will be in respect to impairment and the associated credit loss models. Impairment, for the benefit of non-finance readers, is a measure of risk attributable to the cash flows that an entity may fail to realize in the event of a default. This is generally a factor of the customer's probability of default over a specified time horizon, the expected exposure at default and the loss given default for the cash flows not recovered. Exposure at default is an estimate of the exposure at a future default

date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected draw-downs on committed facilities.

The loss given default mentioned above



**The anxiety in the markets is understandable because the introduction of new requirements for the accounting for the expected credit losses in IFRS 9 will bring a significant change to the financial reporting of banks and other institutions which deal with financial instruments.**

is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows and those that the lender would expect to receive, including those due from any collateral. This is usually expressed as a percentage of the exposure at default.

It is important to be clear on the concepts highlighted above as these form the key elements of impairment. While IFRS may sound too complex and intimidating, the fundamental change from the previous standard lies in the recognition of credit risks losses. Credit risk in this case is the risk that the borrower will default on their contractual obligation to repay a loan. Traditionally, a

lender offering credit products has always recognized a loan's risk at the point of default.

Under IFRS 9, banks will be expected to provide for eventualities that are likely to happen in the future. The standard requires that these institutions recognize this risk at the beginning and during the entire loan's credit life cycle.

In order to achieve the foregoing, proper understanding of the borrower's credit profile, industry, current and expected macroeconomic environment will be important determinants of how to score measure and price risk.

The other critical consideration besides significant accounting policies and impairment aspects is to do with disclosures in financial statements. It will be important to ensure that entities provide sufficient information to users of the financial statements in the nature of both quantitative and qualitative disclosures. This will be useful to all stakeholders for purposes of making the right investment decisions and also carrying out regulatory roles by those charged with responsibilities of regulation in different sectors of the economy.

Finally, it would be naïve to assume that all will be smooth even as the Kenyan market readies itself for the implementation of the new standard. A number of challenges are expected to arise due to the peculiar nature of the new accounting regulation, chief among them being the use of sophisticated models to calculate credit loss provisions. This is besides the increased need for source data on credit risk tracking both at individual customer and macro levels.

However, to ease the burden of the various players in the economy that will be affected by the standard, the Institute of Certified Public Accountants of Kenya (ICPAK) is finalizing IFRS 9 implementation guidelines which will help the market to seamlessly move from the application of IAS 39 to the new standard.

The Institute is working with various industry players among them the regulators, the auditors, preparers of financial statements, representatives from the academic sector and other stakeholders to drive a uniform and consistent interpretation and application of the new IFRS 9 standard to the Kenyan situation.

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# BUILDING AN EFFECTIVE RISK STRATEGY IN AN ORGANIZATION

By CPA Daniel Gitthinji



**R**isk management is an increasingly important business driver and stakeholders have become much more concerned about risk. Risk may be a driver of strategic decisions, it may be a cause of uncertainty in the organization or it may simply be embedded in the activities of the organization. An enterprise-wide approach to risk management enables an organization to consider the potential impact of all types of risks on all processes, activities, stakeholders, products and services. Implementing a comprehensive approach will result in an organization benefiting from what is often referred to as the 'upside of risk'.

Risk Strategy is an integrated business process that incorporates all of the Risk Management processes, activities,

methodologies and policies adopted and carried out in an organization. The strategy sets the parameters for the entire Risk Management and is usually released by the executive management of an organization. Organizations ought to develop a risk strategy that is supported by top and executive management, agile to respond to threats, flexible to adapt to business change, and inherent in the organization's day-to-day activities. Employees ought to be cognizant of the risk appetite and tolerance of the organization and understand the relevant risks as part of their actions. They also need to understand the potential up and downstream implications as part of the product or service value chain. Escalation mechanisms are transparent and efficient without fear of reprisal. Risk strategies need to align with the remuneration

program of the organization to reinforce desired behaviors.

The importance of a risk strategy is not only to respond to changing economic and political conditions, but for an organization to grow with confidence and with greater speed. Risk strategy enhances mature risk management practices that are holistic and efficient, working across the business, to support functions. Such practices align with corporate strategies and objectives, corporate governance, employee education and communication, performance management, and provide dynamic updating and reporting to the Board, regulators, executives, and other stakeholders.

Managing risk in this manner assures that resources are optimized and provide the insight to adapt to any change, whether it's political, economic, or business related.



Risks can be easily understood across the organization and actions can be aligned to assure that harmful risks are thwarted and opportunistic risks can be taken advantage of. However, there are a few ways that organization may fail to achieve a mature risk culture such as;

- Lack of relevancy of risk management- Risk taking and risk avoidance needs to be an unambiguous part of the business and business decision making. Risk management must not only analyze the past, understand business stressors, but also try and be predictive.

- Risk management is not a “one and done” exercise. Risk is ever changing and businesses are being disruptive like never before. Technology advances, non-traditional competitors, and threats, like cyber, occur much more frequently than they have in the past. As a result, the days of having a relevant annual risk assessment have passed. Risk, whether implicit or explicit, must be part of the daily conversation of the business.

- Immature risk management organizations struggle with defining risk in qualitative terms. This creates confusion and inconsistencies in messaging leading to a suboptimal management and control environment and inefficient capital expenditures. For example, does each business and function define a “high” or “critical” risk the same? A common categorization is essential for consistently articulating the organization's risk profile. Moreover, it allows for the disaggregation of risk to its parts. GRC software can be instrumental in facilitating this. This will set the impetus for detailing where risk activities are deficient or where more risk may be able to be taken. Defining risk in this manner aligns better with the organizational processes of how products and services move from one area to another.

Key ingredients of developing a risk strategy, include: dynamic and holistic reporting; sustainable risk practices; ties to performance management and employee conduct; explicit links to the strategies and business objectives; awareness and action to identify, assess, manage, and communicate risk concerns (or opportunities); compliance with applicable laws and regulations; and enabling technology, software (e.g. GRC software) and tools to operationalize risk management.

There are a few challenges in creating

**“The importance of a risk strategy is not only to respond to changing economic and political conditions, but for an organization to grow with confidence and with greater speed. Risk strategy enhances mature risk management practices that are holistic and efficient, working across the business, to support functions.**

a mature strategy and ensuring that it is implemented. The first challenge is people, - disconnect between the conduct and incentives employees have to take risk, with that of avoiding unwanted risk. Employees must take the time to assure that risks are prioritized and actioned in an efficient and effective way. The second challenge is technology. Many organizations have latent systems and software that don't always create the transparent data necessary to make informed risk based decisions. Having an integrated risk technology and software that can identify sources of risk and pull it together is critical to assuring that risks aren't missed or evaluated inappropriately. Another challenge is not having a common categorization for

risk management. Some functions may value and treat risks differently than in other parts of the company. This leads to confusion, incorrect reporting, and no real value driver of risk management actions.

Organizations can overcome these challenges by being practical and pragmatic. For people, having a clear tone from the top on what is expected to understand and manage risk is tantamount for setting a strong foundation. Creating and sustaining ongoing training for employees is also crucial for appropriate risk management behavior. This includes an understanding of relevant, key risks and their interrelationships within the business for each role. Additionally, the common language that is created by this process becomes invaluable as risks are communicated to the board, executive leadership, and external stakeholders like regulators. This requires an understanding from the business perspective of who is asking for risk information, why, and the value of spending time on risk management instead of value add business activities. The second line must coordinate with one another to share what is needed, how it is collected, how it is used, and for what purpose. This begets commonalities in the process and output leading to efficient use of organizational resources.

Changes in business are constant. This necessitates that risk management practices are fluid and not a once-a-year set of activities. For example, risk events, such as cyber-attacks or fraud attempts, can occur multiple times a day. This erases any feasibility on the efficacy of an annual risk assessment. To remain fluid, risk management must be part of the everyday activities and thinking of every employee. Collaborating and getting educational and communication cues from support functions like IT, enterprise or operational risk, compliance, vendor management, and internal audit ensure that risks are identified, understood, and appropriately addressed. This necessitates that there is an understanding of the business and what it's trying to achieve and that risk and risk management activities are properly communicated to the business. This symbiotic relationship of sharing information assures that risks are prioritized and addressed in a timely fashion.

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# OVERCOMING LEADERSHIP CHALLENGES THROUGH PERSONAL SKILL DEVELOPMENT

By Joseph Nyanchama

A few months ago, I watched a TV sport documentary that was taken in Southern California called 'Surviving the waves'. The documentary was based on how schools there offer physical education courses in surfing.

The teacher who was being interviewed defined surfing as the art of riding or catching the waves in the sea. He said if you take a class on surfing, you will be taught everything you need to know about surfing: how to choose the right equipment; how to use it properly; how to recognize a "surfable" wave; how to catch a wave and ride it as long as possible. He finally emphasized by saying that you will never find a course in the school that teaches you "how to build a wave."

In regard to this, our job as leaders, like experienced surfers is to recognize a wave of seasons and ride it. It is not our responsibility to make and change the seasons but to recognize the forces behind them and join in the endeavor.

Something interesting I noted in the lesson, 'surfing the waves' was that watching surfers from the shore makes catching waves look pretty easy. Actually, it is quite difficult and requires great skill and balance. Therefore, catching a leadership wave of growth isn't easy either. It takes more than desire or even dedication; it takes insight, patience, faith, skill and most of all balance. Leading a growing institution may look easy but it requires a mastery and development of personal skills.

In January 2008, CBS anchor Katie Couric asked former US President Barack Obama which one book he would take with him to the White House, apart from the Bible. The eventual winner of the

presidential election singled out 'team of rivals' authored by Doris Goodwin.

The reason why Barack Obama wanted to read the book- team of rivals was to empower himself by understanding the qualities that made it possible for Abraham Lincoln to bring disgruntled opponents together during the civil war to create the most unusual cabinet in history. He learned some lessons and said that he was ready to confront the economic crisis then and expressed his belief that the United States would weather the storm as it had weathered worse before.

The book empowered him personally and as a result decided to model his leadership on the style of Abraham Lincoln. He reprised Lincoln's strategy of creating a team comprised of his most able rivals like Hillary Clinton, to be Secretary of State, Joe Biden, as his Vice-President and by including powerful Republicans in his cabinet like Robert Gates and Ray LaHood.

As a leader, the most important question to ask on your leadership position is not, "what am I getting?" instead you should ask, "What am I becoming?" In other words, what you become directly influences what you get. Remember that as a leader if your staff does not have programs for personal skill development, you will face great challenges especially during turbulent times. You employ someone who has worked in different organizations for ten years and you are excited that you have a new catch with a wealth of experience. What you do not realize is that he or she doesn't have ten years experience. What he or she has is one year experience repeated ten times. He or she hasn't made a single improvement, a single innovation for nine years.

There has been a hot debate lately in Kenya about scarcity and cost of maize flour. Different opinions have been formed from different quarters on how to make the commodity affordable. In my view the cost of maize flour is not the problem of the Kenyan people. It is not that it costs too much. The problem is that they can't afford it. Why can't they afford it?

The answer to this may be got from a situation I found myself in when my car stuck in the mud when I was driving in one of the counties. When my car could not move, I did the easiest thing, blaming the leadership of the county for neglecting the roads. I continued to complain and by this time some boys had gathered around me and one of the boys said some words in Swahili, "Buda barabara si mbaya, wewe ndio una gari ndogo" (the road is not bad, you are the one who has a vehicle with small capacity). These words hit me like thunder breaks.

Why do we point fingers instead of looking within? The ego strives to defend itself. Therefore when we blame outside forces we do not have to face our own weaknesses and failings. This must have been my reason for keeping on complaining without realizing that as much as the road was not in the condition I expected, I needed to work hard also to buy a car of higher capacity that was able to pass through such roads. Similarly, it is the responsibility of the Kenyan leaders to empower the Kenyan people through personal development so that they are able to afford the price of maize flour instead of focusing on its cost.

What you become directly influences what you get because what you have today you have attracted by becoming the leader you are today. In other words,



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**What you become directly influences what you get. Remember that as a leader if your staff does not have programs for personal skill development, you will face great challenges especially during turbulent times.**

to have more influence on your people than you have got now, become more than you are. To overcome more challenges, you need to read more, you need to get more information and use it more to your advantage. Do not rely on loyalists who exhibit blind loyalties to please you, seek more yourself.

An illustration of the power of becoming more in order to overcome challenges happened 500 years ago to Christopher Columbus during one of his voyages to the new world. In 1504, Columbus ordered his crew to anchor their ship off the coast of Jamaica. The long voyage had depleted most of the on-board supplies and Columbus men were desperate for fresh food and water. The native Jamaicans however refused to trade and Columbus begged to no avail.

One night, while reviewing his navigator's almanac, he came across some potentially meaningful information that a lunar eclipse was scheduled to occur within a few days. He arranged a meeting with the Jamaican leaders on the day of the eclipse, and warned them that if they continued to refuse to trade with him, he would have no choice but to use his magical powers to blot out the moon that night. And if they refused to trade with him the following day, he would call on the sun to drop fire on their villages. He did this because he had prior knowledge and wanted to take advantage of their

ignorance.

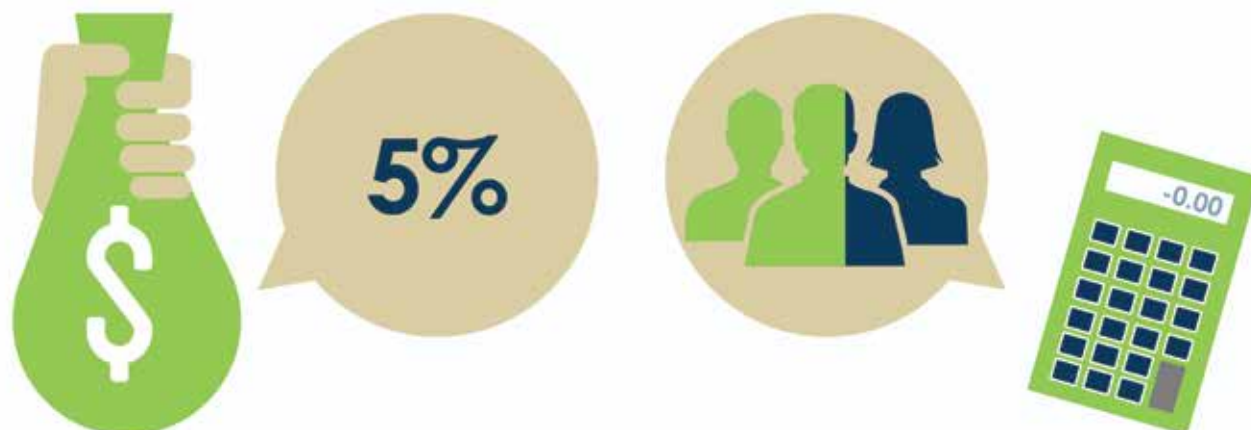
The Jamaicans laughed at him but that night, as the eclipse began, the Jamaicans stared in astonishment as the moon began to disappear. The panic-stricken natives rushed to Columbus, who offered to restore the moon that night under one condition – they must bring fresh supplies to his ship immediately. They complied with Columbus's offer and gasped in amazement as the moon reappeared, just as Columbus had promised.

What do you think would have happened to Columbus if he didn't continually empower himself by getting information and didn't do anything with it? No doubt, it would have changed the course of history.

Professor Jean Pierre Lahman said, "Education has a much broader and deeper meaning; it is not confined to time or space, it is an attitude, a constant search for learning founded on an insatiable curiosity". Similarly, continue to enhance your leadership skills to enable you overcome many challenges ahead.

Referring you back to 'surfing the waves', when surfers see a good wave, they make the most of it, even if that means surfing in the middle of the storm. They always do so because they have developed the skill. To do so also, in your own area, you must develop the necessary skills.

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# DETECTING AND PREVENTING FRAUD IN PROJECTS AND PROCUREMENT

By CPA Sam Mwaura

**P**rocurement means the acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise, or by any other contractual means of any type of works, assets, services or goods including livestock or any combination and includes advisory, planning and processing in the supply chain system.

On the other hand, “fraudulent practice” includes a misrepresentation of fact in order to influence a procurement or disposal process or the exercise of a contract to the detriment of the procuring organization or the tenderer or the supplier, and includes collusive practices amongst suppliers before or after tender submission designed to fix prices at artificial non-competitive levels and to deny the procuring organization the benefits of a free and fair procurement process.

I now focus on some of the schemes by which procurement or contracting frauds have been perpetrated, preventive

actions, and methods to detect these frauds. In giving you insight into procurement frauds I will pay attention to the following:

## 1. Pre-Award Fraud

This occurs when the procuring organization tailors the specifications to suit a particular preferred supplier.

**Preventive Actions:** Reviews should be made by managers in order to determine the validity of procurement requirements and specifications and the adequacy of the consideration given to alternate products, features, processes, etc. The contracting officer should carefully review bids, and maintain close coordination with the requesting office to ensure that all bids are properly considered.

**Detection:** If internal controls were unable to prevent pre-award fraud in the procuring entity, then to detect the same, compare specifications established for a particular procurement with the

supplier’s description of its good or service. Identical or almost identical matches would indicate the possibility of rigged specifications.

## Other indicators of rigged specifications include:

- i.) Receipt of only one bid – this depicts that either the requesting for quotations/ bids was done to only one supplier or was designed to suit one supplier or other received bids were rigged out.
- ii.) One bid significantly lower than others – this depicts a possibility of collusion between suppliers where one of them gives the lower bid but afterwards he shares the supply with the other suppliers.
- iii.) Sole source procurement – this is single sourcing which most of the times is veiled under “urgent need arose”. This denies the procuring organization the chance of getting better deals.
- iv.) Protests filed by bidders – this may indicate that the suppliers are aware of some fraudulent practices which need to



be addressed. This should not be ignored at all as they may be pointing to major procurement fraud.

## 2. Collusion between Suppliers

Supplier collusion occurs when a group of suppliers who have the capacity to supply the procuring entity with similar goods and services exchange bid information. This allows one of them to submit a slightly lower bid than the others. The suppliers take turns in submitting the lower bid effectively defeating the competitive bidding process.

To prevent supplier collusion, the procuring entity should review the pattern of similar contracts awarded to a group of suppliers. Contracting Officers should also be worried if known suppliers are not responding to calls for bids and to supplier protests.

To detect supplier collusion, review the Request for Bids (RFBs) files; bids received and bid analysis results.

## 3. Unbalanced Bidding

Through collusion, organization bidding for a contract knows that one of several items on an invitation for bid will not be performed under the contract. The bidder includes an unreasonably low unit price for the items that will not be performed on the bid sheet. This results in the bid being the low bidder. After the contract is awarded, the quantity of work that is actually performed on the other items is in excess of what was on the bid. The supplier stands to make more money since his bid price on these items was inflated but not inflated enough to cause his overall bid price to be too high.

To prevent this type of fraud, the work statements and specifications should be reviewed by someone who is thoroughly familiar with the goods or services being procured. In addition, the cost and price analysis work obtained by the contracting officer should be documented, and should include comparisons of individual items. Explanations should be sought for all items with a wide variance.

In administering contracts, both the contracting officer and the responsible project officer should ensure that modifications and change orders are for work that was not known or contemplated at the time the contract was awarded.

**Detection:** Match line items costs

per bid to the actual costs per contract performance to identify any variances. In addition, compare the costs of line items per each bidder to identify unrealistic or unreasonably low bids. Look especially for those situations where a supplier has received repeated awards for similar types of goods or services.

## 4. False Claims and Statements

This involves false information furnished by the supplier, leading to contract award or related to contract performance.

**Examples of supplier fraud include:**

### 4.1. Cost proposal data that is incorrect

False information concerning quality of product(s) or ability to perform adequately and on time. Inadequately supported payments to suppliers, including:

- Duplicate or altered invoices used as support for payment.
- Costs charged to the project that should be charged to another project or to overhead.
- "Direct cost" from a contract charged to overhead, thereby "distributing the loss" to other contracts.
- Double billing, i.e., charging employees

full-time to two or more jobs.

To prevent supplier fraud the procuring officer and technical personnel of the requesting department should review supplier cost proposals to determine the reasonableness of proposed costs, the quantities of materials and labor proposed, and the supplier's ability to perform adequately and timely.

