



CHAIRMAN'S *Newsletter*

JANUARY - MARCH 2018





National Chairman
FCPA Julius Mwatia

Fellow Accountants, I wish to take this opportunity to thank all of you for your fortitude, commitment and dedication towards furtherance of our profession.

As you are aware, the events of 2017 had not only strained our economic foundation but also tested our democratic ideals. The August 2017 elections, which was followed by the nullification of the presidential election, provided a fodder for mutual mistrust that only ended when H.E President Uhuru Kenyatta shook hands with H.E Raila Odinga and agreed to work together towards bequeathing Kenya, a united and a prosperous country. The entire Institute fraternity commend the two leaders and vow to support any initiative that will coalesce our people together, and ensure timely realization of Big Four Agenda and eventual realization of Vision 2030.

However, the country is still grappling with a myriad of challenges that require our urgent and unequivocal attention. These challenges include but not limited to; political squabbling, mismanagement of public funds at the two levels of government, corruption, insecurity, simmering tension between executive and the judiciary, environmental degradation (famine, drought & water security), ballooning public debt and unemployment.

In this regard, we are called upon to rise to the occasion and help individually and collectively to mitigate the impact of the highlighted challenges. To start with, we should borrow a leaf from US former president, JF Kennedy who challenged his fellow countrymen when he said, 'Ask not what your country can do for you but ask what you can do for your country.'

EDITORIAL:

Members of the Council

Chairman
FCPA Julius Mwatia

Vice Chairman
CPA Rose Mwaura

Chief Executive Officer
CPA Edwin Makori

Council Members
FCPA Pius Nduatih
FCPA Wycliffe Shamiah
CPA Geoffrey Malombe

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

Editor
Mbugua Njoroge

Staff Writer
Valerie Alusa

Management of Funds at the two Levels of Government

The local media has been awash with news of misappropriation of hard earned taxes at the two levels of government. It is incumbent to note that as professionals we have a duty of care to ensure that we discharge our professional obligations with finesse and precision of a sharpshooter. We should behave like Eneke the bird, in Chinua Achebe's *Things Fall Apart* which proclaims that 'Since men have learned to shoot without missing, I have learned to fly without perching.' It follows

that, since fraudsters have learned new tricks to defraud government entities, we as accountants should learn to deflate and scatter their diabolical plans.

As doormats of any financial transactions, we must ensure that our intent, actions and roles in such transactions are beyond reproach. If we act with care, guided by integrity, professionalism and credibility, then cases of corruption which are chocking to death our country and institutions will be a thing of the past.



Defiance of court orders

Ladies and gentlemen, the country has witnessed an upsurge of defiance of court orders. This portends groom and is tantamount to defiling the old age precept of rule of law which has remained a true cornerstone for civilized and functioning democracies around the world. We call

upon those serving in positions of authority to exercise their powers within the dictates of constitutional order. They must understand that constitutional delinquency does not pay but can boomerang and end up destroying the very institutions that they are seeking to safeguard.

Unemployment among the youth



Regarding the issue of youth unemployment, it is important for the government to move with speed and implement its Big Four agenda:

- Revitalization of manufacturing sector
- Food security
- Universal healthcare
- Affordable housing

The identified Big Four agenda has the potential of creating job opportunities for youth and propelling Kenya's development agenda to new frontiers. If the government lives up to its promise and boost the manufacturing sector, many jobs will be created. This

will ultimately subdue despondency that has become a hallmark of our unemployed youth.

However, for this to happen, the government should come up with incentives, review legal frameworks and tackle policy hinderances that stand in the way of vibrant manufacturing sector. One way of achieving this is through restricting imports or allocating quarters on some products to insulate local manufacturers from the vagaries of developed countries' manufacturing capabilities.

The government should also come up with incentives and subsidies that

would benefit cottage industries, agro-processing companies and other entities. Equally important, there is need for the government to ensure that Intellectual Property of Kenya's manufacturers are protected to safeguard against violation of these rights.

The government should consider re-introducing Geographical Indications Bill that was last presented in parliament in 2012. The issue of food production would benefit a great deal if the Bill regulating, protecting, and registering geographical indications in Kenya is put in place. This will ensure adequate value addition on agricultural produce.

Council activities

I would like to appraise you on the following activities and stakeholder engagements. The council is cognizant of the fact that for us to achieve our 2016-2018 Strategic Plan, constant engagement with our critical stakeholders is important. To this end the council held successful engagements with Auditor General FCPA Edward Ouko and the Deputy Head of Public Service Mr. Wanyama Musiambo.



South Rift branch Chairman CPA Francis Langat presents ICPAK policy brief on PFM to a Kericho County government official.

ICPAK and devolution Agenda

In line with devolved system of government, the Institute is keen to devolve its function and ensure that members working and residing in counties other than Nairobi get world class services from the Institute. The Institute established a physical branch office in Mombasa and has now opened the second physical office in Kisumu. The Office will serve Nyanza Branch which comprise of Kisumu, Siaya, Migori, Homa Bay, Kisii and Nyamira.

