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**UNDERSTANDING  
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## NOT IN THE PUBLIC INTEREST

*Are the majority of Kenyan borrowers  
too risky to lend at 14% per annum?*

# THE 3<sup>rd</sup> UNITED KINGDOM CHAPTER SEMINAR



**Date: 3<sup>rd</sup> - 6<sup>th</sup> July, 2018**

**Venue: Holiday Inn London - Regent's Park**

**Theme: The Accountancy Profession; An Essential Driver for Strong & Sustainable Economies**

## TOPICS

- The Role of Financial Markets in Sustaining Economic Growth in Developing Economies
- The Future of Audit and Accounting in relation to a Dynamic Technological World
- Public Sector Audit Experience from the UK
- Financial reporting and Accounting Standards
- Emerging Issues in taxation
- Sustainability Reporting
- Sovereign Financing and International Law
- Excelling in the New Business Arena
- IPSAS Accruals for Public Sector Reporting, lessons from UK

## TARGET AUDIENCE

Accountants living and working in UK, Kenya, County Governors, Senators, Members of National Assembly Oversight Committees, County Assembly Speakers, County Executives, Board Members, Board Committee members, CEOs, MDs, CFOs, Heads of Government Units, SACCOs officials, Strategy, top management, Governance Consultants and holders of equivalent positions in both public and private sectors.

**20  
CPD  
Hours**



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10

## BUSINESS AND PRACTICE DEVELOPMENT

Going into private practice  
*Do you have what it takes?*



26

## COVER STORY

Not in the  
public Interest

*Are the majority of Kenyan borrowers too risky to lend at 14% per annum?*



64

## TRAVEL

Quiet revolution puts savvy  
Kenyans into hospitality industry



46

## INSPIRATION

*Laughter gladdens the heart*



22

## FINANCE AND INVESTMENT

Do you know your  
money personality?



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# Dear Reader,

**I**t appears from press reports and the advisory opinions from diverse professional analysts as well as leading international agencies, that the issue of interest rate capping effected in September 2016 is not about to end. Interestingly, it is the banks, the regulator and 'proponents' of free markets who continue to stoke the fires, ensuring that the matter never dies. Unlike the petroleum subsector which got used to price controls and moved on, it looks like our banks are still living in denial.

There is no doubt says the author of this intriguing feature, which is our cover story, that local banks were in utter shock after losing their 'beloved, cash cow', the critical revenue driver - interest income. Besides, instead of allowing the natural mourning process to take place, our banks appear to have gotten stuck in the initial mourning phase; denial of the new reality. Curiously, the aftermath of the interest rate capping has led to what is called, 'undesirable' outcomes. Banks that used to aggressively 'hawk' loans on pavements, bars, weddings, funerals and churches have all of a sudden 'seen' the light and realized that the majority of Kenyan borrowers are too risky to lend at 14 % per annum. Consequently, lending to the private sector, the primary drivers of economic growth, has slowed down. The question is; why would the banks and their sympathizers reportedly claim there is reduced demand for credit when the price has come down?

Users of financial information are increasingly demanding transparency in financial reporting, especially in an environment where companies are in financial distress. Financial analysts and stakeholders are now focusing more on (among other things) assessing an entity's ability to honor its obligations, as and when they fall due. The accounting standards - setting body, in response to these changes, has issued amendments and new accounting standards aimed at ensuring transparency and fair presentation of financial statements. One such standard is the Accounting Standard on leases, (IFRS 16) issued in 2016 to provide principles

on accounting for leases. Find out why you should understand the new standard in financial reporting and assurance under the heading - A transparent balance sheet.

If you decide to venture into private practice as an accountant or advocate, you will realize that there are limited resource materials that can teach you how to start a firm, manage the firm, source for clients, or most importantly, educate you on business negotiation skills. Our education system lays emphasis on imparting knowledge on how to work for an existing business but does not prepare one to start and run a business or a firm. The dream of most accountants in private practice is to start their own small or medium size audit firm. These accountants have the necessary skills, knowledge and experience to handle clients. But all this does not guarantee success in your private practice. However, setting up even the smallest of practices is not something that should be taken lightly. There are many pitfalls. Accountancy and bookkeeping firms are just as likely to fail as any other business. But then, you must never give up. See what this writer tells you about going into private practice (do you have what it takes) in the business and practice development segment.

Meanwhile, have you ever tried to understand why your debtors don't pay you whereas they pay other creditors? It all relates to understanding the psychology of a debtor. To rank top within the debtor's priority list, there must be consequences attached to failure or defaulting on a particular debt. Any debt that has no consequences will never be ranked and subsequently may never be repaid. Sometimes the consequences may be there, but aren't relatively severe when compared with those of other debt obligations. That is why some creditors hire the services of auctioneers to collect their debts. The only difference between collecting the debt directly and hiring an auctioneer is that the latter puts a lot of pressure when pursuing the debt. Failure to repay will invite auctioning of properties as a consequence. We discuss this in finance and investment. In addition, discover how a quiet

revolution is putting savvy Kenyans in the hospitality industry. With tourism and travel contributing \$8 trillion to world Gross Domestic Product, and providing nearly ten per cent of all the employment in the world, accommodating local and foreign visitors is a massive business that grows every year. Our writer observes that it would be logical to expect that getting a slice of the pie would require substantial investment, extensive training, and absolute full-time dedication. However the internet revolution has turned conventional wisdom on its head, and an increasing number of Kenyans are earning steady money hosting visitors with little more investment than their own home. You'll get this in the Travel section.

Finally, find out why lawns are good for you in the environment segment, enjoy some light moments on the inspiration page, and get some tips on bringing up confident children in the society segment. As usual, we finish with the pen off, and the question this time is; do your "financial statement and reports" comply with the Kenyan companies' act 2015?

**Mbugua Njoroge**  
Editor





# GDPR

*By FCPA Dr. Jim McFie*

## DOES THE EU'S GENERAL DATA PROTECTION REGULATION (GDPR) AFFECT US IN KENYA?

**R**ecently I attended a workshop of the Audit Committee Institute run by KPMG: these workshops are always wonderfully informative events. The topics covered were “Data and Analytics”. One finding that KPMG conveyed to the audience was that two out of three companies believe that

Data Governance is critical to the success of a company. The workshop dealt with many ideas. But the main presenter reiterated the importance of a knowledge of the General Data Protection Regulation (GDPR) which has been promulgated by the European Union (EU): why? Because it affects any business in Kenya which does business with an entity in the EU.



GDPR is a regulation that requires businesses to protect the personal data and privacy of EU citizens for transactions that occur within EU member states. The Regulation was passed by the European Union in Brussels in April 2016 but comes into force with effect from 25th May 2018. The legislation is a voluminous document.

Paragraphs 1, 2 and 4 of GDPR, simplified to eliminate references to other pieces of legislation, state: “The protection of natural persons in relation to the processing of personal data is a fundamental right. EU laws provide that everyone has the right to the protection of personal data concerning him or her. The principles of, and rules on the protection of natural persons with regard to the processing of their personal data should, whatever their nationality or residence, respect their fundamental rights and freedoms, in particular their right to the protection of personal data. This Regulation is intended to contribute to the accomplishment of an area of freedom, security and justice and of an economic union, to economic and social progress, to the strengthening and the convergence of the economies within the internal market, and to the well-being of natural persons. The processing of personal data should be designed to serve mankind. The right to the protection of personal data is not an absolute right; it must be considered in relation to its function in society and be balanced against other fundamental rights, in accordance with the principle of proportionality. This Regulation respects all fundamental rights and observes the freedoms and principles recognised in the Charter as enshrined in the Treaties, in particular the respect for private and family life, home and communications, the protection of personal data, freedom of thought, conscience and religion, freedom of expression and information, freedom to conduct a business, the right to an effective remedy and to a fair trial, and cultural, religious and linguistic diversity”. I have quoted these paragraphs in full so that we reflect on the ideas contained in them and apply the ideas to our own environment.

Wonderful ideas: but that applies to natural persons in the EU and not in Kenya. Well, paragraph 24 states: “The processing of personal data of data subjects who are in the Union by a controller or processor not established

in the Union should also be subject to this Regulation when it is related to the monitoring of the behaviour of such data subjects in so far as their behaviour takes place within the Union. In order to determine whether a processing activity can be considered to monitor the behaviour of data subjects, it should be ascertained whether natural persons are tracked on the internet including potential subsequent use of personal data processing techniques which consist of profiling a natural person, particularly in order to take decisions concerning her or him or for analysing or predicting her or his personal preferences, behaviours and attitudes”. So if a business in Kenya buys from or sells to a business in the EU, goods, or flowers, fruit, vegetables, tea or coffee, or if a tourist from the EU stays in a hotel in Kenya, the personal data of the natural persons involved in the transactions are (I am taking the word ‘data’ to be the plural of the Latin word ‘datum’ – meaning a given thing) covered by GDPR.

GDPR is not an easy document to read and analyze. The Economic and Social Committee of the EU, reporting to the European Parliament and the Council of the European Union “regrets very much that these texts are voluminous and entangled, and that to understand them it is necessary to go back and forth between them, such that it is unlikely that anyone other than a select few will ever read and apply them and that their added value is not evident to the public, a principle that is missing from the entire proposal for a regulation. We recommend that a factsheet be published online with a description of the texts for the general public which makes them accessible for everyone”.

GDPR defines personal data as “information relating to an identified or identifiable natural person.” Personal data include an IP address, the ID of a device and a customer reference number. GDPR protections apply to all corporate entities that process the personal data of EU citizens, even if the processing of relevant data does not take place within the EU. GDPR also imposes restrictions on transferring personal data outside the EU. Personal data may be transferred outside the EU only if the European Commission determines that the receiving jurisdiction “ensures an adequate level of protection” consistent



with the GDPR; the processing entity has provided “appropriate safeguards”; or the individual has provided specific consent for the transfer. Furthermore, GDPR guarantees a number of privacy rights to EU internet users, including mandatory, prompt notification of data breaches likely to “result in a risk for the rights and freedoms of individuals”, access to one’s personal data, the ability to instruct an entity to erase one’s personal data (consistent with the “right to be forgotten”), and the ability to move one’s personal data from one processing entity to another. Together, these rights are at the heart of the regulation’s purpose—“to give citizens back control over their personal data”.

A point to note is that the United Kingdom (UK) will adopt the GDPR: it will be enforced in the UK by the Information Commissioner’s Office (ICO): the UK is implementing a new

Data Protection Bill which largely includes all the provisions of the GDPR: there are some small changes but the UK law will be largely the same. The UK government says its bill sets out a number of exemptions from GDPR. These, it says, include extra protection for journalists, scientific and historical researchers, and anti-doping agencies who handle people’s personal information.

Individuals, organisations and companies that are either ‘controllers’ or ‘processors’ of personal data will be covered by GDPR. A “data controller” is a person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any personal data are, or are to be, processed. A “data processor”, in relation to personal data, is any person (other than an employee of the data controller) who processes the data on behalf of the data controller.

“Processing”, in relation to information or data is obtaining, recording or holding the information or data or carrying out any operation or set of operations on the information or data, including: (a) organizing, adapting or altering the information or data; (b) retrieving, consulting or using the information or data; (c) disclosing, or otherwise making available, the information or data by transmission or dissemination; or (d) aligning, combining, blocking, erasing or destroying the information or data. Where GDPR is different from current EU data protection laws is that pseudonymised personal data can fall under the law – if it is possible that an individual could be identified by a pseudonym.

GDPR creates an EU-wide set of standards for the protection of digital personal data relating to online or real-world behavior for EU internet users.

Importantly, these standards apply to the personal data of EU internet users regardless of the location of the entity holding their data – GDPR has significant extraterritorial reach. Previously, individual member states separately enacted national legislation implementing the former directive’s goals, creating an unwieldy regulatory patchwork. GDPR is intended to harmonize those laws but allows individual member states discretion on a number of provisions. On data processing, for example, there is flexibility over the means by which entities can demonstrate GDPR compliance, data transfer outside the EU and freedom of expression in the media. Companies covered by GDPR will be more accountable for their handling of people’s personal information. They must have data protection policies, data protection impact assessments and relevant documents on how data is processed. In the last 12 months, there has been a number of massive data breaches, including millions of Yahoo, LinkedIn and MySpace account details. Under GDPR, the “destruction, loss, alteration, unauthorised disclosure of, or access to” people’s data has to be reported to a country’s data protection regulator, where it could have a detrimental impact on those whom it is about. This can include, but is not limited to, financial loss, confidentiality breaches, damage to reputation and more. In the UK, the ICO has to be told about a breach within 72 hours after an organisation finds out about it; the people it impacts also need to be told.

For companies that have more than 250 employees, there must be documentation of why people’s information is being collected and processed, descriptions of the information that is held, how long it is being kept for and descriptions of the technical security measures in place. Additionally, companies that have “regular and systematic monitoring” of individuals on a large scale or process a lot of sensitive personal data have to employ a data protection officer (DPO). For many organisations covered by GDPR, this may mean having to hire a new member of staff – although larger businesses and public authorities may already have people in this role. In this job, the person has to report to senior members of staff, monitor compliance with GDPR and be a point of contact for

“

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employees and customers. “It means the data protection will be a boardroom issue in a way it has not in the past combined,” the CEO of a large quoted company in the UK has said.

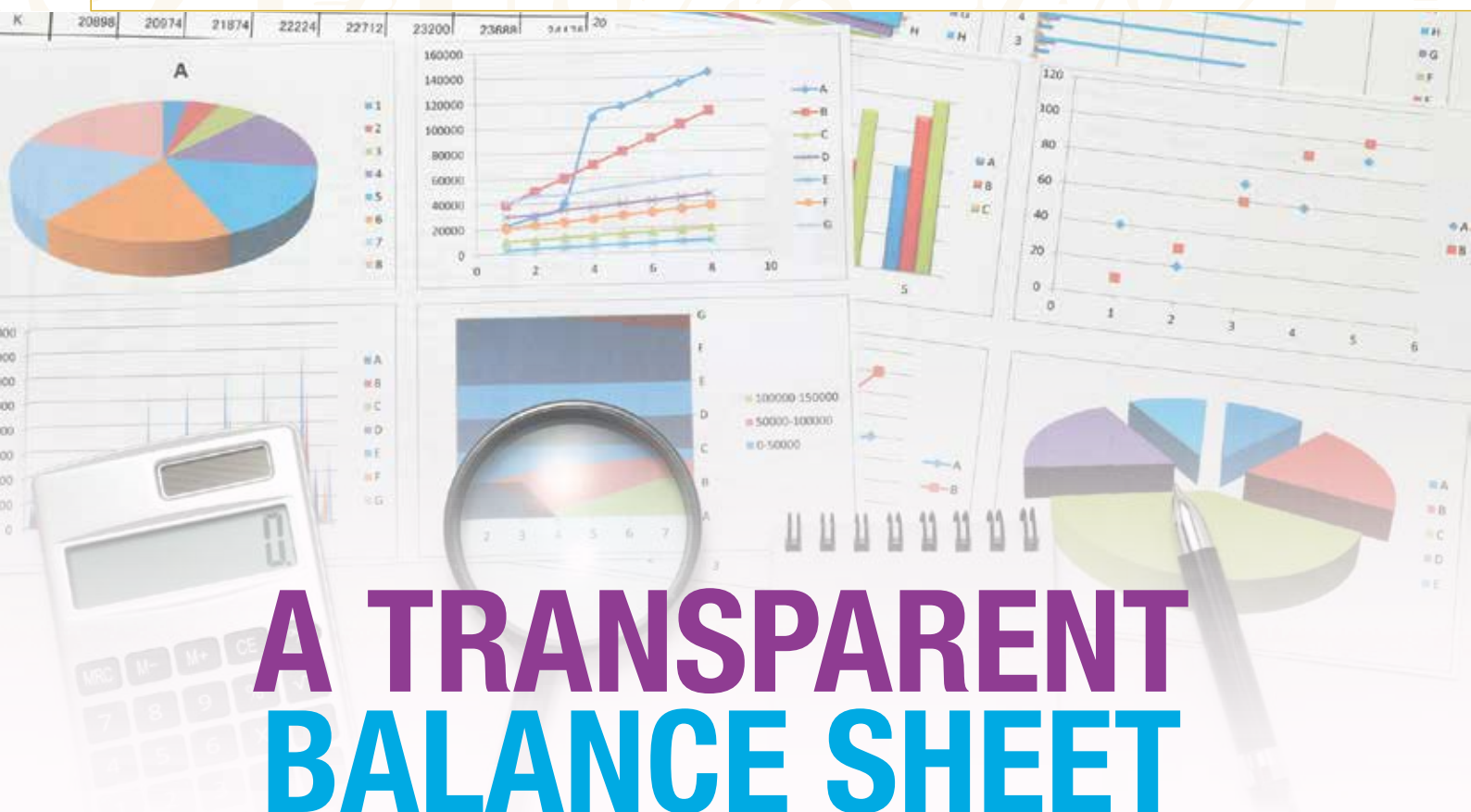
There is also a requirement for businesses to obtain consent to process data in some situations. When an organisation is relying on consent to lawfully use a person’s information they have to clearly

explain that consent is being given and there has to be a “positive opt-in”.

Organizations that breach their obligations can be fined as much as 4% of their annual global turnover or 20 million euros, whichever is greater. This fine applies primarily to breaches of GDPR’s consent requirements – under GDPR, consent must always be unambiguous. For special categories of personal data (e.g., race or ethnicity, political opinion, genetic data, union membership) affirmative, explicit consent is required. GDPR encourages the creation of data protection certification mechanisms, such that entities can clearly demonstrate compliance with the regulations. Individual EU member states as well as entities within the European Commission are empowered to enforce the provisions.

GDPR’s extraterritorial application has already had a significant effect on data privacy practices outside the EU. Google has stated that it is “working hard to prepare” for GDPR and that, as a data processor, it plans to “update our agreements to reflect the obligations of controllers and processors and offer data-processing agreement where required in time for May 2018.” Google also cited its membership in the EU-U.S. Privacy Shield as a sign of its adherence to GDPR rules on the cross-border transfer of personal data. This framework is a set of privacy standards and protocols, negotiated and implemented by the U.S. Department of Commerce and the European Commission, “to provide companies on both sides of the Atlantic with a mechanism to comply with data protection requirements”. The European Commission annually reviews the program, and U.S. implementation of it, to assess whether it continues to adequately protect EU users’ privacy. In 2015, the United States had to scramble when the European Court of Justice found that Safe Harbor, a less restrictive cross-border data pact between the EU and U.S., was inadequately protective of privacy. The economic fallout from a non-compliance determination gives the EU impressive leverage to influence data privacy practices in the United States.

Kenya has no such agreement with the European Commission. But entities would be wise to treat any data they have about EU individuals in accordance with GDPR.



# A TRANSPARENT BALANCE SHEET

By CPA Stephen Obock

Users of financial information are increasingly demanding transparency in financial reporting, especially in an environment where companies are in financial distress. Financial analysts and stakeholders are now focusing more on assessing an entity's ability to pay its obligations as and when they fall due in addition to its profitability. The accounting standards setting body, in response to these changes, have issued amendments and new accounting standards aimed at ensuring transparency and fair presentation of financial statements. One such standard is the Accounting Standard on leases, (IFRS 16) issued in 2016 to provide principles on accounting for leases.

A lease is a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for a consideration. Companies have to assess whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting

model. Under the current accounting standards (IAS 17), an operating lease is not recognised on the balance sheet by the lessee except for amounts prepaid or lease payable for expired periods.

## Why should you understand the new standard?

Your balance sheet is going to 'grow' or increase in size once the new changes take effect in 2019. Previously, accountants had the concept known as "off-balance sheet", a phrase used in accounting to refer to items that are effectively assets or liabilities of a company but do not appear on the company's balance sheet due to the fact that current accounting standards allow for such not to be recognised. Operating leases were accounted for as off-balance sheet items, as such, commitments relating to unexpired periods of the lease were not recorded on the balance sheet. Since these leases were off-balance sheet, one would not know the completeness of the obligations the company had at the reporting date unless they read the disclosures related to such commitments.

IFRS 16 requires all leases that are above 12 months to be on-balance sheet.

The impact is that companies that lease assets for use in their business will see an increase in reported assets and liabilities. This will affect the type of leases that were previously classified as operating leases and which allowed the lessee to account for them as off-balance sheet items.

If your company for example secured a building on a non-cancellable 5 year lease with only one year used, as the lessee, you only recognised the lease expense and lease liability, if any relating to the 1 year period that had lapsed. The liability relating to the remaining 4 years yet to be utilised in the lease was not recorded in the balance sheet. IFRS 16 has changed this and you will now be required to record an asset and liability for the lease commitment based on the present value of the anticipated cash flows in the contract. This is a major change in accounting and will affect a wide variety of sectors, from airlines that lease aircraft to retailers that lease stores. The larger the lease portfolio, the greater the impact on the balance sheet.

Preparers of financial statements will now recognise an asset in their books, called the 'right-of-use' of the underlying asset and also recognise a liability being

the obligation with respect to the lease contract or commitment. The lease liability reduces as periodic payments

are made by the lessee. The impact on the balance sheet can be demonstrated by the diagrams below:

### Impact on balance sheet



Companies with operating leases will appear to be more **asset-rich**, but also more **heavily indebted**

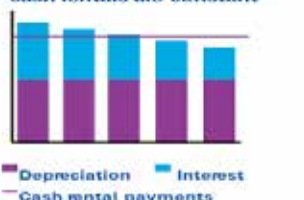


The company's profit or loss reduces with time as shown below:

Impact on profit/loss



Total lease expense will be front-loaded even when cash rentals are constant



## Why is this important?

The new standard brings enhanced transparency in financial reporting by ensuring material lease obligations are on-balance sheet. It was previously difficult for the general public, as a user of financial statements to track the level of risk to the company from its lease commitments which were off-balance sheet. IFRS 16 also requires a lessor to disclose information about

how it manages the risks related to its residual interest in assets subject to leases. It is perhaps an opportunity for companies to start assessing the value of the lease contracts they enter into on the basis of the right-of-use asset recognised in the books. This is because going forward, it is possible that the right-of-use asset may be impaired since future benefits are less than costs of the lease.

## Tax implications

The tax impact will depend upon the requirements of the current tax regulations on leases and/or any possible changes in tax regulations in so far as leases are concerned. Given that IFRS 16 does not change the definition of both terms, it may be easy to conclude that nothing much will change from a tax perspective. However, it is not so clear cut. Where a lease under the terms of the transaction qualifies as an operating lease, the lessor will continue to claim capital allowance on the asset throughout the duration of the lease. However, under the IFRS, the lessee would have capitalized the same asset, recognised a depreciation expense and an interest expense. Based on current tax regulations, the depreciation expense would be disallowed. Also, given that the lease remains an operating lease despite the new basis for recognition and accounting, it can be argued that the lessee should not be able to claim capital allowances on the value of the asset recognised (If this were to be the case then the same asset would have received allowance twice due to claim by the two entities in the contract). This treatment would therefore serve as double jeopardy for the lessee since they will have a depreciation expense and one would argue that it would only be fair for the lessee to be allowed to claim capital allowances.

To put this in proper perspective, a company which takes out a lease on a property would have to capitalize the value of the payments due and take benefit for it over the lease term. There will likely be a mismatch in the annual payment made on the operating lease and the tax benefit obtained in the same year. Though, this will more or less even out with the recognition of a deferred tax asset or liability, there may still be significant impact on cash flow.