**The project officer should implement a comprehensive monitoring program to help disclose improprieties. This could include, but is not limited to:**

- Reviewing the progress of work performed
- Testing the quality of work performed
- Reviewing all billings to ensure that they are for work which has been satisfactorily performed
- Being alert to sudden and unexpected cost growth or over-runs.

**Detection:** Reviews should be made of supplier proposals and actual contract costs, as well as program office reports and inspection reports. Independent engineering or other technical personnel should be used to provide advice on such matters as supplier qualifications and project status. When performing such reviews, the following indicators should



be considered:

#### 4.2. Contract slippage

False claims in regard to contract spillages include:

- i.) Modifications to contracts because of supplier inability to perform
- ii.) Significant increase in price without corresponding increase in work
- iii.) Substantial subcontracting without the knowledge and approval of the contracting officer
- iv.) Substantial funds expended on the work by supplier prior to contract award
- v.) Sole source procurement with substantial subcontracting
- vi.) Prime supplier requiring sub-contractor to utilize prime's labor and/or equipment
- vii.) Inadequately supported charges for consultant fees, equipment rental, and travel
- viii.) Use of employees or consultants with skill levels below that proposed
- ix.) Inflated unit prices for items from supplier stock

#### 5. Failure to Meet Specifications

This involves a supplier, in order to increase profits, providing goods and/or services that do not comply with contract specifications in quantity and/or quality. Such non-compliance is not always evident because materials omitted from the end products are not readily identifiable. For example, a supplier uses one coat of paint rather than two; pours four inches of aggregate on road surfaces instead of six inches; or makes short deliveries of landfill. Qualitative non-compliance with contract specifications includes using inferior or substitute materials such as watered loads of ready-mix concrete.

Prevention of non-compliance with contract specifications depends on a comprehensive inspection program. Inspection by the project officer of work performed and materials used should be made at various intervals during the performance of the contract. Periodically, an evaluation should be made of the

inspection program to ensure that inspections are following established procedures.

After-the-fact testing can also be useful to discover shortages or inferior quality of materials used (core borings, chemical and stress analysis, etc.). Such testing can be performed by technically-qualified personnel of the requesting organization i.e., engineers, technicians, etc.).



**Detection:** The auditor obtains and reviews inspection reports to determine whether the work performed and materials used in a project were inspected and considered acceptable. A lack of such inspections indicates potential problems in meeting contract specification. Request assistance from independent technical personnel (i.e., engineers, technicians, etc.) to perform after-the-fact testing of quality and quantity of materials used and work performed, to determine compliance with contract specifications.

#### 6. Co-Mingling of Contracts

This involves a company being awarded separate contracts for various efforts, i.e., partition contracts, ceiling contracts, electrical contracts, painting contracts,

flooring contracts, etc. Each contract has provisions to allow for items, which are in the other contracts. Through collusion, the supplier can bill for the same work on each of the contracts. The requesting agency writes similar work orders under each contract, thus facilitating duplicate billings.

**Preventive Actions:** The approving official in the requesting organization should review contracts prior to award to ensure that statements of work to be performed are not duplicated in other procurements. If more than one location is involved, the amount and type of work to be performed at each location must be clearly specified.

The contracting officer should identify suppliers holding more than one contract having the same or nearly similar work statements. Billings on contracts so identified, should be especially monitored by the contracting officer and the project officer to disclose duplicate payment possibilities. Inspection reports should be required to accompany billings to ensure that work is acceptable and conforms to specifications.

**Detection:** Identify contracts awarded to the same company and determine whether they run concurrently and if each provides for the same efforts. This may be done by sorting suppliers by name, address, telephone contacts etc. Review documentation supporting suppliers' billings for similar works performed under more than one contract by the same supplier. When auditing suppliers' records, we check for multi-contract awards.

#### 7. False Invoices

This is where contracts provide for the continued supply of merchandise over a period of time (framework contracts). Invoices may be inflated or may be submitted for goods and services not delivered. This situation is particularly applicable to open-ended purchase agreements.



**Preventive Actions:** Purchases should be reviewed to ensure that unit prices are not improperly increased by the supplier. Invoices should be matched against official receiving documents (delivery notes and work completion certificates). Payments should not be made without such documentation.

Inventories should be periodically counted by the requesting organization to verify items on-hand against actual purchases.

**Detection:** The auditor account for purchases through comparison of physical inventory with booked purchases. Check or determine reasonableness of quantities purchased in relation to the particular office or user. Check reasonableness of booked prices to disclose inflated invoices. Verify receipt of items by checking receiving documents e.g. delivery notes, stock control cards, goods receipt notes etc.

## 8. Duplicate Contract Payments

This involves the supplier submitting copies of the same invoice for payment, or submitting more than one original invoice for the same goods or services. This may be accomplished through collusion between the supplier and the procuring organization or by a certifying officer processing a copy of a previously submitted invoice.

**Preventive Actions:** Payments should be made only against original invoices. Accounting personnel should be trained to detect duplicate or fraudulent

documents. In cases where a document is suspect, the payment file should be searched for an identical document previously paid.

The procuring organization should maintain a record of contract amounts approved for payment and periodically reconcile this data to the official financial record of payments made under the applicable contracts. As a minimum, this reconciliation should be made at the completion of each month.

**Detection:** On fixed-price contracts, verify payments recorded in the accounting records against the project officer's records of amounts approved for payment, and match percent of physical completion against percent of value completion.

## 9. Variation/Change Orders Abuse

This involves a supplier bidding on a contract, in collusion with personnel from the procuring organization and submits a low bid to ensure receiving the contract award. However, the supplier has been assured that change/variation orders will be issued during the life of the contract to more than compensate for the low bid. After the contract is awarded, the supplier and the procuring official share the excessive reimbursements resulting from the numerous and/or high price variation/change orders issued against the contract.

**Preventive Actions:** Responsible officials of the procuring organization should be alert to contracts where

numerous and/or high price value variations/change orders are proposed or issued. Such actions are indicators of possible improprieties. The officials should carefully review all proposed variation/change orders involving price increases to ensure that the additional monies are for necessary additions to the work scope of the contract, and not merely to increase the supplier's profit.

The procurement evaluation team or its equivalent should determine the reasonableness of excessively low bids through analysis of independent market estimates and cost and pricing data.

**Detection:** Analyze contract variation/change orders for the addition of new items and for significant increases in scope, quantities, and price of existing contract items. Look for indicators of variation/change order abuse such as: (a) an employee directly involved in both determining requirements and procuring the item, or taking a job with the supplier; (b) high turnover rate among procurement personnel; (c) request for change order signed at a higher level than that of the original procurement request and (d) request(s) for change order coming from a department/organization different from the one requesting the procurement.

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# Islamic Banking

By CPA Kipkoech Victor

In the recent past there has been a rise in demand for Islamic financial services in Kenya. This has led to fully fledged commercial Islamic banks entering Kenya's banking market. Currently three full Islamic Banks operate in the country that is Gulf bank, First Community bank and Dubai Islamic bank licenced in 2007, 2008 and 2017 respectively. Plans are underway by Central Bank of Kenya to introduce Sukuk (Islamic Bonds) for the ever expanding Islamic Finance Market.

Islamic banking refers to a system of banking activity that is consistent with the principles of Shari'ah (Islamic rulings) and its practical application through the development of Islamic economics. The principles which emphasise moral and ethical values in all dealings have wide universal appeal. Shari'ah prohibits the payment or acceptance of interest charges (riba) for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles.

With the enactment of the interest rate capping bill into law in 2016, the World Bank, conventional banks and even the central bank have said that savings, lending and investments would greatly diminish if interest rates were capped. This may be the best time for conventional commercial banks to start embracing Islamic Banking principles. Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of Shari'ah, known as Fiqh al-Muamalat (Islamic rules on transactions). Islamic banking activities must be practiced consistent with the Shari'ah and its practical application through the development of Islamic economics. Many of these principles upon which Islamic banking is based are commonly accepted all over the world. These principles are not new but arguably, their original state has been altered over the centuries.

Riba is best translated today as the charging of interest, meaning money earned on lending out of money itself. The prohibition on paying or receiving fixed interest is based on the Islamic teachings that money is only a medium of exchange, a way of defining the value of a thing; it has no value in itself, and therefore should not be allowed to give rise to more money, via fixed interest payments, simply by being put in a bank or lent to someone else. The human effort, initiative, and risk involved in a productive venture are more important than the money used to finance it.

Money in Islam is not regarded as an asset from which it is ethically permissible to earn a direct return. Money tends to be viewed purely as a medium of exchange. Interest can lead to injustice and exploitation in society; The Qur'an (2:279) characterises it as unfair, as implied by the word *zulm* (oppression, exploitation, opposite of *adl* i.e. justice)

There is no real 'lending' in Islam since all 'lenders' obtain ownership interests in the assets that they finance, or earn a profit-share or purely fee-based remuneration. In order for an Islamic bank to earn a return on money lent, it is necessary to obtain an equity, or ownership, interest in a non-



monetary asset. This requires the lender to also participate in the sharing of risk.

Individuals and the world as a whole probably know too well the burden of interest and misery and suffering that irresponsible lenders have inflicted on individuals and societies. It has become so completely institutionalised and accepted in modern economies that it is almost impossible to conceive that there are some who completely oppose it and refuse to enter into any transactions that involve interest.

### Basis of Islamic Banking

In order to be Islamic, the banking system has to avoid interest. Consequently, much of the literature on the theory of Islamic banking has grown out of a concern as to how the monetary and banking system would function if interest were abolished by law.

Another Islamic principle is that there should be no reward without risk-bearing. This principle is applicable to both labour and capital. As no payment is allowed to labour unless it is applied to work, so no reward for capital should be allowed unless it is exposed to business risks.

There are at least three reasons for considering the mudarabah relationship to be more just than the creditor-debtor relationship;

- i. Both parties agree on the ratio in which profits will be shared between them.
- ii. The treatment of both parties is uniform in the event of loss, since if the provider of the capital suffers a reduction of his principal, the manager is deprived of a reward for his labour, time and effort.
- iii. Both parties are treated equally if there is any violation of the agreement. If the manager violates anyone of the stipulated conditions, or if



he does not work, or is instrumental in causing loss to the business by negligence or bad management, he will have to bear the responsibility for the safe return of the whole amount in question. If, on the other hand, the provider of the capital violates any of the stipulated conditions, for example, by withdrawing his funds before the stipulated time, or by not providing part or full funds at the promised time, etc., he will have to pay the manager a reward equivalent to what he would have earned in similar work.

Mudarabah is the basis of modern Islamic banking on a two-tier basis.

**1st tier:** The depositors put their money into the bank's investment account and agree to share profits with it. In this case, the depositors are the providers of the capital and the bank functions as the manager of funds.

**2nd tier:** Entrepreneurs seek finance from the bank for their businesses on the condition that profits accruing from their business will be shared between them and the bank in a mutually agreed proportion, but that any loss will be borne by the bank only. In this case, the bank functions as the provider of capital and the entrepreneur functions as the manager.

Islam argues that there is no justifiable reason why a person should enjoy an increase in wealth from the use of his money by another, unless he is prepared to expose his wealth to the risk of loss also.

Islam views true profit as a return for entrepreneurial effort and objects to money being placed on a pedestal above labour, the other factor in production.

As long as the owner of money is willing to become a shareholder in the enterprise and expose his money to

the risk of loss, he is entitled to receive a just proportion of the profits and not merely a nominal share based on the prevailing interest rate.

Thus, under an Islamic banking system, the cost of capital is not analogous to a zero interest rate, as some people wrongly assume it to be. The only difference between Islamic banking and interest-based banking in this respect is that the cost of capital in interest-based banking is a predetermined fixed rate, while in Islamic banking it is expressed as a ratio of profit.

### Integrity in Islamic Banking

Islamic banks need to give special care to their integrity and credibility. Some critics are disappointed that Islamic banks have deviated, to a great extent, from the philosophic and idealistic basis that inspired their originators.

Islamic banks come in all shapes and forms: banks and non-banks, large and small, specialized and diversified, traditional and innovative, national and multi-national, successful and unsuccessful, prudent and reckless, strictly regulated and free-wheeling. Some are driven by real religious considerations, while others mostly made of conventional banks with Islamic branch use religion only as a way of attracting customers.

There is a risk that Islamic banking ideals may get diluted with conventional banking unless Islamic banks do something to establish their distinctness as "Islamic banks". Non-sharing Islamic modes such as murabaha, salam, istisna'a sukuk and ijarah also provide a link between financial transactions and real economic activities, such as trading in tangible assets. But there have to be some underlying goods and services to be the objects of such modes of financing.

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# RETAILING-A BASIC ACTIVITY WITH TECHNICAL STRAITS

By Edwin Musonye

**A**lthough retailing is a respectable and lucrative economic enterprise, some people still look down at it as a simple and ordinary pastime that is meant for novices only. A leading industrialist in Kenya was once reported saying that if the economy

continues to deteriorate- he might be reduced to a mere retailer. The reality is that most local manufacturers are nowhere near Nakumatt, Uchumi, Tuskys, Naivas, and even Ukwala in terms of economic contribution.

Retailing and wholesaling contribute substantially to the economy. The most

current estimates stand at 10% of GDP. The industry, until 2012 was leading in private sector contribution to payroll. Currently it is only second to education. It is not by chance that Kenya's former president Mwai Kibaki- a seasoned economist -mentioned this fact in one of his speeches while still in office.

**Retail and Wholesale contribution to the economy. Source: KNBS, Economic Survey**

Year	Value in Ksh B	% Contribution to GDP	Employees in '000
2010	243.01	7.7	180.6
2011	300.77	8.1	189.6
2012	334.43	7.8	197.1
2013	381.43	8.1	210.9
2014	437.09	8.3	218.9

In fact, according to the Kenya National Bureau of Statistics, between 2007 and 2011 retailing was only second to transport and communication sectors as the main driver of economic prosperity in Kenya with an annual average of 18.8 percent growth far ahead of manufacturing at 10.3 percent.

Even though, retailing is considered a "basic activity", it has grown to have a stature for itself. There exist now genres of

retailing for example: self-selection stores, general stores, one hundred shilling stores, let alone online (non-store retailing such OLX and eBay).

Effective retailing will utilise expertise from various specialisations a leading one is logistics. Planning how the merchandise will be shipped in and out as well as distributed among the store outlets is required. Also, connected to this is the ability to evaluate and choose good

locations for the premises. As simple as this may seem, it has determined the fate of many businesses small and big.

Whether the retailer has own trucks or relies on a transporting company to move products into the warehouse, and from there to the shops, it entails a proper coordinated schedule to reduce waste in time or idle capacity.

Additionally, there is stock or inventory management. Effective



inventory management will ensure that the economic order quantity is identified and applied. Understanding seasonal variations in consumer tastes, peak and low seasons is essential. Running out of stock items results in losses so does holding excess inventories.

Also, proper stores management to help embrace suitable movement methods is a skill. The seemingly outdated concepts such as LIFO (last in- first out) and FIFO (first in – first out) are essential. Knowing the method at play is important for inventory valuation after the stock-taking exercise as well as accounting and adjusting for price changes.

There is room for merchandising expertise especially for the traditional retailing concepts that require a store space. Arranging the items in an orderly yet, space-efficient and strategic manner is not guesswork. Understanding how high or wide to stake items is a real concern for those seriously in the trade. The shops' layout should be optimised for effective selling. Ensuring that there is ready cash change for customers rather than offering sweets as the balance is an indication of professional trading.

It makes sense to recognise the best business hours to operate the stores for maximum returns. Knowing the busy hours will enable the management to avail more staff to attend to customers. A caring customer care service that knows how to handle complaints and especially returned damaged goods is key. Staying abreast of competitors' strategies and plans is important for survival.

Ability to price correctly is indispensable. Of course the strategy must be spelt out early so that the target clients are known and made aware. If the aim is to offer the lowest prices then it must be clear on the onset. Knowing how to use the markup and mark down formulae effectively is crucial. Some traders especially the small ones, may put a markup of 10% on their purchases and when calculating the gross income from sales, apply the same 10%

**“It makes sense to recognise the best business hours to operate the stores for maximum returns. Knowing the busy hours will enable the management to avail more staff to attend to customers. A caring customer care service that knows how to handle complaints and especially returned damaged goods is key.”**



instead of 9.09% as the markdown. This often leads to an overstated income and attract undue taxation

Ensuring worthwhile atmospherics is essential. The premises are designed to have an adequate and right type of lighting, they should also have good

scents, music, temperature, and be clean, in order to attract and maintain customers. The right scents at the food department should make anyone hungry. Soothing melodies are selected to make customers stay longer; forget the crude blaring sounds played in 'exhibitions' stores along Ronald Ngala street.

Another critical issue in retailing is security. Containing shoplifting is an area employing expertise and resource investment. The menace can wipe up a substantial percentage of profit if not successfully managed. Ability to be courteous to customers while still being vigilant to the few that may be dishonest comes in handy.

Moreover, general internal business departments including finance and human resources are incorporated to ensure compliance, optimisation of resources, as well as enhancing overall professionalism. Procuring external support services such as insurance and auditing increases prospects for success. Then, maintaining a good relationship with suppliers, financiers, and investors cannot be overemphasised.

For the different genres, there is a standard for deciding one is a supermarket or merely a self-selection store. The shop floor space and the ratio of composition of stock for both food and non-food products determines a supermarket. A supermarket must have at least 10,000 square feet space and ensures it stocks more foodstuff than other items. Specialty and department stores could also be spacious but they mainly do not stock a very wide range of products and especially the food items.

There is a remarkable increase in the use of technology to assist in running and managing operations in the retail trade. Conversely, it is these technical traits that obstruct many small traders from expanding into big operations. However, investing in learning and being courageous will propel any shopkeeper to a great level of achievement.

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# DEBT FOR EQUITY SWAP

CPA Kipkoech Victor

**T**he main objective of any business is to increase and maximise shareholders wealth. This growth can only be archived and fuelled by raising funds for investments. An entity can raise funds through borrowings from banks in form of loans/debt or by issuing equity, loans/debt involves borrowing money to be repaid plus interest, while equity involves raising money by selling shares in the entity.

If an entity decides to take up a loan/debt from a bank the benefits includes; the lender does not have a claim to equity in the entity, debt does not dilute the owner's ownership interest in the entity. A lender is entitled only to repayment of the agreed loan principal plus interest, and has no direct claim on future profits of the business. If the entity is successful, the owners reap a larger portion of the rewards than they would if they had sold stock in the entity to investors in order to finance the growth. Except in the case of variable rate loans, principal and interest obligations are known amounts which can be forecasted and planned for. Interest on the debt can be deducted on the entity's tax returns hence indirectly lowering the actual cost of the loan to the entity. Raising debt capital is less complicated because the entity is not required to comply with stock exchange laws and regulations.