ICPAK team held meaningful engagements with county governments of Kericho and Narok. During meeting with Kericho County Government and ICPAK team led by FCPA Julius Mwatu hailed Kericho county for its goodwill and its willingness to engage with professional bodies like ICPAK. He expressed his optimism in that

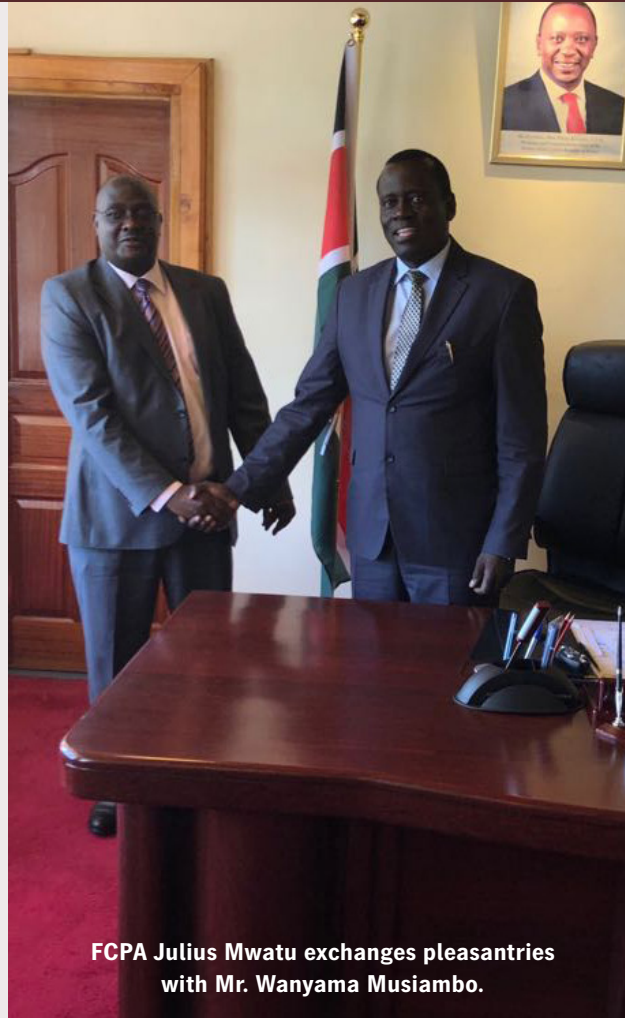


such collaborations will yield good results particularly in critical areas of public finance management. The Chairman revealed that the Institute will in the fullness of time establish a physical branch office as well as establish a CPA centre in Kericho. The Ag. Governor thanked ICPAK for the proposed initiatives at the County noting that Kericho government will extend necessary support in such endeavor. Kericho town is the headquarter of South Rift Branch. The Branch covers Kericho, Bomet and Narok Counties.

Meanwhile, ICPAK team led by CPA Fred Riaga made a courtesy call to the county government of Narok. The governor thanked the Institute for its continued role of safeguarding public interest and invited ICPAK Chairman to visit the county to discuss issues of mutual concern.

ICPAK to Partner with the Executive Office of the President (EOOP)

FCPA Julius Mwatu together with Vice Chairman CPA Rose Mwaura and CEO CPA Edwin Makori made a courtesy call on Mr. Wanyama Musiambo, the Deputy Head of Public Service in his office at Harambee House. During the meeting FCPA Mwatu and Mr. Musiambo discussed at length on the need to bring into effect an MoU that will allow flawless collaboration between ICPAK and the EOOP. In the MoU ICPAK has committed to: offer technical support in development of policy where its expertise is relevant; establish a pool of expert volunteers and professional advisors for access by the parties as and when needed; offer technical support in enhancing budget implementation, monitoring and execution; provide capacity building on technical aspects of



FCPA Julius Mwatu exchanges pleasantries with Mr. Wanyama Musiambo.

public financial management; provide capacity building of Audit Committees and to enhance quick and objective Disciplinary action to errant members.

On its part, the EOOP is expected to: incorporate the Institute as a technical partner; facilitate consultations on development and implementation of government policies; engage expert volunteers and professional advisors in the various assignments as and when needed; partner with the Institute in the appointment and evaluation of professional accountants to various boards and entities in the public sector; collaborate in enhancing accountability in the public sector through joint ventures, programmes and activities; and partner in any other engagements as shall be mutually agreed from time to time.



A meeting of minds.



From left: CPA Okello, CPA Rose Mwaura, FCPA Julius Mwatu, Mr. Wanyama Musiambo and CPA Edwin Makori.