There is also the issue of recognition. Given that the assets would be capitalized, tax managers and advisers may need to query all additions to the fixed asset to determine their nature and ensure that the proper tax treatment is accorded them. This is even more so where the company has not included relevant notes in the financial statements.

Notwithstanding, there is clearly a need to keep additional accounting information which shows the relationship between the periodic rental payments and the depreciation and interest expense recognised in the books for review by tax managers, advisers and authorities in order to ensure that the proper treatment is accorded the relevant items. It is not clear whether the interest expense will be allowable for tax purposes.

The new Standard is mandatory for annual periods beginning on or after 1 January 2019 and companies are allowed to apply the standard earlier if certain conditions are met.



The impact of IFRS 16 is that a substantial amount of off-balance sheet leases will now be recognised in the balance sheet of the lessee. The asset will be depreciated over the lease period and interest expense charged over the lease term, which reduces as the liability reduces due to periodic payments made. The asset is subject to impairment assessment as well.

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*By CPA Kipkoech Victor*

# GOING INTO PRIVATE PRACTICE

*Do you have what it takes?*

**W**hen you decide to venture into private practice as an accountant or advocate, you realise that there are limited resource materials that can teach you how to start a firm, manage the firm, source for clients or most importantly educate you on business negotiation skills. Our education system lays emphasis on imparting knowledge on how to work for an existing business but does not prepare one to start and run a business or a firm.

The dream of most accountants in private practice is to start their own small or medium size audit firm. These accountants have the necessary skills, knowledge and experience to handle clients. But all this does not guarantee success in your private practice. However, setting up even the smallest of practices is not something that should be taken lightly. In fact, there are many pitfalls and accountancy and bookkeeping firms are just as likely to fail as any other business.

Despite the global economic turmoil of the last few years, the number of business start-ups has been rising steadily in the country, with some small and medium size companies reporting record figures in profits. This is very good news for small and medium size audit firms as they provide the best prospective clients.

Most of the small and medium size businesses, cannot afford to employ a full-time competent accountant. Neither can they afford the services of the large audit firms which are mostly located in Nairobi. Because of this, the accountancy profession has seen a rise in the number of small and medium size practices. This is a big opportunity for those nearing qualification and those thinking of going into private practice.

So, before you start buying furniture for your new office, make sure you understand exactly what working for yourself means.

## Compliance

First of all, you must comply with all the rules and regulations required for opening and running an accountancy practice, including being fully licensed to take on this sort of work.

ICPAK requires any member who is in audit and accountancy practice to hold a practicing certificate, even if one is a member of the institute in good standing. ICPAK's definition of public practice work extends beyond auditing, to incorporate

all types of work generally associated with assurance and accountancy services offered to the public.

You also need to fully understand and comply with other industry standard guidelines and legal requirements such as confidentiality and data protection, anticorruption and anti-money laundering regulations.

Audit and Assurance is a service industry with risk that can never be zero. In such a risky and high pressure field of accountancy even the most organised firms can make mistakes, all holders of practicing certificates should obtain professional indemnity insurance cover against claims for professional negligence. On top of this, everyday business insurance to protect against theft or damage to your office property, or against personal injury around the office, makes good business sense.

## Professional advice

Accountants often act as advisers for business owners, directors and investors. However, that doesn't mean CPAs don't need their own set of advisers. When opening your own firm, develop a team of advisers who can give you advice and steer you in the right direction with your business. Potential advisers could include other practitioners, small business owners, information technology (IT) professionals, bankers and lawyers. Realize which areas you excel in and which areas you could use professional guidance, then seek out those resources.

## Human resource

Your employees are an incredibly integral ingredient to the success or failure of your business. Employees should share your common goal and vision, work hard, and believe in the future of your firm. Whether it's a secretary or college intern, selecting the right employee is crucial. The key to a good hire is having a large pool of potential candidates. You can never over-advertise a job opening; the more good candidates who apply, the better chance you stand of finding a suitable employee. Be picky and analyse candidates' résumés, handshakes, clothing, communication skills and handwriting.

## Type of practice

Most commonly, self-employed accountants maintain very small firms, mostly a sole partner and one or two administrative staff. These firms often cater to individuals for tax preparation or to small businesses for

basic accounting and tax filing services. However, your own expertise and past experience in accounting may lead you to establish a different type of business.

- If you have consulting experience, for example, you could establish an accounting consultancy firm. Your business could offer clients solutions for streamlining their accounting process and tightening their internal controls. This might include software training and staffing recommendations.

- Entering a specific area of accounting can define your firm's core competencies and set you out from your competitors. However, trying to enter too narrow a niche may keep you from getting enough clients to get off the ground. In the early years of your accounting practice, try to remain open to any opportunities for new clients.

## Business plan

The business plan is a formalized document that covers all the mechanics of your business, as well as defining its vision, mission, and core values. The business plan is crucial when trying to obtain financing from lenders, and it can also help you make sure you've planned everything well.

- Defining your firm's vision, mission and values will be key to carving out your practice's niche and giving it direction. A vision represents your broadest view of your firm's place in the world, while a mission represents the more concrete method you will use to realize that vision.

- Structuring your business is another important part of a business plan. Limited liability companies and partnerships are very popular structures for small accounting firms. Companies and Partnerships are ideal if you plan to expand your business widely, and sole proprietorships work well in accounting because insurance considerations are generally low.

- A business plan should also cover major areas such as marketing strategy and projected costs and revenues. Overall, the plan should demonstrate that you understand your target market and have plans in place to manage the administrative and financial aspects of your accounting firm.

## Market Entry

Taking the plunge of starting a business can be approached in several ways. Starting from scratch is an attractive option, but

picking up part-time clients, partnering with an established practitioner or buying an existing firm are also options.

- Starting an accounting practice from scratch gives you the most control. You won't have to deal with existing baggage like debts, poor employee culture and prior services issues. However, this option makes it most difficult to attract start-up capital and to market your business to those first few clients.

- Starting a part-time accounting practice is a good way to hedge your bets. Working with clients on the side of your full-time

job allows you to test the waters of starting a practice without the huge financial risk. Establishing relationships with these clients will also smooth the transition into running your practice full-time.

- Partnering with an established accounting professional can help you get a business off the ground. Working with a partner means more industry connections, more capital, and more potential client relationships.

- Buying an existing CPA firm will keep you from having to deal with many start-up issues, but it reduces your level of control and can cost a fortune up front. In addition, it takes time to shop around for firms that are selling.

## Market your practice

After you have consulted your business plan and decided on an entry strategy, a business structure, and a marketing strategy, you are ready to begin your practice. Incorporating your practice, buying supplies, and renting out office space are relatively straightforward tasks. You will also need business cards, a website and a memorable logo. Attracting your initial clients often proves to be the most challenging aspect of starting your accounting business.

- Rely on past connections to help attract clients. If you have established enduring relationships with clients at a previous employer, you may be able to attract those clients to your new business.

- Marketing is largely about establishing a presence and an image. It has become increasingly crucial to maintain a website for your firm; because this is often the first thing potential clients will search for. In addition, list your business with the local phone book and consider taking out print and television ads.

## When the going gets tough

When people start to work for themselves they are keen not to turn any work down but this in itself can be problematic. If you over commit your time and fail to meet deadlines, you may lose clients.

Difficulties with clients and money will give you sleepless nights. Money is everything when you start your own business. The profit margins are tight and you will have good months and bad, but never give up keep going forward at all times because that's the only thing that will keep you afloat when the going gets tough.

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ICPAK requires any member who is in audit and accountancy practice to hold a practicing certificate, even if one is a member of the institute in good standing. ICPAK's definition of public practice work extends beyond auditing, to incorporate all types of work generally associated with assurance and accountancy services offered to the public.”

By CPA Isaac M. Njuguna

# INTRODUCING THE **TRAINEE ACCOUNTANTS PRACTICAL EXPERIENCE FRAMEWORK (TAPEF)** FROM 1<sup>ST</sup> JULY 2018

## A Joint ICPAK - kasneb initiative

**T**he umbrella body for professional accountants globally is the International Federation of Accountants (IFAC). One of the independent standard setting boards under IFAC is the International Accounting Education Standards Board (IAESB). IAESB is responsible for developing and promoting International Education Standards (IESs) for professional accountants and aspiring professional accountants globally. These standards are grouped into two; Initial Professional Development (IPD) standards which relate to the accounting qualification process, including entry requirements and required competencies, and continuous professional development (CPD) which relates to post qualification professional growth.

**The IESs issued by the IAESB are highlighted below:**

- (i) IES 1: Initial Professional Development - Entry requirements to a programme of professional accounting education.
- (ii) IES 2: Initial Professional Development - Technical Competence.

- (iii) IES 3: Initial Professional Development - Professional Skills.
- (iv) IES 4: Initial Professional Development - Professional Values, Ethics and Attitudes.
- (v) IES 5: Initial Professional Development - Practical Experience.
- (vi) IES 6: Initial Professional Development - Assessment of Professional Capabilities and Competence.
- (vii) IES 7: Continuing Professional Development.
- (viii) IES 8: Competence Requirements for Audit Professionals.

IES 5 prescribes the practical experience required of aspiring professional accountants (in this case, CPA students) by the end of the qualification process (IPD). Aspiring professional accountants are required to acquire sufficient practical experience to enable them demonstrate that they have gained technical competence, professional skills and professional values, ethics and attitudes necessary for performing a role of a professional accountant. The practical experience should be recorded in a consistent form, supported by verifiable evidence and subjected to a periodic

review by a workplace training supervisor. The practical experience acquired will be evaluated for relevance and sufficiency at the point of application into membership of the Institute of Certified Public Accountants of Kenya (ICPAK). All CPA graduates are expected to join ICPAK either as associate members (if they have not met the required practical experience requirements), or as full members where they have met the mandatory experience requirements.

kasneb and ICPAK, working jointly in an effort to ensure full compliance with IES 5, have developed the Trainee Accountants Practical Experience Framework (TAPEF) to guide aspiring professional accountants in sourcing for relevant practical experience and ensuring that such experience is properly documented for evaluation. The TAPEF is expected to be rolled out with effect from 1 July 2018.

As part of preparations to ensure smooth roll out of the TAPEF, piloting of the framework was undertaken among one hundred (100) CPA students with their respective work place supervisors. The overall experience from the pilot phase was good. The challenges noted during the pilot phase have also been

addressed to ensure a smooth roll out. Details of the TAPEF and its implementation are provided below.

## Practical Experience Requirements under TAPEF

### (a) Suitable employment experience

The practical experience gained has to be relevant in the accountancy or finance related roles. It is expected that significant, if not all, of the work days required to meet the TAPEF requirements would be spent on activities and tasks related to accounting, finance, audit and assurance or in other related technical areas such as taxation and management accounting. Internships and placements are generally relevant experience provided adequate records are maintained.

### (b) Minimum experience

(i) Start date – a trainee accountant is eligible to commence the practical experience requirements as soon as he/she has registered for the CPA programme.

(ii) Minimum duration – to become a full CPA (K), a trainee accountant must complete 450 practical work experience days which are normally expected to comprise of 3 years of full time work. Each day constitutes 7 hours and of the 450 days of practical experience required, 150 days must be post examination qualification (that is, the last 150 days of this experience must have been obtained after satisfying fully the requirements of the examination.

For persons working on a part time basis, the experience required remains at 450 days. It is therefore expected that a person working only half day, would take up to 6 years to obtain the required experience.

The 150 day post examination requirement applies to both full time and part time employees.

Relevant experience in an accounting or finance role as an intern would also qualify for purposes of meeting the 450 days of practical experience provided the other criteria have been met.

(iii) End date – the practical experience of 450 days must have been obtained

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The practical experience acquired will be evaluated for relevance and sufficiency at the point of application into membership of the Institute of Certified Public Accountants of Kenya (ICPAK).

within 6 years of completion of the CPA qualification.

### (c) The work place training supervisor

Experience only qualifies if there is a qualified work place training supervisor who is able to monitor, review and sign off the full 450 days of practical experience obtained. The training supervisor at the work place must at a minimum be a qualified accountant and a full member of an IFAC registered accountancy body (such as ICPAK, ICPAU and ICAEW). Such membership must be held throughout the experience period being signed off. ICPAK will from time to time issue separate guidelines relating to accreditation of such supervisors.

A trainee accountant need not have one single work place training supervisor that covers the full 450 days of experience. Indeed this may not be possible as the trainee accountant may be obtaining such experience from a number of different employments. As long as each employment period is

covered by a separate qualified training supervisor, the requirement for the 450 days will be cumulatively met.

Because of the above requirement, self-employed experience does not meet the minimum requirements.

### (d) The Competence Framework

The competency framework sets the minimum standard of work or experience a trainee accountant is expected to achieve and demonstrate in a work place. It basically describes the nature of work activity to be carried out and the values and attitudes trainee accountants are expected to demonstrate before they are ready to become members of the Institute.

A trainee accountant is required to meet 13 competencies in total, of which 10 competencies are compulsory and 3 out of 9 elective competencies.

### (i) Compulsory competencies

The compulsory competencies focus on professional values and ethics and professional skills as follows:

Competency category

Competency objective

Explanation/specific objectives

### Professional ethics and values-

Professional judgement and skepticism demonstrate the ability and understanding of professional judgement and skepticism. It demonstrates the application of good governance and its interaction with risk management, internal control and public interest.

### Ethical principles -

Application of professional ethics in day-to-day work, Governance, risk management and internal control- Demonstrate the application of good governance and its interaction with risk management, internal control and public interest

**Professional skills-** Leadership, Ability to lead a team, Communication Ability to effectively communicate internally and externally

**Managerial-** Manage self and others to meet objectives effectively and efficiently



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**Information technology** - Use information technology in day to day tasks to achieve efficiency and effectiveness.

**Business strategy** - Understand business strategy and actively develop solutions to achieve strategic objectives

**Financial accounting** - Accounting skills demonstrating an understanding of the effects and implications of accounting for a broad range of transactions.

**Financial reporting** - Understanding financial reporting. Preparing and demonstrating an understanding of financial statements prepared under IFRS/IFRS for SMEs/other framework for external reporting purposes.

It is expected that the above compulsory competencies will be demonstrated as having been met in each of the 6 months review cycles that are included within the overall 450 days of experience.

#### (i) Elective competencies

The elective competencies focus on technical areas: financial accounting and reporting, management accounting, financial management, taxation and audit and assurance. A minimum of 3 out of the following 9 competencies need to be achieved:

#### Competency objective Explanation/specific objectives

1. Financial analysis Interpret financial statements and reports
2. Management accounting Prepare and evaluate financial information for management decision making
3. Financial planning- Manage an organisation's cash flows
4. Financial and transaction evaluation- Evaluate financing and

other business opportunities

5. Taxation – tax laws and regulations demonstrate understanding of the tax laws and regulations

6. Taxation – compliance-

Compute taxes payable and prepare the necessary returns and submissions

7. Tax strategy- Develop tax strategy for the organisation

8. Audit and assurance – financial audits Apply relevant auditing standards to the audit of financial statements

9. Audit and assurance – reporting; Evaluate and report on the audit both in terms of external reporting and reporting to those charged with governance.

The selected elective competencies will be considered to have been met as and when the necessary work experience has been obtained.

(e) Competencies for trainees wishing to acquire practicing certificates.

For trainees wishing to obtain practicing certificates after obtaining membership they must have achieved the following competencies:

- Competency objective 8 - Apply relevant auditing standards to the audit of financial statements.
- Competency objective 9 - Evaluate and report on the audit both in terms of external reporting and reporting to those charged with governance.

#### Recording Practical Experience Training

(a) Recording of practical experience by trainee accountants

Wherever one works, it is important to look for the opportunities that will help meet the practical experience requirements. Part-time/internship/exchange programmes experience is acceptable provided that it can be verified. This experience should cover the relevant areas of competence and should be properly supervised and signed off by the work place training supervisor.

Similarly if one changes jobs during the training period then he/she should make sure the competencies achieved at the previous work place have been signed off.

All relevant practical experience obtained must be recorded in the Practical Experience Training (PET), which will be online based. The PET form should have a detailed narrative description of the work undertaken and the elements of the competency achieved. For those subsequently planning to apply for practicing certificates, the competencies required to be met for the same must be demonstrated in detail.

There is no time limit for achieving a competency, but a trainee accountant must be able to demonstrate that they can carry out all the work activities that contribute to that competency, to a consistent standard.

The Practical Experience Training (PET) form should be completed on an on-going basis and sign off obtained from the training supervisor at a minimum of six monthly intervals.

In completing the form, care should be exercised in ensuring that the narrative description of the experience undertaken demonstrates all of the following:

- A practical description of the actual work/activity undertaken using examples/illustrations.
- A clear link between the work undertaken and the competency objective being achieved.
- The time period covered by the activity, in days.
- Any further information which would help the reviewer understand the achievement of the objective.

Every six months from the date of joining employment, the trainee accountant and work place training supervisor must meet and discuss the documentation of the competencies met during that period. Upon agreeing on the same, the trainee accountant will

then detail the same on to the PET form and the work place training supervisor include his/her comments and sign off the same.

It is recommended that performance objectives for the six month period be discussed and agreed upon at this meeting between the trainee and the work place training supervisor.

The experience recorded in the PET forms must be supported by physical records such as time sheets or any other relevant proof of experience gained. While such records are not required to be submitted to ICPAK on application of membership, ICPAK retains the right to request for such documents for independent verification of the PET form.

(b) Requirements of the work place training supervisors and employers.

A work place training supervisor is a person who will guide and support the development of the trainee accountant at the work place. They will be responsible for reviewing the progress of the trainee accountant and signing off the competencies achieved by the trainee accountant.

### **Responsibilities of the workplace training supervisor include:**

(i) Holding an informal session with the trainee accountant upon recruitment to cover the following matters:

- Ensuring the trainee accountant understands the work they will be undertaking in the work place and

helping the trainee accountant identify the competencies that the work being undertaken will achieve.

- Assist the trainee accountant plan out the experience required to meet the competency requirement for example job rotations, undertaking various assignments within a department.

- Setting up the process under which the supervision will take place. This will involve ensuring the trainee understands the work place's process of the training and supervision and will cover details of information required for the formal sessions, records to be kept ready, evaluations and so on.

(ii) Holding formal sessions with the trainee accountant no further apart than 6 months and carry out the following:

- A review of the PET forms and corroborating the contents of the forms to evidence of work done for example timesheets, work summaries on job evaluation forms.

- Critically review whether the experience gained by the trainee accountant during the review period meets the competency of the framework.

- Test the trainee accountant on the practical experience gained using means such as questions and answers, laying out scenarios and obtaining the trainees views on the same.

- Discuss the experience gained and progress of the trainee. Also understand the challenges faced by the trainee in achieving/making progress on acquiring the competencies in the framework.

- Establish the competency objectives to be met for the next six months.

- Signing off against the competencies met if achieved to their satisfaction.

(iii) Holding subsequent formal meetings to review progress against the objectives set.

### **Conclusion**

As mentioned earlier in the article, the TAPEF will be rolled out with effect from 1 July 2018. All new and ongoing CPA students will be enrolled in the TAPEF. Awareness creation on TAPEF among CPA students, potential work place supervisors and other relevant stakeholders is currently ongoing. Other details including how students will be linked with supervisors will be provided before the launch date.

The launch of the TAPEF is one among other initiatives intended to entrench the concept of lifelong learning for trainee and professional CPAs and enhance their global competitiveness and recognition. This concept will also be extended to other professions examined by kasneb including credit management, investment and financial analysis and corporate secretarial practice.

We call upon all key stakeholders including students, ICPAK members, the Government and other employers to extend full support to this initiative.

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# KENYAN SMALL AND MEDIUM ENTERPRISES

## Internationalization Decision Making Process; Is it *Causal or Effectual*?

By CPA Benjamin Nyaoro



**E**very single minute of every day, an entrepreneur is faced with a situation where a choice between one and another thing has to be made. As a decision maker, you will always find yourself in this situation where a decision based on available resources must be made with the aim of attaining optimal results. This process is unfortunately vigorous and has a ticking clock next to it and whatever you do or fail to do as a decision maker determines the future of your business.

Internationalization decisions are strategic in nature and are approached or supposed to be approached as such. A foreign market entry mode that is process-oriented will provide a decision maker with certain rules or step by step procedure that optimizes their entry choice. However, little effort has been put in this area concerning foreign market entry decision and especially when it comes to small and medium enterprises (SMEs). Researchers usually assume that entrepreneurs and decision makers in SMEs use different strategies to analyze their target markets with the

assumption that the international market is predictable and the decision makers are rational. What fails to come out clearly is the fact that markets are characterized by complexities, uncertainties and partial information. Humans' capacity is limited especially with regards to obtaining information. SMEs decision makers based on the fact that their resources are limited can only diagnose environmental factors that give their firms advantage and make the decision makers feel good such as political stabilities, market conditions, competitor's deficits and so on rather than all intricacies. For SME managers, strategic decision making process is uncertain, unfamiliar and complex and requires appreciation of the same and recognition of certain other modes to evaluate every strategic decision. In this piece therefore, I try to bring out the concept of causation and effectuation as was developed by the scholars of international business and how they can be applied in the Kenyan situation.

### The concept of Causation and Effectuation

The concept of causation and effectuation is a topic that is fast gaining traction in the field of research and especially in the international business. Decision making revolves around resources and how they can be used to achieve optimal results. The concept of causation and effectuation applies the use of resources, predictability, planning and control.

Causation builds on the principles of planning, building networks and

partnerships and relies on the notion that 'to the extent that we can predict the future we can control it'. To expound on this statement, take yourself as an example. When you are hungry and really feel like taking a particular type of food; like chips and chicken. You have options; you can choose to cook or buy the food from a restaurant. Under these circumstances, causation assumes that you already know what you want and if you are to cook the meal yourself you would go to the market to buy your potatoes and chicken to prepare the meal. In this case the end has justified the means. You have controlled your processes and means to end up at a desired end.

As an entrepreneur and decision maker, as you decide on whether or not to expand your business operations beyond the borders of Kenya, you could identify a given end and by using the principles of causation, identify a market and work your way backwards. In such a case you will need a plan on how to execute and achieve the desired results. Use your networks in the target market to build partnerships and pre-commitments such signing contracts with potential customers and stakeholders in the target market and so on just to ensure that your intended end is achieved. This way you will be controlling the end which in this case is internationalization.

Effectuation on the other hand builds on the on the principles of experimentation, affordable loss vs expected return and flexibility. Effectuation builds on the notion that 'to the extent that we can control the future we don't need to predict it'. Again using the example above of when you are hungry and need some food. Effectuation assumes a situation when you have no idea of what you want to eat, so you just go into your kitchen, check through the cupboards and fridge to see what you can get. You find some eggs in the fridge, rice in the cupboard, salt, tomatoes, onions, Ugali (maize) flour etc and come up with a meal of rice and eggs in the end. In this case you have used the already given means to arrive at an

end and can say that the means justifies the end. In the list of ingredients you will notice there was maize flour which was not used to prepare the meal, this is because effectuation allows for flexibility even though we know that Ugali would have been a choice that goes pretty well with eggs, at least for me.