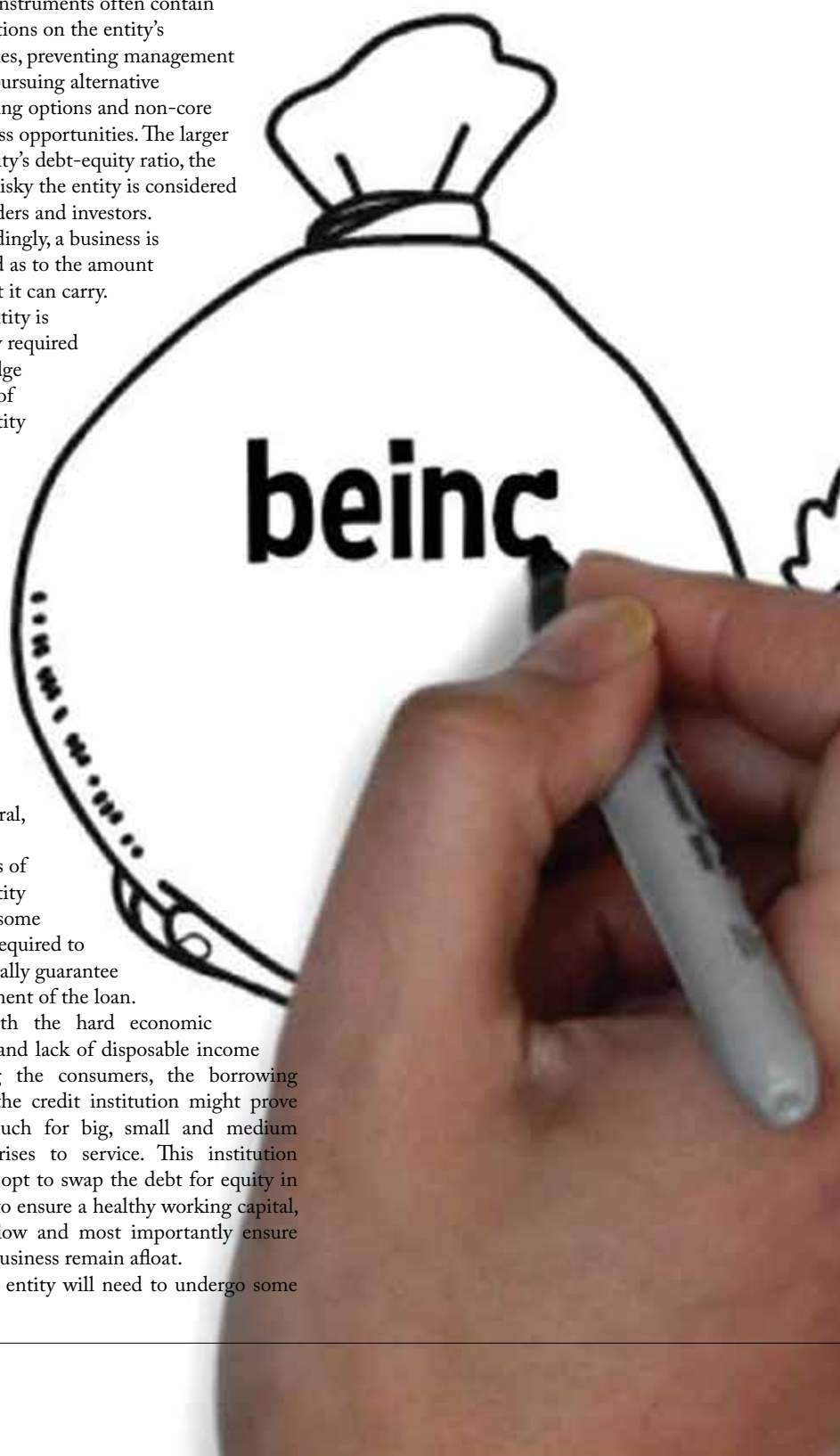
If the borrowings continue without proper and prudent financial planning, this might turn out to be toxic to the entity. Interest is a fixed cost which raises the entity's breakeven point. High interest costs during difficult financial periods can increase the risk of insolvency. Companies that are too highly leveraged (that have large amounts of debt as compared to equity) often find it difficult to grow because of the high cost of servicing the debt. Cash flow is required for both principal and interest payments and must be budgeted for. Most loans are not repayable in varying amounts over time based on

the business cycles of the entity. Debt instruments often contain restrictions on the entity's activities, preventing management from pursuing alternative financing options and non-core business opportunities. The larger an entity's debt-equity ratio, the more risky the entity is considered by lenders and investors. Accordingly, a business is limited as to the amount of debt it can carry. The entity is usually required to pledge assets of the entity to the lender as

collateral, and owners of the entity are in some cases required to personally guarantee repayment of the loan.

With the hard economic times and lack of disposable income among the consumers, the borrowing from the credit institution might prove too much for big, small and medium enterprises to service. This institution might opt to swap the debt for equity in order to ensure a healthy working capital, cash flow and most importantly ensure their business remain afloat.

An entity will need to undergo some





financial restructuring to better position itself for long term success. One possible way to achieve this goal is to issue a debt for equity swap. In such a case, a debt is exchanged for a predetermined amount of equity. The value of the swap is determined usually at current stocks market rates, but management may offer higher exchange values to entice share and debt holders to participate in the swap. After the swap takes place, the preceding debt is cancelled for the newly acquired equity class.

There are many possible reasons why management would wish to restructure an entity's finances. One possible reason may be that the entity must meet certain contractual obligations, such as maintaining a debt to equity ratio below a certain number, or an entity may issue equity to avoid making coupon and face value payments because they feel they

will be unable to do so in the future. The contractual obligations mentioned can be a result of financing requirements imposed by a lending institution, such as a bank, or may be self-imposed by the entity, as detailed in the entity's articles of association. An entity may self-impose certain valuation requirements to entice investors to purchase its stock.

The debt for equity swap should be done in accordance with IAS 32 on financial instrument presentation and IFRS 9; a financial instrument which replaces IAS 39 as at 1st January 2018. The new IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in

more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. IAS 32 states that an instrument is a financial liability when an entity has a contractual obligation to deliver cash or another financial asset to the issuer.

In accordance with IAS 32, the initial carrying amount of a compound financial instrument is allocated between its equity and liability components. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole.

A loan issued to an entity would be classified as equity instrument in the financial statements if an entity does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation. The entity debits the debt and credits equity in the statement of financial position hence the debt issuer becomes a shareholder.

IAS 32 also requires an instrument to be classified in accordance with its substance rather than its legal form; for example, a share can be classified as a liability under IAS 32 if it obliges the entity to make payments. A debt or liability can be classified as equity if it contains no such obligation. However, anything outside the contractual terms is not considered when classifying an instrument under IAS 32. It is only the substance of the contractual terms of a financial instrument and whether these give rise to a contractual obligation that should be taken into consideration.

When an entity takes up a loan in terms of billions of shillings, how such a loan will be repaid is no longer the sole responsibility of the company, but that of the bank as well. The bank bears the highest risk when it issues such a credit facility, since the bank's core capital will be affected if the loan is defaulted.

Commercial banks and other lending institutions are in the business of lending and as such are not willing to deviate from their objectives. The lender and their shareholders are not interested in swapping the bad debts or non-performing loans for equity as this might set up a bad precedent in the industry. The decision of accepting the swapping the debt for equity lies with the lender, their shareholders and respective regulators.

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# equity



**“ When an entity takes up a loan in terms of billions of shillings, how such a loan will be repaid is no longer the sole responsibility of the company, but that of the bank as well.**

# THE “BIG ELEPHANT” IN OUR PUBLIC GOVERNANCE STRUCTURE

By CPA Patrick Mumo Muinde

**A**s the curtains came down “Sine Die” for the 11th August House on June 15, 2017, some damning confessions from members of the house cast a thick shadow of doubt on the effectiveness of our public financial governance structure. While the admission by an outgoing MP to bribery of committee members to manipulate the outcome of matters before them is not news as it were, it’s the first time under the new constitutional order that this admission has been made before the mainstream media. Ironically, the word “August” is used to personify a great sense of dignity and supposedly meant to remind members of the sacred nature of the business they transact while in those precincts. How then do the words “Bribe” and the “August house” co-exist in the same sentence?

For those of us who may not be in the know, the Constitution of Kenya vests sweeping powers in the legislative arm of government as it relates to the handling of public resources. Unlike in the previous constitutional dispensation, the legislature has a major and active role in the allocation of public resources. This is in addition

to their traditional “Sacred Oversight Responsibilities”. These sweeping powers are predicated on the members of the august house as elected representatives of the people, upon whom all sovereign power is vested in (Article 1 (1 & 2)). The full weight of this misnomer in the August house becomes much clearer if we refer to Article 1 (4) that specifies that such powers are exercised at both national and county level. In other words, the happenings at The National Parliament implies similar occurrences (and this is an open secret) at the 47 County Assemblies.

With this knowledge in mind, the fundamental question to ask here is: “If the men and women upon whom a sacred responsibility of oversight is vested can be bribed with as little as Ksh. 20,000 to auction the interest and will of the people, what hope is left for Kenyans”? Who shall stand in guard for the trillions of tax payers money allocated every year to the various state Ministries, Departments and Agencies (MDAs)?

The quick answer is that ultimately, the people of Kenya can exercise their sovereign power directly as per Article 1 (2) if they no longer trust their elected representatives. However, the modalities

of exercising this direct power is ridden with complex and delicate web that in reality may never be achieved unless the present “status quo” is broken. For example, when the all powerful Parliamentary Account Committee (PAC) of the 11th August house was riddled with a bribery scandal in 2015, the then chair Hon. Ababu Namwamba declared publicly that they were accountable as a committee and by extension the entire assembly of the house to no other power other than the people of Kenya. As true as it is, all we know is that the worst that happened was to remove the chair and a reconstitution of the committee with majority of the accused committee members retaining their seats in the reconstituted PAC. Another question then arises: How can the people of Kenya effectively exercise this sovereign power directly to hold their elected representatives accountable?

The Constitution provides at least 2 direct options (1) Through the ballot every five years (Articles (38, 81, 101 & 177 (1)), and (2) The recall clause (Articles 104). The third option can be inferred directly from Article 1 (2) and shall be the subject of my discussion in the rest of this article. Article 1(2) grants the citizens





the right and powers to directly exercise their sovereignty in the governance and management of public affairs.

The constitution enshrines the direct exercise of this sovereignty by the citizens through public participation, especially in the governance and management of public resources (Articles 174 (c) & 201 (a)). The various legislations to operationalise the different chapters of the constitution have provided for diverse mechanisms to allow public participation in the governance of the country at both the national and devolved units. The various mechanisms include advertisements in both print, TV and Radio media; technology based platforms like websites and social media; public barazas; town hall type of engagements; and engagement of opinion leaders and professional groups.

Since the inauguration of the constitution in august 2010, these various mechanisms have been applied by the various government units and agencies to varying degrees. However, the most commonly used methods have been advertisements in the media, websites and public barazas. These commonly used public participation forums lack the intensity and engagement that can be achieved through town hall type meetings and engagement of opinion leaders and professional bodies. This takes us back to the central argument of this article on what options the citizens have to hold the August house accountable in the exercise of their oversight mandate as elected representatives of the people.

Referencing to the extensive powers vested on Parliament and county

assemblies in the management of public resources, it is high time citizens developed an organized forum through which they can hold the various committees of the legislature accountable for their actions. As confessed by outgoing members of the 11th August house, the absence of organized forums through which individual committees of the legislature can be held to account directly to the citizens creates a fertile ground for rogue elected representatives to auction their sacred obligations to the electorate to the lords of corruption in the executive. Ultimately, these actions compromise our entire governance and public financial management system. It thus comes as no surprise that Kenya ranks top among the most corrupt nations around the world, only next to what technically can be considered as failed states.

The question then is: who has the onus to spearhead this organized forum through which the legislature can be held to account directly to the citizens? Looking at our public finance management system, it's my considered opinion that the onus lies with the accountancy professional bodies to spearhead this sovereign obligation of the citizens to oversight their elected representatives. As accountants, we are the men and women who have the technical know-how, capacity and legal authority to prepare, present and interpret financial reports to interested stakeholders. In addition, the financial reports tabled before the various committees of our legislature are work for our members in the exercise of their professional duties.

More fundamentally, as professional bodies, ICPAK and the Institute of Internal Auditors (IIA) have a moral and ethical responsibility to offer technical support to the society on matters that touch on our profession. Further, as a legal person, we have a civic responsibility as a good citizen to address matters of public interest for the greater good of our nation. Curiously, and as food for thought both as individual members of the profession and good citizens, have you ever wondered who interrogates the audited financial reports of parliament? Occasionally, serious and weighty audit queries on parliamentary accounts and financial claims by individual legislators have leaked to the public through the mainstream media. But do we ever see the accounting officers grilled for their actions of commission or omission before the relevant legislative committees as the accounting officers from the executive arm, judiciary and state corporations? Theoretically and practically, can the legislature be expected to objectively oversight itself?

In a nut shell, as the people of this great nation go to exercise their sovereign power and civic duty in this election season, it's my humble prayer that we, the members of the profession shall rise to the occasion to fill this lacuna in our public finance oversight. And with that, I guess I can dare say...to the incoming new leadership of ICPAK.....that right there before you is the steamy cup of tea. Over to you!!!!

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# GOVERNANCE CHALLENGES IN KENYA'S CONSTITUTIONAL COMMISSIONS

By CPA Andrew K. Tanui



**T**he events at the Independent and Electoral and Boundaries Commission (IEBC), one of Kenya's ten constitutional commissions, continues to bring into focus the architecture of the governance framework of these independent institutions as well as the intentions of the drafters of the Kenyan Constitution.

A closer look at some of these constitutional commissions shows evidence of infightings between the Secretariat and its Commissioners as to their specific roles. Similar cases have been reported at the Ethics and Anti-Corruption Commission (EACC), the

National Police Service Commission (NPSC), the Judicial Service Commission (JSC) and the National Gender and Equality Commission (NGEC). The question that begs is why these governance challenges in constitutional commissions?

The Constitution of Kenya 2010 at Chapter 15 provides for the management and operations of constitutional commissions and independent offices. It provides that each commission should have a Secretary who is also the Chief Executive Officer (CEO) of the commission. It further provides that each Commission shall recruit its own staff and perform any functions and exercise



any powers prescribed by legislation, in addition to the functions and powers conferred by the Constitution.

### Legislative functions of the Commissioners and the Secretary to the Commission

Whereas the Constitution is clear on the

powers and functions of the Commission, the respective Commissions' enabling legislations have partly contributed to the governance challenges being experienced in Kenya.

The IEBC Act, 2011 as amended in 2016 provides that the Chairperson and Members of the Commission shall be responsible for the formulation of policy and strategy of the Commission and oversight and the secretariat, headed by the Secretary to the Commission who shall perform the day-to-day administrative functions of the Commission and implement the policies and strategies formulated by the Commission.

The EACC Act, 2011 as amended in 2016 equally provides the functions of the Commissioners to include assisting the Commission in policy formulation and giving strategic direction to the Commission in the performance of its functions as stipulated in the Act. The Act further provides the functions of the Secretariat to include carrying out of the decisions of the Commission, day-to-day administration and management of the affairs of the Commission and supervision of other employees of the Commission.

The provisions of these Acts go against the Constitution that specifies the executive functions of Commissions.

In the Consolidated Petition No. 230 of 2015 between Eng. Michael Sistu Mwaura Kamau and 12 Others Vs. Ethics and Anti-Corruption Commission and 4 Others, the petitioners were aggrieved by the decision of the EACC to prosecute them, and the basis of the petition was that the EACC was not properly constituted, as there were no Commissioners at the Commission when it recommended their prosecution. The High Court, in its judgement of March 2016 put to rest the lack of clarity on the roles of the Commission, Commissioners and that of the Secretary to the Commission.

The three judge bench, ruled that "to contend that the secretary, who is an appointee of the Commission, is part of the Commission would mean that the Commission would, where the Commissioners are nine, be composed of a membership of ten. One only needs to mention this to realize how ridiculous this argument is. We have no hesitation at all in holding that the Secretary to the Commission is not a member of the Commission as contemplated under Article 250(1) of the Constitution".

The Court further stated that "we are therefore clear in our mind that the Secretary cannot be placed on the same plane as the Commissioners. To equate the Secretary with the Commission when he is an appointee of the Commission is in our view an anathema to the rules relating to employment and defeats common sense. To do so would amount to creating two centres of power, a scenario which would be a recipe for chaos and disorder." Most importantly, the judges observed that "it is clear to us that under the Constitution and the legislation, the foundation of the powers of the Secretariat is the existence of the Commission. The Secretary and the Secretariat can only carry out the powers vested in their offices when the Commission is in place exercising its powers since they implement what the Commission has resolved upon."

These pronouncements by the Court provide clear guidelines on how constitutional commissions should be governed and what roles the Commissioners and the Secretariat play respectively. It is clear that the Secretariat serves at the pleasure of the commissioners and serve to implement the resolutions of the Commission and not their own.

### Comparative Jurisdictions

In the United States of America, the chair of a multi-member independent agency or commission, equivalent of a constitutional commission in the Kenyan context, is ordinarily its most dominant figure. Although the respective powers of a chairman and the agency as an institution differ from agency to agency, most chairmen are essentially the agencies' chief executive and administrative officers. They appoint and supervise the staff, distribute business among the agency's personnel and administrative units, and control the preparation of the agency's budget and the expenditure of funds. But that does not mean that the other agency members play no role in the agency's management or administration.

The US Congress has centralized day-to-day direction and internal administration of the agency or commission in the chairman's hands in order to prevent what is described as "splintered management." However, Congress has not accorded agency chairmen absolute administrative and executive authority. It plainly left to each



member, the selection and supervision of staff in his or her own office.

The Constitution of the Republic of South Africa establishes six independent “state institutions supporting constitutional democracy.” These institutions are independent, and subject only to the Constitution and the law, and they must be impartial and must exercise their powers and perform their functions

operates to a greater or lesser extent at arm’s length from ministers and include various regulatory boards and commissions and grant-giving agencies. They are not subject to direct political control. They are, however, subject to certain financial, policy and performance arrangements that are formulated by the Minister, the Permanent Secretary, and the agency head, and embodied in a

appreciation by secretaries to the commissions that he/she is an “appointee” of the Commission and that the Commission is made up of the Commissioners. With that clarity, it then behooves a secretary to a commission to support, facilitate, co-ordinate and ensure execution of Commission’s mandate as directed by the Commissioners. This should be done taking note that the



without fear, favour or prejudice. Other organs of state, through legislative and other measures, must assist and protect these institutions to ensure their independence, impartiality, dignity and effectiveness; and no person or organ of state may interfere with the functioning of these institutions

These constitutional commissions, appoint the head of administration who is also the accounting officer of the Commission. The Chief Executive Officer, as is designated, exercises all such powers and performs all such duties and functions as may be entrusted or assigned to him or her by the Commission or the establishing Act.

In Britain, non-departmental public body (NDPB) or quasi non-governmental organization (quango), equivalent of independent commissions,

framework document.

Generally, the NDPB board will appoint a CEO with day-to-day responsibility of managing the body. The CEO and staff are not usually civil servants. In most cases the CEO would be designated as the Accounting Officer for the NDPB and the sponsor department’s permanent secretary, as Principal Accounting Officer, would usually be involved in the designation. This arrangement is replicate of Kenya’s state corporations where we have a Board of Directors responsible for the oversight of a state corporation and a chief executive officer, with the state department’s Principal Secretary playing a crucial role in the management framework of the state corporation.

The missing link in Kenya’s constitutional commissions is

powers, duties and responsibilities given to him/her as an Accounting Officer are intended to facilitate the activities and operations of the Commission and not to countermand the same. There should, therefore, be no two centres of power.

In the alternative, and given that we adopted the so called presidential system of government like in the United States, there may be need to revisit the option of granting Chairpersons of these independent commissions executive powers (which they already have) and render them responsible for the day to day administration of the Commissions. This will be a sure end of the continuous infights between the Secretaries to the Commissions and their Commissioners.

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# BIG <sup>4</sup> or BIG FARM?

*Opportunities for unemployed accountants*



*By CPA Millicent Omukaga*

**K**enya has an increasing trend of youth unemployment, estimated at 22% according to the World Bank statistics (World Development Indicators 2017). The indicator considers youth aged 15-24 as a percentage of labour force using modelled ILO estimate. This rate can get to 35% if the age bracket opens to 34 years of age (World Bank 2014). Sadly, the statistics refer to recent graduates from universities and tertiary institutions like KASNEB that continuously release Accountants to the market.

Agriculture in Africa has traditionally been considered 'dirty' and reserved for the poor uneducated old population in the rural areas. Indeed the

continent has long struggled with challenges around health and poverty resulting from food insecurity. In some developing economies, agriculture is viewed as development activity in the social sector and not the big money-making business in the world as it should be. Recent studies and debates show that agriculture has potential to transform African economies and holds the key to job creation and improved well being for majority of the world's poor. Opportunity exists to cultivate the two thirds of the world's uncultivated land for agriculture, much of which is found in Africa. But this is not the only opportunity for Accountants who most times don't differentiate agriculture from farming (getting back to the land). Even then,



farming has changed with agricultural operations being modern and business-oriented hence should attract Accountants. Existing data show that indeed the average age of an African farmer is 60, a reality that can discourage young Accountants.