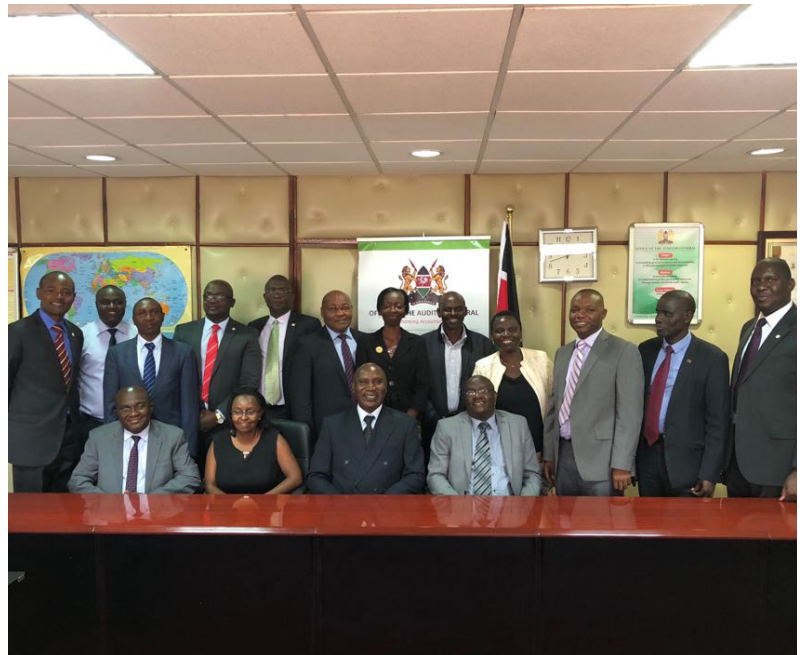


FCPA Edward Ouko

OAG Meets ICPAK Council

During our meeting with the Office of the Auditor General it was agreed that the Institute continues to engage robustly with his office. During a meeting between ICPAK Council and FCPA Edward Ouko the two entities agreed to collaborate in provision of audit work that may entail development of a framework where OAG shall seek the services of ICPAK practitioners on contractual basis. The Parties committed themselves to providing professional quality review and assurance and provide a platform for engaging private auditors who are sub-contracted to do public audit work.

Additionally, the parties agreed to develop jointly an accreditation programme to qualify auditors to audit the identified sectors in the economy. The programme shall be subject to periodic review by ICPAK and OAG. "The parties shall exchange and share information through information through technical bulletins, journals, holding of joint workshops, seminars, exchange visits and attachments of the staff of the two parties where relevant," said FCPA Julius Mwatu.



ICPAK Chairman FCPA Julius Mwatu (seated far right) with Auditor General FCPA Edward Ouko. He is flanked by ICPAK Vice Chairman CPA Rose Mwaura, ICPAK CEO CPA Edwin Makori, ICPAK council members and officials from OAG.



ICPAK Chairman FCPA Julius Mwatu, Auditor General FCPA Edward Ouko and ICPAK CEO CPA Edwin Makori pose for a photo after the meeting.

Launch of Firm Management Guide

Professional accountants play a crucial role in the country's economic development. They contribute to the credibility of the financial statements which in turn builds the confidence of the shareholders, regulators and financiers in financial reporting. As such, delivery of high quality work should be the guiding principle for a practitioner. The International Financial Reporting Standards and International Standards on Auditing have shaped financial reporting and the auditing profession. Frameworks built on these technical accounting standards can only be delivered by persons with the technical know-how on the workings of these standards.

Towards this end, the Institute has launched 'Audit Firm Management Guide,' that aims at helping practitioners in their professional assignments.

"The guide will among others; equip ICPAK practitioners with technical skills and knowledge to be competent and efficient in the market; expose practitioners to soft career skills such as human resources development and retention, branding and marketing that are essential for the growth of their firms; impart the professional accountant with practical



ICPAK Chairman FCPA Julius Mwatu officially cuts the ribbon.



ICPAK Chairman FCPA Julius Mwatu (left), ICPAK Vice Chair CPA Rose Mwaura, ICPAK Council member FCPA Denish Osodo and ICPAK Chief Executive Officer CPA Edwin Makori hold copies of Firm Management guide.



ICPAK Vice Chair CPA Rose Mwaura (left) shares a word with CPA Cliff Nyandoro (ICPAK Manager Technical Services) and CPA Nebart Avutswa (ICPAK Ag. Chief Manager Member Services) during the launch.

knowledge on partnerships, mergers and acquisitions in the accountancy profession. It will also leverage on partnerships with other professionals to complete the value chain to clients; capacity build practitioners on important firm operational aspects such as revenue management, work flow management and utilization of audit techniques and tools," said FCPA Julius Mwatu during the launch of the Guide at the Hilton Hotel.

In summary the guide aims at honing the skills of practitioners to be efficient in the ever-competitive global economy. It will also enhance compliance to the professional requirements of practitioners in providing assurance services.

Moreover, it will improve the understanding of practicing members on their professional requirements. This in turn will lead to improved quality of services provided by practitioners.

It will also help practitioners to address opportunities and challenges; improve their competitiveness, profitability, and create an environment conducive to the provision of high-quality services.

"It is our hope that through this Guide, practitioners will be able to conduct their businesses seamlessly," FCPA Julius Mwatu noted in his key note address.

New KCA Board of Trustees (BoT) Appointed

FCPA Michael Waweru has been appointed as the new Chairman of KCA University Board of Trustees. The other members are FCPA Julius Mwatu, current Chairman ICPAK, FCPA Isaack

Shabir, CPA Dr. Winnie Nyamute and CPA David Abwoga. The newly appointed members will serve for a term of two years, effective 1st November 2017. The Council is in the process of

finalizing the appointment of remaining members. "I wish to most sincerely thank the outgoing BoT for having offered tangible leadership during their tenure," said FCPA Julius Mwatu.