Throwing the analogy into context, an entrepreneur may decide to go into an international market without sufficient information about the possibility of success in such a market but end up making a decision to venture anyway. Using the principles of effectuation, experimentation principle allows the entrepreneur to try; flexibility allows for modification once the decision has been made while affordable loss vs expected return guides on risk-return trade off. An effectual entrepreneur will just need a reason to venture and mostly this reason is induced by the amount or risk he/she can afford to take or absorb should things not work in his/her favor. Effectuation thus relies on a given set of means to arrive at an alternative and this is how the real world of business operates. You will have yourself as a decision maker and your internal resources and it will be up to you to use yourself and your resources to arrive at a favorable means considering the amount of loss that you can afford to absorb and still remain in business.

Causation and effectuation are however not distinct from each other and can occur simultaneously Causal reasoning could be helpful in long term business strategies while effectual reasoning could be used in short term flexible strategies. It would be inaccurate to say that an entrepreneur is either causal or effectual since these two logics are not completely mutually exclusive, an entrepreneur can be said to be either more causal or more effectual. During internationalization, the use of both causation and effectuation together may cause synergy especially when the advantages of both decision making approaches are used in combination for an outcome of a strong business venture

creation. A balanced application of both logics would be more effective as opposed to a strict application of either causation or effectuation since it allows an entrepreneur to flexibly adjust short term goals while keeping an eye on the long term business goals using the causation logic. As you plan to expand your business to either Uganda, Tanzania, Rwanda or any other country of your choice try to soul search and ask yourself the following questions. Do I have a plan? What is my plan? Will I be able to execute it to realize my desired results? Can I use the resources I have and the people I know to achieve my desired results? Do I have a fall back plan should things not work as earlier planned? Does my plan leave room for adjustments for uncertainties? Can I be able to recover from any impending loss? If your honest answer to the above questions is an honest yes, then get out and go get it.

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*By Isaiah Opiyo*

# UNDERSTANDING THE PSYCHOLOGY OF A DEBTOR

**H**ave you ever tried to understand why your debtors don't pay you whilst they pay other creditors? It all relates to understanding the psychology of a debtor. Let me give you a scenario to illustrate the psychology of a typical debtor.

Take a scenario where it is the end of the month and you only have Ksh.30,000 left. Meanwhile you owe your neighbor

the same amount of cash and you also have rent arrears of a similar amount to repay your landlord. Given that you only have Ksh.30,000 left, between your landlord and your neighbor who would you pay? Your guess is as good as mine. You will certainly pay your landlord over your neighbor.

Let us change the scenario slightly. Assuming that you only owe your landlord rent arrears of the same amount and you still have a court fine

of Ksh.30,000 to pay. With only the Ksh.30,000 left, between the court fine and your landlord, who would you pay? Interestingly, you will pay the court fine over your landlord.

Looking at the two scenarios, you will realize that your priority in payment changes depending on the consequences of your action of not repaying. In the first scenario, the consequence of not repaying your landlord is higher than that of your neighbor.



By repaying the neighbor over your landlord, it will mean that you get kicked out by your landlord into the cold. Comparatively, failure to pay your neighbor will only mean that your cordial relationship as neighbors will worsen. This is not worse than being kicked out of your house into the cold with your family.

However when it comes to the second scenario, you find that the consequences of defaulting on your court fines are dire compared to being thrown out of your house for failing to repay the rent arrears owed to your landlord. This explains why you opt to repay the court fine over rent arrears.

The two scenarios illustrate the various aspects regarding the psychology of a typical debtor. First, it points out that every debtor has limited resources that cannot sufficiently cover their entire debt obligations. This implies that only few debt obligations will be repaid whilst the rest will remain unpaid.

Secondly, the two scenarios reveal that every debtor has a priority list when it comes to repayment. Only those who make it to the top within the priority list of the debtor get paid. For instance within the first scenario, the landlord arrears get into the top list over the debt owed to the neighbor. That is why the landlord arrears is paid whilst the neighbor debt is ignored.

Interestingly, when it gets to the second scenario, the court fine comes top over of the landlord arrears. If the three debt obligations are arranged, court fine will rank first, followed by rent arrears and lastly the debt owed to the neighbor. It is only after clearing the court fine that the rent arrears will be paid. The same applies that the neighbor's debt will only be repaid after the rent arrears have been settled.

This begs the question: how does a creditor interested in being repaid make it top within the debtor's priority list to get repaid? The fact that you haven't been repaid shows you rank bottom in the priority list of the debtor.

To rank top within the debtor's priority list, there must be consequences attached to failure or defaulting on a particular debt. Any debt that has no consequences will never be ranked and subsequently will never be repaid. Sometimes the consequences may be there but aren't relatively severe when compared with those of other debt obligations.

That is why some creditors hire the



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**To rank top within the debtor's priority list, there must be consequences attached to failure or defaulting on a particular debt. Any debt that has no consequences will never be ranked and subsequently will never be repaid. Sometimes the consequences may be there but aren't relatively severe when compared with those of other debt obligations.**

services of auctioneers to collect their debts. The only difference between collecting the debt directly and hiring the services of auctioneer services is that the latter puts a lot of pressure when pursuing the debt. Failure to repay the debt will invite auctioning of properties as a consequence.

The consequences of defaulting on a debt are myriad and range from demand notice and letters, stopping further supplies and services, legal suits, locking of premises, attaching of assets, auctioning of properties as well as being reported to the credit reference bureaus for defaults.

There are debtors who will prioritize to repay when they get the demand letters or notice from creditors to pay. Others will ignore the demand letters and only repay when the suppliers stop further supplies subject to debt repayment.

Some debtors will repay when they got a final notice of being reported to the credit reference bureaus for defaults. This explains why saccos and other trade credit providers have been able to recover their debts upon serving a public notice of sharing credit information with credit bureaus.

Even with the sharing of credit information with credit bureaus, there are serial defaulters who are adamant and will not yield to that. With such notices, they will not bother to repay the debt. Interestingly you will be shocked that such debtors will yield to landlords locking their doors for failure to repay the debt.

To understand what works, it is imperative to understand the credit history of your customers before offering them credit. Those with bad history of non-repayment will not repay when you stop their supplies. Instead they will source the supplies from other competing suppliers and evade repaying the debts.

Those with good repayment history will repay when they get a demand notice or the notice for listing with the credit bureaus. This explains why it is easier to collect debts from first time defaulters than serial defaulters. Profiling your customers before extending them credit will not only allow you to know the financial ability of your customers but will enable you to understand how to make it to the top of your debtor's priority list when pursuing outstanding debt.

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*By Isaiab Opiyo**By Carol Ngura*

# DO YOU KNOW YOUR MONEY PERSONALITY?

## How our money personalities affect our decisions

**W**e all have our distinct way of thinking when it comes to how we interact and deal with money. Our spending and saving is not simply based on logic and rationale as we may want to assume, it often has a habits, attitudes, emotions

and values component. Unfortunately, not understanding our different money personalities often creates tension and unnecessary disagreements among our spheres. A day rarely passes without the need to make a decision about money.... A new watch or money for school fees, lunch out or packed lunch. Consciously

or unconsciously, our money personalities affect each of these decisions. Therefore, understanding our money personality is very important in our day to day living. It helps us in the following ways:

- 1) Financial planning and investing
- 2) Personal money management
- 3) Budgeting and asset building

- 4) Interpersonal development
- 5) Relationships and communications skills
- 6) Career advancement and workplace dynamics
- 7) Entrepreneurship
- 8) Gives a sense of emotional intelligence

Several money personalities speaking to the psychology of money exist to help one examine and evaluate their habits, understand what their likes or dislikes are, what their characters and challenges are and know how best to manage their finances. These money personalities are:

1. Risk Takers- They are thrilled by risks. Whether the risk does not yield or costs them everything, they keep following the rush for a new risk.

### Some of the characteristics of risk takers include:

- Conceptual thinker; they are not worried about details, they do not get stuck on the 'how' of an idea.
- When they get an idea of something whether a business opportunity or an investment option, they go for it fast.
- Listen to their gut feeling; if an idea feels right, they will trust their intuition and go for it. They do not just rely on their intellectual capability or conventional wisdom but more on their gut feeling.
- Decisive; when it comes to money, they do not waste time researching or doing a background check, they decide and decide fast.
- Love finding new adventures; for them, no risk is too big or idea too far out. Their sense of adventure overrides and they want it.
- Easily excited by possibility; For risk takers, the idea of something excites them more than the thing itself.

### Challenges of risk takers;

- Impatient; their decisiveness leads them to lose patience with people who do not quickly buy in to their big ideas. They make decisions without consulting even

those the decision may affect since they have no time to wait for their input.

- Insensitive; When they get an idea, they go ahead irrespective of other people's feelings or opinions. This may result in relational fallouts with their family, friends or workmates.
- Easily resented; The quick decisions and leveraging of assets can cause a rift and result in resentment from the people involved especially if the idea does not pay off as expected.
- Blinded by possibility; their idea to do something prevails beyond reason, attention to detail or long-term planning. Nothing matters except implementing it.
- Vulnerable; Most end up as victims of cons. The thrill of taking the risk and desire for making money makes them easy targets.

2. Security Seeker; Security seekers like to know that their money matters are settled and safe. They are more inclined to low-risk investments, quality purchases, hefty insurance and secure retirement funds.

### Characteristics of risk takers;

- They do their background check thoroughly; They will always want to see the property before investing, get a detailed prospectus from the developer and a resume from every other investor

involved. They will go the extra mile to check the legality of the property.

- Willing to sacrifice; they will only spend after they have put away some money for retirement, insurance and every necessary investment. They would rather suffer today but secure their future.
- Trustworthy; when it comes to dealing with money, you can trust them. They are careful planners and have a steady approach to money. They will not divert moneys meant for life insurance to any other unnecessary want. They are very strict with how they spend.
- Planners; they are always ready for whatever financial eventuality. They rarely find themselves in a financial crisis because they always have a plan B.

Like any other personality, the security seekers also face challenges. Which include;

- Overly negative; They avoid risks and get edgy about any decision involving financial risks. They seek to be sure about every investment they make which is impossible in reality.
- Analysis paralysis; They can spend all their time making sure an opportunity is foolproof while doing little to implement it. They therefore end up losing so many viable opportunities.
- Stifle creativity; over time, the need for



security can consume them to an extent that they stop looking at future possibilities and get stuck on the certainties. This can be a hindrance to financial growth.

3. Spenders- This personality is characterized by the pure love to spend on self or on others mostly for immediate pleasure. Spenders whether rich or poor, get some satisfaction from spending. This makes it hard for them to save or prioritize the necessary things in their life. It is very hard for them to invest in future oriented purchases or to set and achieve long-term financial goals.

#### Characteristics of spenders:

- They live in the moment; For them, what matters most is making now count. They will spend whatever money they have just to make great memories today even when

heavy unmanageable debts.

- Impractical/ impulse buyers; They do not differentiate between wants and needs. If they want something, they get it even when it is not a priority. They go shopping without shopping lists, they never research on the items' prices to get the most affordable deal and they do not take advantage of available sales offers.
- Filled with regret; in as much as they enjoy making purchases recklessly, they often regret getting carried away after the bills start rolling in. They feel bad about their careless spending but they have a hard time stopping themselves.

4. Flyers/ Avoiders – Unlike the other personalities, flyers do not consider money very important. It triggers no emotions in them and they genuinely do not give money issues priority.



it is at the expense of their future. They look for immediate satisfaction.

- They are thrilled by making purchases. For them price is not so much a consideration as long as they like the product. They shop at expensive stores, cheap stores.....they simply just buy and keep buying.
- They love gifting and spending on others unnecessarily. They will treat their friends and family for Christmas, valentines, Easter, Labor Day, friends' day and any other day they feel like. They will give money to any acquaintance or friend who requests for some.

As you would expect, spenders face challenges they would face diligently they if they knew better. These include;

- Budget breakers; Even when they put together a budget with great intentions, they rarely stick to it. This often leads to

#### Characteristics of flyers/ avoiders;

- Content with life; at whatever level they are in life, they are content. They do not desire to have more money, they are satisfied with what they have.
- Happy to allow someone else take care of their money issues; whether a personal financial professional or a spouse, flyers are always willing to allow someone else to take the lead.
- Not motivated by money; for flyers, the amount of money they will make is not a source of motivation. Their only concern is if they are enjoying what they are doing. In career, their focus is whether they are interested in the duties/ roles and not the monetary benefit. They would not mind a salary cut just to do what they enjoy.

As unusual as they are, flyers still face

challenges. They can be;

- Lack financial problem-solving skills; when faced with financial crisis, flyers are prone to make major mistakes since they have no interest in money and do not even understand how it works.
- Disorganized; in dealing with money, they are disorganized. They forget to make a shopping list, their bank account security code or even to pay their bills.
- Reactionary; given that money is a necessary part of life, they are faced with bills to pay and other money decisions that need to be made. This often leads them to debts since they lack financial plans or budget.

5. Hoarders/Savers- They love to save and hate spending.

#### Characteristics of savers;

- They feel proud of themselves when they get something they wanted for less.
  - Organized and responsible in money matters; They set their priorities and follow them accordingly. They operate strictly within their budgets and will always carry a shopping list when shopping.
  - Not impulse buyers; before they decide to spend on anything, they scout for deals and offers, prepare a detailed plan and ensure they have money before making the purchase.
  - Hate paying interest and accruing debt; they will not incur credit card debts at whatever cost. They are keen to settle all their bills in full as soon as they are due.
- Challenges faced by hoarders/savers include;
- They are considered cheap and selfish; because they always have a hard time parting with money, they come across as selfish to people. They always go for

cheap things in a bid to avoid spending too much.

- Obsessive about money; hoarders/savers love to talk, think, and worry about money. Their financial conversations are always about saving money.
- Overly focused on financial goals; for them, leisure, entertainment or vacations are unnecessary expenses. Their only focus is saving, saving and more saving.

6. Amasser- they get satisfaction from having large amounts of money at their disposal to either spend, save or invest.

#### Characteristics:

- They equate money with self-worth and power
- Enjoy managing their own finances and avoid services of financial professionals

#### Challenges they face are;

- Always find it difficult to give up control to money professionals
- Feel empty and depressed when they are not spending, saving or investing
- Lack of money leads to feelings of failure and frustration
- They worry about their investments' returns and how much money they have

7. Money monk- This kind of people subscribe to the belief that money is dirty and is the root of all evil.

#### They are characterized by;

- Strongly believe that if they have too much money, it will corrupt them.
- Worry about being selfish and greedy; If by any chance through inheritance or any other means they get wealthy, they feel uneasy and anxiously worried not to end up selfish and greedy.
- Fear of investing; unlike the other

personalities, they are afraid of investing since the money may grow and make them wealthier.

- Are more inclined to socially responsible investments that reflect on their values and convictions.
- They associate with modest people and avoid those that are wealthy or rich
- Worry about losing sight of their spiritual, positive human or political ideals and values

#### Challenges;

- Poor financial investors and financial planner
  - Poor financial problem-solving skills.
- When faced by a financial crisis, they do not know how to deal with it.

Having learnt and understood our personality characteristics and how they affect our financial decisions, it is important to note that there is no right or wrong personality. We all have a primary and a secondary personality which impact on each of us differently and make us who we are when it comes to our dealings with money. The more we learn and understand our interaction with money, the sooner we are able to see eye-to-eye with our day-to-day spending and learn how to control ourselves financially.

As Natasha Munson said, "Money, like emotions, is something you must control to keep your life on the right track".

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By CPA S.T. Wainaina

# NOT IN THE PUBLIC INTEREST

*Are the majority of Kenyan borrowers too risky to lend at 14% per annum?*

In 2017, I penned an article in the ICPAK journal titled, “Banks Have to Shed Weight to Survive and Thrive”. From the incessant press reports, advisory opinions from diverse professional analysts and leading international agencies, it is quite clear that the issue of interest rate capping effected in September 2016 is not about to end.

Interestingly, it is the banks, the regulator and ‘proponents’ of free markets who keep on stoking the fires, adding firewood to make sure the matter never dies. I have a feeling that these groups still believe in resurrection miracles (no pan intended). Unlike the petroleum subsector which got used to price controls and moved on, our banks are still living in denial, the prolonged mourning over the cheese which moved away the moment the President assented to the Bill.

Those of us who have experienced bereavement know how painful it is to lose a loved one. And the mourning process has to take a normal sequence for proper healing to take place. Any unnecessary prolonged stay in one phase distracts the bereaved from resuming daily chores and affects goal achievement. There is no doubt that local banks were in utter shock after losing their ‘beloved, cash cow’, the critical revenue driver, interest income. Instead of allowing the natural mourning process to take place, our



banks appear to have gotten stuck in the initial mourning phase, denial of the new reality.

Unlike Mary Magdalene and other women who kept watch on Jesus' grave who hearkened to the angels' advice to the effect that the Son of man had arisen and was on his way to Jerusalem, our financial institutions have continued to ignore voters representatives' voice to the effect that the lending ecosystem changed from the effective date of the legislation. Instead, banks continue to keep watch on the 'graves' of the old lending model of uncontrolled and at times usurious lending rates, where lenders unashamedly reported billions in after tax profits on the graves of their borrowers' enterprises and job losses. The ugly side of unbridled greed for profits at any cost!

### Re-inventing the law of demand and supply

Economics theory and Business Studies 101 teaches us the inverse relationship between demand and supply and the implications on price. Simply put: other things being equal, (*ceteris paribus*), the higher the supply, the lower the price, and the lower the supply, the higher the price. The higher the demand, the higher the price and vice versa. Similarly, when the price of a good or service is reduced, we should expect an upsurge in demand given that what was out of reach to some potential consumers automatically becomes affordable.

Banks act as intermediaries between resource surplus and deficit units, that is, savers and borrowers. The interest rate on loans is the price borrowers pay to access funds belonging to third parties, whereas deposit rate is the price paid to savers by regulated deposit taking financial institutions. Banks earn their commission by optimizing the spread between deposit rates and lending rates. It is the obscene spread in the Kenyan market compared with other markets that prompted the people's representatives to intervene and

tame the 'invincible' hand from running amok, leaving in its path many devastated entrepreneurs' dreams and careers.

Curiously, the aftermath of the interest rate capping has led to what is called, 'undesirable' outcomes. Banks that used to aggressively 'hawk' loans on pavements, bars, weddings, funerals and churches have all of a sudden 'seen' the light and realized that majority of the Kenyan borrowers are too risky to lend at 14 % per annum. Consequently, lending to the private sector, the primary drivers of economic growth has slowed down. The Central Bank of Kenya, IMF, World Bank, National Treasury, and some Economic Analysts, who never supported the rate cap in the first place

**“There is no doubt that local banks were in utter shock after losing their ‘beloved, cash cow’, the critical revenue driver, interest income. Instead of allowing the natural mourning process to take place, our banks appear to have gotten stuck in the initial mourning phase, denial of the new reality.”**

are the loudest in lamentations. As expected, all banks have found a perfect excuse to explain their reduced billions in profits and subsequent retrenchment of hundreds of employees, all attributable to the rates control. They should get a FREE copy of my latest book, “My Excuses: The Barriers to Dreams and Success”.

Something is not adding up, and the sooner we call off the bluff the better for our economy and the banking industry.

If the price of money to the borrowers has come down from the pre-capping levels of 18-22% p.a. to post cap rate of 14% p.a., in normal circumstances you would expect the demand for credit to sky rocket. In loan appraisal, all those businesses that were marginally profitable and viable credit risk at pre-cap rates automatically become very attractive borrowers. In other words, the internal rate of return (IRR) becomes very attractive at 14% p.a. Individuals and businesses are able to service their facilities within shorter timeframes, the so called payback period. Everybody is better off in the new dispensation, i.e. other things being equal, loan default goes down and banks make more profits arising from reduced provisions.

In the same vein, being a major cost driver in enterprises, interest rate reduction would lead to a dramatic fall in business operating expenses.

Hence, the interest rate cap in fourth quarter of 2016 would ordinarily have resulted in enhanced profitability. Enterprises that could not qualify for loans at 18-22% for being unprofitable, by the stroke of a pen, turned profitable at 14 %. This is pure common sense.

Given the foregoing, one would be forgiven for being totally lost in the wilderness of the “queer” Kenyan business environment where the laws of demand and supply do not apply in lending!

Kenyan banks want to re-invent the foundational Economics Law of demand and supply as it relates to lending. Why do I say so?

1. Why would the banks and their sympathizers reportedly claim there is reduced demand for credit when the price has come down? Has credit all of a sudden become a ‘snobbish’ good that defies the law of demand and supply (i.e. snobbish goods are those whose demand is positively correlated with price. Beloved of the wealthy, high price is taken as a sign of class, quality and exclusivity).

2. Why would the potential borrowers

be complaining of reduced accessibility to credit post-the rate cap?

3. Isn't it a contradiction for banks to be reporting enhanced bad loans provisioning post the rate cap? If the rate caps truly brought down the effective cost of borrowing, shouldn't we have expected better quality loan performance? For example, a business that had borrowed at 22% p.a. with a monthly instalment of sh.220,000 per month, was migrated to sh.140,000 per month, thus saving sh.80,000 p.m. courtesy of the legislative action. Borrowers' burdens were made lighter not heavier. Somebody somewhere is not telling the whole truth and nothing but the truth. This is an obvious misrepresentation with the intent to influence policy direction on the subject matter.

4. A closer look at the banks liabilities (deposits), post-cap era, there has been a positive growth. Why would businesses and individuals respond in a positive way to enhanced savings floor rate of 7 % but shy off from the reduced cost of credit to start and grow their enterprises? Isn't Economics Theory premised on rational human behavior? Why are Kenyan borrowers reportedly behaving in a "queer" manner? Is it real or it is just a smoke screen?

5. If the narrative by banks to the effect that they cannot get enough viable borrowers at 14 % compared to the 18-22%, as a result of reduced spread, it is implied that previously, banks were abusing their fiduciary responsibility to savers and shareholders by being 'careless' in risk selection. Banks do not own the money they lend out. Prudence and due professional care and good governance are the hallmark of financial intermediation. Banks survive and thrive on public trust which is earned not forcefully demanded through misrepresentation of facts.

**“Curiously, the aftermath of the interest rate capping has led to what is called, ‘undesirable’ outcomes. Banks that used to aggressively ‘hawk’ loans on pavements, bars, weddings, funerals and churches have all of a sudden ‘seen’ the light and realized that majority of the Kenyan borrowers are too risky to lend at 14% per annum.**



### Call off the bluff

Is the banking sector likely to be a nominee for the Nobel Prize in Economics 2018 for re-inventing one Law of demand and supply and the 'snobbish' effect? Are Kenyan borrowers so 'queer' as to defy the foundation premises in Economic Theory of rational human behavior whereby, when loans become cheaper and more affordable we lose appetite for credit to start and grow enterprises or even boost consumption?

What is so special about the banking sector as to hold the country at ransom? Acting on behalf of her people, the government moved to rein in the petroleum sector for behaving irresponsibly on pricing matters. The sector has continued to flourish with many small players cutting their own niches. In 2017, the government moved with speed to stave off a potentially ruinous 'Unga revolution' arising from sky rocketing increase in flour. The government has actively intervened in the education sector to control the cost of access to education in terms of fees and books. To promote food production and food security, the government invests billions of taxpayers' money to subsidize the price of inputs like fertilizers and seeds.