Phenomenal growth in urbanization in Kenya has created urban labour which urban centres have not been able to absorb even with emergence of Counties. Majority of the young graduates are urban dwellers having moved to the cities in search of jobs. In fact job hunting is a full time engagement of so many young graduates. As a backbone of Kenyan economy, agriculture sector offers solutions to the youth unemployment situation whether employed or self employing.

In the 'normal' career path of an Accountant, nothing seems to bring close agriculture and accounting professions together except in the KASNEB syllabus on farm accounting course unit.

For the job seekers in white collar jobs, many farms do not have employees with the time or background in accounting. While farming may appear labour-intensive, the agriculture sector in Kenya has made progress in adopting innovations and new practices to revolutionize agriculture in a way that increases productivity, reduces cost of food to consumers and increases revenue for farmers. More specifically, agribusiness and agri-preneurship that leverage on technology such as mobile telephony and the internet is already taking root in Kenya. On top of that, farms have become larger and more complicated hence the need for Accountants to embrace agriculture. The cost of starting and running an agricultural enterprise tends to be much lower while the profit could be as high as 100% when value is added to primary produce. While agriculture requires basic technical knowledge, agribusiness can be started with little or no specialized training in agriculture.

If you see agriculture as a business, you'll find agribusiness as the best way to create jobs and make money. I think that Accountants can make the best agri-preneurs because in addition to being good financial managers, they will keep accurate farm records of their good produce. Farmers need an accurate farm records system, bookkeeping, and financial planning system to track all of the farms' business activities including taxation. Business is about numbers: how much, how many, how long; hence keeping the

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**I think that Accountants can make the best agri-preneurs because in addition to being good financial managers, they will keep accurate farm records of their good produce.**

books up-to-date is critical to overall farm management and ongoing profitability. It is this accumulation of financial investments to generate a regular income stream and realise capital growth through value appreciation that Accountants call 'wealth creation'.

Instead of remaining unemployed, the graduating accountants can engage in agri-business with several ideas and opportunities of job and wealth creation in agriculture. All one needs is passion and a willingness to learn is the intricacies of the business like any other business without any special degree in agriculture. Does this mean it's a smooth playing field? No way. Like any other sector, there are challenges that remain unaddressed in the sector including access to land use and control as a primary resource, credit, requisite skills, markets as well as critical services in the

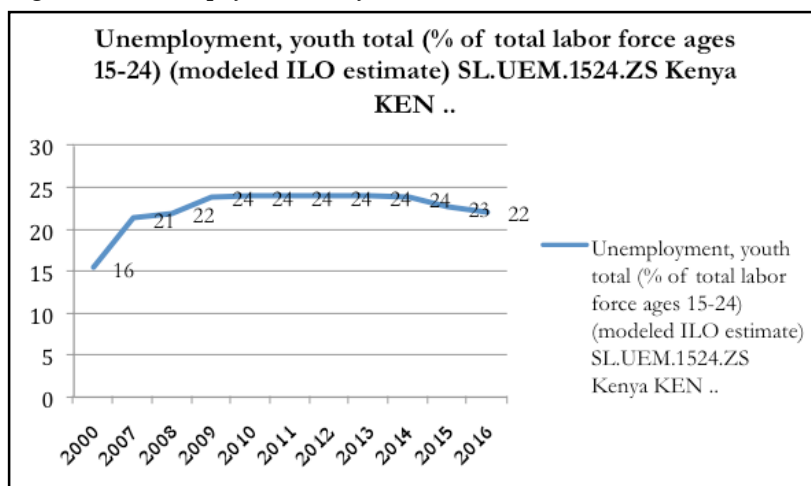
agribusiness eco system.

We must appreciate the reduced lending by commercial banks to agricultural SMEs following interest rate capping. However, there are lots of opportunities to access capital and credit for agriculture. Private institutional capital providers can contribute to meeting agricultural financing requirements in this country. This requires growth in catalytic capital and innovative financing initiatives like 'blended finance'. Public finance institutions like AFC have a significant role to play, not just in credit provision but in reducing risk through risk sharing mechanisms like credit guarantees. Such schemes may attract additional private capital towards investment in agriculture that will deliver a socio-economic impact in Kenya and the region. My joy just like yours will be in interacting with accountants owning and running profitable agribusinesses. The impact is reduced rural-urban migration besides mitigating youth under privilege.

While the agricultural sector is creating new jobs and opportunities for employment, it requires accurate, accessible and usable data to scale-up this potential. The use of data for decision-making and action for agricultural growth however, remains elusive. This too is a space for accountants to occupy. So what other opportunities exist for those passionate in agribusiness? There field is wide and largely accessible to players along the Agricultural value chains: including farmers, processors, traders and consumers.

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**Figure1: Youth Unemployment in Kenya**



Source: World bank- World Development Indicators

# DIGITAL DEBT COLLECTION

## Would debtors really prefer it?

By Wasilwa Miriongi

I met a cherished client that has given me so much business, but as a credit professional, I have always had a bad feeling about how credit issues are handled in his company; so I decided to render unsolicited advice on a number of credit issues.

One area that came out clearly in our discussion is digitalization of the entire data and credit processes albeit the fact that he seemed so reluctant when mentioning the installation of a suitable software that could address a number of challenges faced by their staff; it was also an opportunity to receive a list of defaulters. We did not go far in discussing digitalization as he gave the reason that IT would not create any major changes in the system but his staff will.

Granted, but from the commencement some debtor's details I received were not accurate; so we had to go back and forth forcing them to do fresh reconciliations. But I am helping where I can. This has given me an impetus to be open to new ideas; it seems it is now a good time to address a rising trend in my industry: digital debt collection.

If you look at our country, there is digitalization of anything money; from mobile banking to Mpesa paybill numbers, life hasn't been easy when it comes to accessing money and making payments, if any of you has ever gone to our neighboring countries you will see how slow it is to make just a mere payment or access money.

Going back to the list of clients that I was given by my customers, by use of email, the next day all of them had collection letters in their email detailing the amount with details of where they can make the necessary payment.

As we advocate, the use of the digital channel for collections is still relatively new and the associated payment portals

until recently have been relatively simple and basic. There are advanced self-serve portals which have been seamlessly integrated with digital contact capabilities such as one and two-way SMS texting with automated intelligent response features. The combination of these more advanced digital contact and engagement capabilities is extremely compelling. They give the debtor their preferred contact channel, and the self-control they need while giving the collections unit increased the efficiency and effectiveness they are seeking.

If you do a significant consumer research, you will realize that there is a large section of consumers that prefer a digital interaction without the need to speak with a collector to resolve their past due obligations. The consumer has evolved to the digital channel of acquiring their financial services and being serviced on line. Financial institutions and mobile phone service providers have also been upgrading their collections processes to account for this change and remove friction from the collections process with virtual negotiation as well as a true mobile/digital experience.

There exist buyer supplier collaboration platforms which simplify the dialogue between either to just a few clicks. Buyers could review invoices, raise claims and pay or make promises to pay them on online portals nowadays.

It is important as we implement digitalization to understand the industry and its direction is extremely important. Many enforcement providers now pay less, use less able enforcement agents with most/greater investment being used towards telephone operators and office staff. This doesn't increase collections

or improve customer service and is not in the spirit of the changes made to legislation. The Legislation was in part changed to eradicate poor enforcement agents but to also help increase the reputations, knowledge, experience and overall service from agents attending to customers. Is what you are suggesting encouraging this further?

Plus you have to take into consideration digital channels like SMS chat, where they are still engaging with humans to discuss their situation, just not via a traditional phone call. It is 2017 and the way customers want to engage with business has changed, the Smartphone has opened up many more options for engagement and that is why it is vital for businesses to get the right balance of what they offer customers at each point of any customer journey.

### Ease of use

There is no gainsaying in the fact that one of the biggest arguments for taking the process online is that it makes it quicker than ever to accept payment, at a time that suits the debtor. Transfers are also near instantaneous in most cases, eliminating the trouble associated with older processes like using cheques.





It is also true that alternative and online payments are on the rise like in our country every year we originate a different payment system, like now we have Pesalink for ease of funds. It isn't just demand that's increasing either – the rate of growth itself is rising too, suggesting the pace of change is still accelerating.

However, with this growth comes an increased risk of exclusion. For example, older people may not be used to computers – let alone internet banking. Equally, those whose debt cycle has restricted their ability to get online would find this difficult to access. These are people we can't ignore. But answering the question, will debtors prefer if? I would gladly answer Why not?

### **The issue of friction and friendliness**

One major problem I see in making many digital business processes available is that there seems little discussion on the possibility of hacking, and the new mandatory declaration laws which are being enforced in all countries these days. Unfortunately, criminals are not getting any dumber and their increasing use of sophisticated items is worrying. This risk is somewhat exacerbated by the double-edged sword of web communications. On the positive side, the online environment could have very real and immediate benefits, removing the potential for direct, face-to-face conflict or violence. That is a great benefit for our agents who can sometimes face dangerous situations.

The flip side is that many debtors won't be able to explain, face-to-face or via phone, the very real issues they may be

dealing with. Many need to arrange repayment plans that fit in with their situation, which could include reduced or paused payments.

Digital systems will struggle to find the flexibility to accommodate such requests. And what happens to those who are unable to get online? We simply must continue to be accessible to these people in person and on the phone.

### **Leads to callous cost savings?**

Balancing these opposing needs leads me to consider whether some companies may simply be ushering in digital debt collection to streamline the process. I'm all for cutting the cost of recouping unpaid sums, but there are risks to pushing this approach too hard.

Ours is an industry that must already tread carefully to avoid extra reputational damage. If we exclude or appear unwilling to engage with debtors with mitigating circumstances, we risk appearing unreasonable. Worse still, we may create further problems for those struggling against a debt cycle. That's not something we can take lightly.

In a nutshell, the main game changer recently has been email communication, there are systems that allow one to chase via email, it is not done in the traditional mass spam way so the emails don't go into junk folders. All said and done it is all about getting the balance right and presenting the right options to the customer. There are going to be people who are good payers and therefore do not need to speak to an agent to keep up to date with a payment plan and therefore a digital system is best for both parties, however for those who prefer the human element or genuinely need to discuss their situation with

a collector then there needs to be the options to engage with in a non-digital way. Every digital collections strategy will always ensure that it does not excluding anyone on any channel, but providing them with the options that best suit them, and should they need to move specific accounts down non-digital routes.



**If you do a significant consumer research, you will, realize that there is a large section of consumers that prefer a digital interaction without the need to speak with a collector to resolve their past due obligations. The consumer has evolved to the digital channel of acquiring their financial services and being serviced on line. Financial institutions and mobile phone service providers have also been upgrading their collections processes to account for this change and remove friction from the collections process with virtual negotiation as well as a true mobile/digital experience.**

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# BRIBERY AND CORRUPTION IN KENYA

## A changing landscape

By CPA David Mathuva and CPA Kennedy Waituika

*“Has anyone in this room taken or given a bribe?”  
or better still:*

*“Is there anyone in this room who knows anyone  
who has ever taken or given a bribe?”*

**T**hese were two interesting questions posed by a forensic expert in bribery and corruption matters when addressing a well-attended forum on fighting bribery and corruption in the corporate world. When the first question was posed, nobody responded, however, when the second question was posed, nearly 90% of the attendees raised their hands. A critical peek into the two questions reveals no significant difference: but why the significant difference in responses? Because nobody wants to be associated with corruption, but everyone wants to admonish corruption in all its various forms, be it bribery, facilitation or “grease” payments, economic extortion, conflicts of interest and so forth. This reveals the kind of monster corruption is and why it continues to pervade our nations, organizations and institutions.



It is always believed that corruption fights back, but others are of the view that corruption always looks for another target when you block the loopholes being exploited by corrupt individuals. We all know that organizations or institutions are not corrupt in themselves; it is the individuals who are corrupt. Their corrupt tendencies are the ones which contribute to the many cases of corruption reported.



There is still hope amidst the dark cloud or corruption which seems to be hovering over most nations, organizations and institutions. Below is a highlight of the few ways contemporary corruption can be fought (or better still, dealt with):

Having a unified voice in the fight against corruption. This is where individuals, organizations or institutions come together in one united voice against corruption. This is useful since through solidarity, it becomes easy to discourage whoever is taking or offering bribes to feel the real threat of immediate action being taken on them by those unified against corruption.

We now have a new law in Kenya: the Bribery Act, 2016. It is hoped that the clarity brought by the new law in dealing with matters on corruption will help bring a conclusion to the myriad of corruption cases in our courts, both in the private and public sector. A brief summary of the Act is provided later in this article. We only need to see the cases settled and real fines imposed, to bring the message home to those engaged or about to engage in corrupt dealings. A fine of Kshs. 5 million is not a small figure, but it would have been even better to impose stiffer penalties, while respecting human rights. We expect significant action taken by Kenya's judiciary, given the public expectations and the improvements noted in the judicial mechanisms in the country.

The advent and advancements in technology may serve to bring in greater benefits, as long as technology is respected as a way of curbing the bureaucratic, corruption-ridden processes found in manual systems. In a unique way, technology helps minimize human interaction, and as noted earlier, human beings are the ones who perpetrate corruption, not machines. The moment you minimize human interaction, this helps reduce corrupt deals, although this could be marginal.

The switch to cash-less transactions in processing transactions in the public and private sector will also be another major leap towards dealing with corruption. Ensuring that the trace of "liquid" cash is eliminated will help in discouraging individuals into engaging in corrupt dealings. Cash is one of those assets that are easy to misappropriate, and corporations have realized this and ensured that the only cash available at one's disposal is petty cash, which is closely tracked. However,

there are risks: switching to a cash-less society as noted by PwC in their report on the five forces that will reshape the global landscape of anti-bribery and corruption means that transactions will be processed electronically. Hacking and other cyber-related risks and vulnerabilities can happen and huge sums of money could be lost. This brings in a new perspective in the VUCA world of electronic transactions: improving the security of electronic payment systems.

Over time, upholding business ethics and virtuous leadership will be the real guarantee of sustainable business practices. The society will have higher affinity of engaging with ethical, corrupt free businesses in future if they prove that they have been ethical and this will be one key measure of sustainability. This therefore means that businesses will strive to uphold and champion ethical practices in their businesses which will be useful in shaping the first point raised herein. You will find more and more businesses up at arms against corrupt practices since they increase the cost of doing business in any nation. As a result, being ethical will become the norm and most businesses will want to demonstrate their isomorphism with those that have embraced ethical practices. It has also been held that if you are ethical in conducting your business, you stand a better chance of being guaranteed sustainable performance over time, into the future. Business and political leaders also need to set the tone: that of upholding utmost ethics and integrity in doing business and shunning any corrupt tendencies.

### **A brief analysis Kenya's Bribery Act, 2016**

Having mentioned the emergence of a clear legislation dealing with corruption in Kenya, below is a brief summary of the contents of the Bribery Act, 2016.

On Friday 23 December, the President of the Republic Kenya assented to the Bribery Bill of 2016. The Act came into effect on 13 January 2017. The Bribery Bill (now an Act or law of Kenya) had been in discussion for a long time. The president's assent provided Kenya with another piece of legislation aimed at combating bribery and corruption. It adds onto a list that includes other laws such as:

- The Public Officers Ethics Act of 2003;
- The Anti-Corruption and Economic Crimes Act of 2003;

- The Leadership and Integrity Act of 2012; and

- The Proceeds of Crime and Money Laundering Act of 2009 (rev. 2013).

The main objective of the Bribery Act which was a product of a number of engagements between the private sector and government is to extend the fight against corruption to the private sector, the so called “supply side” of the bribery cycle. The Act does not discriminate public and private actions that have been defined to constitute giving a bribe. Private sector in this regard includes partnerships, companies, charitable organizations, faith or religious-based organizations, clubs etc. Bribery of one individual in a private entity to another in another private entity is an offence under the Act. It goes without saying that bribery of an individual in the private sector to another one in the public sector is an offence.

### What constitutes a bribery offence?

As with many acts the term “bribery” has not been defined. The Act provides that: “a person commits the offence of giving a bribe if the person offers, promises or gives a financial or other advantage to another person, who knows or believes the acceptance of the financial or other advantage would itself constitute the improper performance of relevant function or activity”.

The term “advantage” has been defined to include among other things: money, gifts, loans, fee, reward, commission, employment, property, protection from penalty, facilitation payment to expedite or secure performance, release from liability etc.

According to the Act, it does not matter whether the person to whom the advantage is offered, promised or given is the same person as the person who is to perform, has performed, the function or activity concerned or whether the advantage is offered, promised or given by a person directly or through a third party. It is important to note that the Bribery Act also covers bribery offences outside Kenya, for example the bribery of a foreign official by a Kenya individual or entity. Basically, any act of bribery by a Kenyan citizen within or outside Kenya is an offence under the Act.

Recent corruption cases (scandals) in Kenya have clearly demonstrated that the private sector plays a big role in bribery



**A person commits the offence of giving a bribe if the person offers, promises or gives a financial or other advantage to another person, who knows or believes the acceptance of the financial or other advantage would itself constitute the improper performance of relevant function or activity.**

and corruption in Kenya. Most corrupt schemes involving government funds have an element of private sector involvement, either through paying kickbacks or direct bribes to government officials. An equal number of private sector players and government officers are before courts in regard to for instance, the National Youth Service (NYS) corruption case—in this case, the allegation is that private sector individuals facilitated theft of funds and also benefited from the proceeds of such funds. The ongoing cases have both an element of corruption and money laundering.

While bribery is very common in Kenya, it is hard to prove and sometimes detect. From “small” acts such as payment to police officers to “look the other way” for traffic offences to mega bribery schemes such as the NYS scandal, bribery is very common. At its heart, a bribe is a business transaction, albeit an illegal and unethical one. Bribery in the private sector is also rampant and therefore this Act is most welcome. The Act is seen as a key

milestone in the fight against bribery and corruption.

### Objectives of the Act

**The Act has three main objectives:**

- Provision of specific requirements for private entities to adopt bribery prevention procedures;
- Imposition of a reporting obligation on any person who becomes aware or suspects an instance of bribery has occurred; and
- Provision of an effective coordination and accountability framework for the prevention, investigation and prosecution of acts of bribery.

Of course, there are political reasons such as being able to “attract investors” by demonstrating that the government is tough on bribery, making it easy to borrow loans, access grants and raise funds from international markets (for example, through the Euro Bond). The Ethics and Anti-Corruption Commission (EACC) in Kenya is responsible for enforcement of the Act.

The Act imposes a number of obligations both to individuals and organizations in regard to prevention and reporting of incidences of alleged bribery. In this regard, the Act states that:

“...a public or private entity shall put in place procedures appropriate to its size and the scale and to the nature of its operation, for the prevention of bribery and corruption”.

This is what we call “proportionate procedures”, a key area of focus in anti-bribery and corruption framework. In this case, a private or public entity should design proportionate procedures to deal with bribery risks by considering the nature, scale and complexity of its activities. The procedures should be characterized by clarity, practicality, accessibility and effectiveness. Strict enforcement of the procedures should ensue. Where such measures are not put in place, the officer responsible commits an offence under the Act. The interpretation to this is that all private and public entities MUST have a living document policy and procedures on prevention of bribery and corruption.

For partnerships, proceedings for a bribery offence shall be brought in the name of the partners and the partnerships. The Act requires individuals (in public or private entities) to report acts of bribery to EACC within 24 hours of becoming aware or suspecting an instance of bribery. This helps increase the accountability



of individuals such as internal auditors, compliance officers and accountants who in the course of their work are highly likely to encounter or become aware of such instances. The downside of this is that it could lead to breach of confidentiality where the officers involved are bound by confidentiality agreements. The harassment of whistle blowers who report cases of bribery is an offence under the Act. Such harassment includes demotion, dismissal or transfer to unfavorable working areas.