New KCA Board of Trustees (from left): FCPA Isaack Shabir, CPA Dr. Winnie Nyamute, FCPA Julius Mwatu ICPAK Chairman, FCPA Michael Waweru and CPA David Abwoga



Doors Open at the Nyanza Branch



The Institute officially opened its second physical branch office in Kisumu on 16th March 2018. The new office is located at Mega Plaza, 2nd Floor. The branch office was officially opened by Mr. Nerry Achar CEC Finance, Kisumu County. Others who attended the inauguration ceremony included ICPAK Chairman FCPA Julius Mwatu, CPA Rose Mwaura, ICPAK Vice Chair, ICPAK Chief Executive Officer, Council members, ICPAK branch leaders among others. The new Branch is expected to bring services closer to more than 300 members in Nyanza region.



Inaugural ICPAK Youth Members Forum Held

The Institute held the Inaugural ICPAK Youth Members Forum on 12th March 2018 at Hilton hotel. The forum was aimed at updating participants on the plans and activities of the Institute targeting young members. The forum was also used to get feedback on their expectations from the Institute. The forum was graced by ICPAK Chairman FCPA Julius Mwatu and ICPAK Council members.



FCPA Julius Mwatu.



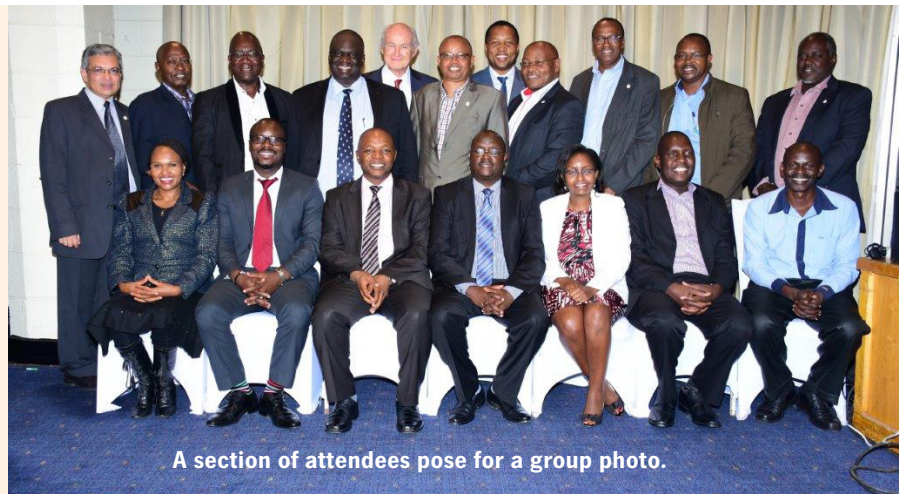
ICPAK Chairman FCPA Julius Mwatu (second left), ICPAK CEO CPA Edwin Makori, ICPAK Vice Chairman CPA Rose Mwaura, Council members-CPA Samuel Okello and CPA Susan Oyatsi during the event.



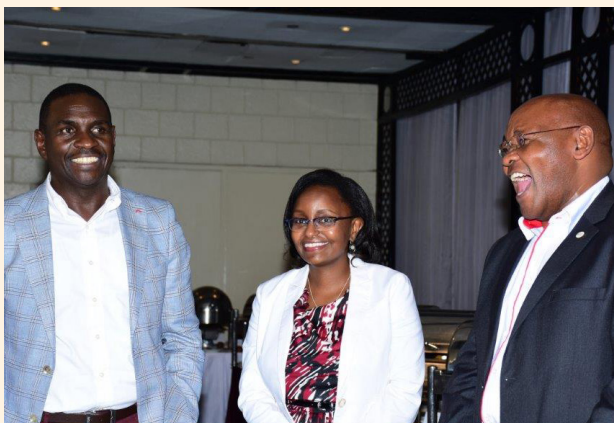
ICPAK youth members at the forum.

ICPAK Hosts 2nd Fellows Dinner

The 2nd ICPAK Fellow's dinner was held on 9th March 2018 at Intercontinental Hotel. The meeting brought together Fellows of the Institute and were appraised on ICPAK's strategy and governance of the profession. Among the attendees were ICPAK Chairman FCPA Julius Mwatu, ICPAK CEO, ICPAK past chairmen and Fellow members.



A section of attendees pose for a group photo.



ICPAK former chairman FCPA Benson Okundi (left), ICPAK Vice chairman CPA Rose Mwaura and FCPA Pius Nduatih share a light moment.



ICPAK CEO CPA Edwin Makori (second left), FCPA Joe Gichuki, ICPAK former Chairman FCPA Steve Lugalia and FCPA Jim McFie in a jovial mood.