### Kenyan banks among world's most profitable!

The chicken is coming home to roost on the interest rate debate. The misrepresentation, the doomsday scenarios, free market pontifications, economic sabotage and arm twisting theatrics will not fade soon. Figures do not lie. And when it starts to rain, it really pours. McKinsey, a renowned global consultancy firm, in a report titled, "Roaring to life: Growth and innovation in African Retail Banking", says that banks operating in Kenya and other African countries are the second most private globally after those in Latin America. In 2016, banks in Kenya recorded a 24.6% ROE (Return on Equity). With the interest rate cap, this could come down to about 20%, which is still above the Africa average of 15 per cent. The overall Africa banks' profitability is also more than double that achieved by similar institutions in developed markets in Asia, Europe and the United States.

A 2016 Central Bank of Kenya

report put the ROE of Kenyan lenders at 24.6 per cent. The obvious conclusion from the CBK and McKinsey reports is that notwithstanding the rate cap and reduced profitability in 2017 and in future, Kenyan ranking in ROE globally will not be affected (Daily Nation Friday 2nd March, 2018).

This begs the question: if Kenyan banks are still among the world's most profitable, why the agitation for more? For whose benefits are these obscene profits? Does it strike you that Africa has the highest concentration of poor people, the so called least developed countries and yet the most profitable banks operate in this continent? Whose interests are these banks serving? How will Africa improve her competitiveness in the global market place with lenders whose primary preoccupation is to 'cream off' as much profit from SMEs? How will Africa achieve food security with a banking industry that is risk averse when it comes to funding agriculture? How will the President achieve his flagship legacy Big Agenda 4 on manufacturing, affordable housing, food security and affordable universal health care working in partnership with a private sector dominated by SMEs that is starved of

cash by lenders that not developmental conscious but more inclined to global accolades on profitability ranking in terms of ROE?

### Market interventions are noble

These interventions are justified on account of the market failure of the invisible hand. Public good or interest always overrides the capitalists' profit maximization objectives. Kenya and developing countries should never be cheated to blindly follow the purveyors of free market and liberation from the so called 'kings and queens' of free markets, who preach water and take wine. Who does not know how developed countries heavily subsidize agriculture, just for the surplus to be dumped in food insecure developing countries that ignore their farmers? Call it international hierocracy!

As a key cost driver in business, interest rates like fuel prices cannot be left to run amok. As a custodian of public interest, peace and social stability, a government that cares about her people has all the moral and legal obligation to intervene to restore normalcy in instances where actors fail to self-regulate. Banks are like other economic actors whose domains

have been 'stormed' by the government to take their appetite for super profits in total disregard of the socio-economic-political implications. On matters political, a government that is keen on re-election would give-in to economic sabotage, arm-twisting and misrepresentation of facts, theories and warped economic analysis.

To my former colleagues in the banking sector, for the umpteenth time, the cheese has moved. The era of abnormal spreads and profits is long gone. The formerly ignorant and naïve borrowers have risen from the 'graves of ignorance' and are on their way to financial self re-awakening. Join them and working together, re-engineer your business model. It will never be business as usual mining billions on the graves of others dreams. Re-imagine new ways of doing intermediation. Be creative and imaginative. Banks cannot be sustainable in the long run if the other sectors of the economy are stagnant or in ruins.

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# DEPOSIT TAKING- SAVINGS AND CREDIT COOPERATIVE (DT- SACCO) SOCIETIES IN KENYA

## How they help alleviate poverty

*By CPA Charles Kipkemei Chetalam*

**D**eposit Taking- Savings and Credit Cooperative (DT- SACCO) Societies in Kenya is a segment of the wider cooperative sector effecting the seven principles of cooperatives as developed by the international cooperative alliance (ICA). These principles are; voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community (SASRA, 2016) DT-SACCOs are a specific type of cooperative societies registered under the Cooperative Societies Act with a clear purpose of mobilizing savings and advancement of credit on the collateral of such savings to promote the economic interests and general welfare of its members (UN-Habitat, 2017).

SACCOs in Kenya are governed by two major statutes that govern the regulation and supervision of SACCOs and these are the Cooperative Societies Act (Cap 490) and the Sacco Societies Act (Cap 490B). Of these statutes, the Cooperative Societies Act has been in force for about five decades and has undergone a range of amendments, principally to deal with the registration, incorporation and general supervision of all cooperatives societies (SASRA, 2017).

It is important to note that the Cooperative Societies Act Cap 490, does

not provide for a framework towards prudential supervision of deposit-taking Sacco Societies but this legal framework for prudential regulations is founded in the Sacco Societies Act administered by the Sacco Societies Regulatory Authority (SASRA). The purpose of these regulations is to make Kenya to be in line with international best practices of financial regulation and supervision of deposit-taking financial institutions (SASRA report, 2015).

### **1.2 Challenges facing Deposit Taking-Savings and Credit Cooperative (DT-SACCO) Societies in Kenya**

According to the Sacco Supervision Annual Report Kenya (2017), there were a total of 181 licensed deposit-taking Sacco Societies (DTSs) however, 164 were registered to operate for the financial year ending 2016. Some of them had their deposit-taking licenses revoked and not renewed for the financial year 2016 due to persistent failure to address non-compliance issues which put to risk the interest of member deposits and financial sustainability of the deposit-taking business. One of the said issue involved credit risk management. According to (Sambasivam, 2016), SACCOs amounts to about 34 percent of national savings and about 24 percent of outstanding domestic credit (CBK Report, 2017). SACCOs use these deposits to generate credit for their borrowers, which in fact are a revenue generating activity for most

SACCOs. This follows that SACCOs face a number of risks and this has been a major cause of failure of many financial cooperatives. This credit creation process exposes the SACCOs to high default risk which might lead to financial distress including bankruptcy (SASRA, 2016).

In the world of volatile cash movements and increasing global lending and borrowing of funds, few SACCOs if any remain unaffected by borrower's late and nonpayment of loan obligations. This result from the SACCO's inability to collect anticipated interest earnings as well as loss of principal resulting from loan defaults. SACCOs therefore need to carry out credit risk management as a measure of administering credit to borrowers by developing strategies to either eliminate or reduce this credit risk. In the management of this risk, SACCOs are concerned about their financial performance (CBK, 2016).

However, despite the efforts made to address the poor credit risk management, SACCOs still have difficulties resulting from the credit risk management processes undertaken and changes in customer base leading to decreasing financial performance. In addition some upcoming SACCOs in Kenya have stayed in operation for a short time then shutting down their businesses for instance Jogoo SACCO, Green Hills SACCO, Maono Daima SACCO, Ufundi, Trannscm, Nest SACCO due to liquidity issues, corporate governance issues, not meeting



“

**In the world of volatile cash movements and increasing global lending and borrowing of funds, few SACCOs if any remain unaffected by borrower's late and nonpayment of loan obligations. This result from the SACCO's inability to collect anticipated interest earnings as well as loss of principal resulting from loan defaults.**

financial obligations among others. It is against this insight the paper will examine the effect of SASRA Act on the liquidity of SACCOs in Kenya.

### 1.3 The international context

International organizations are coming to the realization that SACCOs are veritable and effective channels to ensure Programme implementation effectiveness, particularly in poverty alleviation projects and firsthand knowledge of the needs and interest of the poor (Okumadewa, 2016). According to Chossudovsky (2016), the World Bank Sustainable Banking with the Poor project (SBP) in mid-2014 estimated that there were more than 1,000 SACCOs in over 100 countries, each having a minimum of 1,000 members and with 3 years of experience. In a survey of 2016 of such institutions, 73 per cent were NGOs, 13.6 per cent credit unions, 7.8 per cent banks and the rest savings unions. An overwhelming majority of the world's poor live in the third world countries. Various approaches have been employed in alleviating poverty of which provision of credit that targets the poor is one. Many are now of the opinion that allowing the poor to have command over resources through credit can contribute

towards poverty alleviation.

As Jared, Charles and Willy (2016) asserts, the rapid growth of the SACCO movement in Kenya can be pinned on the fact that they have for long periods specialized in offering cheap loans at an 'affordable' repayment history to their clients. This gesture has attracted an exodus of clients from the formal financial institutions such as banks seeking their services (ACCOSCA, 2012). Some SACCOs in Kenya have adopted Front Office Services Activities (FOSA) to offer the services they render to clients. FOSAs have proved to be one of the key profit centers for SACCOs and members have appreciated the services offered by these FOSAs.

Through the full utilization of the FOSA network, SACCOs provide their members with the full range of basic financial services and consolidate these services to the full satisfaction of members. The introduction of FOSA has contributed positively to the performance of SACCOs through improved profitability which has led to the declaration of a high dividend rates to the members (ICA, 2017).

Mwaura (2015) insists that lack of credit follow up, credit analysis, and hostile lending of money are some of

# SAVINGS PRODUCTS



the factors that have contributed to financial gap and poor performance. In Kenya, following the liberalization of the financial sector in the 2015 (Omino, 2017), the back office model of SACCO operations was found to be inadequate and as a result, many SACCO societies introduced the front office services activities (FOSA) alternatively known as the SACCO Savings Account (SASA). This was motivated by a number of factors including the need to solve the problem of non-remittance through the check-off savings system and was aimed at among other things, improving the SACCO societies' liquidity and the promotion of the owner-user principle. By around 2003, SACCO societies in Kenya were already taking deposits from persons not drawn from the common bond, that is, public deposits, (ICA, 2017).

Kiteme (1992) argues that the best way to do something about poverty is to let the people do their own thing. Nobody will have more motivation to change his situation than the sufferer himself/herself. According to Rosenberg (2016), SACCOs are increasingly a central source of credit for the poor in many countries. Weekly collection of repayment installments by bank personnel is one of the key features of SACCOs that is believed to reduce default risk in the absence of collateral and make lending to the poor viable. Some of the factors that lead to loan default include; inadequate or non-monitoring of micro and small enterprises by SACCOs, leading to defaults, delays by banks in processing and disbursement of loans, diversion of funds, over-concentration

of decision making, where all loans are required by some banks to be sanctioned by Area/Head Offices.

## 1.4 Impact of SASRA Way Forward

SASRA has greatly impacted on the Sacco performance in terms of outreach and sustainability and performance of SACCOs in Kenya. Most Saccos in Kenya have recently reported on improvement in their performance both in membership, portfolio and loan cycling general efficiency. There has been an increase in membership, high efficiency, high demand and quick recoveries, one can easily attributed through SASRA regulatory framework. Most Saccos are trying to comply with the regulator so as not to be locked out of business by the regulator.

Almost all SACCOs operating in Kenya are conversant with the contents of the proposed SASRA guidelines and they are working hard to comply. Most of the Saccos require the operational license while a few were in the process of acquiring and were operating provisional licenses.

The current tools that are in place to disseminate information on prudential guidelines seem to be effective. SASRA periodicals were the most common among all Saccos with Seminars, meetings in WOCCU contributing to other form of information.

The challenges the SACCOs experience is capital adequacy requirements where they are likely to experience liquidity challenges hence a need to cut on costs (employee benefits)

and the cost of loan had to go up slightly to raise the income levels for the Saccos.

## 1.5 Way Forward

Based on the discussion, the paper proposed the following recommendations:

- i. There is a strong need for the SACCO officials to come up with measures to assist them increase their income levels so as to meet their current liquidity needs.
- ii. Also to be considered are ways on which to maintain Sacco employee salaries so as not to compromise the service levels in the Sacco.
- iii. There is also a need for SASRA carry out there on in-depth survey on assessing the impact of their regulations on the Sacco industry to establish if their objectives as a regulatory institution are being met and at what cost because even as they strive to achieve to protect the member funds, SACCOs should also be able to meet their goals.
- iv. Structural reforms should aim at establishing more competition in the banking industry to ensure that performance indicators were commensurate with the optimal practices of the intermediation function that guarantees financial stability over time to provide a high and strong demand for credit.
- v. Formulation of government policies that rely excessively on direct government supervision and regulation of SACCOs activities to foster incentives for private agents to promote SACCOs development, performance, and stability.

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By Kevin Sukwe

# CORPORATE GOVERNANCE IN KENYA

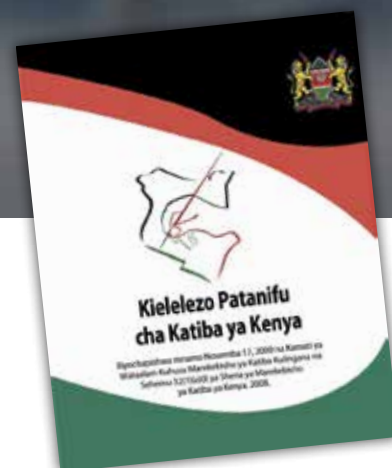
## Exploring models of enhancing public participation in county governments

One of the main pillars of economic development of any entity whether private or public is effective corporate governance (CG). Though emphasis of corporate governance has for a long time been on the private sector, changes in public sector governance has called for increased demand in accountability. The Cadbury Report (1992) defined CG as the system by which companies / organisations are managed and controlled and is anchored on principles of openness, integrity and accountability. By integrating varied definitions, Matei and Drumasu (2015), sum corporate governance as “the way in which an organization (public or private) is led and controlled, with the purpose of getting performance / accomplishing its responsibilities successfully and bringing added value, as well as using financial, human, material and informational resources efficiently, while respecting

the rights and obligations of all involved parties (shareholders / investors, Administration Board, managers, employees, state, suppliers, clients and other people with a direct interest.”

The emphasis of openness, integrity and accountability gained prominence in Kenya with the enactment of the new Constitution of Kenya of 2010 that established devolved units of governance. As is the case with many other democracies in the world, we were confronted with one inevitable primary question: How do we distribute financial resources and then how do we encourage constructive public participation in distribution of such resources the county level? Governments require public input especially in employment of resources in deserving areas, equitable distribution of services and proper accounting for taxes and fees collected.

Public participation has been defined by International Association of Public



Participation (IAP2) as any process that involves the public in problem solving or decision making and uses public input to make decisions. In public affairs, it is an open, accountable process through which individuals and groups within a community exchange views and influence decision making. Ministry of Devolution and Planning (MODP) guidelines (2016), define public participation as the process where individuals, governmental and non-governmental groups influence decision making in policy, legislation and service delivery, oversight and development matters. In addition to communicating information in a transparent and timely manner, the duty bearer (county governments) engages the public in decision making. Public participation is therefore a process that requires the input of the stakeholders.

Public participation in public sector is anchored on legal framework that includes the Constitution of Kenya,

2010, Public Finance Management Act (PFMA), 2012 County Government Act (CGA), 2012, Urban Areas and Cities Act, 2011, Intergovernmental Relations Act, 2012 among other guidelines and policies. To this end, Ministry of Devolution and Planning together with the Council of Governors (CoG) laid a framework/ guidelines that would be adopted by the county governments. This was partly in response to challenges facing public participation in Local Authority Transfer Fund (LATF) of 1998 and the Constituencies Development Fund (CDF) introduced in 2004.

While recognizing the benefits of public participation; Strengthening democracy and governance, Increasing accountability, Improving process quality that result in better decisions, Managing social conflicts and enhancing social legitimacy, a review by Kenya School of Government (KSG) into the status of the first years of devolution reveals challenges faced by county governments ranging from lack of county budget and trained staff, unclear delineation between county assemblies and executives on how to coordinate public participation to unstructured forums of meaningful engagement of public in decision making.

It is worthy to note that some of the matters requiring public participation like

legislative process/policy and law making, planning and budgeting for county public service delivery, implementation/delivery of county public services and performance management, oversight through Monitoring, Evaluation, Reporting and Learning (MERL) and vetting of public officers, require public participation at different levels. For instance, the annual development plans and budgets that are time bound require input of the public before, during and after the process. Each phase has obligations to be undertaken by both the duty bearers (county officials) and the public. Public participation process can be overwhelming to the public who have to participate in matters of County Assembly and County Executive Committee. Legislation, the Constitution and County Assembly Standing Orders have clearly demarcated the roles of the County Executive and County Assembly on matters relating to public participation and civic education. While the MODP guidelines provide a framework for public participation for each organ, they also recognize a need for an integrated administrative approach to deal with all matters in the county.

While recognizing public as residents of a particular county either in their individual capacity or as professional associations, community based

organizations, rate payers of a particular city or municipality, MODP guidelines accommodate non-resident persons in the county, city or municipality who by virtue of their presence make use of services or facilities provided by the county, city or municipality as public. There is no discrimination on basis of colour, creed, race, age or gender on the members of the public who can be involved in public participation. CGA (2012) legally provides for promotion, coordination, facilitation of public participation by the County Governor, County Executive Committee, Sub-County Administrator, Ward Administrator and Village Administrator. Similarly, Constitution of Kenya (2010), Urban Areas and Cities Act and PFMA (2012) provide for coordination and involvement of County Assembly, Boards of cities and municipalities and County Executive Committee member for Finance in public participation respectively. The latter, the bearers of the responsibilities are also referred to as state actors while the public is referred to as the non- state actors or simply citizens in the counties.

Basically the public can provide its input in two ways; written memoranda and discussions in public forum. Whereas written memoranda can be sent via post or email and other electronic forms, public

discussions are more appealing due to the very nature of face to face engagement/ interaction with county officials. Irrespective of the roles of the two parties i.e. public/citizens and administrators; their relationship is so closely intertwined. The following sections outline forms of relationships in the public participation process.

### **Relationships between the Public and the Administrators**

#### **1. Public/Citizen as subject & Administrator as ruler:**

This relationship reflects an authoritative system where the administrator acting on behalf of the county, gives commands which the public is supposed to obey. The county and its officials are assumed to hold almost absolute power over the public. This form of governance is rigid since it is based on bureaucratic structures.

#### **2. Public/Citizen as voter & Administrator as implementer:**

While this form is democratic in nature, where administrators are held accountable to senior county officials (Governor and members of county assembly), it is

“  
The emphasis of openness, integrity and accountability gained prominence in Kenya with the enactment of the new Constitution of Kenya of 2010 that established devolved units of governance.”

be the new public management style with emphasis on the responsiveness and customer service. Delivery of services through partnership and contracts through an entrepreneurial approach dominates this model. County government no longer becomes the sole provider of services.

#### **5. Citizen as citizen & Administrator as public servant:**

This model advocates for a situation where the administrators serve and empower citizens as they manage county affairs and implement the relevant public policies. Administrators act as facilitators and partners rather than experts and entrepreneurs. Public is normally engaged and end up having a cordial reciprocal relationships with the county beyond their self-interests.

#### **6. Public/Citizen as co-producer & Administrator as co-producer:**

This relationship reflects the ideal of co-production and collaboration between the two parties. The public and administrators have a shared responsibility in solving problems and getting actions undertaken.





Active participation by public helps to maintain strong and healthy communities. With the increased demands for services and reduction in fees and taxes, this co-production model can be said to be an attractive alternative to other models.

#### **7. Public/Citizen as investor & Administrator as broker:**

This model is a value-centered management approach which citizens act as investors and shareholders in the county, with the administrators acting as the brokers who are vested with the responsibility of investing on behalf of the shareholders, to maximize the return for the community and individual investors. The relationship is cooperative in nature and has the capacity of promoting common interests, cooperation and sharing among citizens.

#### **8. Public/Citizen as owner & Administrator as employee:**

This is an ownership model where the public is in control while the administrators are employees who must comply and abide by the owners' decisions. The public is then obligated to play an active role in delivery of county. Conflicts are bound to arise in this relationship since one party (administrators) is bound to fully comply with the expectations of the

owner (public), which the administrator may fail to.

#### **So which Model is Appropriate for the Counties?**

The diversity of the counties ranging from social, economic, political and cultural aspects is cannot be overemphasized. Matters of public concern raised are quite different in the counties. This implies that the matter at hand that requires public participation need to be examined in the lens of the public. This boils down to the proper definition of the public in question. This implies that the continuum of the public from the subject to the owner and that of the administrator from the ruler to the employee may be applicable in some cases. It is upon duty bearers then to determine the matter in question and evaluate the model to assume by taking into account the heterogeneity nature of the county and the citizens.

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By CPA Joseph N. Nyanchama

# WHO STOLE THE AFRICAN DREAM?

## Loving the enemy within

**I**t was a beautiful sun-drenched afternoon in my village school where I was schooling. Over two hundred of us, just from six to fourteen years old, stood outside on the hard dirt ground wearing our traditional sky-blue school uniforms. At two o'clock in the afternoon the temperature was already high and it was quite hot, but we were commanded not to move a muscle. Droplets of perspiration fell from my brow and into my mouth. It was a day our outgoing member of parliament was visiting our school.

On that hot afternoon under the scorching, uncovered sun, we gathered to honor our leader through patriotic songs and recitation of loyalty pledge. As uniformed children, we enjoyed singing these songs, each of us straining to be heard above the others.

It was ironic that our singing and gathering was providing a platform for this leader to launch his re-election bid. It was a paradox to note that none of us children had a voter's card and wondered, what exactly was going through the mind of this leader?

From this context, it has now emerged to me that I should face reality and grapple with the internal need to find correct answers about leadership in Africa. Me standing there in the heat of the sun, I was beginning a journey to discover the invisible factor in leaders that has influenced the state of our lives in Africa. I have been making speeches, I do still make speeches about this subject in many forums,

but I admit that any speech is gone with the wind when you step off the platform. Therefore, I thought of writing an article because it would last longer than a speech.

Niels Bohr, Nobel peace prize winning physicist said, "Every sentence I utter must be understood not as an affirmation, but as a question". The heading of this article is in the form of a question. I have intentionally done so because when you ask yourself a question repeatedly, your mind must search for an answer to your question. I hope African citizens' minds can seek an answer to my question. Even as far back as biblical times, we have been reminded, "you have not because you ask not", and "ask and you shall receive". But really, a problem is a question that hasn't been answered yet.

Referring back to my member of parliament, I had said that I did not understand what was going through his mind when he joyfully watched us sweat and toil while singing for him. I have found the answer to my question. The answer is that during his time, when Kenya was a colony of the kingdom of Great Britain, every school was mandated to gather all students in assemblies to honor the queen of Great Britain through patriotic songs, citations of British poetry and corporate pledge to the monarch. These indeed were brainwashing, converting, conditioning and eventually shaping the self-concept, self-worth, self-esteem and perception of the world in which African leaders would live.

Indeed the mental impact of these imperial psalms has greatly contributed to non-achievement of the African dream. I mean one of the dream busters that is common and active in killing African dream today is us. We are our own worst enemies. Most often we talk ourselves out of our best ideas and we do it unconsciously.

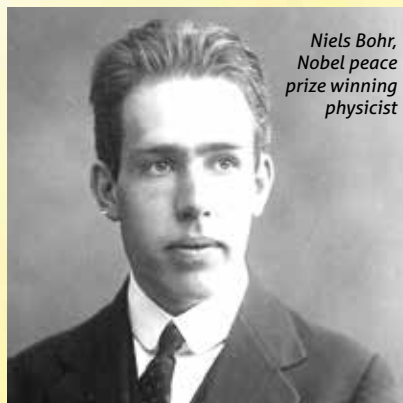
There is a parable about the rabbi's son who goes to live in a neighboring town. When the son returns home the father asks him if the town was different. The son says, "Yes, father, they teach you to love your enemy". The father protested, "Well, we teach the same thing here". The son replied, "yes, but they teach you to love the enemy within". Most leaders and citizens of Africa go through life searching for the enemy in the outside. They blame the western countries for their predicament. Take for example, at independence; Singapore was Kenya's economic age mate. But today, see the gap; it cannot be measured. The G8 is powerful, not because of its political system, but due to its economic power. An old African proverb says, "If you can overcome the enemy on the inside, the enemy on the outside won't be able to do you any harm".

