



APPRECIATING STAKEHOLDER ENGAGEMENT WITH A FOCUS ON CONSIDERATIONS AND CHALLENGES

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APPRECIATING STAKEHOLDER ENGAGEMENT-CONSIDERATIONS AND CHALLENGES

Introduction



- ❑ WHO IS A STAKEHOLDER?
- ❑ WHAT DOES ‘STAKEHOLDER ENGAGEMENT MEAN?’
- ❑ WHAT DOES IT INVOLVE?
- ❑ WHY ENGAGE STAKEHOLDERS?
- ❑ SO WHAT IF WE DON'T? WE ARE KENYANS AFER ALL!

Introduction



WHO IS A STAKEHOLDER, GENERALLY?

“Stake holder” means a person who has interest in something. In our case as accountants under ICPAK, stakeholders are those who consume or are affected by our services.

Who are Our Stakeholders?



- ☐ National Treasury
- ☐ Central Bank of Kenya (CBK),
- ☐ Sacco Societies Regulatory Authority (SASRA),
- ☐ Insurance Regulatory Authority (IRA),
- ☐ Capital Markets Authority (CMA),
- ☐ Kenya Bankers Association (KBA),
- ☐ Audit firms operating in Kenya
- ☐ The Public.(Citizenry)

WHAT DOES “STAKEHOLDER ENGAGEMENT” MEAN?



More specifically, what does it involve? To “engage” is to involve, occupy, participate, take part in, engross, etc. Therefore “Stakeholder Engagement” denotes a commitment by, an involvement with, a participation by the stakeholders of our Accounting profession.

What is the importance of stakeholders?



To appreciate stakeholder engagement:

- we must first understand what they are established to do.
- That for which they are created to do might be one which affects us
- It might therefore come into our way, either negatively or positively if we engage or fail to engage.

WHY ENGAGE STAKEHOLDERS?



Because :

- it helps facilitate the *optimization of our functions as accountants.*
- stakeholders operate a very important space and role in our professional functions and well-being.
- Chiefly, professional regulations; so as to maintain a sane work environment for us and for stakeholders a like.

Why engage stakeholders?



- facilitative to our job and work, for instance: the smooth implementation of IFRs goes to great lengths in ensuring that the financial markets, standards etc. are stable and therefore offer us a secure room in which we can earn our bread and actualize our careers.
- Why then should we engage Stakeholders? What if we don't, after all, we are Kenyans, aren't we? (smile!)

STAKEHOLDERS' ROLES



(1) National Treasury:

❑ Derives its mandate from:

- Constitution of Kenya 2010,
- Public Management Act 2012
- Executive Order No.2/2013.

1) National Treasury- Role



- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- uniform accounting standards are applied by the national government and its entities. It does this in consultation with the Accounting Standards Board,
- Develop policy for the establishment, management, operation and winding up of public funds;

2) Central Bank of Kenya - Role

Created by the Constitution of Kenya 2010 and the Central bank of Kenya Act Cap 491.

□ Roles:

- *Monetary Policy* are decisions and actions taken by the Central Bank to ensure that the supply of money in the economy is consistent with growth and price objectives set by the government. The objective of monetary policy is to maintain price stability in the economy.

CBK - Bank Supervision



- ❑ *Entails Commercial Banks and Mortgage Finance Companies*
- Promotes financial stability through maintenance of a well-functioning banking system.
- CBs and MFs institutions are licensed and regulated in accordance with the provisions of the Banking Act and the Regulations and Prudential Guidelines issued thereunder.

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So:

- CBs and MFs are all subject to regulatory requirements governing their prudential position and market conduct
- Need is to order to safeguard the overall soundness and stability of the financial system.

National Payment System



Definition:

- refers to a system or arrangement that enables payments to be effected between a payer and a beneficiary, or facilitates the circulation of money,
- includes any instruments and procedures that relate to the system.