County Visits Engagements

The Institute paid a courtesy visit to the county assembly of Siaya on 15th March 2018. During the meeting, ICPAK Chairman FCPA Julius Mwatu engaged with the Deputy Clerk of Siaya county Mr. Erick Ogega and pledged Institute's desire of building capacity for the Finance

and Planning committees. He also pledged to work closely in order to enhance the role of Public Investment Committee (PIC) and Public Accounts Committee.

The Institute also paid a courtesy visit to Deputy Governor Dr. James Ouko Okumbe and County Secretary Dave Anyona Kanundu. Among the issues discussed during

these meetings included on how to support accountants working within the county government as way of improving their professional output and maintaining their membership status.

FCPA Julius Mwatu met with CPA's working within Siaya County and discussed issues that they felt needed national office intervention.



Mentorship program
at Ngiya High School.

School Mentorship Programs

ICPAK Chairman, FCPA Julius Mwatu paid a visit to Obambo mixed secondary school and Ngiya High School respectively. During the visits, the Chairman extolled the virtues of Accountancy profession. At the same time, the Institute pledged to donate Ksh.50,000 towards Obambo Mixed Secondary School development projects.



Mentorship program
at Obambo mixed.

Ladies Leadership and Accountability conference



From left; CPA Jeniffer Kamande-AWAK Chair, CPA Susan Oyatsi-ICPAK Council member, CPA Rose Mwaura-ICPAK Vice Chairman, FCPA Julius Mwatu-ICPAK Chairman, Pilomena Mwilu-Deputy Chief Justice, a delegate and Illuminate Maerere.



Delegates at the conference.

Courtesy Visit to Kenya Ferry Services

FCPA Julius Mwatu, ICPAK Chairman paid a courtesy visit to the CEO of Kenya Ferry Services CPA Hamisi Gowa. During the visit the Chairman urged qualified CPAs working for KFS to register with Institute and to take advantage of ICPAK's vibrant CPD programmes. On his part, CPA Hamisi

requested the Institute to work closely with the office of the Auditor General to build capacity for the auditors in order to enhance the quality of financial in compliance with Chapter 12 of the Constitution and Public Finance Management Act of 2012.



FCPA Julius Mwatu ICPAK Chairman (left), CPA Hamisi Gowa and Coast branch Chair CPA Yusuf Juma during the visit.

PAFA to Adopt Integrated thinking and Reporting

66

By CPA Patrick Kabuya, Senior Specialist, World Bank Group

It is in the interest of our continent that African countries start implementing Integrated Reporting (IR) as it is the future of reporting and of the accountancy profession. Besides enabling Organizations to provide a fuller and better picture of their ability to create value over the long term, it will result in auditors not only auditing 20% of Organizations' value (financial), but also playing a role in the assurance of the other 80%

(intangibles)." So, urged Prof Mervyn King, during the inaugural meeting of the Africa Integrated Reporting Committee (AIRC), which he chairs.

The Committee was established by the Pan African Federation of Accountants (PAFA) and the World Bank Group (WBG) to provide strategic thinking, and promote and support the adoption of integrated thinking and IR in Africa.



ICPAK Chairman with a section of PAFA Board members in South Africa.

BUSINESS



CHEAPER OPTION
Kenya Tea Development Agency connects five more of its factories to own power as it looks to cut operating expenses. PAGE 54

Economy > Association says little progress has been made from the austerity measures in place

Accountants urge tax reprieves to create jobs, seal revenue gaps

ICPAK says move will result in more factory set up that will widen revenue base for taxman

BY CHARLES MWANIKI
cmwaniki@ke.nationmedia.com

Kenya can increase domestic revenue and reduce the growing fiscal deficit by using tax incentives to encourage investment in job-creating industries that will help widen the country's tax base, the professional accountants body has said.

The Institute of Certified Public Accountants of Kenya (Icpak) chairman, Mr Julius Mwatu, said yesterday this was an alternative to the austerity measures, "which have proven futile in recent years".

Tax holidays
The incentives, include tax holidays, exemption from duty and VAT on imports of raw materials and other inputs for manufacturing, and investment allowance on plants, machinery, equipment and buildings. Employers can also get tax rebates for hiring fresh graduates, a scheme that is already being rolled out in the country.

"We want to have tax policies, which encourage investment and do not chase away investors so that we create jobs that will in turn raise our tax revenue. The government must also work hard to seal the tax loopholes that cause revenue leakages," said Mr Mwatu, on the sidelines of Icpak's economic symposium in Nairobi yesterday.

Excesses in budget
"The Treasury also needs to address the issue of excesses in the recurrent budget, which is where the Integrated Financial Management Information System (IFMIS), when fully implemented, will play a big role since it will track public finance transactions all the way until payment."

Job creation has not been in tandem with the growing population, putting a heavier load on those paying tax to meet the needs of the large number of a non-contributing population.



4.6 The trillions of shillings that Kenya owes in public debt

"We want to have tax policies, which encourage investment, not chase away investors so that we create jobs that will in turn raise out tax revenue"

Institute of Certified Public Accountants of Kenya chairman Julius Mwatu

(From left) Control Risks cordially associate director Patrick Mutu, senior partner and managing director, East Africa, Daniel Neal and chief executive officer, Europe and Africa Nick Allan during the launch of Risk Map 2018 at Capital Club in Nairobi yesterday.

been failing to hit the target amid a rising budget, leaving the Treasury with no option but to borrow from both the domestic and external markets to cover the gap.