### Penalties

According to Kenya's Bribery Act, 2016, an individual found guilty of a bribery offence:

- a) Shall be liable to imprisonment for a term not exceeding 10 years or a fine not exceeding Kshs 5 million (USD 50,000) or both.
- b) May be liable to an additional mandatory fine if, the person received a quantifiable benefit – the mandatory fine in this case shall be equal to five times the amount of the benefit or loss suffered. If the offence constituted a loss and a benefit, the fine will be 5 times the sum of the benefit and loss.
- c) In addition to the fine or imprisonment, courts may order the convicted person to pay back the amount or value of any advantage received by him to the government.
- d) Confiscation of property acquired through bribery

the convicted person is a public officer, he shall be barred from holding office in accordance to the provisions of the constitution and other laws.

f) If the convicted person is a director of a company, he shall be disqualified from holding the position of director in any other company in Kenya for a period of not more than 10 years.

g) If the convicted person is a partner, he shall be disqualified from holding the position of a partner in any other firm in Kenya for a period of not more than 10 years.

h) Disqualification from holding public office for a period of not more than 10 years.

i) A person other than a natural person convicted of an offence shall be disqualified from transacting business with the national or county government for a period of not more than 10 years.

Commencement of the Act

The commencement date of the Act is Friday 13 January 2017.

In regards to ongoing investigations or prosecutions, the Act provides that:

"...any investigations or prosecution or court proceedings instituted before the commencement of this Act based on an offence under this Act shall, with the necessary modifications, be treated or continued as if they were instituted under this Act"

### Key considerations in dealing with corruption risk

A generally considered framework for dealing with corruption risk incorporates the following five key elements which every organization or institution must consider:

- Governance and commitment by senior management: there has to be support from

those charged with governance and senior management with regard to fighting bribery and corruption. The right tone at the top needs to be set and everyone in the organization should adhere to it. While many business deals are executed in what is referred to as "boardroom deals" – the details of such deals should be published and disclosed to eliminate perceptions of bribery, especially where they involve public sector organizations.

• **Corruption risk assessment:** the organization or institution needs to periodically and proactively assess the risk of bribery and corruption through the identification, analysis and mitigation of all risks associated with bribery and corruption. This assessment should be periodic, informed and documented.

• **Prevention mechanisms:** the organization or institution needs to implement preventative measures to ensure that any identified risks of bribery and corruption are prevented from occurring. One way is ensuring that there are proportionate policies and procedures in place to deal with bribery and corruption. Due diligence, communication of the procedures and training remain some key preventative mechanisms in the fight against bribery and corruption.

• **Detection:** once in a while, tests needs to be performed just to ensure that bribery and corruption is not taking place. Surprise checks, conflict of interest declarations need to be filed among other techniques designed to ensure that bribery and corruption risks are checked.

• **Response mechanisms:** whenever there is suspected or actual bribery and corruption taking place, there needs to be documented protocol on how that incident will be tracked and actioned.

Corruption still remains a real challenge to businesses today and in the future. This reminds me of one professor who asked his student "one day, our country will be corruption free, which tense is it?" The innocent student responded "future impossible tense" and of course the professor was not amused by the response. However, taken altogether, there is still hope that corruption will reduce in the future if the expected ethical culture is to prevail in our societies and nations. When this will happen remains the big question.

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President Uhuru Kenyatta signing into law the Bribery Bill 2016

# WHY FROGS MATTER

By Angela Mutiso

## Frogs can show you that something is wrong in the area

Most of us are comfortable spending a lifetime without coming across a frog. It is one of the species a number of people don't know how to relate to or think of. But did you know that frogs are actually beneficial to the natural world and to humans and that frogs are good bio-indicators?

An article titled 'the benefits of frogs in your garden' and posted by frogs are green not so long ago, says frogs and toads, just like so many other animal species, are suffering a decline in numbers. This is due to environmental problems, climate change and human factors and show that the changes we are seeing in the environment are signs that something is wrong. What many people should realize is that frogs need to be viewed as an important part of the ecosystem. It observes that frogs and toads are not

only very beautiful and diverse (frogs per Wikipedia – approximately 4,800 species); they can also prove to be very beneficial for your garden.

- Every ecosystem is comprised of multiple species that create a chain. It is what keeps the balance in nature and what maintains life as we know it. As such, frogs and toads have their place under the sun and should be protected. This is the reason why you will do very well to ensure that frogs can find shelter in your garden. If you provide the right conditions and features for these amphibian creatures, they should appear.

- Frogs are good bio-indicators. There is a lot that you can learn from the frogs in your garden. Frogs can show you that something is wrong in the area, or if they are happily breeding and living in the area, then everything should be okay. If you are dedicated and want to have a perfect garden, you can use the indications from frogs to know if the conditions in your

garden are good, or if the frogs that used to dwell there suddenly go missing, you will know there is a disturbance.

- Pest control – frogs are amazing at cleaning the garden from harmful insects. If you are having such problems, you can easily eliminate them by introducing frogs among your plants. A single frog can eat over 100 insects, such as caterpillars, sow bugs and cutworms and more. These can destroy your entire garden if left unchecked. With frogs around, you won't need to use harmful pesticides, either.

Toads and frogs can be one of the best solutions for your garden. Not only will you have a garden safe of bugs and insects, but you will also have very pleasant amphibians hopping around. Frogs and toads are right in the middle of the food chain and provide a very efficient transfer of solar energy. They play an important role in consuming insects and are an important food source for birds, snakes, and other animals throughout the food





web. They help control insects that may be agricultural pests or carry diseases such as West Nile virus. Frogs have been used extensively in medical research, and many Nobel prizes in medicine and physiology have involved frog studies.

The chemical compounds found in the skin secretions of frogs and toads are being studied for their human benefits – everything from non-addictive pain killers to cancer cures. Frogs have been an important part of biology education for centuries, and the African Clawed Frog (*Xenopus laevis*) is the modern day “lab rat.” Frogs play an important role in the world’s culture:

- A symbol of fertility in ancient Egypt
- Bringer of good luck in Japan
- The Rain God for some Native Americans
- A Princess looking for her Prince
- The Celebrated Jumping Frog of Calaveras County by Mark Twain
- And, of course, Kermit the Frog – [arkansasfrogsandtoads.org](http://arkansasfrogsandtoads.org)

The use of the common names “frog” and “toad” has no taxonomic justification according to Wikipedia. From a classification perspective, all members of the order Anura are frogs, but only

members of the family Bufonidae are considered “true toads”. The use of the term “frog” in common names usually refers to species that are aquatic or semi-aquatic and have smooth, moist skins; the term “toad” generally refers to species that are terrestrial with dry, warty skins. There are numerous exceptions to this rule. The European fire-bellied toad (*Bombina orientalis*) has a slightly warty skin and prefers a watery habitat whereas the Panamanian golden frog (*Atelopus zeteki*) is in the toad family Bufonidae and has a smooth skin.

Frogs are valued as food by humans and also have many cultural roles in literature, symbolism and religion. Frog populations have declined significantly since the 1950s. More than one third of species are considered to be threatened with extinction and over one hundred and twenty are believed to have become extinct since the 1980s. The number of malformations among frogs is on the rise and an emerging fungal disease, chytridiomycosis, has spread around the world. Conservation biologists are working to understand the causes of these problems and to resolve them.

### So how do we ensure frogs are safe?

The thin green line says that you should keep informed about legislation that affects your local frog populations and you can help; frogs face threats like habitat destruction, global climate change and disease; it suggests the following:

- Protect the environment; Frogs are particularly susceptible to changes in the environment. Their usually moist skin helps their weak lungs by exchanging oxygen and carbon dioxide with their environment – both in water and out of it. In fact, last year scientists found a frog without lungs; it breathes only through its skin. Over 6,300 different species of amphibians are known – and new species are still being found. Nearly half of the species are in decline, mostly from threats to their habitat. Frogs lose their homes to development, but they are also harmed by garbage, non-native plants and animals, and discarded chemicals.
- Watch what you throw away—and where you throw it away—to keep frog habitats trash-free. The water that ends up in storm drains, for example, often travels through forests and grasslands and dumps into wetlands – all prime frog

“Frogs are good bio-indicators. There is a lot that you can learn from the frogs in your garden. Frogs can show you that something is wrong in the area, or if they are happily breeding and living in the area, then everything should be okay. If you are dedicated and want to have a perfect garden, you can use the indications from frogs to know if the conditions in your garden are good, or if the frogs that used to dwell there suddenly go missing, you will know there is a disturbance.”

habitat. On the other hand, shorelines should stay naturally cluttered with the leaf litter, rocks and logs that frogs use for cover. Frogs evolved over millions of years to fit into specific ecological niches defined by factors like temperature and water levels. They need clean water to survive, but they also eat—and feed—other species.

- Don't introduce non-native plants and animals. The tadpoles that hatch from frog eggs depend on finding their

do drugs flushed into our environment. The treatment plants that process our wastewater don't always remove pharmaceutical chemicals. Most medicines should be thrown in the trash; sometimes mixed with kitty litter or gravel.

- Conserve water; the less water you use, the less has to be treated. And the more water stays with frogs in natural environments, and finally, support conservation.

### Interesting facts about frogs

- The skin of a frog is permeable to oxygen and carbon dioxide, as well as to water.

- Frogs have maxillary teeth along their upper jaw which are used to hold food before it is swallowed. These teeth are very weak, and cannot be used to chew or catch and harm agile prey. Instead, the frog uses its sticky, cleft tongue to catch flies and other small moving prey.

- In the male frog, the two testes are attached to the kidneys and semen passes into the kidneys through fine tubes called efferent ducts. It then travels on through the ureters, which are consequently known as urinogenital ducts.

- The frog has a highly developed nervous system that consists of a brain, spinal cord and nerves. Many parts of the frog's brain correspond with those of humans. It consists of two olfactory lobes, two cerebral hemispheres, a pineal body,

- The eyes of most frogs are located on either side of the head near the top and project outwards as hemispherical bulges.

- The call or croak of a frog is unique to its species. Frogs create this sound by passing air through the larynx the throat. In most calling frogs, the sound is amplified by one or more vocal sacs, membranes of skin under the throat or on the corner of the mouth that distend

during the amplification of the call. Some frog calls are so loud that they can be heard up to a mile away.

- During extreme conditions, some frogs enter a state of torpor and remain inactive for months. In colder regions, many species of frog hibernate in winter.

- Tree frogs live high in the canopy, where they scramble around on the branches, twigs, and leaves, sometimes never coming down to earth.

- During the evolutionary history of the frog, several different groups have independently taken to the air. Some frogs in the tropical rainforest are specially adapted for gliding from tree to tree or parachuting to the forest floor.

- Frog legs are eaten by humans in many parts of the world. French cuisses de grenouille or frog legs dish is a traditional dish particularly served in the region of the Dombes. The dish is also common in French-speaking parts of Louisiana, particularly the Cajun areas of Southern Louisiana as well as New Orleans, United States. In Asia, frog legs are consumed in China, Vietnam, Thailand and Indonesia. (Thin green line)

In conclusion, it might help to point out what amphibianark says about frogs; Discussing Amphibians as indicators of environmental health and their contribution to humanity, amphibianark says that amphibians profoundly enhance our lives and our world in countless ways. They provide vital biomedicines, including compounds that are being refined for analgesics, antibiotics, stimulants for heart attack victims, and treatments for diverse diseases including depression, stroke, seizures, Alzheimer's, and cancer. The Australian red-eyed tree-frog (*Litoria chloris*) and relatives give us a compound capable of preventing HIV infection, the cause of AIDS.

I am sure after reading this, next time you see a frog, you will look at it differently.

favorite plants to eat and hide under.

- Reduce chemical use; the pesticide atrazine, which is found in almost every American's drinking water, causes hormone disruptions in both frogs and humans.

- Don't flush medicines down the toilet; Pesticides degrade water quality, but so

“

**More than one third of species are considered to be threatened with extinction and over one hundred and twenty are believed to have become extinct since the 1980s.**



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# THE ART OF *relaxation*

By Angela Mutiso

## A person with an easily irritable nature cannot enjoy peace of mind

At times, life can be quite stressful and all we want to do is to break away from everything and just relax. Take your time and figure out what really relaxes you.

In our world of technology, we seem to think we should be on the move all the time; like catching up with friends on social media, going out, working and generally being busy. But has it occurred to you that you can do away with everything and just relax? Apparently, a nap, just placing your head on the pillow, curling up on sofa set with a good book or taking a holiday, are all great sources of relaxation. What do you think you should do to feel relaxed? Yoga magazine explains it beautifully: Life has become very complex these days. The struggle for existence is very acute and keen. A great deal of constant mental and physical strain is imposed on humanity by its daily work and unhealthy mode of life. Action produces movements and these in turn cause habits. Man has acquired many artificial habits. He has brought tension to many of the muscles and nerves through incorrect posture. He has forgotten the very first principles of relaxation.

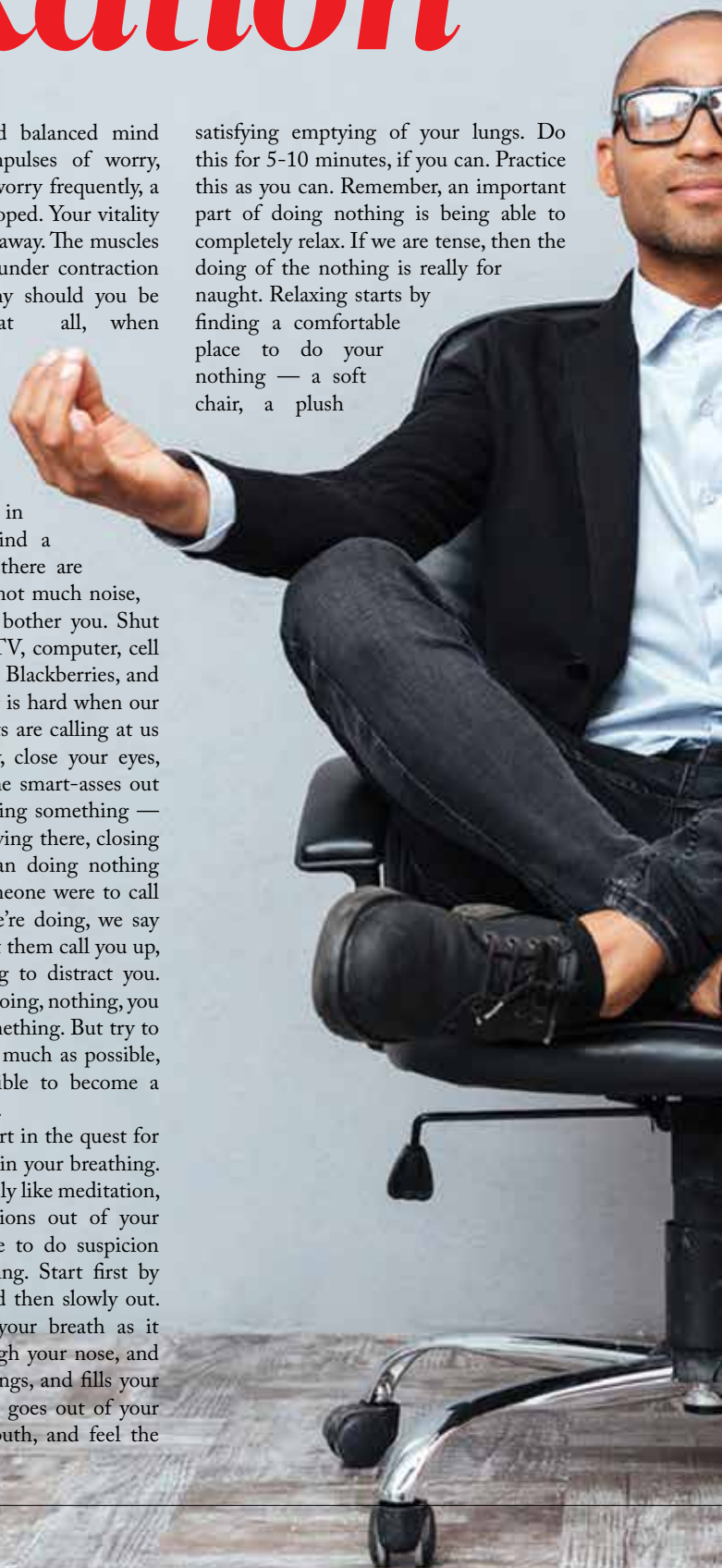
The magazine cautions against mistaking laziness for relaxation; a lazy person is inactive, full of lethargy and inertia. But the person who practices relaxation only takes a rest. He has vigour, strength, vitality and endurance. He never allows even a small amount of energy to trickle away. He accomplishes a great deal of work gracefully in a minimum amount of time. A person with an easily irritable nature cannot enjoy peace of mind. The brain, nerves, and muscles are always under great tension. Although he may be endowed with physical strength, he is weak because he loses his balance of mind very easily. It suggests that if you really want to enjoy unruffled peace and abiding joy, you must try to possess

a calm, controlled and balanced mind by eradicating the impulses of worry, fear and anger. If you worry frequently, a worrying habit is developed. Your vitality and energy are drained away. The muscles and nerves are always under contraction and great tension. Why should you be afraid of anything at all, when everything is nothing but your own self? It advocates for physical and mental relaxations.

The art of doing nothing (Zen Habits) in the meantime says; Find a time and place where there are not many distractions, not much noise, not a lot of people to bother you. Shut off all distractions — TV, computer, cell phones, regular phones, Blackberries, and the like. Doing nothing is hard when our communications gadgets are calling at us to do something. Now, close your eyes, and do nothing. Yes, the smart-asses out there will say you're doing something — you're sitting there or lying there, closing your eyes. But we mean doing nothing in the sense that if someone were to call us up and ask what we're doing, we say "Oh, nothing." Don't let them call you up, though. They are trying to distract you. After 5-10 minutes of doing, nothing, you can quit, and go do something. But try to do this every day, or as much as possible, because it is not possible to become a master without practice.

The first place to start in the quest for mastery over this art is in your breathing. If this sounds suspiciously like meditation, well, cast those suspicions out of your mind. We are not here to do suspicion — we are doing nothing. Start first by breathing slowly in, and then slowly out. Now closely monitor your breath as it enters your body, through your nose, and goes down into your lungs, and fills your lungs. Now feel it as it goes out of your body, through your mouth, and feel the

satisfying emptying of your lungs. Do this for 5-10 minutes, if you can. Practice this as you can. Remember, an important part of doing nothing is being able to completely relax. If we are tense, then the doing of the nothing is really for naught. Relaxing starts by finding a comfortable place to do your nothing — a soft chair, a plush





couch, a well-made, clean bed. Once you've found this spot, lie in it, and wiggle around to make it fit your body better. Think of how a cat lies down, and makes itself comfortable. Cats are very, very good at doing nothing. You may never approach their level of mastery, but they make for great inspiration.

Next, try the breathing technique. If you are not completely relaxed by now (and a short nap would be a great indication of relaxation), then try self massage. Yes, massage is much better when administered by other hands, but self massage is great too. Start with your shoulders and neck. Work your way up to your head and even your face. Also do your

back, and legs and arms. Avoid any areas that might lead to doing something (although that can be relaxing too).

Yet another great

way of relaxing is an exercise where you tense each muscle in your body, one body part at a time, and then let the tensed muscle relax. Start with your feet, then your legs, and work your way up to your eyebrows. If you can do the top of your head, you may be too advanced for this article. Bathing is also part of relation; step into your bath, one foot at a time, very slowly. If your bath is properly hot, it is best if you get into it an inch at a time. For more sensitive body parts, such as the crotch area, it is best to squeeze your eyes shut tight and slowly lower yourself into the steaming water despite all instincts to flee. Once you are fully immersed (and you should go completely under, head included, at first), close your eyes, and feel the heat penetrating your body. Lastly, try doing nothing in the middle of chaos, in your workplace or other stressful environment. Just shut everything out, close your eyes, and think about your breathing. Try a relaxation technique. Do this for

helping in sleep. Nutritionists recognize the daily ingestion of celery as an effective plan to lower high blood pressure. Lower blood pressure leads to a better ability to relax. As long as it is sugar-free, oatmeal aids in relaxation for several reasons. First, this complex carbohydrate enhances the absorption of tryptophan, which leads to the production of serotonin – a brain chemical that helps the body relax. Cold water fish such as mackerel, tuna, salmon, sardines, and herring are high in omega-3 fatty acids. Omega-3s help boost serotonin levels while suppressing the production of anxiety-related hormones cortisol and adrenaline. Bananas contain potassium and magnesium, known natural muscle relaxants. Because relaxed muscles encourage the body to relax, sources of potassium and magnesium (like bananas) are a wise route towards easing physically mounting stress. Bananas also contain tryptophan, which promotes serotonin release in the brain. Dark chocolate helps to reduce stress levels in the brain and this

**“Cats are very, very good at doing nothing. You may never approach their level of mastery, but they make for great inspiration.”**

5-10 minutes at a time, building up to 20-30 minutes. If you can do this, in the middle of a stressful day at work or with the kids, you will allow yourself to focus more fully on the task at hand. You will be relaxed and ready to concentrate, to bring yourself into a state of flow; it concludes.