National Payment System



National Payments Systems are :

- the channels and conduits through which buyers and sellers of financial products and services make transactions
- are an important component of a country's financial system.
- Include CBK, Government, CBs, Financial Institutions & Payment System Providers

APPRECIATING STAKEHOLDER ENGAGEMENT-CONSIDERATIONS AND CHALLENGES

3) Sacco Societies Regulatory Authority (SASRA)



- ❑ Established under the Sacco Societies Act (Cap 490B)
- ❑ Sacco Societies (Deposit-taking Sacco Business) Regulations, 2010
- ❑ Role:
 - License Sacco societies to carry out deposit-taking business in accordance with this Act;
 - Regulate and supervise Sacco societies;

(3) Sacco Societies Regulatory Authority (SASRA)



- hold, manage and apply the General Fund of the Authority in accordance with the provisions of this Act
- levy contributions in accordance with this Act
- things as may be lawfully directed by the Minister and
- functions as are conferred on it by this Act or by any other written law

(4) Insurance Regulatory Authority (IRA)



Vide: the Insurance Amendment Act 2006

ROLE:

- to ensure effective regulation, supervision, and development of insurance in Kenya.
- to formulate and enforce standards ▯
- to issue licenses to all persons ▯
- to protect the interests of insurance policy holders and insurance beneficiaries

4) Insurance Regulatory Authority (IRA)



- To promote the development of the insurance sector
- To ensure prompt settlement of claims
- To investigate and prosecute insurance fraud

5)Capital Markets Authority (CMA),



- ❑ Created by the Capital Markets Act Cap 485A as amended in 2013
- ❑ independent government regulating agency responsible for
 - Supervising,
 - Licensing
 - Monitoringof markets of capital.

6) Kenya Bankers Association (KBA)



- ❑ Registered as an on 16th July 1962 by the Registrar of Trade Unions to:
 - negotiate terms and conditions of service for the member banks and their unionisable employees
 - standardize management practices so as to ensure harmony in the industry.

Considerations and Challenges in Engaging Stakeholders.



MAIN CHALLENGE:

- compliance IN THE JUNGLE of noncompliance *fanned by the larger moral ethical crisis* that plagues our society.
- this impacts heavily on whether or not we should engage the stakeholders.

Considerations and Challenges in Engaging Stakeholders.



IT IS A CRIMINAL OFFENCE TO GIVE FALSE INFORMATION TO AN AUDITOR

Considerations and Challenges in Engaging Stakeholders.



❑ *What then should we Consider in engaging Stakeholders?*

- Huge Corporate governance scandals are caused B.O.Ds failing to honestly and timely engage their shareholders.
- Misrepresenting performance so as to show a rosy picture of their performance.
- Misappropriating funds by diverting income into non-existent ventures.

8) The Public/Citizenry:



- Supreme Audit Institutions (SAIs): key government agencies which audit public funds.
- ARE THE MAIN INTERFACE WITH Citizen auditing or public participation in auditing.
- Citizens are crucial stakeholders
- In interacting and engaging with their stakeholders, SAIs must be objective and reliable..
- Critical among these stakeholders are citizens.

Changing Roles of SAIs and Citizens



- ❑ *Government to Governance: the way the governments function and the environment within which SAIs operate therefore, must be re-invented to help Auditors play their role in re-asserting a better Kenya. Why now?:*
 - Economic liberalization
 - Reduction of the role of the welfare state since 1980;
 - Globalization
 - Devolution

Changing Roles of SAs and Citizens



- Advancements in technology, means of communication, and transportation and
- Strengthening and consolidation of stakeholders outside the government including civil society and the private sector.
- The growing complexity of this environment.
- The responsibility and accountability of traditional power.

A PURPOSEFUL STAKEHOLDER ENGAGEMENT- BENEFITS:



- Increasing public awareness and knowledge of government policy, processes and performance
- Improving data quality (accuracy, consistency and timeliness)
- Shifting to open management
- Real time, instant, diverse feedback from the public
- Open collaboration with the public to solve complex issues

BENEFITS –continued.



- Collaboration for decision-making
- Ensuring integrated governance structures and processes for public engagement;
- Expanding the scope and depth of transparency, participation and collaboration capabilities
- A strong partnership in dealing with corruption , mismanagement and inefficiencies in public management

BENEFITS –continued.



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BENEFITS –continued.