The public debt now stands at Sh4.6 trillion, having more than doubled from Sh1.8 trillion some five years ago.

The country's fiscal deficit stands at 8.9 per cent, with efforts to bring this down last year hampered by heavy spending on food and standard gauge railway construction imports, the former due to a biting drought.

Cutting the recurrent budget has also proved a difficult nut to crack for the Treasury, mainly attributed to an ever-rising wage bill, partly due to the

BRIEFLY

AGRICULTURE

Meru eyes Sh500m coffee revival deal

Meru County is negotiating a Sh500 million low-interest loan from the Cooperative Bank to revive its ailing coffee sub-sector. The plan involves payment to farmers after delivery of cherry and a second payment known among the tea fraternity as bonus. The money will enable the Meru County Coffee Millers Co-operative Union to pay growers for deliveries even before milling and marketing. The county executive in charge of Trade, Tourism, Investments and Cooperatives Mr Maingi Mugambi, said they were about to conclude the talks for the deal to fund the miller. "The money will be available when the miller needs it and will be repaid at a very low interest rate," he said in an interview at the county headquarters yesterday.

—Githungu Muregi

HORTICULTURE

Flower grower plans solar power project

Flower producer and exporter Oserian Development Company has applied for the variation of its 2 megawatt geothermal power generation licence to include harnessing of solar energy. The firm, which uses geothermal steam to power its business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to install solar panels on the roof. It plans to submit its variation request in a fortnight and has invited an individual or firm likely to oppose the plan to do so in writing. It will submit to the Energy Regulatory Authority the variation request on March 8. Oserian becomes the second firm to seek a licence to produce power from the sun after the 5,000-acre Tatu City in Kiambu.

—James Karuki

HUMAN RESOURCE

Bad leaders dim public sector, says institute

Poor leadership is to blame for the wanting delivery of services in the public sector. Kenyan Institute

In the News

Speak out on issues, Auditor General urges accountants

Auditor General Edward Ouko has urged accountants to do more than just organising forums if they are to arrest rampant wastage of resources.

Speaking at an economic symposium convened by the Institute of Certified Public Accountants that started in Nairobi yesterday, Mr Ouko said Kenyans

were desperate for a voice of reason and it was worrying when professionals took a back seat.

He said accountants and auditors, usually charged with scrutinising expenditures, should reflect on their contribution to pertinent economic issues such as debt management, food security and affordable health care.

"Do not end at symposiums. Go and make useful noises in the right policy forums. Be restless and remain engaged so that your influence is reflected in those policy directions and decisions," said Ouko.

He said while there was no doubt about Kenya's economic

progress, professionals should lead the way in asking Government valid questions.

He urged accountants to interrogate his reports and keep key issues alive so that they are addressed, adding that the country is taking too long to tackle corruption.

"Our citizens silently expect

us to arise with a sword and slay the dragon of corruption. We have prepared the sword long enough and it is time to act."

He asked accountants to join hands with other professionals in determining county projects instead of leaving the process at the mercy of politicians. [Patrick Alushula]

Business Hub

Kenya starts dollar bond sale despite IMF hurdle

Country cannot access standby credit facility at the moment because conditions have not been met

Kenya began a dollar bond sale yesterday that analysts said could reach \$3 billion (\$800 million), hours after the International Monetary Fund said the country cannot currently access its \$1.5 billion (\$152.1 billion) standby credit facility because conditions have not been met.

Clarifying comments made by its representative in Kenya, Jan Mikkelson, a day earlier, the IMF said the credit facility would remain in place until March 31 but that access was "subject to policy understanding to complete the outstanding reviews".

Mikkelson had told Reuters on Tuesday that access to the two-year precautionary facility was lost in June because a review was not completed due to Kenya's extended election season.

The precautionary facility was put in place two years ago to cushion any unforeseen external shocks that could put pressure on Kenya's balance of payments.

The East African economy has not tapped the facility, which was preceded by a smaller standby one-year credit line in 2015, as foreign exchange reserves held by the central bank have soared to record highs.

"The facility is in place but permission to access it has been withdrawn," said Kenyan economist Annette Were.

"This comes at a bad time... we've seen Moody's (credit rating agency) downgrade to B2 from B1, and this is



Institute of Certified Public Accountants (ICPAK) chief executive Julius Mwatu (left), Chairman Julius Mwatu (center) and vice chair Rose Mwaura during the 26th Economic Symposium in Nairobi on yesterday. The conference focused on public debt, the Budget Policy Statement, Jubilee government's Big Four Agenda and the rule of law (see story below). PHOTO: NELLIE MUTURU

particularly important in the context of Kenya trying to raise a eurobond." The country started a sale of 10- and 30-year dollar bonds on Tuesday, with the 10-year debt marketed at an indicated yield of 7.825 per cent and the 30-year note at 8.625 per cent, Thomson Reuters news and market analysis service IFB reported.