Meanwhile, healthfitnessrevolution has put together a list of top 10 foods for relaxation, read the following excerpts; Honey is a food that many people know and has many uses but many don't know that it can be used to relax the body and the mind. Vegetable Soup is also among the best foods that relax your nerves. This works well because it helps to get rid of foreign bodies and infections from your body which is one of the main reasons that get many people uneasy. If you need a quick calming effect, reach out for a glass of warm milk. Warm milk is known to contain tryptophan – a compound which helps in the production of serotonin (around 43%). Serotonin is known to induce a feeling of pleasure along with

can be done because it contains serotonin, endorphin, and dopamine, which are great hormones for the mollifying of stress level in the brain. Be sure to eat 70% of more cacao. Nuts are rich in magnesium, selenium, zinc, vitamin E and vitamin B-complex that help relax the brain when taken in large quantities. Peanuts and Pumpkin seeds are rich in magnesium but peanuts also have high sodium content which is why they are not good for your health when taken in large amount.

Finally, eggs are a source of amino acids packed with tryptophan which is a relaxing brain chemical. Make sure you include eggs in your diet either in breakfast or as a snack. (Health Fitness Revolution by Samir Becic Foundation is a 501(c) 3 organization, to make the world a healthier, fitter place).

So have you worked out which method of relaxation works for you?

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*Jesus Christ on: The Sermon on the Mount*

# LEADERS OF INFLUENCE COMMUNICATE IN SIMPLE WAYS

By Joseph Nyanchama

In recent years, leadership theory has stressed the importance of effective communication. James McGregor Burns wrote that, “the leader’s fundamental act is to induce people to be aware or conscious of what they feel - to feel their true needs so strong, to define their values so meaningfully that they can be moved to purposeful action.” The only way people can be moved to meaningful action as stated by McGregor is by a leader learning to communicate with them in simple ways. Simple communication can shape values for people by not only bringing company philosophy to life but also influences and helps new employees understand how shared values affect individual performance.

Any leader needs to realize that it takes a lot of thought and preparation to communicate profound truths in simple ways. Einstein once said, “You don’t really understand something unless you can communicate it in a simple way”. In other words, you can be brilliant but if you can’t share your thoughts in a simple way; your insights aren’t worth much. The word simple is often misunderstood. The way I understand it myself is that the word simple does not mean shallow or simplistic; it means being clear and understandable. For instance, if I take a Bible phrase that says, “This is the day the lord has made” - this is simple. However, if someone tells me, “have a nice day” - that is simplistic. It has been my observation that people who have to use

big and complex words to communicate are sometimes hiding bigger insecurities. Even Jesus used simple language but not technical or theological jargon. He spoke in ways that normal people could understand. He did not use the classical Greek language of the scholar. He spoke in Aramaic; the street language of the day and by so doing influenced and attracted enormous crowds.

Today’s leaders would do well to embody Jesus’ simple, straightforward approach, especially when sending complex messages that can easily be misunderstood. Messages are more often heard when the communicator is sincere and succinct. In other words, say what you mean and mean what you say. Jesus for example, captured the interest of large



crowds with techniques that you and I can use. He told simple stories to make a point. You too can tell a simple story on how the organization has grown over time and you will be surprised how many employees you will touch. The reason television is so popular is because it is essentially story telling device, comedies, drama, the news, talk shows, even commercials are stories. Rick Warren says, "If you want to change lives, you must craft the message for impact, not for information."

There are a number of leaders who have influenced society positively by what they have said in simple ways. They include John F. Kennedy who said, "Ask not what your country can do for you, ask what you can do for your country." Martin Luther and Tom Mboya moved people with their simple articulated speeches. Recently, Lupita Nyong'o bestowed us with words now commonly referred to; "No matter where you come from, your dreams are valid".

I wish now to relate what I have been saying with the theme of this month which is on manufacturing. Manufacturing is perceived by the large public as complex and in the public view it is an area that is reserved for the elite few. This is not

true and it is the leaders in this sector who have made it appear so. It is because communication is done in complex ways. Let me pick the area of 'bar soap making' for example. What is so difficult in making it? The recipe is simply oil, water and sodium hydroxide or lye or caustic. Mix these ingredients appropriately in prescribed ratios until you identify a state we call 'trace' and then put it in a mould and the process is over. Why are leaders complicating things? Why do they hide to teach people? Is it for economic gain?

An Indian proverb says, 'We do not inherit the earth from our ancestors, we borrow it from our children'. This proverb was articulated and simplified by former US President Barack Obama when he visited Kenya. He simplified it in a manner to show the effect of our ancestor's actions and decisions on our current state. In fact when I listened to him because he had put the statement in a simple manner, he influenced me a lot and I started seeing things differently.

I admire a man called Gandhi who used to say, "High thinking simple living". One day he was getting off a train when one of his shoes slipped off onto the track. As the train had started to move, he could not retrieve it, so he did something that startled his companions. He removed his other shoe and threw it near where the first one was. His companion immediately asked for an explanation. As he walked shoeless down the platform, he smiled gently and replied, "Now the poor man who finds the shoe lying on the track will have a pair he can use". Wow! This is indeed a simple statement of high influence and impact.

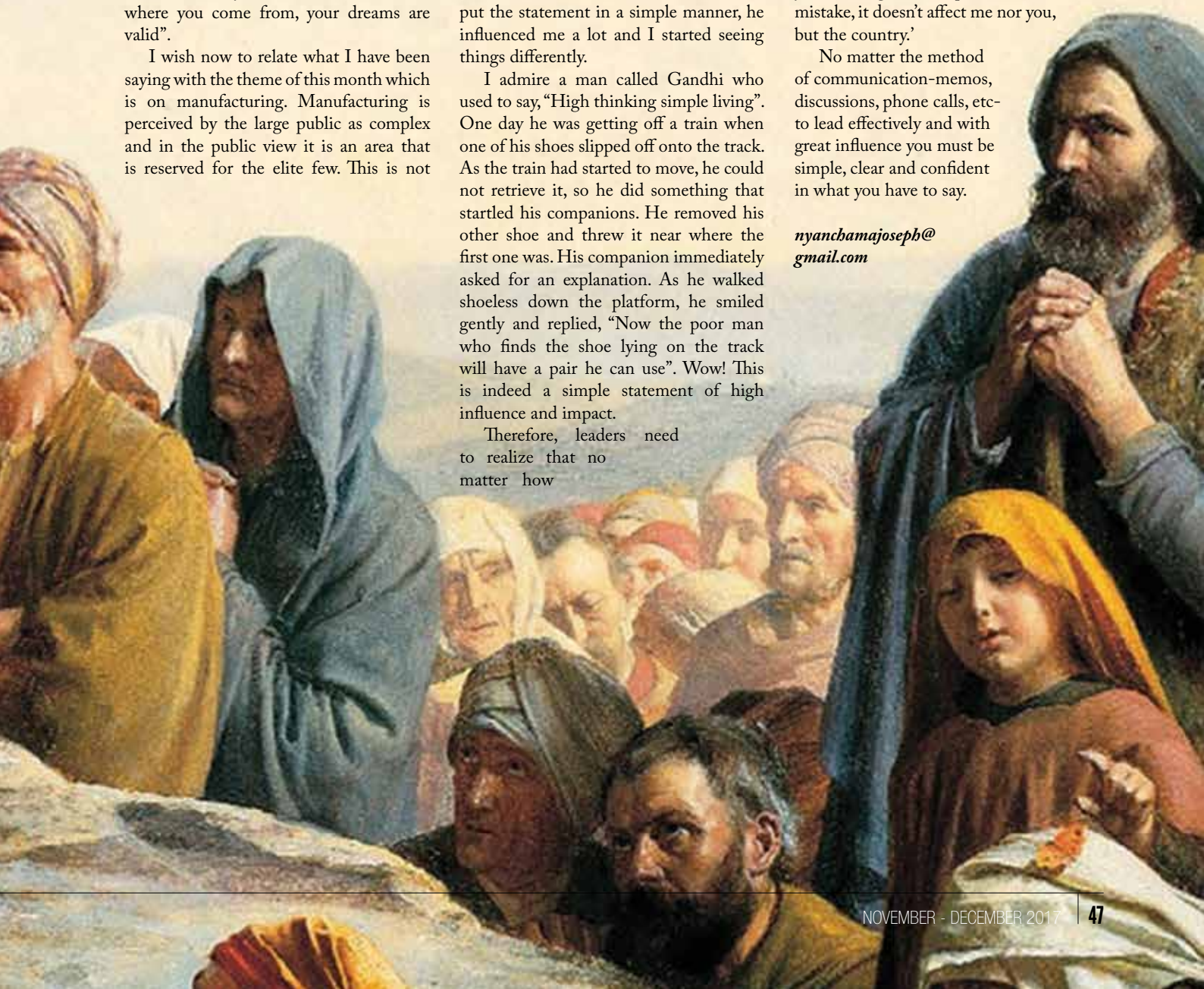
Therefore, leaders need to realize that no matter how

many initials and titles follow their names on upscale business cards, they must be humble and communicate in simple ways if they have to influence and inspire their followers. As one man said, "The greatest threat to our progress and happiness on earth is not the form we find ourselves but rather the state of our minds in that form". So let us change the state of our mind and communicate in simple ways that make people cause tremendous growth in our various institutions.

How can leaders achieve this? Be calm and do not be quick to speak even if you are angered by someone. There is a Chinese proverb that says 'If you are patient in one moment of anger you will escape a hundred days of sorrow.' Abraham Lincoln for example was careful about what he said and he thought before he spoke. He once said, 'Everything I say you know goes into print. If I make a mistake, it doesn't affect me nor you, but the country.'

No matter the method of communication-memos, discussions, phone calls, etc-to lead effectively and with great influence you must be simple, clear and confident in what you have to say.

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# A CELEBRATION OF christmas

*And there were shepherds living out in the fields nearby, keeping watch over their flocks at night. An angel of the Lord appeared to them, and the glory of the Lord shone around them, and they were terrified. But the angel said to them, "Do not be afraid. I bring you good news of great joy that will be for all the people. Today in the town of David a Savior has been born to you; he is Christ the Lord."*



**W**hat a touching message! Going to church is usually the main spotlight of marking Christmas in Africa. Christmas plays are performed, carols are played and sung, and several African dishes are made to celebrate the birth of Christ. Well, December is here again, and comes with all the elation of the season. But what is the real meaning of Christmas?

"It is a time of God showing His great love for us. It can be a time of healing and renewed strength. You see, Christmas is when we celebrate the birth of the Christ child. God sent His Son, Jesus, into the world to be born. His birth brought great joy to the world. Shepherds, wise men, and angels all shared in the excitement of knowing about this great event. They knew this was no ordinary baby. The prophets had told of His coming hundreds of years before. The star stopped over Bethlehem just to mark the way for those who were looking for this special child." CBN

What do Kenyans love doing at Christmas? This is the annual Christian festival celebrating Christ's birth and is held on December 25. Most people try to be home for Christmas Eve, so they can be part of the celebrations from start to end. Kenyans usually decorate their houses and churches with vibrant

balloons, lights, ribbons and flowers. They buy and decorate Christmas trees which brighten living rooms. Outside, many decorate Cyprus trees. It is a time when many people travel from cities, back to the villages where most family members live. These include their aged parents, uncles, aunties, cousins and some siblings. In most cases, Christmas accords them an opportunity to meet as families and it may be the only time they will meet their extended family members and see each other in a year. Many supermarkets play Christmas carols for shoppers; greatly boosting the Christmas theme and sales. Shops ensure they are well stocked for this period. It is not rare to see Santa in the shops during the festivities. Shops make sure they have good deals and discounts to entice excited shoppers.

Favorite carols that are played over and over again include among others, Jim Reeve's classics... like the masterpiece (Mary's Boy Child) ...Long time ago, in Bethlehem, Mary's boy child Jesus Christ, was born on Christmas day...Most of us were introduced to Jim Reeves by our parents and have played his carols since. To many around the world, Jim Reeve's 12 Christmas songs with his rich voice have brought so much joy every time they celebrate Christmas.

Christians, religiously go to a Midnight Church Service to celebrate the birth of Christ. This special

service usually includes nativity plays, Christmas hymns, carols and songs all depicting Christmas. There is always a morning service on Christmas day, and it is interesting to note that there are a number of people who go to Church only once a year; and that is on Christmas day. It is after this all important Christmas service, that people really party.

Trendy Christmas meals entail roast meat like, goat, sheep, beef, chickens and salads, like kachumbari and desserts. There is also rice and chapatti, ugali and pilau among several others to accompany the meat. Some families nowadays include Turkey, chips, mashed potatoes, sausages, casserole dishes and pizzas. But African dishes still hold sway in most homes. All these are generally rounded off by an exciting Christmas cake.

Previously, many people and organizations would send out Christmas cards but today (sadly) this beautiful tradition is becoming rare and is somewhat being replaced by email messages. Christmas is such a big day that certain largely Muslim countries designate it as a holiday, thus boosting religious tolerance and peace.

Essentially, having a Christmas meal with friends and family is a major celebratory custom in Africa.

Merry Christmas!



# WHY DO WE NOSE BLEED?

*Compiled by Angela Mutiso*

**H**ave you ever wondered what makes your nose bleed and how to deal with it? Actually, if you know what to do, it need not be a very unpleasant experience.

Sorry to say, it is not uncommon to see people relentlessly picking their noses in public; this can be a persistent and annoying habit, not just that, it happens to be one of the known triggers of common nose bleeds.

## What is a nosebleed?

A nosebleed is also known as epistaxis. It is the common occurrence of bleeding from the nose. And is usually noticed when the blood drains out through the nostrils. The word epistaxis is from Greek epistazo, "to bleed from the nose". There are two types, explains Wiki, anterior (the most common), and posterior (less common, more likely to require medical attention). Sometimes in more severe cases, the blood can come up the nasolacrimal duct and out from the eye. It notes that although the sight of large amounts of blood can be alarming and may warrant medical attention, nosebleeds are rarely fatal, accounting for only 4 of the 2.4 million deaths in the U.S. in 1999. About 60% of people have a nosebleed at some point in their life. About 10% of nosebleeds are serious.

## Why does it occur?

Nosebleeds are due to the rupture of a blood vessel within the richly perfused nasal mucosa. Rupture may be spontaneous or initiated by trauma. Nosebleeds incidences seem to be more common in those under the age of ten and over the age of 50 and appear to occur in males more than females. An increase in blood pressure (e.g. due to general hypertension) tends to increase the duration of spontaneous epistaxis. Application of



a topical antibiotic ointment to the nasal mucosa has been shown to be an effective treatment for recurrent epistaxis. Anticoagulant medication and disorders of blood clotting can promote and prolong bleeding. Spontaneous epistaxis is more common in the elderly as the nasal mucosa (lining) becomes dry and thin and blood pressure tends to be higher. The elderly are also more prone to prolonged nose bleeds as their blood vessels are less able to constrict and control the bleeding notes Wiki.

In most cases, nosebleeds take place in the front of the nose and often happen only in one nostril. In this case blood may go back into the throat. Apparently, these many not be so serious and you may well be able to deal with them yourself. A less common but more serious type of nosebleed, says webmed starts in the back of the nose and often involves both nostrils. Large amounts of blood may run down the back of the throat. This type of nosebleed may occur more frequently in older adults because of health conditions they may have. You will need treatment from a doctor to control bleeding from this type of nosebleed.

The causes of nosebleeds can generally be divided into two categories, local and general factors, although a significant number of nosebleeds occur with no obvious cause. These include, blunt trauma which is in most cases a sharp blow to the face, foreign bodies like fingers during nose picking. It can also be caused by

inflammatory reaction like respiratory tract infections, chronic sinusitis, rhinitis or environmental irritants. One of the chief causes of anterior nosebleeds is dry air. A dry climate which dries out nasal membranes, causing crusts that may itch and then bleed when scratched or picked. Common colds also can irritate the lining of the nose, with bleeding following repeated nose-blowing.

### What should you do when your nose bleeds?

Many people never really know what to do when a nose bleed starts. It is advisable that you sit up straight and tip your head slightly forward. Tilting your head back may cause blood to run down the back of your throat, and you may swallow it. Swallowed blood can irritate your stomach and cause vomiting. Vomiting may make the bleeding worse or cause it to start again. Spit out any blood that gathers in your mouth and throat rather than swallowing it. Use your thumb and forefinger to firmly pinch the soft part of your nose shut.

It is worth noting that the nose consists of a hard, bony part and a softer part made of cartilage. Nosebleeds usually occur in the soft part of the nose. Spraying the nose with a medicated nasal spray (such as Afrin) before applying pressure may help stop a nosebleed. You will have to breathe through your mouth. Apply an ice pack to your nose and cheeks. Cold will constrict the blood vessels and help

stop the bleeding. Keep pinching for a full 10 minutes. Use a clock to time the 10 minutes. It can seem like a long time. Resist the urge to peek after a few minutes to see if your nose has stopped bleeding.

Check to see if your nose is still bleeding after 10 minutes. If it is, hold it for 10 more minutes. Most nosebleeds will stop after 10 to 20 minutes of direct pressure. Additionally, put a thin layer of a saline- or water-based nasal gel, such as NasoGel, or an antiseptic nasal cream inside your nose. Do not blow your nose or put anything else inside your nose for at least 12 hours after the bleeding has stopped; Rest quietly for a few hours. (Webmed) They further advise that after you have stopped the nose bleed, you should avoid forceful nose-blowing, do not pick your nose, avoid lifting or straining after a nosebleed and elevate your head on pillows while sleeping. Also, do not use aspirin or other nonsteroidal anti-inflammatory drugs such as ibuprofen or for 3 to 4 days. Acetaminophen, such as Tylenol, may be used to relieve pain. Be safe with medicines. Read and follow all instructions on the label. Talk to your doctor about stopping any medicines you are currently taking. Finally, do not use nonprescription antihistamines, decongestants, or medicated nasal sprays. When it comes to medication, the local application of a vasoconstrictive agent has been shown to reduce the bleeding time in benign cases of epistaxis. The drugs



oxymetozoline or phenylephrines are widely available in over-the-counter nasal sprays for the treatment of allergic rhinitis, and they may be used for this purpose. If these simple measures do not work then medical intervention may be needed to stop bleeding.

### Nosebleeds in children

Nosebleeds in children usually occur between 2 to 10 years of age says eMedicineHealth. Nosebleeds in infants, however, are unusual and require further evaluation by a health care practitioner. Though most nosebleeds in children are spontaneous and occur infrequently, some children may experience more frequent, recurrent nosebleeds. eMedicineHealth further points out that the most common cause of nosebleeds in children is from minor trauma, typically from nose picking. Direct trauma to the nose, upper respiratory infections, nasal foreign bodies, allergic rhinitis, exposure to warm, dry air and nasal medications (for example, corticosteroids) are also other commonly encountered conditions leading to nosebleeds. It adds that common causes of nosebleeds in children include vascular malformations, leukemia, nasal tumors, and various blood clotting abnormalities. An accidental ingestion of blood-thinning medication (for example, warfarin [Coumadin]) is also a rare cause of nosebleeds in children. The treatment for nosebleeds in children is similar to that of adults. It observes that most nosebleeds occur during the winter in cold, dry climates. If a person is prone to nosebleeds, they should use a humidifier in the home. Petroleum jelly (Vaseline), (and others mentioned in another part of this article) may also be used to keep the nasal passages moist. Learn how to deal with a nose bleed and when to see the doctor. Avoid intense nose picking because it can trigger a nose bleed; remember that in addition, public nose picking is not a very good habit.