- Increasing government accountability
- Creating and sustaining public interest and participation

□ *Why is it important?*

- **Audit** must be re-engineered to work *as tool for Social Change.*
- In “Considerations and Challenges” in Stakeholder engagement ask: how do we buttress AUDITING as a tool for social change?

CITIZEN PARTICIPATION



- Lawyers have played their part. How about yourself? In this endeavor, the following questions need to be addressed:
- Should Auditors link expenditure with results, and so help audit contribute more effectively to guide actions to results?

CITIZEN PARTICIPATION



- Should audit go beyond post-facto expenditure analysis and get involved more pro-actively during the planning and the budgeting phase?
- Since public expenditure is very much about the public, are there opportunities to involve citizens into the auditing process?

CITIZEN PARTICIPATION



- If so, how can this be achieved?
- what role can the media and civil society play?
- Integrity, Transparency, and Accountability (ITA) was stated to be the core of SAIs' (stakeholders) objectives for decades.

CITIZEN PARTICIPATION



- With a focus on poverty reduction and social orientation to development
- And on partnership for development between the private and public sectors and between Government and the citizen.

CITIZEN PARTICIPATION



- Information and communication technology (ICT) has created opportunities for information sharing and wider stakeholder response and participation/input in public policy and decision-making.
- With this, it becomes clear that stakeholder engagement evolve and mutate its roles thus:

CITIZEN PARTICIPATION



- Assist the legislature to carry out its constitutional responsibilities and legislative oversight;
- Assist in improving the performance of government; and
- Ensure accountability and transparency of government for the benefit of the citizens.

CITIZEN PARTICIPATION



- Stakeholder engagements must come upto speed
- use social re-engineering tool by using audits of past performance to DRAW lessons for today and tomorrow in the context of our national goals and vision 2030.(social Engineering)

CITIZEN PARTICIPATION



- Preventing and detecting fraud, waste, and abuse.
- Utilize participatory processes of *audit, Planning and Budgeting to bring social justice in line with UN Millennium Development Goals 2000*)

CITIZEN PARTICIPATION



- Any role for *people participation* in the audit of budget formulation and implementation?
- For *civil society organizations* in demanding and fostering fiscal transparency?

CITIZEN PARTICIPATION



- Do *government financial systems* and fiscal data support a comprehensive oversight and risk-based scrutiny of public spending in the social areas?
- and can these be linked back to the budget?

CITIZEN PARTICIPATION



- Preventing and detecting fraud, waste, and abuse
- A myriad of global example and experiences in participatory audit attest to the efficacious nature of AUDIT as a tool to empower citizens at the grassroots level,

CITIZEN PARTICIPATION



- Attainable and appropriate and purposive Stakeholder Engagement, especially with the civil society in the audit process.
- **BENEFITS ACCRUING FROM PURPOSIVE AND APPROPRIATE STAKEHOLDER ENGAGEMENT**

CITIZEN PARTICIPATION



- The International Federation of Accountants (IFAC) OPINES ALSO THAT similar benefits could accrue from a purposive engagement of stakeholders by SAIs.
- Increasing public awareness and knowledge of government policy, processes and performance; Improving data quality (accuracy, consistency and timeliness);

CITIZEN PARTICIPATION



- Shifting to open management;
- Real time, instant, diverse feedback from the public;
- Open collaboration with the public to solve complex issues;
- Collaboration for decision-making;
- Ensuring integrated governance structures and processes for public engagement;

CITIZEN PARTICIPATION



- Expanding the scope and depth of transparency, participation and collaboration capabilities
- A strong partnership in dealing with corruption², mismanagement and inefficiencies in public management

CITIZEN PARTICIPATION



- Creating and sustaining public interest and participation
 - Increasing government accountability (IFAC 2003, 4).
-
- A strong partnership in dealing with corruption , mismanagement and inefficiencies in public management

CITIZEN PARTICIPATION



- Creating and sustaining public interest and participation
- Increasing government accountability
- Compliance with the Regulations and the law
- A strong partnership in dealing with corruption , mismanagement and inefficiencies in public management

WE ARE KENYANS, AFTER ALL!



SHUKRANI TELE MWISHO