Analysts said the pricing of the 10-year bond represented a premium of about 58 basis points to Kenya's out-

standing debt. That reflected worries over Kenya's wide fiscal gap, they said, but could also be intended to boost demand. "These are very high rates the government is offering and therefore my conclusion is the government is pricing these bonds to clear up to \$3 billion (\$304.6 billion)," said Ahy Khan Satchu, an independent trader and analyst in Nairobi.

The IMF has expressed concern over Kenya's fiscal deficit but government officials have said borrowing is needed to fund the government's ambitious infrastructure plans, a key plank of President Uhuru Kenyatta's successful re-election campaign.

Kenya's total debt has risen to about 50 per cent of GDP from 42 per cent in 2013, as it borrowed locally

and abroad to build infrastructure including a new railway line from Nairobi to the port of Mombasa. When Kenya secured the precautionary facility, IMF officials said it was a recognition of its stable economic fundamentals, as that type of facility is usually reserved for more developed emerging economies.

But investor worries have grown due to the gaping fiscal deficit and sluggish private sector credit growth, after the government capped lending rates at 14 per cent in 2016.

"The interest rate controls should either be eliminated or significantly modified to allow banks to price risk properly and thereby promote an increase in credit to the private sector," said Mikkelson.

—NEUTRUS

50%
Kenya's total debt to the Gross Domestic Product up from 43 per cent in 2013

ICPAK asks government to fast-track bills

by James Homanyi

ICPAK

Institute of Certified Public Accountants of Kenya (ICPAK) yesterday called on the government to speed up the enactment of the Kenya Credit Guarantee Scheme Bill to help Small and Medium Enterprises (SMEs) access cheaper loans.

The interest rate cap regime has led to compressed credit in the market, something that has seen SMEs face difficulties in accessing credit, dampening the growth of the sector as some of the enterprises opt to close shop.

To remedy the situation, ICPAK is

now appealing to the government to fast-track the passing of the Bill that has been shelved for sometime to give a lifeline to the sector.

Speaking during the ongoing 26th Economic Symposium at a Nairobi hotel, ICPAK Chairman Julius Mwatu observed that the government's new "Big Four" plan, especially the manufacturing sector, will not progress without the banking sector input.

"We urge the Government to accelerate the enactment of the Kenya Credit Guarantee Scheme Bill to further support access to credit by Small and Medium Enterprises and guide structured implementation and de-

velopment of a vibrant Credit Guarantee Scheme that enhances a Public-Private Partnership (PPP) Structure," said Mwatu. "Furthermore, the financial sector should expand its loan portfolio to conform with the recent fiscal legislation particularly the Movable Property Security Rights Bill which

was recently assented into law. With the Act in place, the lenders should now provide credit facilities that use movable property as collateral. The Act also creates an online electronic collateral registry," he added.

On provision of 500,000 low cost housing units in the next five years, ICPAK has proposed to the government to prioritise review of the National Construction Authority Act, Built Environment Bill, and related legislations to ensure they address matters of sustainable building standards and design procedures for sustainability and safety of the housing sub-sector.

Briefing



KRA prohibits stripping of Zanzibar-bound cargo

LAM: The Kenya Revenue Authority (KRA) has prohibited stripping of cargo containers at the port of Mombasa before forward transport by dhows to different agents in Zanzibar. The move is intended to control ocean carrying where load is occupied in the sea, discovering its way into the nearby East African Community markets. Stripping includes offloading different little relocations from a solitary compartment. Because of load diversion, the volumes of cooking oil bound to Pemba and Unguja have outperformed the utilization limit of the in the sea. KRA seized consumable oil cleared at Old Port in the godowns of Mombasa in December last year. This focuses towards the redirection excluding from stripping. —ROBIN OBINO

KMC Athi River plant prepares for a face-lift

MODERNISATION: A modernisation exercise that will cost Sh500 million, will see Kenya Meat Commission (KMC) Athi River boost meat production and bridge Kenya's food security needs.

The meat processor will have its critical machines, dating 70 years replaced with modern machines by a turkey company. The installation is expected to be complete in two weeks giving the plant a new face. The modernisation will also reduce human contact with meat. Digital processors to slaughter the animals shall be introduced with minimal man power, digital dehorning and de-hiding which currently are done manually. With digitisation of the plant the daily production is expected to increase from the current 300 heads to 2,000 per day and high quality hides and horns are expected to create more revenue. —CRISTINE MUSA

Be Forward auto firm makes come

VEHICLES: A company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

vehicles, a company, Be Forward, a Kenyan deserting yesterday, has made a

MONEY & MARKETS

Accountants say tax breaks way to spur revenue growth

POLICY ICPAK believes that the current fiscal consolidation approach has failed

Charles Mwaniki

cmwaniki@ke.nationmedia.com

Kenya can raise domestic revenue and shrink growing fiscal deficit by using tax incentives to encourage investment in job-creating industries, which will widen the country's tax base.

The Institute of Certified

Public Accountants of Kenya (ICPAK) chairman Julius Mwatu yesterday said the approach can work as an alternative to fiscal

consolidation through austerity measures, which has proven a futile effort in recent years.