You have noted that when there is new leadership in politics or otherwise, there is always eagerness to look for men and women to help the leader drive a country or an institution's dream forward. So the leader employs someone who has worked in different countries or

organizations for a period; say thirty years. The leader is excited that he or she has a new catch with a wealth of experience and so puts the new catch close to him or her. What the leader does not realize is that the so called 'new catch' doesn't have thirty years' experience, but has one year experience repeated thirty times. I mean he or she has never had a simple improvement and a single innovation for twenty nine years. You see the leader has already made a determined decision to associate himself or herself with a small minded person who ends up busting the leader's dream and in the course of things rob the nation or institution's opportunity from moving forward.

It is unfortunate that it is people in our inner circle who are the dream busters. Not that they are trying to be mean-spirited or discouraging, but they just have "possibility blindness". They figure that it will be too difficult and too painful if they do not achieve these big dreams.

So they fear. Fear in fact is a very real human emotion that occurs when you anticipate or expect that something may hurt you. Therefore fear has been one of the dream busters that have kept many of the African leaders from achieving the big dreams. Franklin Roosevelt said, "There is nothing to fear but fear itself". I have said that fear is real. Therefore, I do not agree with the old cliché that some clever speaker came up with which says, "Fear is false evidence appearing real". I know this has become so popular that people



Niels Bohr,  
Nobel peace  
prize winning  
physicist

think it is true. But that is not what fear is. Noah St. John said, "Fear is the emotional effect of absence of personal control over your situation".

The vilest impression on the African young minds during the colonial period was that they were born to serve and worship the empire and that they were not capable of leadership. They were conditioned to depend on the colonial powers for life and value, trained that they could not determine their own destinies and chart out their own future plans. This has contributed to undermining the fulfilment of the African dream to date. African leaders might just find that the words of Ralph Waldo Emerson were eminently true, "inside of us, we all know that on the other side of fear lies freedom". The last major dream buster is settling for mediocrity. Many of the countries or institutions at the top started at the bottom but rose to the top. Why? This

is because they refused to settle for mediocrity. They pursued excellence and began to rise. It is the crème de la crème principle - the cream will rise to the top. So Africa has the power within itself to change the narrative.

One day my mother spread wimbi (millet) outside our house. At that time I was seven years old. She told me to take care and prevent any intruder. All of a sudden, I saw birds of different colors eating the wimbi and was enjoying the entire episode. My mother reprimanded and accused me of standing there watching the birds finish the only stock of food we had for that day. I was indeed sorry and remorseful. But the question that lingered in my mind was, "where did the birds come from because I never saw them in ordinary times? I learned a great lesson which was, "you will never know the number of birds in your neighborhood until you put birds' feed outside."

The moral of this story is that African leaders will never know what they are capable of doing until they put the African dream to test. Also, they should not behave like me who was given food stock to protect but let the birds feed on it: but instead must jealously guard the resources bestowed upon them for the benefit of the African people. Through this way the African dream of eliminating poverty, illiteracy and disease will be achieved.

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The heading of this article is in the form of a question. I have intentionally done so because when you ask yourself a question repeatedly, your mind must search for an answer to your question. I hope African citizens' minds can seek an answer to my question.

# DE-MYSTIFYING TEAM BUILDING

## The A-Z of team building

By Jackson Kinyanjui

I have successfully transitioned from the world of accounting and employment into business and consulting for myself. Over the years, I have attended and facilitated several team building workshops for all cadres across East Africa. Having sat on both sides of the fence, I have picked up a few nuggets on what makes team building meaningful and impactful for the participants. I would like to share my insights in this article. In this article, I will attempt to answer the questions of the What, Why, When and how of team building. I will also share tips summarising the team building experience coupled with the 3 Ps of a high impact team building session. Let's journey together!

### The What

To begin with, what is team building? I like to define team building as a continuous process geared towards nurturing relationships within a team to achieve a common defined vision. It thus means team building is not the one day event held once a year but the continuous deliberate interactions throughout the year.

The common team building definition is one of an event, a hit and run activity that is filled with adrenaline rush and fun. While that is part of it, it is not the whole story. Great teams have realised team building can be enhanced through

meetings, gatherings, coffee sessions, drinks up and other outdoor activities such as hiking and biking.

Winning teams have embraced friendships beyond the work place that translate into genuinely caring and being concerned about your team member. It is the empathy that comes with consoling your colleague when their pet cat dies even though you do not comprehend the whole pet story. It is celebrating their victories and mourning with them in their seasons of loss.

With such an inclusive definition, no wonder pundits have lauded team building as team development which implies intentionality and continuity in the interactions.

### The Why

Every time a client calls me in and requests for team building, I like asking them a few questions to just understand what exactly they are seeking to achieve. One of the key questions I ask them is: the objective of the team building.

Some of the responses include to:

- have fun
- bond
- know each other better
- enhance our communication
- pull together

Based on my experience and exposure, I have categorised team building events into three:

### Objective based team building

This is where an organisation or company has specific challenges they want addressed through the team building initiative. This could be conflict, lack of morale, silos effect, personality differences or pulling in different directions.

This kind of workshop requires a delicate and deliberate programme to address the issues raised and a follow up plan to be implemented back at the work place. I encourage procuring the services of a skilled facilitator for best results.

I have found this common in change of leadership, strategy cascading and inculcating of core values. Team building when done right brings barriers down, unmask people and brings out the children in them!

### Tujenge (Strengthening your team) team building

This category is best suited for a well-adjusted team that has basics in place such as communication, common vision and little or no silos. The aim is to build on and improve on the team strengths while minimising their weaknesses.



As a facilitator I often aim to challenge this team to greater heights of synergy and purpose. The initiative sometimes unearths specific simmering issues that may need follow up with a more deliberate team building or an intervention back at work.

### Tujivanjari (Fun) team building

This is about fun and de-stressing. While the other two still have this component, in the fun team building event, enjoyment takes precedence over any other consideration. Every team needs this every so often to loosen up and relax; however great teams are rarely built on this.

This type can be done without an external facilitator as the stakes are not high.

Often times clients are not even aware of these categories but a discerning facilitator is able to filter and figure out the best one for the category. On the other hand, a team building can actually be a combination of the three for maximum impact.

### The When

#### "Is there an ideal time to have the team building session?"

Most clients hold the workshops towards the end of the year, mid-year or even beginning of the year. I particularly like the beginning of year to set the momentum and tempo. Most companies are slowly embracing and moving away from the traditional end of year kind.

A great idea to bring down your costs is to conduct the team building event at an odd time of the year e.g. when hotels are having the low season especially at the Coast. One enjoys fantastic discounts on venues not to mention more personalised customer experience.

The peak seasons of the last quarter of the year hike costs leading to an expensive

affair as the facilitators are also in huge demand.

Other circumstances within the organisation calendar year may dictate when to hold the activity. This may be maintenance times, low business seasons, when a strategy has been newly launched or when a new management team takes office.

### Finally the How

A big part of answering the how is what you want to achieve at the end of the team building. Is it fun or solve an issue or simply have fun?

The fun events can be facilitated internally by a team member who is good with people, respected and has good communication skills. The other two are best done by skilled external facilitators who help you see the back of your head so to say. These facilitators are able to challenge and spur the team without the familiarity and compromise that comes with an internal facilitator.

When short on budget, an animator or a pooled staff effort can help deliver an exciting event. A good programme has a bit of indoor but with more outdoor activities; fun with a purpose is the slogan!

### Team building at a glance

To maximise on your team building session try the following tips next time around:

1. Objective of the activity; "what do you hope to achieve at the end of the day? Is it just a fun workshop or are you looking to grow your team synergy among other things?" Be very clear about this as it affects the other elements discussed below.
2. Venue; this is such a killer but often overlooked component of the day. It helps to have shaded ample space for the day in the hot weather. The grounds also need to be flat to prevent injury and not too far away from conference facilities or other amenities. Lastly the food should be value for money and accommodate the energy and diverse needs of the participants. Distance of the venue from your office also counts; you do want to travel half the day to the venue for a 1-day event!
3. Facilitator; this is perhaps your Achilles heel, get it wrong and your investment for the day goes down the drain. Avoid being cheap and re-directing your funds to accommodation, drinks and entertainment. Strike a balance and keep revisiting your objective of the day while making decisions about the team building.

### Have you been part of a boring run of the mill kind of team building?

#### Incorporate the 3 Ps to a high impact team building experience!

This unique programme empowers, equips and lays the foundation of a truly transformational team and organisation. How can HR and user departments ensure that the team building workshops they are planning to have will have a high impact? Here are three pointers:

1. Purpose; this is the reason for holding the activity. It is a delicate balance of having fun with a purpose. Organisers need to remain focused on the main objective of the workshop while at the same time allowing opportunity for fun and to de-stress. The experience will then leave the participants refreshed and re-invigorated.

2. Participation; it is important that the user departments involve as many of the team members as possible in planning and the actual team building event. I have witnessed programmes organised by top management which do not achieve their objectives due to lack of ownership. I recommend that all team members in the department or organisation be involved on the material day. All other activities should be suspended to allow for this. This can be achieved by running the workshop during the weekend.

3. Programme; a flexible well balanced agenda holds the key to a successful workshop. The programme should provide room for tackling hard issues as well as bonding for the entire team. The team building should not feel like a military drill where participants are rushing from one activity to the next. The day should be a break from the usual routine at the office leaving the staff re-energised. With the budget allowing, provide for an overnight or two days to facilitate bonding and relaxation.

Keep the 3 Ps of purpose, participation and programme in mind when organising for your team building this year. Combine the 3 Ps with the three tips of objective of activity, venue and your choice of facilitator for a memorable experience.

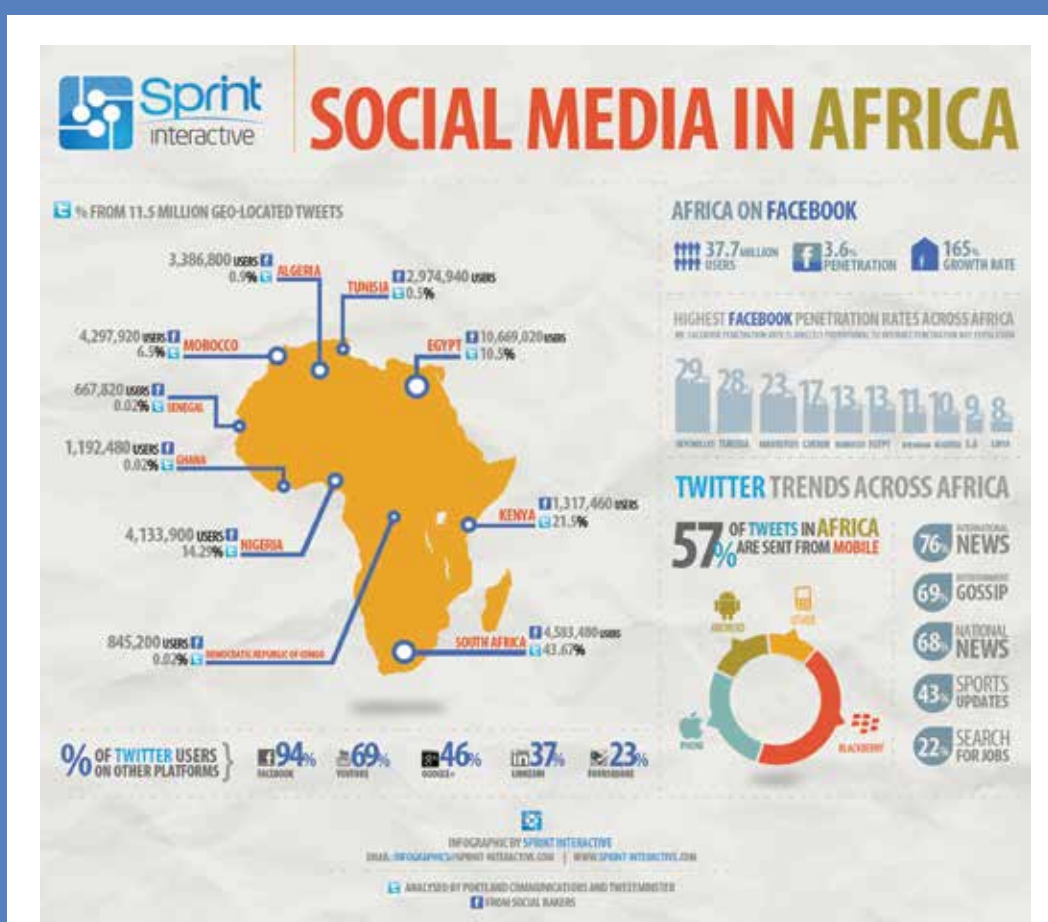
Go ahead and do a little more research this year and you are sure to have a high impact team building programme! Please feel free to share your experience of a team building event.

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CPA Albert Richards Otete

# ADOPTION OF WEB AND SOCIAL MEDIA AMONG SMPS IN EAST AFRICA



**A**s at October 2017, only 4% of the Ugandan Small and Medium-sized Practices (SMP) of the 219 regulated accounting firms had the trio of Website, Twitter® and Facebook®. The research team (who already had accounts on Twitter® and Facebook®) searched the internet to check whether accounting firms had such a presence, then cross-checked the profile information to trace consistency with other information, for example, the names of the partners.

For websites, the methodology

involved searching for Universal Resource Locators (URL) on the internet and cross-checking whether the content related to that accounting firm and also compared with any other available information about that firm. The research was extended to include all the 1200 SMPs in Kenya, Uganda and Tanzania combined as at October 2017 (for purposes of clarity, the 1200 was not a sample, but an entire population after excluding the Big-4 of Deloitte, EY, KMPG and PwC in each country). The lists of the 1200 firms were obtained from the websites of Institute of

Certified Public Accountants of Uganda ([www.icpau.co.ug](http://www.icpau.co.ug)), Institute of Certified Public Accountants of Kenya ([www.icpak.com](http://www.icpak.com)) and National Board of Accountants and Auditors of Tanzania ([www.nbaa.go.tz](http://www.nbaa.go.tz)). This study was motivated by the absence of research undertaken among this specialized cluster of SMPs, although some studies have been accomplished within the ambit of Small and Medium Enterprises (SMEs) as a general bloc.

A study of 100 SMEs in the United States found that smaller firms tended to use more of social media due to their lower

financial resources (Braojos-Gomez, Benitez-Amado, & Llorens-Montes, 2015) and because marketing is relatively expensive, digital marketing had become very popular (Tiago & Veríssimo, 2014). Specifically on social media, (Ainin, Parveen, Moghavvemi, Jaafar, & Mohd Shuib, 2015) and his group discovered that there were factors that influenced the adoption of Facebook (the most popular among social media) for SME

business in Malaysia. Similar interviews with 453 SME managers tracked the same Facebook phenomenon (Wamba & Carter, 2016). One can easily find over 50 research articles on social media in the last three years alone; some praising the phenomenon, others criticizing its overzealous usage.

In respect to the descriptive statistics about the 1200 SMPs in East Africa; Kenya had 65% of that number, Uganda

18% and Tanzania at 17%. The study excluded Rwanda as the scope is linked to another study on human capital strategies where only countries with at least 100 regulated accounting firms have been scoped - so as to enable sampling and further interviews at a later stage. Rwanda has less than 50 firms. South Sudan and Burundi had not yet become members of the International Federation of Accountants (IFAC).

**Table 1 – Adoption of Websites, Facebook® and Twitter® per country**

Country	Website	Facebook	Twitter
Kenya	102	51	19
Tanzania	49	22	15
Uganda	37	37	10
%age	16%	9%	4%

Source: Researchers' analytics and compilation

**Table 2 – Assessment of firm presence levels per country**

Country	No of firms	Total firms	%age
No presence Kenya	660	981	81%
	981		
Tanzania	161		
Uganda	160		

**Only one of the three Kenya74**

135

12%

Tanzania 28

Uganda 33

**Two of the three Kenya25**

45

4%

Tanzania 8

Uganda 12

**All three Kenya16**

39

3%

Tanzania 14

Uganda 9

Source: Researchers' analytics and compilation

The Skewness (Sk) and Kurtosis (Ku) for adoption of Websites, Facebook and Twitter were calculated using STATA15® statistical software. The study noted that the statistics were not normal as follows: Websites: Sk = +1.9, Ku = 4.5 (normal distribution has Sk = 0, Ku = 3) Facebook: Sk = +2.8, Ku = 9.0 Twitter: Sk = +4.9, Ku = 25.3

The study revealed that 81% of the SMPs (981 of them) did not have any Website and were also not found on Facebook® and Twitter®. Some firms had only a Website while some were content with Facebook account only; but no firm was only on Twitter. As noted from above skewness and kurtosis, most firms had adopted Websites, followed by Facebook while Twitter had the least appeal. The right skewness is to be expected because all observations would be either 0 or positive. The kurtosis reveal that the data is heavy-tailed compared to a normal distribution because we have outlier data, especially the very high number of firms that do not have any of the three media. There is need to enrich this area of research

specifically for East Africa because Information Technology has come to disrupt the way business is conducted and consumers/customers are migrating to the Internet. Therefore, an SMP firm that does not appear on the Internet radar may remain little known (lacking followers) or may also learn little from others (those that they follow). Further research will be required to find out why this is the case and also undertake content analysis to understand the potential influence of such presence on the competitiveness of those SMPs.

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By Joseph Chege

# PARENTING

## How to bring up confident children

All parents purpose to bring out the best in their children and consequently parent the children in the best way possible. No one goes through a parenting course before embarking on the journey of parenting. All parents hope that their approach, interventions and best thought out strategies will bear fruit. Some parents succeed but wait with bated breath and on the final launch exclaim a sigh of relief; “thank God.” For others it ends up in pain and a multitude of problems and more so from the teenage years onwards. Undeniably some factors come to impact the style and process of parenting; how we ourselves were brought up, the family structure of whether one is from a nuclear family, step – family, single parent family, extended family, adopted children and the parent’s availability in the life of a child. What may not be apparent to many parents is that the development of a child is determined by how a child interacts with his/her environment from the birth with learning occurring experimentally and unconsciously. Development refers to increase in skill, complexity and functions that make an organism fuller, bigger and better.

Children will unconsciously pick from the primary relationships in their lives validation and affirmation messages. The primary relationships involve parents, the nuclear and extended family members, their peers and teachers. From their pre – teen years (9 – 14), they form an affiliation coalescing around those who are like them. From this stage all through to adulthood, humans have an affinity in which they live out what they ‘unconsciously’ learnt in their childhood. For most parents, this is the stage that they wake up to a realization that all is not well. There is a helter skelter of various hypothesis on what went wrong ranging from culture, bewitching, curses, skipped traditions, blame game and all manner of human imagination. The most bizarre and irrational belief; I have heard

this held by both the child and the mother is that the child’s poor performance in school was due to the stealing of her intellect (brains) particularly during exam time. Interventions likewise are diverse ranging from prayers, counseling, planting a seed for the child, seeking grandparents’ blessings and others.

What constitutes effective parenting? A developmental psychologist- Erik Erickson proposed that humans develop through eight stages. At each stage, a child has choices referred to as a crisis from which a child learns unconsciously. The choice of the child is determined by the main need of the child at that stage and whether the need will be met or not. When the choice is taken, it is said that the child has taken a resolution that is either positive or negative. The resolution adapted at that point in time comes to affect the child’s character in maturity. Effective parenting revolves around meeting the child’s needs at the different stages in a way that fosters positive development. This article is a summation of the first four stages.

From birth up to the age of 1 ½ years, the child’s primary need is nurturing in terms of feeding, changing of diapers, visual presence of the caregivers and touch. Meeting these needs makes a child trustworthy while failure to meet them results into a child developing mistrust. A trusting child develops a basic virtue of hope characterized by faith and inner calm. Their strength in adulthood, would be readiness to face risks in life due to trust in self and others and an inner positive resolve in the face of uncertainty and risk. Mistrust on the other hand results in sensory distortion that manifests in an identity characterized by unrealism, acting spoilt, suspicion and fear of the future. The parental intervention that would foster positive development would involve being affectionate, care that is consistent, predictable and of high quality. It would also entail love (perceived) and support and to meet the child’s biological and

psychological needs.

From 1 ½ to three years, the basic need of a child is to try to do things for themselves. There is for instance a continuous struggle to help mum carry the shopping to the house, clothe themselves and to feed themselves with all the food ending up anywhere else than the mouth. Meeting this need results into a child developing a sense of autonomy. One of the inappropriate ways a child expresses autonomy is by farting around hard and loud even with visitors around. Autonomy makes the child develop a virtue of will power that in adulthood enhances self – determination, self- belief and self- reliance manifested by confidence in decision making. This in turn leads to independence and a sense of control in which the child then and later in life can hold to peer pressure as they hold onto their own beliefs with independence in thought and good judgment with a resultant high self - esteem. Failure to meet the child’s needs results into a negative resolution personified by shame and doubt. In maturity, the person has impulse reckless behavior shaped by thoughtlessness and being inconsiderate with persistent feelings of being constrained and self-limiting. The development fostering parental intervention is to allow children to experience success while offering support and encouragement in a safe environment. If a child for instance wants to carry the shopping, let him feel the weight and decide for himself it is too heavy. If as an adult you involve friends while going to buy a dress, ask yourself where it came from. Most likely it is based on self-doubt emanating from childhood.

The age of 3 – 5 years has rampant experimentation with adult themes. Children engage in purposive games with rules and regulations; toys, dolls, adult games like “heart – to – heart”, “cha mama and cha baba”. A child who successfully negotiates this stage learns to take initiative and develops a virtue of purpose. A sense of purpose guides in decision

making and how to practically deal with self and others in teams and social settings; a key quality for ability to work in a team in adulthood. One is okay with seeking their own direction in life and initiating a project. They have personal aims and goals, are self – starters and approach life with humor, empathy and resilience. A negative resolution makes a child approach life with feelings of guilt which may eventually lead to ruthlessness, having an exploitative and uncaring attitude, being dispassionate and harboring feelings of inadequacy, inhibited, risk averse and unadventurous. The parental intervention is to allow the child take initiative while lovingly correcting them on the proper way to do things. If they 'built mud houses' on the fresh watched carpet, show them where to build houses in future without scolding and beating. When they put bones and tins and other collected play things in the fridge, show them their place in the garage or the store. Parents ought to allow goal setting, exploration, challenges, offer love and belongingness, encourage social play and assumption of responsibility mainly in form of structured assignments.

The fourth stage is of 6 – 12 years. The child's circle of influence extends to beyond the family to peer friends, neighbours and the school. The main needs of the child at this stage are to add knowledge, develop skills and build competency in different areas. A child whose needs are met at this stage develops industry with a basic virtue of competence in form of making

things, producing results, applying skills and processes productively, feeling valued and capable of contributing to their own life and those of others. The important strength here is application of methods and processes in pursuit of ideas and objectives with confidence to seek and respond to challenges and learning and being active and busy. Their understanding of how the world functions, the nature of life and acceptance of limits is learnt at this stage. Negative resolution results in inferiority where one adapts a narrow expertise that inhibits career progress that may push one to being an alcoholic and obsessive specialist with high levels of inactivity, lazy, apathetic and purposelessness.

The growth enhancing parental intervention is to offer encouragement, build independence, self – efficacy, nourish motivation for mastery, be tolerant of honest mistakes and become a mentor. Recognition of success is important for mastery and building of high self-esteem. Bringing up the children in the stage of adolescence/teens and the youth is a different ball game altogether.