In a nutshell, stay safe, when someone has a nose bleed, have the person sit up straight and lean forward slightly. Try not to let the person lie down or tilt the head backward. Use your thumb and index finger to strongly squeeze the nose just below the bone up against the face. Press it for 5 minutes. If bleeding continues after this, do it again. If all else fails, see a doctor.



### Health Tips

- **The secret of stretching:** When you stretch, ease your body into position until you feel the stretch and hold it for about 25 seconds. Breathe deeply to help your body move oxygen-rich blood to those sore muscles. Don't bounce or force yourself into an uncomfortable position.
- **Copy your kitty:** Learn to do stretching exercises when you wake up. It boosts circulation and digestion, and eases back pain.
- **Asthma-friendly sports.** Swimming is the most asthma-friendly sport of all, but cycling, canoeing, fishing, sailing and walking are also good, according to the experts.
- **Don't skip breakfast:** Studies show that eating a proper breakfast is one of the most positive things you can do if you are trying to lose weight. Breakfast skippers tend to gain weight. A balanced breakfast includes fresh fruit or fruit juice, a high-fibre breakfast cereal, low-fat milk or yoghurt, whole wheat toast, and a boiled egg.
- **Get spiritual:** A study conducted by the formidably sober and scientific Harvard University found that patients who were prayed for recovered quicker than those who weren't, even if they weren't aware of the prayer.
- **Get smelly:** Garlic, onions, spring onions and leeks all contain stuff that's good for you. A study at the Child's Health Institute in Cape Town found that eating raw garlic helped fight serious childhood infections. Heat destroys these properties, so eat yours raw, wash it down with fruit juice or, if you're a sissy, have it in tablet form.
- **Bone up daily:** Get your daily calcium by popping a tab, chugging milk or eating yoghurt. It'll keep your bones strong. Remember that your bone density declines after the age of 30. You need at least 200 milligrams daily, which you should combine with magnesium, or it simply won't be absorbed. ( Health24)

Below are selected articles from Africa.com. You can follow them up on the web from the indicated sources for more detailed information.



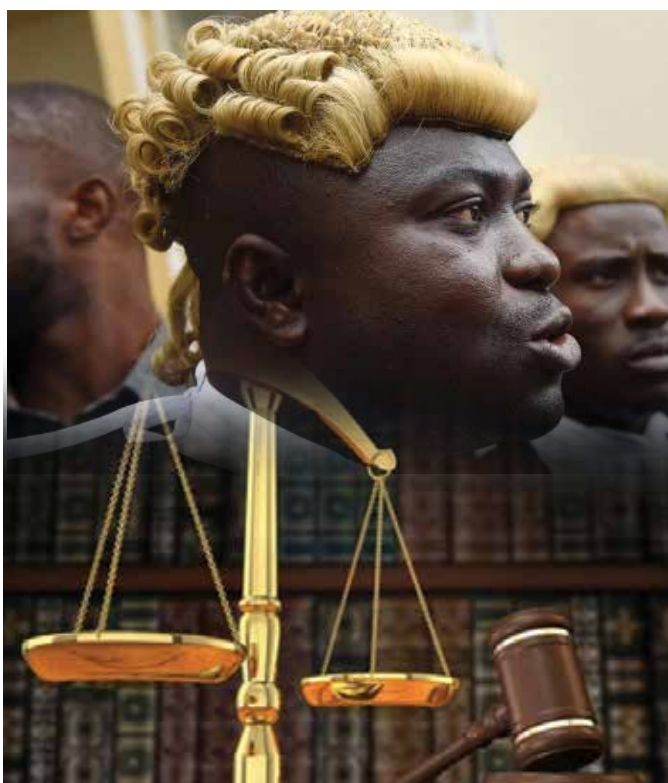
### "AFRICA WILL BECOME THE FOOD BASKET OF THE WORLD" – Dangote

Nigerian business leader Aliko Dangote told investors "Agriculture, agriculture, agriculture. Africa will become the food basket of the world." In a packed room at the headquarters of global law firm Shearman and Sterling LLC high level business leaders and international diplomats invited by the Corporate Council for Africa to hear Africa's richest man, Aliko Dangote, and Rwandan president Paul Kagame openly converse on Africa's opportunities and challenges. In addition to agriculture Dangote cited Nigeria's vast mineral resources and gas as well and the need to manufacture more goods locally for domestic consumption. Both he and President Kagame cited continued need for heavy investments in education and connected the need for young people to be well trained for the jobs of tomorrow.

Source: *CNBCAfrica*



The International Campaign to Abolish Nuclear Weapons (ICAN) received the 2017 Nobel Peace Prize "for its work to draw attention to the catastrophic humanitarian consequences of any use of nuclear weapons and for its ground-breaking efforts to achieve a treaty-based prohibition of such weapons."



### WHY AFRICAN JUDGES STILL WEARING WIGS IS A GLARING SYMBOL OF BRITISH COLONIALISM

Opponents of the colonial outfit aren't just arguing against inconvenience, but against a tradition that African judiciaries appear to be embracing. The British gave up their last colonies in Africa half a century ago. But they left their wigs behind. Not just any wigs. They are the long, white horsehair locks worn by high court judges (and King George III). They are so old-fashioned, and so uncomfortable, that even British barristers have stopped wearing them. But in former British colonies – Kenya, Zimbabwe, Ghana, Malawi and others – they live on, worn by judges and lawyers. Now, a new generation of African jurists is asking: Why are the continent's most prominent legal minds still wearing the trappings of the colonisers? It's not just a question of aesthetics. The wigs and robes are perhaps the most glaring symbol of colonial inheritance at a time when that history is being dredged up in all sorts of ways. This year, Tanzanian President John Magufuli described a proposed free trade agreement with Europe as a "form of colonialism". In Zimbabwe, President Robert Mugabe still refers to the British as "thieving colonialists".

Source: *Independent*



## BILL GATES HAS GIVEN AWAY \$4.6BN (£3.6BN) TO CHARITY IN HIS LARGEST DONATION SINCE 2000

He remains the world's richest person, despite giving away 64 million shares in Microsoft. The shares are equivalent to 5% of his total fortune, currently estimated to be \$89.9bn. Since 1994 Mr Gates, 61, and his wife Melinda have given away a total of \$35bn in cash and stocks to a range of charitable causes. The donation was made in June but became public on Monday following the filing of a document with the US Securities and Exchange Commission. Mr Gates' share in Microsoft is now just 1.3%. Prior to this, Mr Gates gave away \$16bn in Microsoft shares in 1999 and \$5.1bn in 2000.

### New money

The majority of all previous donations have been made to the Bill & Melinda



Gates Foundation, which is primarily focused on reducing world poverty, combating infectious diseases and providing universal access to computers. It is not known who the recipient of this latest donation is, however when

federal documents are filed, it usually means new money is being given to a foundation, the Chronicle of Philanthropy reports.

Source: BBC.com



## Lawyer who helped Boko Haram schoolgirls' release wins UN award

The founder of a school for orphaned children in Nigeria has won a top United Nations award. The UNHCR's Nansen Refugee Award honours people who dedicate their lives to helping victims of war. Zannah Mustapha

has helped children whose parents were killed by the armed group Boko Haram. He also helped secure the deal to release schoolgirls held by the armed group.

Source: Al Jazeera

It was all merry when U.S. President Donald Trump mispronounced Namibia twice by calling the southern African country Nambia in front of eight African leaders in New York "In Guinea and Nigeria, you fought a horrifying Ebola outbreak. Nambia's health system is increasingly self-sufficient," he said. Social media was buzzing with mockery of Trump while traditional media had a bite of the #Nambia moment. Some questioned if he was referring to Zambia, Gambia or Namibia whose president Hage Geingob was present.

Source: Africa News



Malia Obama just arrived at Harvard but seems to be having trouble blending in, especially (recently) when she felt harassed by a woman hell-bent on getting a photo.

Eyewitnesses tell TMZ, Malia was in Harvard Square with a friend. As she approached a salad shop, a woman ran up to her and said she wanted a photo for her grandchild. We're told Malia politely declined. The grandma was undeterred and staked out the salad joint, waiting for Malia to leave. When she did, we're told the grandma trained her camera on the former First Daughter and Malia fired back, "Are you gonna take it in my face like an animal in a cage?"

An eyewitness said the grandma ended up getting the photo.

Source TMZ

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



**Title: Marketing Management;  
Integrated Perspective**

**Author: Felix Owaga Okatch**

**Category: Business**

**Publisher: Kenya Literature Bureau**



**T**his book lays emphasis on areas that all marketers need to know. It adds crucial portions that keep you constantly on the alert for what's new and places marketing where it should be in today's global world. The author retains irrefutable marketing components that expand your knowledge in several pertinent areas and steers you to a great marketing experience.

What inspired him to write this book?: "As a marketing practitioner, I saw the need to walk with the customer through a similar aisle, down a valley and uphill together, share experiences and customer needs including challenges. The modern customer operates on a digital and global platform. They are trendy and have embraced all facets of social media to the fullest. Most of them are on the fast lane as they consume goods and services. They have more options due to the expansion of globalization, internet connectivity and increased disposable incomes. They are young, millennial. Marketing to this target audience calls for integrated perspectives. By and large, the scope and landscape of marketing has changed. It used to be the traditional 4P which were Product, Price, Promotion and Place. In this book, based on experience and observation, I have identified 6Ps to be added to the traditional 4Ps. This discovery makes them 10Ps and these are: Product, Price, Promotion, Place, People, Physical evidence, Process, Performance, Partnership, and Planning. These are illustrated in the book at length."

The author explains that the broad target audience for this book is the geographical continent of Africa. The book has local African case studies, examples and addresses marketing needs for SMEs

(Small Medium Enterprises), NGOs (Non-Governmental Organizations), faith based organizations and other non-profit institutions. The arrangements for each chapter are sequenced from introduction, content, summary, self assessment questions and references for further reading.

Other new topics included in this book are; marketing for non-profit organizations, agricultural marketing, industrial marketing, global marketing, supply chain and value chain marketing, emerging global issues i.e. digital and green marketing. Based on the above and many more, the title, Marketing Management, Integrated Perspectives, seems apt.

What makes Okatch's marketing book stand out is perhaps the in-depth study he has done to make it relevant, practical and current. Apart from the 10 Ps, you will find the economical, political, legal and social aspects quite useful. Also incorporated is globalization 24/7 and technology. The book which has 366 pages, also addresses emerging issues and globalization. Okatch says knowingly that if a customer is dancing, dance with them, if a customer is sick, look for a remedy for their ailment. Physical evidence is important, because it addresses a customer's need at that place, time and convenience. So where do people go wrong in marketing? The author, who admits that he reads a lot of research papers on marketing, says these studies reveal a lot of things. The problem is; people do not listen to the customer's expressed and hidden needs; if truth be told, people just need simple things.

So in Kenya, what should we do to be successful in marketing? Produce the goods and services that meet the customer's needs. Make more profit; when the customers make more, you make more. Sustainability and future expansion is an area you must constantly address.

As explained in the book, Marketing Management is as dynamic as customer needs. The advent of technology has exponentially transformed the landscape and scope of marketing. The consumers of today and coming years know what they expect from the goods and services they purchase. This book looks at marketing management from an integrated perspective and lauds the importance of being customer focused in the 21st Century.

These are the issues Okatch has delved deeply into in this book. Marketing Management has 20 chapters; Covering among others, a comprehensive introduction to marketing; marketing environment; buyer behavior; marketing information systems; segmentation, targeting and positioning, product decisions, price decisions, place/distribution decisions and promotion decisions. It also discusses sales management, marketing of services, marketing, planning and strategy, preparing marketing, business plan for non-profit organizations, feasibility study, agricultural, industrial and global marketing respectively. The final chapters look at supply chain management and global distribution system, national income concept and measurement and emerging issues in the marketing arena. His earlier book Marketing Management systems 2002, was also well received and has been used as a reference point in many aspects of marketing.

Okatch is a seasoned marketing practitioner and lecturer in marketing. He has had a long career with multinational companies and currently runs his own consultancy and serves as a Board Director in several organizations in Kenya.

*This book is available in leading bookshops countrywide.*



"Why, why, why, my beautiful child, why!"

The yell of a mother upon viewing the remains of her daughter, she collapsed in grief thereafter. This follows the death of nine girls who perished in the Moi Girls School fire. The DNA tests had just been released.

Source: *Daily Nation*

"We are all in this together. Nothing can ever fill the place of a child. Even if you have 10, the loss of one is a huge blow."

A parent at Moi Girls, School  
Source: *Daily Nation*

'My God, what's happened?'

Last words uttered by the late Princess Diana following her car accident in 1997, according to firefighter Xavier Gourmelon one of the first on the scene when the People's Princess was injured during the crash in Pont de l'Alma tunnel. , he helped pull her from her Mercedes and attempted to save her life. He said this on the 20th anniversary of her tragic death which happened on August 31, 1997. He said he did not realize it was her at the time.

"I massaged her heart and a few seconds later she started breathing again...It was a relief of course because, as a first responder, you want to save lives — and that's what I thought I had done. To be honest I thought she would live. As far as I knew when she was in the ambulance she was alive and I expected her to live. But I found out later she had died in hospital. It was very upsetting."

Xavier Gourmelon... firefighter who tried to save Princess Diana on that fateful day

"In 1988, 787,000 infants died from neonatal tetanus as compared to just 34,019 in 2015, showing the WHO and UNICEF's remarkable success in the campaign against the infection...We carry out the highest

possible standard of tests on the vaccines that are used in campaigns worldwide and the said vaccine had passed the pre-qualification tests before being allowed for use... the campaign was strictly geared towards the elimination of neonatal tetanus."

World Health Country Director, Dr, Ruddi Egger, explaining that a tetanus vaccine being administered does not sterilize women.

"Not a single country in the world is on track to meet health-related sustainable development goals for the year 2030."

A study by the Lancet; it was based on measurements of 37 of 50 health-related targets proposed by the UN that include infant mortality, vaccination, rates of various diseases including tuberculosis, HIV and malaria, also smoking, child abuse, violence and universal health coverage.

"We are going to provide modern chemistry, physics and biology learning materials to schools at an estimated cost of Sh54million."

Stephen Njoroge, Director of the Centre for Mathematics, Science, and Technology Education (Cemastea) explaining that each of the selected schools will get lap tops, LCD projectors, digital cameras, white boards, light microscopes, photometers, biological models, preserved specimens, stop watches and thermometers. This follows the decision by the government to equip selected pilot secondary schools with modern learning tools that will make Mathematics and Science easy and enjoyable. (102 schools have been have been selected in every county).

Source: *Saturday Standard*

"If one goal has animated reform of finance since the crisis of 2007-08, it has been a desire to spare

taxpayers from having to pick up the bill for bank failures. Regulators have introduced stress tests to see how banks stand up to shocks."

The article is titled senior moment; (European Banks)

Source: *The Economist*

"Some years ago, low on cash, I took an unusual job in Shibuya, one of Tokyo's entertainment districts. Every morning I dressed in a swallow-tailed jacket stained with the sweat of a previous shift worker, assumed a fake name and pretended to be an English butler for the women, and occasionally men, who visited a mock castle interior in a high-rise."

An interesting introduction to an article in Time, titled on the trail of the johatsu-Japan's 'evaporated people.' (It's under -the brief dispatch).

"Innovation distinguishes between a leader and a follower."

Steve Jobs

"You don't lead by lip service, you lead by example."

- Jim Leyland

"Without goals, and plans to reach them, you are like a ship that has set sail with no destination."

- Fitzhugh Dodson

"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

"A genuine leader is not a searcher of consensus but a molder of consensus."

- Dr. Martin Luther King Jr

"Be careful the environment you choose for it will shape you; be careful the friends you choose, for you will become like them."

Clement Stone





## ICPAK APPOINTS NEW CEO

**T**he Institute of Certified Public Accountants of Kenya (ICPAK) has appointed CPA Edwin Makori as the new Chief Executive Officer following the approval of the Council in accordance with Section 12(1) of the Accountants Act of 2008. His three-year tenure takes effect from 2nd October 2017.

Prior to his new role at the Institute, CPA Makori was the acting Chief Executive Officer since April 2017. He was also substantive Chief Manager Professional Services where he was overseeing technical issues, accounting and auditing standards, ethical standards, professional regulation, compliance, audit quality monitoring (assurance), registration and research as well as public policy and governance.

Before he joined the Institute, he had served as a Lecturer at Egerton University and University of Nairobi respectively. Additionally, he previously served in senior management positions both in government and private sector entities.

He is a Certified Public Accountant (CPA) and a Certified ERP Consultant. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a member of Information Systems Audit and Control Association, (ISACA).

CPA Makori holds a Master of Business Administration in Finance, and a Bachelor of Commerce (Hons) in Finance from University of Nairobi. Furthermore, CPA Makori serves in several boards including the International Accounting Education Standards Board (IAESB) where he serves as the technical advisor.

CPA Makori brings to the Institute extensive experience in leadership, technical accounting matters, financial management, research and public policy.

ICPAK Chairman FCPA Julius Mwatu congratulates CPA Makori noting that, "His accomplishment in the field of accountancy along with his experience in innovation leadership will ensure that Council continues to discharge its mandate of promoting and assisting ICPAK professionals in Kenya and globally."

"ICPAK fraternity looks forward to working with CPA Makori in his new role of Chief Executive in order to actualize and enhance our regulatory role, fostering innovation and creating new products for our members in Kenya and beyond," said FCPA Mwatu.

The entire ICPAK membership congratulates CPA Makori on his appointment and wish him well in his new role.



# THE 4<sup>th</sup> ANNUAL TAX CONVENTION

was held on 27<sup>th</sup> to 29<sup>th</sup> September 2017 at Sai Rock Beach Hotel and Spa, Mombasa Kenya

*Theme: "Consolidating gains in tax reforms and modernization"*

*Over 300 delegates were in attendance.*



ICPAK Vice Chairman CPA Rose Mwaura presents a token of appreciation to CPA Peter Waruiru during the ICPAK Annual Tax Seminar in Mombasa



A delegate poses for a question during the 4th Annual Tax Seminar in Mombasa

## THE ICPAK ACCOUNTING & FINANCE SCHOLARSHIP PROGRAMME

*Creating pathways to achievement*

The ICPAK Scholarship Accounting & Finance program was established in 2015 as an avenue through which the Institute would promote the growth of the accountancy profession as well as give back to Society by sponsoring bright and disadvantaged students from poor backgrounds pursue university education in a finance or accounts related course. In its third year, the scholarship program has continued to attract great interest from possible beneficiaries. Currently the Institute is supporting eight students undertaking the Bachelor of Commerce (BCom) degree in various universities and levels of study. Going forward, ICPAK targets bringing on board at least six new beneficiaries on an annual basis.

Under this, scholars benefit from;

- Tuition fees for four years
- Basic hostel accommodation
- Pocket money to cater for transport and daily upkeep.

The program is supported through fund raising activities including the ICPAK annual Charity golf tournaments, sale of ICPAK branded items and donations from members, partner organizations and other well-wishers.

**The current beneficiaries are;**

STUDENT NAME	UNIVERSITY OF STUDY	YEAR OF STUDY
1. Jackson Muthomi Meeme	Dedan Kimathi University	3rd year
2. Maxwell Otieno	Kenyatta University -Kitui campus	4th year
3. Faith Muthoni	KCA University	3rd year
4. Kimathi Jacob Mwirabua	Technical University of Kenya	2nd year
5. Isoe Bonface Kebabe	Chuka University	2nd year
6. Lonah Chepkorir	Multi – Media University	2nd year
7. Naisoya Peter Kaitikei	Maasai Mara University	2nd year
8. Ian Omondi Otieno	Masinde Muliro University	2nd year

More information on the program may be accessed on the ICPAK website [www.icpak.com](http://www.icpak.com)

To submit your donation, you may get in touch with the program coordinator Henry Ngetich through [henry.ngetich@icpak.com](mailto:henry.ngetich@icpak.com)



### Testimonial – ICPAK scholarship programme beneficiary

#### Faith Muthoni Wanjiru – KCA University

I cannot express how amazing it is to be a beneficiary of ICPAK scholarship program. In fact it has surpassed my expectations. I believe the scholarship will bring me a step closer to living out my dream since it has provided me with exceptional opportunity to reach my target in studies. I have always had a desire and determination to study; you have made this possible by easing the financial pressures of school and allowed me to place my focus on becoming the best student I can be. I am honored to

become a part of this distinguished group of scholars. Being in my second stage almost to the third and final stage, thank you for giving me an opportunity to study in the best university in our Country. The generosity of the foundation is allowing me to study a field I am passionate about. The scholarship foundation program is unlike anything I have ever seen.