Such incentives include tax holidays, exemption from duty and VAT on imports of raw materials and other imported

inputs for manufacturing and investment allowance on plant, machinery, equipment and buildings.

Employers can also get tax rebates for hiring fresh graduates, a scheme that is already being rolled out in the country.

"We want to have tax policies which encourage investment, not chase away investors so that we create jobs that will in turn raise out tax revenue. The government must also work hard to seal the tax loopholes that cause revenue leakage," said Mr Mwatu on the sidelines of an economic symposium in Nairobi.

"The Treasury also needs to address the issue of excesses in the recurrent budget, which is where the Integrated Financial Management Information System

(IFMIS) when fully implemented will play a big role since it will track public finance transactions all the way until payment."

Kenya's job creation has not kept up with the growing population, putting a heavier burden on those paying tax

to meet the needs of the larger number of non-contributing citizens.

Tax collection has therefore been failing to hit the target amid a rising budget, leaving the Treasury with no option but to borrow from both the

domestic and external markets to cover the deficit.

Public debt now stands at Sh4.6 trillion, having more than doubled from Sh1.8 trillion five years ago.

Kenya's fiscal deficit stands at 8.9 per cent, with efforts to bring this down last year hampered by heavy spending on food and SGR imports, the former due to a biting drought.

Cutting the recurrent budget has also proved a difficult nut to crack for the Treasury, mainly due to an ever rising public wage bill and also partly due to the extra staff hired by counties.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.



REVENUE ICPAK chairman Julius Mwatu and vice chairperson Rose Mwaura during a Press conference on Public Debt, Budget Policy Statement at the Safari Park Hotel, Nairobi yesterday. —SALATON NJAU

(IFMIS) when fully implemented will play a big role since it will track public finance transactions all the way until payment."

Kenya's job creation has not kept up with the growing population, putting a heavier burden on those paying tax

to meet the needs of the larger number of non-contributing citizens.

Tax collection has therefore been failing to hit the target amid a rising budget, leaving the Treasury with no option but to borrow from both the

domestic and external markets to cover the deficit.

Public debt now stands at Sh4.6 trillion, having more than doubled from Sh1.8 trillion five years ago.

Kenya's fiscal deficit stands at 8.9 per cent, with efforts to bring this down last year hampered by heavy spending on food and SGR imports, the former due to a biting drought.

Cutting the recurrent budget has also proved a difficult nut to crack for the Treasury, mainly due to an ever rising public wage bill and also partly due to the extra staff hired by counties.

ENERGY



PLAN A worker at Oserian farm. —FILE

Oserian seeks nod to produce solar power

James Karuki

jkaruki@ke.nationmedia.com

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

Flower grower and exporter Oserian Development Company has applied for variation of its two megawatt (MW) geothermal power generation licence to include harnessing of solar energy.

The firm, which uses geothermal steam to power business—from lighting hundreds of staff houses to heating its greenhouses at night—plans to utilise roofs for laying solar panels.

The 34th ANNUAL SEMINAR

Date: 21st to 25th May 2018 **Venue:** Sarova Whitesands Hotel & Spa
Theme: Pathways to Professional Pre-eminence

The Annual Seminar is a flagship event that attracts over 2,500 professionals drawn from public and private sector entities. The 34th Annual Seminar will also mark the beginning of the Institute's 40 years anniversary celebrations.

The seminar presents a unique opportunity to showcase products and services to an audience of over 2000 delegates drawn from the East African region. For event sponsorship and exhibition opportunities, kindly reach us through raphael.nguli@icpak.com.

Key Discussants;

- The Big 4 Agenda, Which way for Kenya
- The East Africa Integration; The Unrealized Opportunities
- National Values & Leadership; Getting back on Track
- County Assemblies Role and Oversight Mechanisms on County Expenditure
- Efficiency in Public Service – Lessons from Rwanda
- Technology & Innovation in Accountancy
- Public Financial Management; The increasing role of CPAs
- Amalgamation of State Entities / Parastatals; Realigning Purpose to Results
- Discipline in Profession; Challenges and Lessons from the Medical Profession
- Block chain and the role of the accountants
- Integrated reporting and the value to organizations

**20
CPD
Hours**

Gala dinner and a series of CSR activities such as Charity Golf tournament (scheduled for 23rd May 2018 at the Nyali Golf Club) among other related activities.

Sponsors:



Think Ahead



sage One

Charges are **Kshs. 69,950** and **Kshs. 79,950**
for members and non-members respectively.

Take advantage of early bird rates by booking and reserving your place now.

For online booking please follow below link <https://www.icpak.com/icpakportal/#eventBooking;eventId=9mLczAKV1HnqGD0Q>

For seminar details visit our website www.icpak.com or email to memberservices@icpak.com or reach us by calling

+254 (0) 20 2304226, 2304227 / 719 074 000 / 727 531006 / 733 856262

**We would love to hear
from you, please send
your thoughts, comments
or even articles that you
would like included in the
newsletter to**

accountant@icpak.com

CHAIRMAN'S *Newsletter*

JANUARY - MARCH 2018