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*Compiled by Angela Mutiso*

# Laughter GLADDENS THE HEART



### It is a beautiful thing

Laughter is a powerful antidote to stress, pain, and conflict. Nothing works faster or more dependably to bring your mind and body back into balance than a good laugh. Humor lightens your burdens, inspires hopes, connects you to others, and keeps you grounded, focused, and alert. It also helps you to release anger and be more forgiving.

With so much power to heal and renew, the ability to laugh easily and frequently is a tremendous resource for surmounting problems, enhancing your relationships, and supporting both physical and emotional health. Best of all, this priceless medicine is fun, free, and easy to use. ([helpguide.org](http://helpguide.org))

As a builder, Bertrand was accustomed to urgent calls demanding immediate attention. So when he received a pressing plea to build a stall for an international trade fair, he was more than prepared to start work straightaway. Besides, he had experienced a dry spell and was up to this point, not sure how he was going to meet his end month commitments when they fell due. The job he had been called for, entailed putting up a clothes shop as fast as possible; he was to do this, before the gates opened for shoppers; and this was a week from the time of the call. A temporary structure was what was needed because permanent structures had all been

taken up; he did not have enough time to put up a long-lasting one anyway. The job required skill, speed (and I dare add) lots of laughter. Humor was necessary as tempers at Bertrand's station flared often among workers who did not know each other and had to work day and night to meet the fast approaching deadline.

Bertrand unfailingly reported at the workstation every day to supervise his workers. They laid stones, put the requisite, walls, windows, ramps, doors and shelves.

But when he arrived with a lorry on the last day to do the finishing touches, he was crudely told that entry for constructors was not allowed; he could therefore not be let in to complete his project. Nothing he said to the tenacious gatekeepers could get them to agree. And just when it seemed like there was no end in sight to this ugly confrontation, he unexpectedly roared with laughter. He remembered that laughter can alleviate conflict. Before long, the gatekeepers too were breathless with laughter. Needless to say, this sudden gust of laughter at the peak of tension, had done the trick. Everyone thawed and was ready to help. The gates were gleefully opened. A relieved Bertrand, still laughing, got his workmates to finish off the job as he cracked jokes to keep them energized and active.

Laughter has been known to get people out of vexing situations as you have gathered from Bertrand's case. Here are some thoughts to think about from [helpguide.org](http://helpguide.org); nothing diffuses anger and conflict faster than a shared laugh. Laughter lightens anger's heavy load. It

“  
Laughter  
actually eases  
conflict, creates  
rapport, and  
permits you to  
take yourself  
lightly. Even  
among our  
politicians,  
families,  
associates  
and friends,  
there are a  
good number  
who laugh to  
ease difficult  
situations.”

relaxes the whole body; boosts the immune system; triggers the release of endorphins; protects the heart, improves the function of blood vessels and increases blood flow, which can help protect you against a heart attack and other cardiovascular problems. Laughter may even help you to live longer. A study in Norway found that people with a strong sense of humor outlived those who don't laugh as much. The difference was particularly notable for those battling cancer. It says further that laughter makes you feel good. And the good feeling that you get when you laugh remains with you even after the laughter subsides. Humor helps you keep a positive, optimistic outlook through difficult situations, disappointments, and loss. The tips you get from helpguide, can see you through extremely tough moments as it is, (in its own words) a trusted guide to mental and emotional help. It states that "more than just a respite from sadness and pain, laughter gives you the courage and strength to find new sources of meaning and hope. Even in the most difficult of times, a laugh—or even simply a smile—can go a long way toward making you feel better. And laughter really is contagious—just hearing laughter primes your brain and readies you to smile and join in the fun."

Laughter actually eases conflict, creates rapport, and permits you to take yourself lightly. Even among our politicians, families, associates and friends, there are a good number who laugh to ease difficult situations. They do not do this because

they are happy, but because they know it diffuses tensions, makes people happy and supports bonding. It brings out the human side of everyone, especially when you see someone laughing at himself, or laughing helplessly, because there is just nothing they can do to improve their situation. Nothing soothes a parent's heart more than seeing a broad toothless grin from a happy baby. That happens to be one of the natural ways s/he has to say thank you for all your efforts.

Joel Scott Osteen, the American televangelist based in Houston, Texas and whose televised sermons are seen by over 7 million viewers weekly and over 20 million monthly in over 100 countries (Wikipedia) can without a doubt, be said to comprehend the benefits of jokes and laughter to an audience. He always starts his sermons with a joke and gets people in stitches before delivering his much appreciated sermons. A Joke grabs attention and relaxes you as well. Laughter, as Joel Osteen well knows, enables both naturalness and gratitude and in addition, allows you to interact well at the onset. It is something he has used to great effect; his audience always looks forward to hearing his jokes. Laughter is a beautiful thing. Researchers say that jokes are necessary for a good life. Laughter eases stress, energizes you, boosts your self-esteem, lowers blood pressure, and boosts our immune system. If you think about it, many people start their presentations with some humor because you must get the attention of your audience as soon as you

start speaking to keep them engaged and absorbed.

A Forbes contributor gives an interesting analysis on this subject under the topic- Tips For Public Speaking (IESE Business School, Contributor) the author says, "you should start strong with a "grabber". "A personal story, a quote from an expert or a shocking statistic – something that takes a hold of your audience and gets them hooked and opens their mind to your message. Give the audience a chance to see your personal connection to the topic." The writer stresses the importance of smiling. "Smile. Look like the content matters to you – if the audience don't feel that it is important to you, it will be really hard for them to feel that it should be important for them." Laughing and joking all relax you, as Forbes points out, relaxation is key, if you want to get people to listen to you." It says of relaxation... "Begin with a well prepared grabber. A relevant personal story is a great start. It establishes your credibility. It connects you to the audience and creates the right emotional atmosphere (and calms your nerves)."

Readers Digest, long discovered the joy of including laughter in its magazine that keeps people well entertained. Their anecdotes are short and entertaining. Sample this: "At the airport check-in counter, I overheard a woman ask for window seats for her and her husband. The clerk pointed out that this would prevent them from sitting together. "Sweetie," the woman replied. "I just spent ten days of quality time in a compact rental car with this man. I know what I'm requesting..." Reader's digest's jokes have become so popular that they have produced a book "Laughter the Best Medicine" it is a collection of Reader's Digest magazine's funniest jokes, quotes, stories, cartoons, anecdotes, and laugh-out-loud captions. (Readers Digest was founded by DeWitt and Lila Wallace in 1922 with the first publication of Reader's Digest magazine). They have kept people entertained, informed and well-read, since.

One of our most revered heroes was former South African President, Nelson Mandela. A journalist narrated that once when he was travelling, he sat next to Mandela. The plane seemed



Former Prime Minister Raila Odinga sharing a joke with Deputy President William Ruto

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to have developed a problem and became turbulent. For a moment it seemed like they were going to crash. He was very uncomfortable. As he was seated next to this great man, he decided to find out how he was coping. He was surprised to see a very relaxed man; almost smiling. Fortunately, the plane stabilized and all was calm again. At that moment, a relieved Mandela turned to him and said... “Wow that was close!” “but you didn’t look

worried” observed the writer, the former President explained that he remained composed to encourage others, but inwardly, he was just as anxious as the next man.” For the journalist, the encouragement he got from Mandela’s smiling face during adversity, is something, he will never forget.

So keep smiling (it’s the most beautiful thing you can wear), laughing, joking and be energized. It’s for your own good; remember.

## Food for thought

(ThoughtCo.)

*He who can does -- he who cannot, teaches.*

*George Bernard Shaw*

*Where lipstick is concerned, the important thing is not color, but to accept God’s final word on where your lips end.*

*Jerry Seinfeld*

*Dancing is a perpendicular expression of a horizontal desire.*

*George Bernard Shaw*

*“I can stand brute force, but brute reason is quite unbearable. There is something unfair about its use. It is hitting below the intellect.”*

*Oscar Wilde*

Joel Scott Osteen,  
American televangelist

By Angela Mutiso

# ENVIRONMENTAL BENEFITS OF GRASS

*“Rest is not idleness, and to lie sometimes on the grass under trees on a summer’s day, listening to the murmur of the water, or watching the clouds float across the sky, is by no means a waste of time.”*

- John Lubbock, *The Use Of Life*

**W**hen you wake up in the morning and see your granny, auntie, mum or anyone sweeping away top soil in the front yard, you should stop them at once; because grass is better than the barren soil. This is a habit that is pretty common in the village; if only they knew what they are depriving themselves of.

The advantages of grass are grossly understated. Yet it plays a crucial role in conserving the environment, it’s good for our lawns, our parks, sports grounds and recreational places. It is food, and in addition, controls weeds, saves and cleans water, prevents soil erosion, and is great for pasture and construction, among several other things.

Grass is the common name for the Gramineae family of plants. With more than 9,000 known species, this family is one of the largest on Earth, explains howstuffworks. Under the title, how grass works, it says simply in defining grass that grass is extremely important to most people’s lives, whether they know it or not. For one thing, grass is a major food source all over the world. Rice, corn and oats come from grass plants, for example, and most livestock animals feed primarily on grasses. In some parts of the world, people use grass plants in construction (bamboo is a grass, for example), and wherever it grows, grass plays a vital role in curbing erosion. Grass is also used to make sugar, liquor, bread and plastics, among many other things. Grasses have

a very simple structure, and a very simple way of life. You can better grasp what grass needs when you understand how it actually functions in the world. It explains further that at the base of the grass plant, roots grow down into the earth. Typically, grass roots are fibrous, or threadlike. They extend into the soil like fingers, collecting nutrients, soaking up water and securing the plant to the ground.

Another site that guides you brilliantly on the uses of grass and is closer to home, is Asepsis Kenya. They have plenty of information for you regarding the types of grass in Kenya and East Africa, including how to choose the right grass for your location, the right type of soil and what you should take into account when you want to plant grass. Asepsis Kenya notes

for example that when selecting a lawn grass, the first consideration is location. Location determines the temperature that your lawn will grow in. Some lawn grasses will grow better in high temperatures than others and vice versa. Secondly, determine the level of shading in the proposed lawn. Large and many trees can cast shadows under which only certain types of grasses will grow. It is important to note that the whole compound may not be shaded. In this case two or more varieties can be used. The type of soil is another important consideration. Some lawn grasses will grow well in sand or in water soaked conditions, some will perform poorly. Some lawn grass varieties will withstand human and vehicle traffic better than others. It is therefore important to consider the use of the lawn. To establish and sustain a good lawn, regular irrigation is important. Choose a lawn grass based on your ability to water the grass; it concludes

We have several types of grass in Kenya and East Africa. These include among others, Arabic grass, Kikuyu grass,

carpet grass, Buffalo grass, Pemba grass, Zimbabwe grass, Maadi grass, Arabic grass and Paspalum grass. In order to get it right, selecting the right seed will ensure you get the type of lawn you want. You should be careful here, because you must choose the grass type suitable for your soil and location. It should not just be what pleases your eye. Certain types of grass cannot grow under shade, some can be overpowered by weeds, and others will grow so high so quickly that slashing or mowing may be needed more frequently than you have time/resources for. Remember that you must regularly mow your grass, have it well watered and fertilized, not forgetting weed control. The uses of grass are so many that it is difficult to list them all in this feature. But there are some points you may find useful here.

Writing on the environmental benefits of lawns -Dr. Eliot Roberts and Beverly Roberts (1989) explain some ways in which grass can benefit us below; it is noted that, this overview of some of the many benefits of lawns provides a

tribute to the grass plant, truly a gift of nature. Although each plant is small, it contributes so much to our well-being. (This information is provided by The Lawn Institute), below are their findings;

**Climate is controlled** at ground level by turfgrasses (better known to us as lawn grasses) as they cool temperatures appreciably, thus working as exterior “air conditioners.”

**Dust and smoke particles** from the atmosphere are trapped by turf which helps keep the air cleaner.

**Noise is absorbed** by grass areas which cut down on excessive sound, a growing problem in urban areas. For example, grassed slopes beside lowered expressways reduce noise 8-10 decibels. Pollutants, such as carbon dioxide and sulfur dioxide, are absorbed by turfgrasses thereby rendering the air fit to breathe.

**Turfgrass thatch** acts as a barrier deterring chemicals from entering the soil profile.

**Oxygen generation** by turfgrasses has a major impact in making our environment



habitable. A 50'x 50' lawn produces enough oxygen for a family of four.

**Erosion of soil by water is effectively controlled** by grasses as they intercept raindrops before they disturb the soil and they also slow the flow of water which minimizes soil loss.

**Groundwater is enhanced** in two ways by a dense turf. Turfgrasses increase infiltration of water and clean the water as it passes which in turn recharges the underground water supplies used by all of us. Run-off of water and pollutants is greatly reduced by a highly maintained lawn. Dense turfgrass cleans the water helping to maintain a high quality environment.

**Zones that are stabilized** by turfgrasses enhance safety on roads and airfields by reducing run-off which can cause flooding. Turfgrasses also diminish soil erosion which muddies surfaces and they absorb dust improving visibility. Traffic, both vehicular and pedestrian, is directed by lawn barriers in areas of heavy movement of people and on roadsides

and medians.

**Fire retardation** by buffer areas of well-maintained lawn grass around buildings is good insurance, they conclude.

When choosing the right type of grass to plant, you may want to ensure (depending on your location) that it is drought resistant, a weed fighter, can grow where there is shade, does not require much watering and can grow well on your type of soil. If you like mowing, slashing, or cutting grass, you may opt to get the type that is vulnerable but beautiful because it allows you to deal with the weeds that grow in between, thereby giving you the much needed exercise.

Remember the following advice from the experts; (Asepsis Kenya), after selecting the area and ensuring you have enough water to sustain your lawn at the start of its life, as much as possible, prepare the ground. This will save you costs if you did it yourself. This includes; Removing all the existing vegetation, roots and rocks such as only soft soil is left. If soil is unsuitable, consider adding

6 inches or 150mm of red soil. Doing this yourself will save you mark-up costs by a landscaper. Level the soil and add manure. For every 5 parts of soil, add 2 parts of manure. For example if the red soil needed is 5 trucks, put 2 trucks of manure. Level the ground by raking it.

One of the major causes of our growing water quality problem explains the lawn institute, is runoff of contaminants from hard surfaces, such as roads and parking lots. Unfortunately, with expansion and building development, open space is lost to these impervious surfaces. It says runoff can be reduced by establishing new lawns and turfgrass areas. The biology of turfgrass makes lawns a near ideal medium for the biodegradation of all sorts of environmental contamination. Turfgrass purifies the water as it leaches through the root zone and down into our underground aquifers. Soil microbes help break down chemicals into harmless materials. This filtration system is so effective rain water filtered through a good healthy lawn is often as much as 10

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times less acidic than water running off a hard surface. These filtration properties are also the reason that turfgrass is used to help recycle effluent water.

### Interesting facts

- A small lawn can make a dramatic impact when you put in landscaping. You can even make it look bigger by adding a shrub or nice container as a focal point at the far end. (scotts.com)
- Never remove more than one third of the grass length on any one occasion (lawnsmith.co.uk)
- American perspective on lawn care is different than the rest of the world's. Americans view their lawn with pride. Behind family, a home is as much a symbol of the American dream as anything else. Americans can devote a large amount of time tending to their lawns, up to 8-10 hours from people we've talked to (lawnstarter.com)
- The Top 10 Best Landscaped Colleges – East Coast (check them out)
  - 1) Duke University – Durham, NC
  - 2) Harvard University – Cambridge, MA
  - 3) The College of William and Mary – Williamsburg, VA
  - 4) University of Maryland – College Park, MD
  - 5) University of Vermont – Burlington, VT
  - 6) Virginia Tech – Blacksburg, VA
  - 7) University of Virginia – Charlottesville, VA
  - 8) Yale University – New Haven, CT
  - 9) University of North Carolina – Chapel Hill, NC (lawnstarter.com)
  - 10) College of Charleston – Charleston, SC
- Kikuyu grass is the most common grass in Kenya. It is best for large scale projects like roads (asepsis-kenya)
- Maadi River-Greyish-blue creeping grass, It is an old variety in Kenya. (asepsis-kenya)
- Paspalum -Poor establishment possibility, suffers in drought, cold and cannot compete with weed (asepsis-kenya)

# WOUND CARE

*Compiled by Angela Mutiso*

## **How Home Care Can Aid Healing**

Antoinette had been playing with her toddler for a while when she realized it was long past dinner time. As she got up to make the evening meal for her family, it was clear that baby Dorcas still wanted to play, so she left her to have fun with some toys as she headed to the kitchen. She intended to observe her through

a hatch, as she had done many times before.

Keeping warm in the evening and watching dry wood crackling at the fireplace was part of the young mum's evening pleasure. Unfortunately, the flames dancing at the fireplace that evening, were too enticing for Dorcas, so, that was the first place she guided her stroller to when her mummy left.

**“ It is easy, if not well managed, for a bruise to become septic when your skin is punctured. We find ourselves in such situations a lot. So it is important to understand how to deal with accidents appropriately, to avoid further damage before seeking treatment, and during treatment to aid recovery. Most importantly, we should all know something about wound care; given that it is a common occurrence.**

It wasn't long before Antoinette heard little Dorcas's ear-splitting scream, and remembered bitterly that the fierce fire may have proved irresistible for the toddler. She was apprehensive when she went back to the living room and found her daughter's dress burning, and blisters all over her hands. Thankfully, she was just in time to save her. It had happened too quickly. As she looked at her girl in agony, she felt growing panic sweep through her and regretfully recalled how many times her own mother had warned her of this possibility. When she later called her to inform her about this incident, she naturally rushed to her aid, and was quite helpful, but did nothing to mask her disapproval. She hoped for her family's sake, that her daughter had learned the ultimate lesson, although she had never wished the lesson to come in this form. At the hospital, the distressed mother was informed that Dorcas seemed to have suffered first degree burns (when the top layer of skin burns). Needless to say, had she been further away at the time, and had she not known what to do straightaway, the story would have been different. Antoinette was grateful that she had taken time to learn what to do in situations like this and had taken the requisite measures, including; washing the burnt area with cool water and covering it with a paper towel and some minty toothpaste.

Despite the good care her baby got at the hospital however, Antoinette, felt strongly that she wanted to take her baby to heal at home, when she was sure she was out of danger. She did not want to stay at the hospital after the accident. So she informed the hospital staff that she wanted to go home with her child. The doctors protested but, she convinced



them that she would follow the rules. The results were amazing; they surprised even her mother and the hospital staff. Antoinette knew the secret - which is that; the quality of treatment you get when you are sick is critical in aiding recovery.

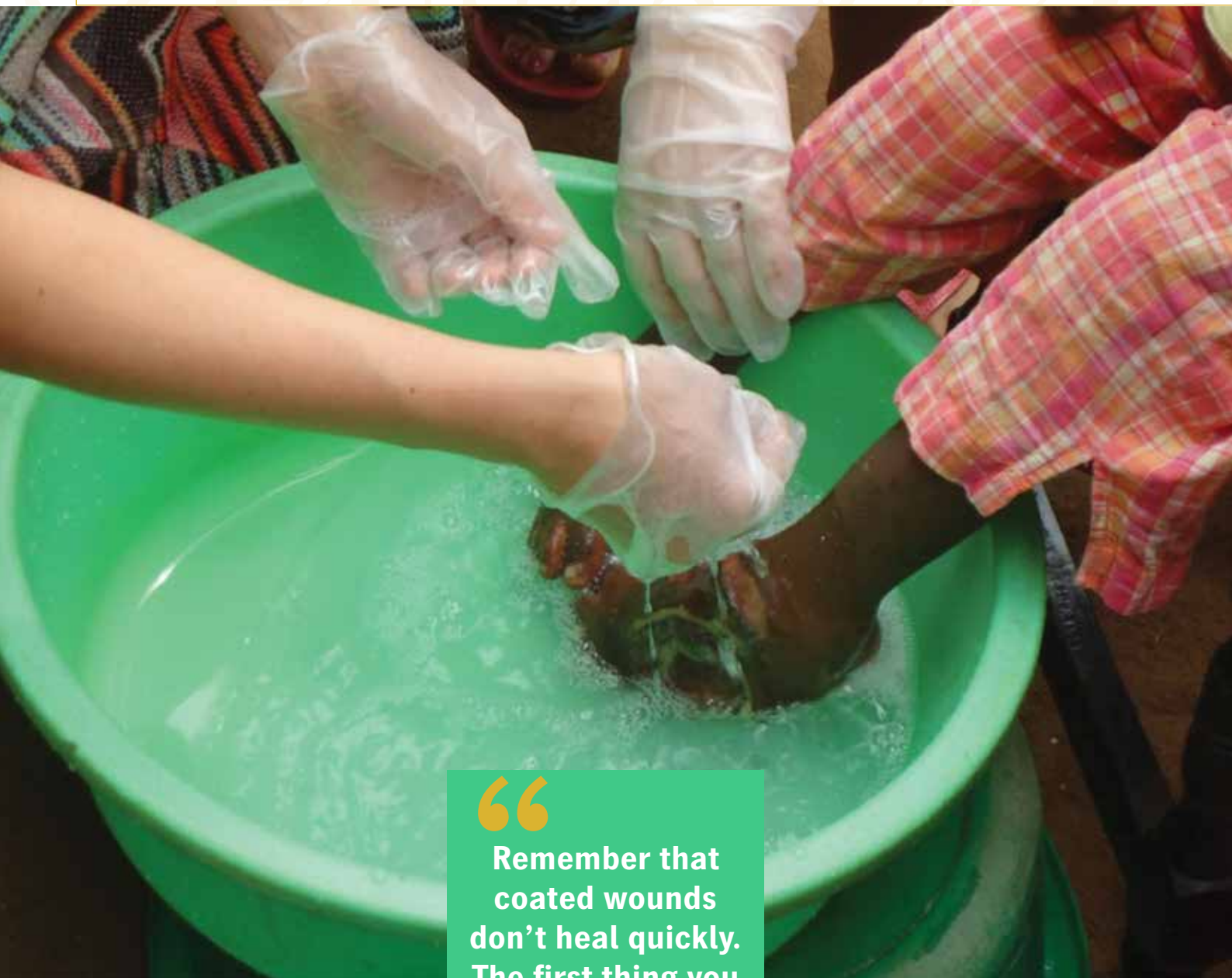
It is easy, if not well managed, for a bruise to become septic when your skin is punctured. We find ourselves in such situations a lot. So it is important to understand how to deal with accidents appropriately, to avoid further damage before seeking treatment, and during treatment to aid recovery. Most importantly, we should all know something about wound care; given that it is a common occurrence.

A wound is a type of injury which happens relatively quickly in which skin is torn, cut, or punctured, or where blunt force trauma causes a contusion. In pathology, it specifically refers to a sharp injury which damages the dermis of the skin. (Wikipedia)

Most of us take wounds for granted, especially if they do not appear serious.

In most cases, first aid, an Elastoplast or bandage and some antibiotics may be all that's needed to clear the problem. However, there are certain conditions that predispose you to more serious problems. This includes, diabetes. A wound that does not heal for any reason can seriously affect your health.

Discussing how to deal with infected wounds, wound care center states that Infected wounds can cause not only a great deal of discomfort and pain, they could also lead to extremely serious problems. That is why it is so important to make sure you carefully monitor any type of wound to keep an infection from occurring. If it does, you should contact a medical professional as soon as possible to ensure proper treatment. Center care further says that an infection typically occurs due to the colonization of bacteria or other types of microorganisms, resulting in either the deterioration of a wound or a delay in healing. Infected wounds take place when the body's immune system becomes overwhelmed or is unable to deal with the normal growth of bacteria.