*Thank you.*





# SOUTHERN AFRICA'S FADED CITY BLOOMS BACK TO LIFE

*By Clive Mutiso*

**O**ne of the biggest tourist attractions in Southern Africa is a single tree species that is not even a native of the continent – the Jacaranda, which attracts tens of thousands of visitors each year from all over the world. October is when the tree comes into bloom in the South African capital of Pretoria, and also the time of the annual Jacaranda Festival in Harare. When the thousands of trees in and around Zimbabwe's capital city come into bloom, even residents forget their economic woes for a while and are comforted by the purple-blue infusion of

colour that forms a canopy above them.

Victoria Falls are such a mainstay of Zimbabwean tourism that they have kept the country's travel industry alive no matter how tough the economic conditions have become, but Harare, which used to be an important business hub, has faded almost into insignificance for business visitors, although it is still one of the most pleasant destinations on the continent, and slack business means that there are some real bargains to be had for someone looking for a long weekend break.

The Jacaranda *mimosifolia* is indigenous to South and Central America,

but it has been planted around the world because of its beautiful and long-lasting blue flowers – there are even many of the trees in Nairobi's City Park. But some countries, like the Asian mountain Kingdom of Nepal, and Australia, have adopted the tree as their own, and it is Grafton, in Northern Rivers New South Wales, Australia, that has hosted the world's longest-running Jacaranda Festival every year since 1935. It has become a major driver of local tourism in New South Wales, each November, and although the Jacaranda festivals of Southern Africa do not have the same





*There are beautiful mature Jacaranda trees in Harare*

long, unbroken, tradition, Pretoria revels in the title The Jacaranda City and Lusaka and Harare are also prolifically planted with the tree.

Harare is a bright and airy city, largely because of its wide streets and avenues, and there is an interesting historical reason for the width of the thoroughfares. Most of the cities of Southern Africa were laid out by the Boers, whose standard mode of transport was the ox wagon. Each wagon was pulled by 16 oxen, yoked in pairs, with eight animal lengths between the front and the back of the team. There was no way of reversing an ox wagon, so all roads had to be wide enough for a wagon to be turned in a semi-circle. The ox wagons are long gone, but the layout of the city remains set in stone.

Meikles Hotel is not the largest in Harare, but for more than 100 years it has

maintained a standard of 5 star luxury and service that puts it in a class of its own, and its location on Jason Moyo Avenue, in the heart of the city overlooks a pleasant historic public garden, Africa Unity Square. The Association of Zimbabwe Travel Agents have 20 times voted Meikles the country's best city hotel, a title that no other property has been able to challenge. What makes Meikles special is not just the large, well-equipped, guest rooms and the hotel's great facilities, but the friendly, smiling, personal service that every staff member has been trained to deliver. There are plenty of accommodation options in and around the city that cost less than Meikles, but none can come close in terms of value for money.

There are beautiful mature Jacaranda trees in Africa Unity Square, but the Jacaranda is just one of many different



**The Association of Zimbabwe Travel Agents have 20 times voted Meikles the country's best city hotel, a title that no other property has been able to challenge. What makes Meikles special is not just the large, well-equipped, guest rooms and the hotel's great facilities, but the friendly, smiling, personal service that every staff member has been trained to deliver.**







**The Shona people who inhabit Central Zimbabwe have provided the world with an astonishing pool of talent in the visual arts, and a huge proportion of the world's most highly-regarded sculptors have made their names in Harare**



species to be found there. It is places like Milton Avenue that are lined with solid phalanxes of Jacarandas, or many other areas of the city where the Jacarandas stand in solid blocks. However, as with many things in Zimbabwe, nationalism has crept into the narrative of the Jacaranda in recent years, and there are serious questions being raised in some quarters as to whether the Jacaranda ought not to be eradicated and replaced with an indigenous tree species. It used to be possible to stroll around the Avenues, the mainly residential Northern fringe of the city, but harsh economic times and

rising petty crime make it inadvisable for a stranger to venture into the Avenues unaccompanied, even in the middle of the day.

If a decision to uproot the Jacaranda were ever to be implemented, there are plenty of alternatives to be found in the unique National Botanical Gardens, just on the Northern edge of the city centre in Alexandra Park, close to State House, which are open to the public all the year round. The gardens cover 58 hectares in the most tranquil and leafy zone of the city and over the years a variety of natural woodland habitats have been planted and

allowed to flourish, creating a perfect environment for walking, cycling, and bird watching. There is a collection of more than 900 different indigenous trees and more than half a million plant specimens, and there are glades laid out in formations that reflect the different zones of Zimbabwe – the Highveld, the Lowveld, and the Eastern Highlands.

However, there are other fascinating gardens in Harare where there is hardly a tree or a blade of grass to be found, and these are the sculpture gardens that dot the city. The Shona people who inhabit Central Zimbabwe have provided the





world with an astonishing pool of talent in the visual arts, and a huge proportion of the world's most highly-regarded sculptors have made their names in Harare. As times have grown hard, several artists have emigrated to greener pastures, but those who remain still produce some amazing and thought-provoking original work. The best known sculpture garden, Chapungu Sculpture Park, was founded in 1970 by Roy Guthrie, an avid champion of African art. Sadly, the collapse of the Zimbabwe business tourism sector has been mirrored by decline of the Chapungu Sculpture Park, which, although it still staggers along from crisis to crisis, is a shadow of its former self.

The indomitable creative spirit of Zimbabwe's sculptors' means that their art has not died out, and some of the pieces being produced today are masterpieces that match and even surpass anything from the past. On the airport road stands the Shona Sculpture Gallery, which for some enthusiasts, has picked up the torch of Chapungu, and when coming from the airport or heading back there, the visitor can spend some rewarding time viewing and appreciating the work on display. There are still plenty of other galleries and gardens dotted around Harare and

the sculptors who produced the works on display are often on hand to talk about their pieces. A unique, original work of art can be had for as little as \$50 and rarely do works, even the very finest, command prices in excess of \$2,000. Some such pieces are picked up for a song, only to reappear in upmarket galleries in European and American cities at a massive mark-up.

The artistic talent of Zimbabwe is not limited to stone sculpture, and the best place to get a good understanding of what the country's artists are capable of is the National Gallery of Zimbabwe, which is celebrating its diamond jubilee this year. It is located at the corner of Main Street and Leopold Takawira Avenue and, although it is primarily a repository of the works of established artists, it does offer space to less well-known artists. It features every oeuvre, including paintings, ceramics, and handicrafts, as well as sculpture, and there is a shop where a wide range of works of art and gifts can be found.

When planning a visit to Harare, or any part of Zimbabwe, it is important to remember that it is a cash economy, and the only currency that has any predictable value is the United States Dollar. The Zimbabwe Dollar went out of circulation ten years ago when prices in the local currency reached inflation levels of so

many hundreds of millions of a per cent that it was no longer possible to keep pace with the calculation of what the rate of inflation was. So the visitor needs to carry an adequate supply of Dollar cash bills to cover every possible contingency, and it is advisable to have plenty of small denomination notes, because nobody gives change in real US Dollar notes.

Zimbabwe has a unique financial instrument called the Bond Note, issued by the Reserve Bank of Zimbabwe, but denominated in United States Dollars. It is legal tender, so if someone offers it to you as change, or for a purchase, you cannot legally refuse to accept it. But in reality the Bond Note does not have the same real value as a regular Dollar bill. Anyone who can, takes real Dollars and gives Bond Notes as change, a classic illustration of Gresham's Law. Do not even rely on being able to get notes of any kind from a cash machine using your international debit or credit card, sometimes cash of any type cannot be found in any bank.

But do not let the problematic economy and tough times deter you from taking a trip to Harare. The people are still as cheerful and welcoming as ever, and if you time your visit to coincide with the Jacaranda Festival, a profusion of blooms will cheer up even the dullest day.

# FAKE RESEARCH

## Ensuring that research is ethical, accurate, and reproducible

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

If one enters the phrase “Fake Research” into Google, one discovers that there are one hundred and thirty five million sites that deal with the topic. A book has been published recently entitled “Fake Science”, written by an honest American journalist, Austin Ruse: the full title of the book is: “Fake Science: Exposing the Left’s Skewed Statistics, Fuzzy Facts, and Dodgy Data”. Enter the phrase “Fake Science” into Google, and one finds that the subject is examined on one hundred and sixty million sites. The Amazon site on which the book is for sale has many books dealing with the same subject. A commentator on Ruse’s book writes: “If you listen to any political argument, you’re eventually bound to hear something like: ‘The science is settled on this.’ Or: ‘Just look at the statistics!’ Or: ‘There have been studies that say...’ You’d think we were living in the golden age of science and reason. ‘But the truth is far more sinister’, says Austin Ruse. We’re actually living in the age of the low information voter, easily misled by all-too-convincing false statistics and studies. In ‘Fake Science’, Ruse debunks so-called ‘facts’ used to advance political causes one after the other, revealing how poorly they stand up to actual science”. It seems as if we are finally discovering that we are surrounded by much fake “knowledge”: actually the phrase “fake knowledge” is a contradiction in terms – “knowledge” can be defined as “facts, information, and skills acquired by a person through experience or education; the theoretical or practical understanding of a subject”. So can one have a “fake fact”? Possibly, if the “fact” is not true – but then it is not a “fact”.

I was speaking to a gentleman recently who advised me to spend more time doing research. Research can be defined

as: “the systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions”. When one carries out real research, one is making a contribution to knowledge. One study on the financial management of public schools in a part of Kenya made the suggestion that: “Schools should find other ways of raising finance to lessen the strain on parents and the government as far as funding is concerned. This will help open up the budget to include items that are necessary to make the schools offer quality services”. Let us ponder for a few moments to see the validity of the proposal: some schools do grow their own fruit and vegetables (should it be “fruit” or “fruits”? A dictionary states: “‘Fruit’ is a noun which is both countable and uncountable: so the plural of ‘fruit’ can be either ‘fruit’ or ‘fruits’: when ‘fruit’ is a group collectively and in a non-specific way, the plural is ‘fruit’ – ‘You should eat five servings of fruit and vegetables every day’: when emphasizing the different kinds of ‘fruit’, then ‘fruits’ can be used – ‘my three favorite fruits are bananas, pineapples and water melons’: the dictionary adds: ‘If you are not sure which to use, the safest thing is to just use ‘Fruit’ all the time’”). Some schools have their own pigs and cows. Some schools may sell cakes, other eatables and even clothes to outsiders. But does “the budget now include items that are necessary to make the schools offer quality services”. What is the validity of much of the research that is conducted by academics? Should academic institutions pay more attention to “research” or to producing people who are assets in the workplace from the first day they start working? A Chief Executive Officer of a company quoted on the Nairobi Securities Exchange, when he left university, resolved to himself that he

would ensure that from day one at work the person who employed him would never regret having taken him on board: at the end of a year he was appointed the manager of the nine people who had been recruited with him. Was the research he did at university instrumental in his being an asset?

But “fake research” is different to “poor research”. In Britain, the BBC has found that the scale of “fake research” in the UK appears to have been underestimated. Official data points to about 30 allegations of research misconduct between 2012 and 2015. However, figures obtained by the BBC under the “Freedom of Information” rules identified hundreds of allegations over a similar time period at 23 universities alone. This problem is not unique to the UK: there are growing concerns around the world over research integrity. Let me quote part of an entry from “<http://retractionwatch.com/>”, a website dedicated to “False Research”; “Several years ago, Chris Dames thought he had made an exciting discovery, a ‘secret sauce’ that would allow him to design a device using a novel mechanism. In a 2014 ‘Nature Communications’ paper, Dames—who works at the University of California at Berkeley—and his team described the first experimental results for the device, a photon thermal diode. A thermal diode conducts heat in one direction but not in the other, and in theory, could have broad applications—for example, provide barriers that shield buildings from excess heat or use computers. But two years later, in August 2016, a colleague thought he had discovered a fundamental error in the design of the experiments. Bair Budaev, who also works at the University of California at Berkeley, believed that the authors made ‘a fundamental symmetry



error' which invalidated their results".

What is the cure for dishonesty? Many people claim that regulation will solve the problem: but please put on your thinking cap and do some analysis of situations in your own life. A friend of mine was driving back to Nairobi from Mombasa a week ago: there was nothing wrong with his car and there was nothing wrong with his driving but he was stopped three times by the police: one policeman started the conversation by saying that the driver had committed a traffic offence because he had not put on the indicator when the policeman had instructed him to pull over – and so it went on. Regulation can be another avenue for dishonesty. In the UK, a parliamentary committee has begun an inquiry into the issue of fake research to reassure the public that robust systems are in place: the Chairman of the committee said "it was vitally important that people have confidence in research that is paid for by public funds - where research has been found to be fraudulent at a later point it has a big impact on the public - it leads to mistrust". Mistrust is not the most important consequence in my opinion. More importantly, fraud causes errors of judgement. The Chairman went on: "What we want to do is to investigate how robust the mechanisms are for ensuring that research is ethical, it is accurate, it is, to a degree, reproducible."

Universities often grade their academic staff more on their research output rather than on their ability to produce assets for the workplace: a research university claims to be superior to one that concentrates on teaching. Research output is measured by the number of papers published in peer reviewed journals. As a result, there are growing pressures on researchers to publish their work and obtain grants. But if one cannot find interesting results, one can invent them. But someone doing similar research may find one's research to be bogus. Does it happen? Retractions of scientific papers have increased about ten-fold during the past decade. A BBC investigation asked 24 research oriented universities in England, Wales, Scotland and Northern Ireland to reveal figures on allegations of research misconduct for academic years between 2011 and 2016. All but one university complied in full or in part. A total of 319 cases were reported between 2011 and 2016 among staff and research students. The actual number is likely to be higher as some universities



did not provide full figures. Of these 103 were upheld, 173 were dismissed and 43 are ongoing. Allegations that were upheld after investigation included: falsification of research; passing off others' work as one's own; and data in a published paper taken from other sources without due acknowledgement. The investigations led to at least 32 research papers being retracted as well as at least three PhD theses. These figures are likely to be an underestimate as some universities could not supply data on retractions. A spokesman for these universities said: "Our universities take research integrity seriously and work continuously to help staff and students maintain high standards of research. The UK has a global reputation for the quality of our scientific research. This is not least because our members are rigorous in their approach to research integrity."

Today, there are about 8,000 active "journals," publishing roughly 400,000 research articles a year, according to researchers who have published a new investigation in "Nature". Many of these journals are dishonest publications which convince scientists to submit their research, often through a barrage of spam emails. A dishonest publication does not perform any editorial or peer review, and after the paper is published (or put on the internet, at least), it will often ask for exorbitant "publication fees." This leads to wasted resources—including lab animals used in studies, and patient data—and scientific potential, as methods and results often are not up to scientific rigour or cannot be easily located by others who might want to consult their findings later on. Larissa Shamseer, a PhD candidate at the Ottawa Hospital Research Institute's Centre for Journalology, has stated that "I would say that the vast majority of researchers believe predatory journals are a problem of low income countries": however, contrary to that view, 57 percent of the 1,907 clinical and preclinical biomedical research papers included in the above-mentioned study, which were published in suspected predatory journals, were found to be from high or upper middle income countries, and often from prestigious research institutions. The authors of the investigative article point out: "What we show is that while the journals may be invented, so to speak, in low income countries, they're populated by researchers all around the world." The

**“What we want to do is to investigate how robust the mechanisms are for ensuring that research is ethical, it is accurate, it is, to a degree, reproducible.”**

investigators found that the US National Institutes of Health was one of the more common funders of research found in these suspected predatory journals. However, authors caution that this is not unexpected, because the US publishes more than any other country, most of it in legitimate journals.

The study authors estimate that data from 2 million clinical trial patients was found among the biomedical papers they analyzed. They also think that at least 8,000 lab animals were used unnecessarily. Many of these studies are "unindexed" - anything published does not show up in systems like "Medline" or "PubMed", databases of medical research; the scientific methods used in these papers were often found to be garbage - only three percent of the 200 randomly picked articles reported using blind control groups, and only 40 percent of the entire sample reported approval from an ethics committee, both of which are standard ways to prevent bias in scientific research. The solution: the investigative authors call for more stringent oversight from funders and institutions; more needs to be done to discourage people from padding their CVs with junk papers. In a bid to give tools to researchers to avoid getting burned, the study includes ways to identify fake publications - they

suggest watching for publications that have no retraction policy, bad spelling and grammar, and low resolution images. Unfortunately, predatory publishers are not just harming the researchers they scam - they are fundamentally threatening the advancement of science.

In China, an article published in the Postgraduate Medical Journal earlier this year after a study had been carried out by three Chinese researchers, Qi, Deng, and Guo, identified 250 retracted Chinese papers overall that were published in 48 journals by six publishers.

What about accounting research? On June 30, 2015 one of the US's premier academic journals of accounting retracted 25 articles co-authored by a once-renowned professor who specialized in corporate ethics but was later accused of "fabricating" data. The American Association of Accounting (AAA), the academic research wing of the American Institute of Certified Public Accountants, which publishes the "Accounting Review", issued the retractions based on a "pattern of misconduct" by James E. Hunton, who resigned from his position at Bentley University in Waltham, Massachusetts, a business school with nearly 6,000 graduate and undergraduate students. The retractions were first reported by "Retraction Watch". Hunton left Bentley University as the university was investigating reports that led it to conclude that he "fabricated" data in at least two, and perhaps many more, academic papers. The university advised all publications for which Hunton had written to review his work that involved research data. Based on such a review, the authors "to provide data or other information supporting the existence of primary data, or to confirm that their studies were conducted as described in the published articles." The Association "found no evidence that Dr. Hunton's coauthors were aware of or complicit in Dr. Hunton's actions."

One could argue that there is a very small number of fake study findings in accounting. But last year, a Canadian Certified Public Accountant, David Malamed, wrote an article about fake data in a study on "gays" and "same sex marriage". Why is an accountant looking at this fake research? Easy: Malamed is a partner in forensic accounting at Grant Thornton LLP in Toronto. He is an investigator by nature.





# ICPAK UNIVERSITY SCHOLARSHIP

## HELP OTHERS REACH THEIR PEAK!

The Institute of Certified Public Accountants of Kenya (ICPAK) will award merit based scholarships that would enable bright young students from financially disadvantaged families to pursue their dreams. ICPAK plans to sponsor 3 scholars every year to enjoy a full 4-year university education in the field of Accounting and Finance.

**Appeal:** You can support the Scholarship Fund by making a donation or adopting a scholar. To donate or adopt a scholar please log on to our website [www.icpak.com](http://www.icpak.com)







**DATE:**

21<sup>st</sup> - 25<sup>th</sup> November, 2017

**VENUE:**

Regal Airport Hotel,

# THE 22<sup>ND</sup> EXECUTIVE SEMINAR

## Theme: Circumspective Leadership

### TOPICS:

- Hong Kong as a business hub: lessons for the world
- A healthy board culture
- Achieving peak performance from millennials in management; optimal blend of expectations
- Integrated Reporting: what it means to the board
- Trends in corporate governance
- Social media for personal branding
- Emerging strategy financing options
- Overcoming failure

### Target Audience

Board Members, CEOs, MDs, CFOs, Board Committee members, Strategy and Governance Consultants, Heads of Government Units/Parastatals, County Governors, County Assembly Speakers, Senators, and other top level county executives in both public and private sectors, and all ICPAK Members.

Category	Normal Registration booking & payment or LSO/LPO received by 10 <sup>th</sup> November 2017
Members	KShs. 164,000 per delegate
Non-Members & International Delegates	Kshs. 174,000 per delegate

**CPD CREDIT**  
**20 Hours**

Accompanying Person package – ksh. 45,000

**Accommodation:**

Superior Single – BB – Ksh. 16,500

Superior Twin – BB – Ksh. 17,500

Contact us on Tel: (+254-20) 2304226/7, 020-8068570 020-806857.

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