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**Remember that coated wounds don't heal quickly. The first thing you should do is to wash the wound with soap and cool water (ensure you use mild soap) the idea here is to deter germs and to get rid of loose skin.**

Much of the skin contains bacteria that are usually harmless – as long as the skin remains intact. A wound, however, disrupts this protective barrier, allowing bacteria to accumulate. This leads to increased inflammation and potentially tissue damage. Infected wounds can lead to several serious consequences. It can cause a wound to fail to heal, leading to prolonged pain. Surrounding tissue can be damaged, and even nearby bones could be at risk of an infection. If an infection spreads to the blood vessels, other areas of the body can be affected as well. Center care says in addition that proper care is the best way to prevent infected wounds from occurring. Wounds should typically remain moist in order for the cells that promote healing to function properly.

Dressings must be changed at least daily – in many cases, multiple times per day – and precautions must be carefully taken, such as washing hands and using sterilized equipment, it concludes.

Essentially, your skin largely protects you from several things, like bad weather, infections, radiations, dirt and many more situations. Penetrating wounds can complicate matters, especially when they are deep, because as you know, further in, there are arteries, bones, tendons and several other delicate areas. If your injury goes that far, you may lose function of certain parts of your body, which is why proper wound care is important.

Remember that coated wounds don't heal quickly. The first thing you should do is to wash the wound with soap and

cool water (ensure you use mild soap) the idea here is to deter germs and to get rid of loose skin. Vaseline is known to protect the wound as petroleum jelly keeps it wet and stops it from getting dry.

It is interesting to note that there are quite a number of people who prefer to stay at home and heal rather than spend days at the hospital. You can in addition, provide care for a sick person by using sympathetic words; it is one of the surest ways to recovery. The way you talk to and handle a sick person, can yield dramatic results. If you are commonly stressed out, a gentle massage, and having proper care at home as well as being among people you love and trust can make a big difference. But feeling a human touch is priceless when you are ill.

According to parenting.com, (talking about the benefits of human contact) touch matters throughout life, but never more than in the first year. It's one of the most profound ways you'll communicate with your baby, whether you're trying to show him he's safe, he's loved, or it's time for lights-out." It states that "Newborn preemies are often whisked away to spend weeks or longer in the neonatal intensive care unit. It's necessary, of course, but touch should be part of the healing too. With "kangaroo care," first introduced in the late 1970s and now increasingly popular, a mom spends several hours a day holding her premature baby skin to skin against her chest. (Dads can do this too.) Studies have shown that a preemie who gets kangaroo care tends to cry less, sleep better, breathe more easily, breastfeed longer, and gain weight faster. And moms report a deeper bond with their babies, and more confidence in caring for them."

This is what Antoinette did to Dorcas; In addition to touching, she cleaned the wound often to keep germs at bay and removed debris from it every day. The point here is that when you master what needs to be done when someone is sick, homecare can sometimes make them heal faster. In the case of Dorcas, seeing her mother tending to her, feeling her gentle touch, having sufficient rest and eating what she wanted, including the right fruits and vegetables, and being in a familiar place, hastened her healing. Unlike the busy hospital nurses, Antoinette had all the time to tend to her, taking all the necessary precautions and measures to ensure her quick recovery.

No one likes having scars so, when you



get injured, find out from your doctor if you need a stitch, and apply sunscreen when you are healed; a broad spectrum one may be preferable in this case. You may need to use good quality scar creams to enable the scar to fade quickly. You can consult a dermatologist to help you deal with your scars. Remember, what you eat can also aid recovery. You may need to take pine apple, lean meat, deep colored fruits, papaws, some fiber, nut, seeds and cruciferous vegetables for faster recovery.

So will you consider home care next time you fall sick?

[cananews@gmail.com](mailto:cananews@gmail.com)

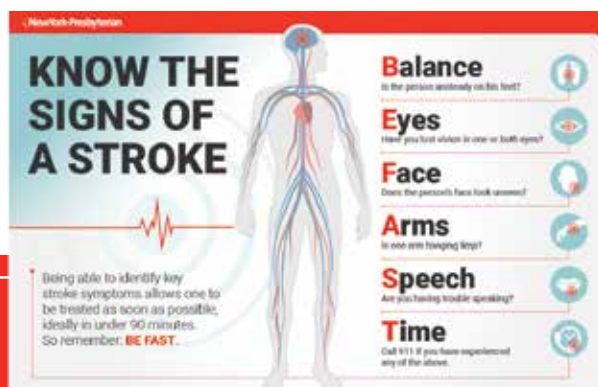
## Health Tips

### An Anti-stroke Diet Prescription

It seems urgent and clear: If you are worried about a stroke, do the following six things...

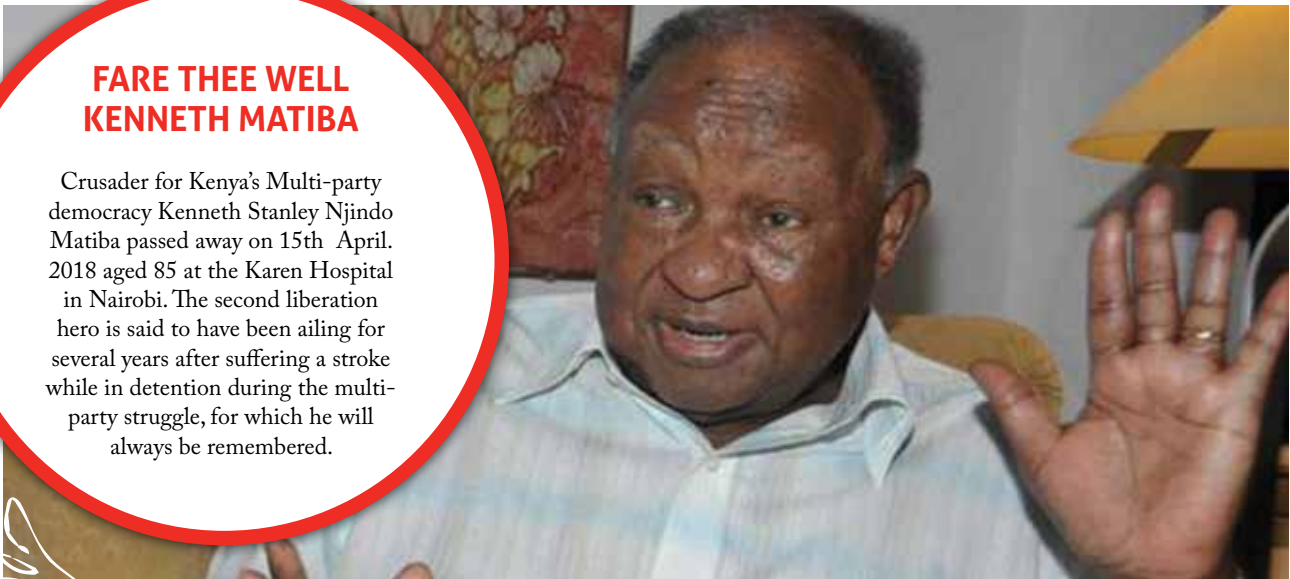
- Eat lots of fruits, and vegetables, five or more servings a day. Be sure to include carrots, and folic acid-rich orange juice and dark leafy greens.
- Eat fish especially fatty fish, at least three times a week
- Watch your sodium intake
- Don't drink alcohol excessively –no more than a drink or two a day
- Consider drinking tea-either green tea or ordinary black tea brewed from tea bags or loose tea. Bottled teas and instant tea mixes do not contain heart-protective antioxidants, according to research at the U.S Department of Agriculture.
- Eat fat in moderation; don't go on an extremely low fat diet.
- Remember, such actions could also curb neurological damage and lower your odds of dying if you have a stroke.

Source - bestselling author Jean Carper – derived from her book: *The miracle heart*



## FARE THEE WELL KENNETH MATIBA

Crusader for Kenya's Multi-party democracy Kenneth Stanley Njindo Matiba passed away on 15th April. 2018 aged 85 at the Karen Hospital in Nairobi. The second liberation hero is said to have been ailing for several years after suffering a stroke while in detention during the multi-party struggle, for which he will always be remembered.

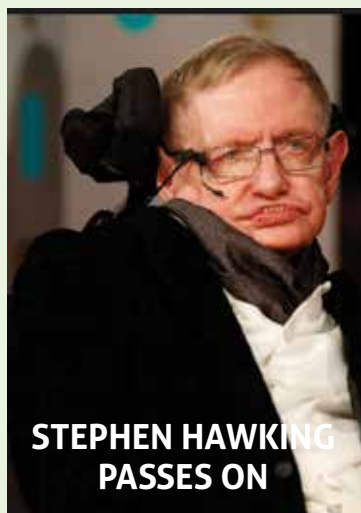


## SOUTH AFRICA MOURNS WINNIE MADIKIZELA-MANDELA

Winnie Madikizela-Mandela, freedom fighter and former wife of South Africa's former President Nelson Mandela who died at Netcare Milpark Hospital in Johannesburg had a fitting send off as her struggle to free her country from the clutches of apartheid was recalled by her compatriots and leaders around the world. The struggle icon passed away on Monday, 2nd April 2018 aged 81. The family had earlier said that Mandela wanted to be buried next to her parents in Mbhongweni Village in Bizana in the Eastern Cape – that is according to Gxaba Madikizela, a close relative of hers. "We thought she would be buried here next to her parents (father Columbus Kokani Madikizela and mother MaRhadebe Mzaidume)," he said. However, the 63-year-old ex-mineworker said the family had accepted the government's decision to bury her in Johannesburg. "We can't change the decision," he said. The Madikizela's claim was backed by former ANC national executive committee member and childhood friend Zuziwe Dlamini, who said Madikizela-Mandela always wanted to be buried next to her parents.

*Additional information from iol.co.za*

Stephen William Hawking. Theoretical physicist Born: 8 January 1942, Oxford, United Kingdom died on 14th March 2018, in Cambridge, United Kingdom. He was author of an international best seller -A Brief History of Time. He was the father of Lucy Hawking, Robert Hawking and Timothy Hawking. He was the former Lucasian Professor of Mathematics at the University of Cambridge and author of A Brief History of Time which is an international bestseller. He was also the Dennis Stanton Avery and Sally Tsui Wong-Avery Director of Research at the Department of Applied Mathematics. Hawking was regarded a



## STEPHEN HAWKING PASSES ON

genius. He gave hope to many people. Here are excerpts of what the guardian said of him: "Those who live in the shadow of death are often those who live most. For Hawking, the early diagnosis of his terminal disease, and witnessing the death from leukemia of a boy he knew in hospital, ignited a fresh sense of purpose. "Although there was a cloud hanging over my future, I found, to my surprise, that I was enjoying life in the present more than before. I began to make progress with my research," he once said. Embarking on his career in earnest, he declared: "My goal is simple. It is a complete understanding of the universe, why it is as it is and why it exists at all."



## WHY ANGOLA HASN'T FEATURED IN DISCUSSIONS ABOUT INVESTING IN AFRICA

Apart from the language barrier, the country does not have much history in attracting foreign investment. For decades the Southern African economy has been largely inaccessible to all but the most adventurous people in business.



## NIGERIA'S PLAN TO OVERHAUL ITS ENERGY TARIFF SYSTEM BY 2021

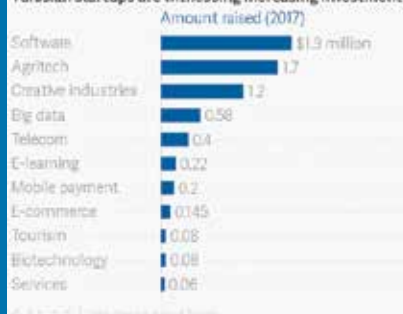
Only about half of the 190-million people in Africa's most populous country have access to power. The problem has been exacerbated by prices that are capped below what it costs to generate and deliver power.

## ZIMBABWE TO RETURN TO THE FOLD

"The UK would strongly support Zimbabwe's re-entry and a new Zimbabwe that is committed to political and economic reform that works for all its people."



## Tunisian startups are witnessing increasing investment



## SUCCESS STORY OF LOCAL TECH ECOSYSTEMS ACROSS AFRICA

With a newly passed Startup Act —a law which sets out government's policies for startup growth—Tunisia appears to be taking the lead in this regard. The law has come after two years of deliberations with legislators engaging entrepreneurs, civil society, and investors.

## SMART METHODS USED BY FARMERS IN SOUTH SUDAN

Many farmers in the impoverished country are using modern farming techniques to protect and promote agriculture-based livelihoods, with training from the Food and Agriculture Organization and non-profits.



## CHAMPAGNE SALES IN FULL BOOM IN GABON

The latest report of exports of champagne in the world, published last year by the Inter-professional Committee of wine placed the country in the top 10 of largest consumers.

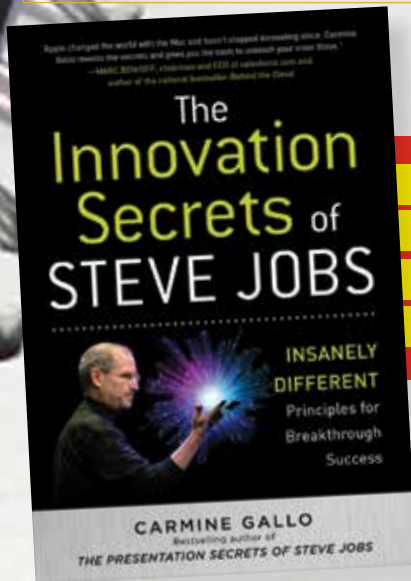
## WORLD BANK ANNOUNCES \$500M INVESTMENT IN EGYPT'S EDUCATION REFORMS

The investment is meant to help improve the quality of learning by training 500,000 teachers and education officials, increase access to quality kindergarten education for about 500,000 children, and facilitate the adoption of tech by providing 1.5 million students and teachers with digital learning resources as a means to achieve the country's reform objectives.



## INVESTING IN THE YOUNGEST CONTINENT IN THE WORLD

The archetypal African youth is faced with several challenges; large scale unemployment and under-employment, violent conflicts, conundrum about migrating to Europe for greener pastures, lack of social infrastructures to set up a business, not to mention the oldest presidents in the planet and so on.



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

**Title:** Secrets of Steve Jobs

**Author:** Carmine Gallo

**Category:** Business

**Publisher:** McGraw-Hill Education



**“The Presentation Secrets of Steve Jobs reveals the operating system behind any great presentation and provides you with a quick-start guide to design your own passionate interfaces with your audiences.”**

- Cliff Atkinson, author of *Beyond Bullet Points* and *The Activist Audi*

**T**hose who knew the personality of Steve Jobs, must know that one of the many things he was great at, was presentation. Carmine Gallo the author of this great book, is an American author, columnist, keynote speaker, and former journalist and news anchor and President of Gallo Communications Group and a communications coach and speaker (Good Read). He says that Jobs has a one-line description for nearly every product, and it is carefully created in the planning stage well before the presentation, press releases, and marketing material are finished. Most important, the headline is consistent. Steve Jobs was worth more than \$100 million by the time he was twenty-five, and it didn't matter to him. Understanding this one fact will help you unlock the secret behind Job's extraordinary charisma.

**A Steve Jobs presentation says the writer, follows Aristotle's classic five-point plan to create a persuasive argument:**

1. Deliver a story or statement that arouses the audience's interest. 2. Pose a problem or question that has to be solved or answered. 3. Offer a solution to the problem you raised. 4. Describe specific benefits for adopting the course of action set forth in your solution. 5. State a call to action. For Steve, it's as simple as saying, "Now go out and buy one!"

In this well presented book, Gallo includes styles that were almost unique to Jobs in that, despite the changing times and the availability of modern technology, he still preferred to plan in analogue. The author says that in chapter one, you will learn how truly great presenters such as Steve Jobs visualize, plan, and create ideas

well before they open the presentation software. Steve Jobs makes his argument easy to follow by adopting one of the most powerful principles of persuasion: the rule of three. All scenes in this book are exciting and informative. Scene six for example (randomly selected) "Introduces the Antagonist." Gallo explains that every great Steve Jobs presentation introduces a common villain that the audience can turn against. Once he introduces an enemy, the stage is set for the next scene: "Reveal the Conquering Hero." Every great Steve Jobs presentation introduces a hero the audience can rally around. The hero offers a better way of doing something, breaks from the status quo, and inspires people to embrace innovation.

Basically, Gallo tells us in this book, that in keeping with Jobs's metaphor of a presentation as a classic story, *The Presentation Secrets of Steve Jobs* is divided into three acts: Act one: Create the Story. The seven chapters—or scenes—in this section will give you practical tools to craft an exciting story behind your brand. A strong story will give you the confidence and ability to win over your audience. Act two: Deliver the Experience. In these six scenes, you will learn practical tips to turn your presentations into visually appealing and "must-have" experiences. Act three: Refine and Rehearse. The remaining five scenes will tackle topics such as body language, verbal delivery, and making "scripted" presentations sound natural and conversational. Even your choice of wardrobe will be addressed. He (the author) is confident that (by reading this

book) you will learn why mock turtlenecks, jeans, and running shoes are suitable for Jobs but could mean the end of your career.

The author tells us that Steve Jobs knew the importance of headlines and worked on them with great results. He notes that headlines are what persuade you to read particular stories in newspapers, magazines, or blogs. Headlines matter. As individuals become their own copywriters for blogs, presentations, Twitter posts, and marketing material, learning to write. He goes on to say that the most effective headlines are concise (140 characters maximum), are specific, and offer a personal benefit. He advises that you should consistently repeat the headline in your conversations and marketing material: presentations, slides, brochures, collateral, press releases, and website. He stresses that - your headline is a statement that offers your audience a vision of a better future. It's not about you; it's about them.

When you read this book (there is an E-book version as well) you realize that a good presentation can take you where you want to go even faster than you had anticipated. It changes your whole perception of presentations when you discover that for Jobs, there were no bullets. Because bullets kill. It shows you that texts and bullets are the least effective way to deliver information intended to be recalled and acted upon. Parting shot? Save your bullets for grocery lists.

*This book is available in all leading bookshops.*

"Fortunately, stars shine brightest during the darkest of hours. I know you will continue to illuminate our sky, even through the storms and clouds. Your legacy will be an uplifting beacon from which we can continue to draw guidance and strength during difficult times... You loved our people unconditionally and sacrificed so much for our freedom. It is my prayer that as befitting tributes are paid to you both at home and abroad, all of us will internalise the values you helped to mould and birth into existence. Thank you for your brilliant wisdom, your fierce defiance and your stylish beauty."

Graca Machel's open letter to Winnie Madikezela Mandela; this was Machel's tribute, following her death. (excerpts)

"I saw her body on the hospital bed on Monday afternoon. I was shattered. It was hard to see her lying there. We got on very well. She was like a mother to me... She was humble, loving and caring. She was a peaceful person and guided me a lot".

Winnie's body guard talking about her last moments

"I make absolutely no apology over the tax measures concerning the wealth tax, when money is reinvested in the economy,"

French President Emmanuel Macron speaking to journalists, Edwy Plenel of investigative website Mediapart and Jean-Jacques Bourdin of RMC radio.

Source: (EWN) eye witness news

"Emmanuel Macron, you're interrupting me because my

question bothers you,"

"Stop talking nonsense!" or "you are not judges!"

"Yes I believe in authority, but authority doesn't mean being almighty."

These were some of the heated exchanges between the French President and Journalists. He was responding after being asked among other things if he felt he had a "puerile sense of omnipotence".

Source: (EWN) eye witness news

"Bring it on bloody racists, you don't scare me at all. I'm born ready! No white man will decide my destiny, the poor masses of our people will..."

Economic Freedom Fighters (EFF) leader Julius Malema has responded to lobby group AfriForum's plan to pursue fraud and corruption charges against him, saying that he is not afraid of the group.

Source: (EWN) eye witness news

"Most Kenyan farmers import red and black Holstein Friesian. This breed has the potential capacity to produce 10,000 litres in a year. The challenge is that to achieve this, it needs much input such as to give proper feeds, good housing structure and enough water as well best animal husbandry. Farmers can get good pedigree semen sourced from the bulls with known history such as

Danshot, Heuvel Bulykin, Montroux, Red cliff, Red Torpedo and Broekhuizen Bart. "

Dirk Harting, Managing Director, Bles East Africa, a Holland-based firm involved in genetic improvement of dairy cows and their exportation.

Source: *Saturday Nation (Seeds of Gold)*

"After careful consideration and following discussions with the club, I feel it is the right time for me to step down at the end of the season."... "I managed the club with full commitment and integrity"... "I want to thank the staff, the players, the Directors and the fans who make this club so special"... "I urge our fans to stand behind the team to finish on a high"... "To all the Arsenal lovers take care of the values of the club"... "My love and support for ever."

Some emotional quotes from Arsene Wenger; after he announced that he would be resigning. He has managed English premier league football club, Arsenal for 22 years.

Source: *Dailystar*

"The success combination in business is: Do what you do better... and: Do more of what you do..."  
- David Joseph Schwartz

"Whether you think you can or think you can't - you are right."  
- Henry Ford

"Nobody succeeds beyond his or her wildest expectations unless he or she begins with some wild expectations."  
- Ralph Charell

## Doors Open at the Nyanza Branch



A plaque commemorating official opening of Nyanza Branch physical office in Kisumu.



Delegates follow proceedings during Nyanza Annual members meeting.



Chairman ICPAK in animated mood together with Vice Chairman, CEO, Council members and Nyanza branch officials.

**T**he 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, ICPAK Vice Chair - CPA Rose Mwaura, ICPAK Chief Executive Officer - CPA Edwin Makori, Council members and ICPAK branch leaders among others. The new Branch is expected to bring services closer to more than 300 members in Nyanza region.

## ICPAK unveils the Centre for Public Finance and Tax Board

**T**he Chairman of the Institute of Certified Public Accountants of Kenya (ICPAK) FCPA Julius Mwatu officially unveiled the inaugural Board for the Centre for Public Finance and Tax. This marks the beginning of the process of establishing the Centre for Public Finance and Tax (CPFT) after the Council of the Institute established it through policy.

The board is Chaired by Rajesh Shah and it draws representation from experienced tax practitioners, Public Finance specialists, Kenya Revenue Authority, the National Treasury and academia. The Centre will serve as an accreditation body for local tax and public finance professionals in Kenya and will also act as a think-tank on matters of taxation and public finance for the entire East African region.



The professions targeted include professional accountants offering tax advisory, accountants in public sector, tax agents, lawyers in tax practice, academicians, Public Finance specialists and other graduates seeking to specialize in Tax or Public Finance Management. ICPAK shall provide secretariat support to the Board in the short-term through the leadership of the CEO

CPA Edwin Makori, who is also a board member. While unveiling the board, FCPA Julius Mwatu reiterated the Council's commitment to undertake robust stakeholder management to secure buy in from stakeholders including but not limited to the National Treasury, respective County Treasuries, the Kenya Revenue Authority as well as training Institutions including universities.

## 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 2<sup>nd</sup> Fellows Dinner

The 2<sup>nd</sup> 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.

*By Clive Mutiso*

# QUIET REVOLUTION PUTS SAVVY KENYANS INTO HOSPITALITY INDUSTRY

**W**ith tourism and travel contributing \$8 trillion to world Gross Domestic Product, and providing nearly ten per cent of all the employment in the world, accommodating local and foreign visitors is a massive business that grows every year. It would be logical to expect that getting a slice of the pie would require substantial investment, extensive training, and absolute full-time dedication. However the internet revolution has turned conventional wisdom on its head, and an increasing number of Kenyans are earning steady money hosting visitors with little more investment than their own home.

Welcoming visitors for family stays is not a new phenomenon, in Kenya or the rest of Africa, but global websites like Booking.com, AirBnB, and Trip Advisor have

made it easier for even individuals with a single spare room in their own homes to find guests from around the world who would previously never have known about a small place, maybe hidden away on the outskirts of a city, or even in a village. Some Kenyans have tapped in to online travel sites to turn such spare space in their homes into a source of tourist income.

Nairobi's Eastlands might not seem a prime tourist destination at first glance, but for more than a year now, one enterprising homeowner has turned an apartment in the middle of an Eastlands estate into a mini-hotel, and is commanding a rate of \$60 a night from a steadily increasing stream of visitors. It might not be The Ritz, but the property has been boosted by favourable online reviews by guests from Zambia, Italy, Switzerland, and the Czech



Republic, all of whom recommend the apartment as great value.

The owner has been able to use Booking.com to get worldwide exposure in exchange for a commission on bookings. The property gets a page of its own on the site, which features pictures of the amenities, and a simple description of what's on offer: "Guests benefit from free WiFi and private parking available on site. An oven, cooker, refrigerator, toaster and a microwave can be found in the kitchen. A flat-screen satellite TV is offered. Nairobi National Park is 16.9 km from the property. Tusksys Supermarket is 17.8 km and Nakumatt Supermarket is 12.7 km. The nearest airport is Jomo Kenyatta International Airport, 30 minutes' drive from the property." It takes lateral thinking to turn being in the same city as a Tusksys Supermarket as a selling point, but it seems to work well.

So what does it take to get into the international hospitality business through an online site? It is surprisingly easy, and the process is managed online in a few minutes. A typical commission charged by an online site can be 15

per cent of the nightly rate, paid by the owner, at no additional cost to the guest. That means that, with good occupancy, an Eastlands apartment can bring in a gross income of over \$1,000 per month.

However, although business and holiday stays in private homes are now a world-wide phenomenon, no internet site can claim to have brought the concept to Kenya. One of the pioneers, half a century ago, was an enterprising social science graduate from the United States and former University of Nairobi lecturer Dr Kinuthia Njoroge, proprietor of Riuki Cultural Centre in Kiambu. Kinuthia had a vision: to set up a centre for research and cultural preservation and to fill the void that existed in showing visitors at least part of the African way of life. 50 years later the centre is still welcoming guests interested in learning about African culture.

For anyone, the chance to watch live performances of traditional dances, music and story-telling or to sample a range of traditional dishes and famous African brews is a rare opportunity.

Dr. Njoroge also wanted to provide

“

**Nairobi's Eastlands might not seem a prime tourist destination at first glance, but for more than a year now, one enterprising homeowner has turned an apartment in the middle of an Eastlands estate into a mini-hotel, and is commanding a rate of \$60 a night from a steadily increasing stream of visitors.**



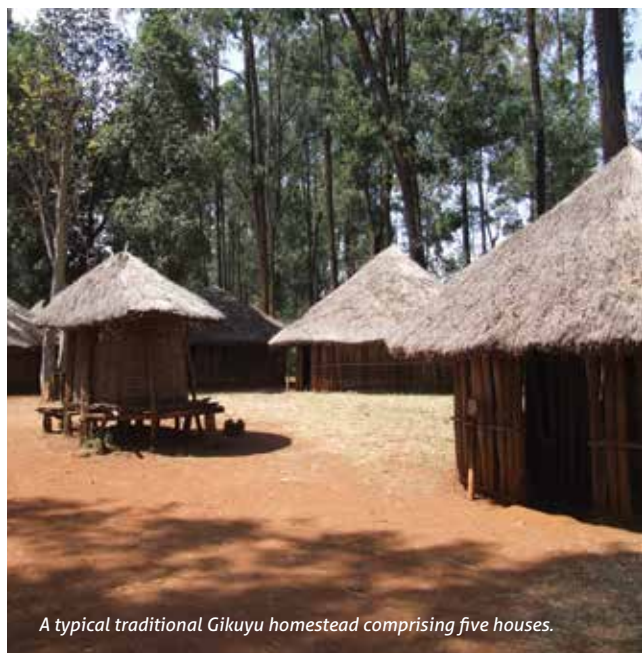
students of African culture with the opportunity to study and experience through live performances of their ancient ways and create an interesting outing for school children at the same time. This is why the opening of Riuki Cultural Centre in 1988 was received with such warm enthusiasm from lovers of Kenyan cultural heritage.

According to Dr. Njoroge, “the centre is more an educational centre than a tourist resort. It is not our wish to compete with commercial tourist attractions that expose Africans to ridicule with dances twisted to suit the interests of the tourists and without caring whether the performers are enjoying themselves. Some of the virtues associated with African culture are generosity, kindness, sharing and respect between different age groups, ethnic groups and other people.

Culture gives people an identity.”

Riuki, which means hearth or simply the centre of a Gikuyu homestead, and nucleus of the family, is an apt name for the enterprise. It portrays Agikuyu rural life and culture both in outlook and activities.

When Kinuthia set up the centre, prior to the establishment of Bomas of Kenya, Riuki replicated a vanishing, but still common lifestyle that could still be found in many areas of Central Kenya. More than 50 years of continuous development have transformed the lifestyles of many of the Gikuyu people in some cases for the better, in some for the worse. But the Riuki Cultural centre has been faithfully preserved and maintained as a priceless snapshot of how one of Kenya's most vibrant communities lived in the first half of the 20th



*A typical traditional Gikuyu homestead comprising five houses.*



Century, and for hundreds of years before that.

Over the years since Riuki Cultural Centre was established, there has been a lot of development on the 30 kilometre route from Nairobi city centre to Riuki, but it is still one of the most pleasant drives in Kenya, and well worth the few minutes that it takes to get there, and be transported back to a priceless bygone age.

Inside the centre is what would have been a typical traditional Gikuyu homestead comprising five houses. One house is for the male head of the family, the other three are for his wives, the fourth one is for his son muramati and in the fifth lives the homestead assistant ndungata. The wives houses being the most complex, are each partitioned into seven parts:- the woman's sleeping place, uriri, a place for storing food thegi, a place where girls sleep kiriri, the uncircumcised boys share their



*Riuki kikuyu traditional culture.*

sleeping places with goats in thingira (man's hut). Goats which feed in the fields were kept on the left side of the woman's bed. At the centre of the house is a cooking place with a traditional hearth of three stones, riuki.

A small verandah next to the main entry provides safety for the children in case of emergency such as when a pot falls from the fire. The man's house thingira faces both his elder son and wife's houses.

Inside his house is the bed which is covered with goat skin. Facing the entry is a gichegu where goats for mating, fattening and slaughtering are kept.

The son's house did not have partitions until he married. Then he would require privacy for his wife and female children. Only at this time he would own such wealth as goats, and sheep. Guarded by warriors, the big mud house boini facing the other houses, and which is open at the front thereby making up a large verandah, is owned by the elder of the homestead for entertaining visitors. Sitting in boini the visitors are entertained by traditional Gikuyu dancers, story tellers and dramatists. Meanwhile they are fed on traditional dishes: irio – maize and vegetable mash, nyama choma – roasted meat, ucuru – porridge and rukuri, a meat of Agikuyu. Other houses at the centre include meat roasting – kirugu house and the guard house itara. At Riuki Cultural Centre the latter is used as traditional theatre, the museum of Agikuyu history and culture, as well as lecture and film hall.

Visitors find the centre most stimulating and interpreting, providing

a great opportunity to take photographs at close quarters without harassment or interference. The day out at Riuki is one of Kenya's best. Get there via Kiambu District Headquarters, through Ndumberi, Tinganga and Ikinu Villages to Karia Village along lush and green agricultural Gikuyu country with banana plantations and coffee trees until you reach Riuki Cultural Centre. You will be received by Dr. Kinuthia Njoroge in person, the guide, and a host of children.

You will be given a brief lecture of Gikuyu rural life and invited to taste the Gikuyu brew, Njohi Muratina, Gikuyu porridge and view the farmers' preparations. Gikuyu dancers will entertain you with dances, songs and cleansing ceremonies, while being served with a delicious African Barbeque complete with Gikuyu traditional meat, rukuri, and delicious marinated steak, Agikuyu mash, sukuma wiki, irio, salads, fruits and more traditional wine.

You will leave with the sinking sun, having enjoyed a day full of interesting experiences. The food will be well prepared and with great care by Dr. Njoroge's two wives, who will be dressed in traditional garb for authenticity. You will be sent away with blessings and goodwill, 'come back some day' with a request to tell your friends to visit Riuki Cultural Centre and share a day of Gikuyu customs, meats, dances and music.

After visiting Riuki Cultural Center, you cannot fail to see the potential of a fully-fledged cultural institute in the small village of Karia village. It is Dr. Kinuthia Njoroge's worthwhile dream that is on the way of becoming a reality.

# DO YOUR “FINANCIAL STATEMENT AND REPORTS” COMPLY WITH THE KENYAN COMPANIES ACT 2015?

By FCPA Dr. Jim McFie

One of the judges of the 2017 FiRe (Financial Reporting Excellence) Award pointed out that many annual reports of companies were not in compliance with the Kenyan Companies Act 2015. To make compliance a little easier, I provide a checklist below. However, I need to write an introduction in which I do not deal with all the complexities of the Act, but which covers the majority of situations that would be encountered in Kenya. I have highlighted a word in the line for section 655(3)(b)(ii): the reason for this is that the word is missing from the Act: how do I know that a missing word is the one I inserted? I found it in section 417(4) (b) of the 2006 UK Companies Act, of which our Act is a copy. I always regret that we did not copy the New Zealand Act, which is very simple to comply with and on which Mauritius based its new Companies Act. In the Global Talent Competitiveness Index 2018 produced by Insead, the Adecco Group and Tata Communications, Mauritius ranks 24th out of 119 countries in the “Regulatory

Landscape” element as opposed to 98th for Kenya. Mauritius is the most competitive country in sub-Saharan Africa.

The Kenyan Companies Act 2015 (henceforth KCA) introduces the term “financial statement”. What is a “financial statement”? Unfortunately the individual who typed out the Companies Act did not follow the rigour of adhering consistently to this phrase and alternates between “financial statement” and the phrase which is more familiar to all of us, “financial statements”. In accordance with International Accounting Standard 1, “(The) Presentation of Financial Statements”, a complete set of financial statements is made up of a statement of financial position (the phrase “balance sheet” is used in the KCA and also in financial statements prepared in accordance with United States Generally Accepted Accounting Principles) at the end of the period; a statement of profit or loss and other comprehensive income for the period (presented as a single statement, or by presenting the profit or loss section in a separate statement of

profit or loss, immediately followed by a statement presenting the comprehensive income beginning with profit or loss); a statement of changes in equity for the period; a statement of cash flows for the period; and notes, comprising a summary of significant accounting policies and other explanatory notes. Comparative information for the preceding period must also be presented as prescribed by the standard.

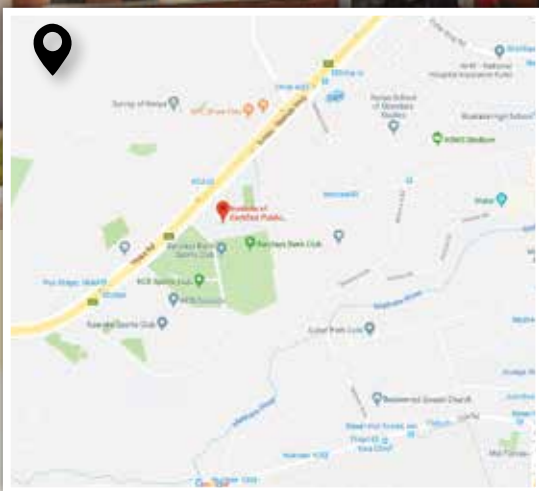
Before we consider the requirements that relate to the “financial statement and reports” of companies, we need to be clear about “small companies”. Section 624 defines a small company as one which satisfies two or more of the following requirements: (a) it has a turnover of not more than fifty million shillings (in the year); (b) the value of its net assets as shown in its balance sheet as at the end of the year is not more than twenty million shillings; and (c) it does not have more than fifty employees. However, there are complications: a company is small in its first financial year if the qualifying conditions are satisfied in that year; and a company is small in a subsequent financial



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year if the qualifying conditions: (a) are satisfied in that year and in the preceding financial year; (b) are satisfied in that year and the company qualified as small in relation to the preceding financial year; and (c) were satisfied in the preceding financial year and the company qualified as small in relation to that year. We shall leave the lawyers to work out the meaning of (b) and (c). There is also a “small group” where the first quoted numbers apply to the group rather than to a single company. Section 711 points out that the financial statement of a small company does not need to be audited, unless the small company is a public company, a bank or an insurance company. Section 713 gives a similar exemption to small groups.

Section 638 deals with the company’s individual “financial statement” for a financial year: the directors of the company must ensure that the financial statement comprises: (i) a balance sheet as at the last day of the financial year (I like to be a little more precise – as at midnight at the end of the last day of the year); (ii) a profit and loss account; (iii) a statement of cash flow; and (iv) a statement of change in equity, and notes to the statement; and the directors must ensure that the balance sheet provides a true and fair view of the financial position of the company as at the end of the financial year and that the profit and loss account provides a true

and fair view of the profit or loss of the company for the financial year; and the directors must ensure that the statement complies with the prescribed financial accounting standards. Section 639 requires the directors of a company which is a parent company and which is not a small company, to also prepare a group financial statement for the year.

Section 620 of the KCA deals with a company’s annual “financial statement and reports”. For an unquoted company, its annual “financial statement and reports” for a financial year consist of: (a) its annual financial statement; (b) the directors’ report; and (c) the auditor’s report on the financial statement and on the directors’ report unless the company is exempt from audit. For a quoted company, its annual “financial statement and reports” for a financial year consist of: (a) its annual financial statement; (b) the directors’ remuneration report; (c) the directors’ report; and (d) the auditor’s report on: (i) the financial statement; (ii) the auditable part of the directors’ remuneration report; and (iii) the directors’ report; the auditable part of the directors’ remuneration report is that part of the remuneration report for the relevant financial year, in which must be disclosed in relation to each director who served at any time during the year: (a) the total amount of the salary and fees paid to or receivable by the director in respect

of qualifying services; (b) the total amount of bonuses paid or receivable; (c) the total amount paid as expense allowances that are: (i) chargeable to income tax, or would be if the director were an individual; and (ii) paid to or receivable by the director in respect of qualifying services; (d) the total amount of: (i) any compensation for loss of office paid to or receivable by the director; and (ii) any other payments paid to or receivable by the director in connection with the termination of qualifying services; (e) the total estimated value of any benefits received by the director, other than in cash, that: (i) do not fall within any of (a) to (d) above; (ii) are emoluments of the person; and (iii) are received by the person in respect of qualifying services; and (f) the amount that is the total of the sums mentioned in (a) to (e) above; information on share options granted and on long term incentive schemes. A directors’ remuneration report must also state, for each person who has served as a director of the company at any time during the relevant financial year, the total of the sums mentioned in (a) to (e) for the financial year preceding the relevant financial year. A directors’ remuneration report must state the nature of any element of a remuneration package which is not cash. The information required in the directors’ remuneration report must be in tabular form.

This completes the explanation part: here is the checklist:

#### DEGREE OF COMPLIANCE OF THE ANNUAL REPORT OF K LIMITED WITH THE KENYA COMPANIES ACT 2015 THE ANNUAL FINANCIAL STATEMENT

S620(2)(a)	(2) In the case of an unquoted company, its annual financial statement and reports for a financial year consist of: (a) its annual financial statement;
S620(2)(b)	(b) the directors’ report; and
S620(2)(c)	(c) the auditor’s report on the financial statement and directors’ report unless the company is exempt from audit.
S620(3)(a)	(3) In the case of a quoted company, its annual financial statement and reports for a financial year consist of: (a) its annual financial statement;
S620(3)(b)	(b) the directors’ remuneration report;
S620(3)(c)	(c) the directors’ report; and
S620(3)(d)(i)	(d) the auditor’s report on: (i) the financial statement;
S620(3)(d)(ii)	(ii) the auditable part of the directors’ remuneration report; and
S620(3)(d)(iii)	(iii) the directors’ report.
S675(3)(a)	(1) A company that publishes a document to which this section applies shall ensure that the document states the name of the person who signed it on behalf of the directors. (3) In the case of a quoted company, this section applies to copies of—(a) its annual financial statement;

## THE REPORT OF THE DIRECTORS

S654(1)(a)	The directors shall include in their report for a financial year: (a) the names of the persons who, at any time during the financial year, were directors of the company; and
S654(1)(b)	(b) the principal activities of the company during the course of the year.
S654(3)	The directors shall specify the amount that the directors recommend should be paid as a dividend.
S655(1)	The directors shall include in their report a business review that complies with subsection (3).
S655(3)(a)(1)	The business review complies if it contains a fair review of the company's business; and
S655(3)(a)(ii)	a description of the principal risks and uncertainties facing the company; and
S655(3)(b)(i)	is a balanced and comprehensive analysis of the development and performance of the business of the company during the company's financial year; and
S655(3)(b)(ii)	the position of the company's business at the end of that year, consistent with size and complexity of the business.
S655(4)(a)	The directors shall specify: (a) the main trends and factors likely to affect the future development, performance and position of the business of the company;
S655(4)(b)(i)	(b) information about: (i) environmental matters (including the impact of the business of the company on the environment);
S655(4)(b)(ii)	(b) information about: (ii) the employees of the company; and
S655(4)(b)(iii)	(b) information about: (iii) social and community issues, including information on any policies of the company in relation to those matters and the effectiveness of those policies; and
S655(4)(c)	(c) information about persons with whom the company has contractual or other arrangements that are essential to the business of the company.
S655(5)	If the business review does not contain information of each kind mentioned in subsection (4)(b)(i), (ii) and (iii) and (c), the directors shall specify in the review which of those kinds of information it does not contain.
S655(6)(a)	The directors shall include in the business review (to the extent necessary for an understanding of the development, performance or position of the company's business): (a) an analysis using financial key performance indicators;
S655(6)(b)	(b) if appropriate, an analysis using other key performance indicators (including information relating to environmental matters and employee matters); and
S655(6)(c)	(c) references to, and additional explanations of, amounts included in the company's annual financial statement.
S655(7)	(7) The directors shall also include in the business review references to, and additional explanations of, amounts included in the company's annual financial statement.
S657(2)(a)	(2) The directors shall include in their report a statement that, with respect of each of the persons who was a director at the time the report was approved: (a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
S657(2)(b)	(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.
S658(1); S675(3)(c)	(1) As soon as practicable after the directors have finished preparing their annual report for the company, they shall approve the report and arrange for one of them or the secretary of the company to sign it.
S768	(1) A company that has entered into a limited liability agreement shall disclose details of the agreement: (a) in the case of a company that prepares an individual financial statement: in notes to the statement; (b) in the case of a company that prepares a group financial statement: in a manner prescribed by the regulations for the purposes of this section; or (c) in the case of either kind of company—in the directors' report.

## THE DIRECTORS' REMUNERATION REPORT

S661(1);	(1) As soon as practicable after the directors have finished preparing the directors' remuneration report, the directors shall approve the report
S675(3)(b)	and shall arrange for one of them or the secretary of the company to sign it.

## THE AUDITOR'S REPORT

S676(1)	(1) When publishing its statutory financial statement, a company shall enclose with or annex to the statement a copy of the auditor's report on that financial statement.
S727(1)(b)	(1) An auditor shall make a report to the members of the company on all annual financial statements of the company of which copies are, during the auditor's tenure of office: (b) in the case of a public company—to be presented at a general meeting of the company.
S727(2)(a)	(2) The auditor shall include in the auditor's report: (a) an introduction identifying the annual financial statement that is the subject of the audit and the financial reporting framework that has been applied in its preparation; and
S727(2)(b)	(b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.
S727(3)(a)(i)	(3) The auditor shall clearly state in the report whether, in the auditor's opinion, the annual financial statement: (a) gives a true and fair view of—(i) in the case of an individual balance sheet: of the financial position of the company as at the end of the relevant financial year;
S727(3)(a)(ii)	(ii) in the case of an individual profit and loss account: of the profit or loss of the company for the financial year; and
S727(3)(a)(iii)	(iii) in the case of a group financial statements: of the financial position as at the end of the financial year and of the profit or loss for the financial year of the undertakings to which the statements relate, taken as a whole, so far as concerns members of the company;
S727(3)(b)	(3) The auditor shall clearly state in the report whether, in the auditor's opinion, the annual financial statement: (b) has been properly prepared in accordance with the relevant financial reporting framework;
S727(5)(a)	(5) The auditor shall, in the case of a group financial statement, clearly state in the report whether, in the auditor's opinion: (a) the consolidated balance sheet gives a true and fair view of the financial position of the undertakings to which the statement relates, taken as a whole, as at the end of the relevant financial year; and
S727(5)(b)	(b) the consolidated profit or loss account gives a true and fair view of the profit and loss of those undertakings, taken as a whole, for that financial year.
S727(6)(a)	(6) The auditor shall, in the case of an individual financial statement or a group financial statement, also clearly state in the report whether, in the auditor's opinion, the statement: (a) has been properly prepared in accordance with the relevant financial reporting framework; and
S727(6)(b)	(b) has been prepared in accordance with the requirements of this Act (including the prescribed accounting standards).
S727(7)(a)	(7) The auditor shall: (a) state in the report whether the report is unqualified or qualified; and (b) include in the report a reference to any matters to which the auditor wishes to draw attention without qualifying the report.
S727(7)(b)	(b) include in the report a reference to any matters to which the auditor wishes to draw attention without qualifying the report.
S728	The auditor shall state in the auditor's report on the company's annual financial statement whether in the auditor's opinion the information given in the directors' report for the financial year for which the financial statement is prepared is consistent with that statement.
S729(1)(a)	(1) In reporting on the annual financial statement of a quoted company, the auditor shall: (a) report to the company's members on the auditable part of the directors' remuneration report; and
S729(1)(b)	(b) state whether in the auditor's opinion that part of the directors' remuneration report has been properly prepared in accordance with this Act.
S730(2)(a)	(2) If, in reporting on the annual financial statement of a company, the company's auditor forms the opinion: (a) that the company has not kept adequate accounting records, or that returns adequate for their audit have not been received from the company's branches not visited by that auditor;
S730(2)(b)	(b) that the company's individual financial statement is not in agreement with the company's accounting records and returns; or
S730(2)(c)	(c) in the case of a quoted company: that the auditable part of its directors' remuneration report is not in agreement with those accounting records and returns, the auditor shall state that opinion in the report.
S730(3)	(3) If the auditor fails to obtain all the information and explanations that, to the best of the auditor's knowledge and belief, are necessary for the purposes of the audit, the auditor shall state that fact in the report.
S735(1)(a)	(1) Subject to subsection (2), an auditor shall: (a) sign and date the auditor's report; and
S735(1)(b)	(b) ensure that the auditor's name is prominently displayed in the report.
S735(2)	(2) If the auditor is a firm, the senior statutory auditor of the firm shall sign the report on behalf of the firm.

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