



## **ICPAK GUIDELINE**

### **REQUIREMENTS FOR ISSUANCE OF PRACTISING CERTIFICATES AND ANNUAL LICENSES**

**Revised: October 2018**

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## 1.0 INTRODUCTION

- 1.1 The Globalization of business has dramatically increased the need for consistent and high-quality financial reporting within countries and across borders. This need can be achieved only by ensuring that accountants in public practice are licensed if they have all the pre-requisite skills, competencies and values that are consistent with the accounting profession. Many stakeholders in today's business environment expect compliance with recognized international standards in accounting and auditing. In view of this, establishing internationally accepted benchmarks for the competence of audit professionals will be vital in promoting internationally accepted standards in accounting and auditing.
- 1.2 The essence of these requirements for the issuance of practising certificates and annual licenses is to align the current practice with globally acceptable practices in line with the relevant standards, other pronouncements by International Federation of Accountants (IFAC) and the relevant legislations.
- 1.3 The Accountants Act section 8 recognizes one of the functions of the Institute as promoting standards of professional competence and practice amongst members of the Institute. In view of this, the Institute has developed these requirements as a guide for issuance of practising certificates which are issued once; and, the annual practising licenses which are issued annually to align the processes with International Education Standard (IES) 8- Competence Requirements for Audit Professionals which became effective from July 1, 2008.

## 2.0 CAPABILITIES AND COMPETENCES

- 2.1 Professional accountants who intend to go into public practice will be required to acquire and demonstrate that they have the professional capacity, appropriate training and supervision and are competent to undertake assignments given to them. To acquire the capabilities and competence required of audit professionals, individuals will need further education and development beyond that needed to qualify as professional accountants. These additional education and development requirements can be met during the education and development program for qualifying as a professional accountant, or after.
  - 2.2 Education and development for acquiring and maintaining the capabilities of audit professionals shall include:
    - a. advanced professional education pursued at academic institutions or through training programs offered by the Institute;
    - b. on-the-job training and experience programs; and,
    - c. off-the-job training
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2.3 In undertaking the training programs, the professional accountant shall demonstrate knowledge, competency and applicability of:

- i. Best practices in the audit of historical financial information including relevant current issues and developments
- ii. International Standards on Auditing (ISAs),
- iii. International Auditing Practice Statements (IAPSS)
- iv. International Standards on Review Engagements (ISREs)
- v. International Standards on Assurance Engagements (ISAEs)
- vi. International Standards on Related Services (ISRSs)
- vii. International Standards on Quality Control (ISQC )1,
- viii. International Financial Reporting Standards (IFRSs) and International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) alongside other acceptable standards.
- ix. International Public Sector Accounting Standards (IPSASs)

2.4 In addition to acquiring the necessary knowledge and skills, professional accountants will have to be assessed through review of the engagements they have carried out to demonstrate the capabilities and competence needed to take up responsibility for significant judgments in an audit of historical financial information.

### 3.0 PROFESSIONAL SKILLS

3.1 The skill requirements for audit professionals include:

- i. Applying the following in an audit environment
    - a. identifying and solving problems;
    - b. undertaking appropriate technical research;
    - c. working in teams effectively;
    - d. gathering and evaluating evidence;
    - e. presenting, discussing, and defending views effectively through formal, informal, written and spoken communication.
  - ii. Developing the following professional skills at an advanced level in an audit environment:
    - a. applying relevant audit standards and guidance;
    - b. evaluating applications of relevant financial reporting standards;
    - c. demonstrating capacity for inquiry, abstract logical thought, and critical analysis;
    - d. demonstrating professional scepticism;
    - e. applying professional judgment; and
    - f. Withstanding and resolving conflicts.
    - g.
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## 4.0 PROFESSIONAL VALUES, ETHICS AND ATTITUDES

- 4.1 The IFAC Code of Ethics for Professional Accountants sets out these fundamental principles:
- Integrity;
  - Objectivity;
  - Professional competence and due care;
  - Confidentiality; and
  - Professional behaviour.
- 4.2 Audit professionals, like all professional accountants, are expected to apply professional values, ethics and attitudes throughout their professional careers. The professionals should have:
- professional approach to ethics;
  - practical application of the fundamental principles;
  - consequences of unethical behaviour; and
  - resolution of ethical dilemmas.

Non-adherence to professional values and ethics may lead to disciplinary action which may result to damaging of professional image.

## 5.0 PRACTICAL EXPERIENCE

- 5.1 In deciding whether an applicant has the necessary competences and practical experience, the Institute is guided by International Education Standard 8, which came into force in 2008. This requires anyone acting as an audit professional to complete a period of relevant practical training.
- 5.2 Professional accountants should complete a period of relevant practical experience before taking on the role of an audit professional. This period should be long enough and intensive enough to permit them to demonstrate that they have acquired the necessary professional knowledge; professional skills; and professional values, ethics and attitudes.
- 5.3 A substantial proportion of the period of practical experience should be in the area of external audit of historical financial information.
- 5.4 A member of the Institute who wishes to go into public practice will have been a member of Institute for **at least two years**
- 5.5 The practical experience shall be in external audit firms licensed by the Institute.
- 5.6 Members who after joining the Institute will have career breaks in external audit, the breaks will be consolidated, and cases considered on case by case basis.
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- 5.7 Members who after joining the Institute and have acquired experience through part-time; by virtue of being engaged in other gainful employment will be required to have a total of **7** years post-membership experience. Members will be required to notify the Institute when such experience is being acquired, for the Institute to monitor the quality of experience.
- 5.8 The Institute, on determining whether to issue a practising certificate, will place greater emphasis on relevant experience obtained before the application.

## 6.0 TRAINING AND DEVELOPMENT

- 6.1 Members who wish to get into public practice will be required to have complied with Continuous Professional Development (CPD) requirements for at least the last two consecutive years as per member obligations. A member will be deemed to have complied with CPD requirements if on annual basis the member acquires twenty-five (25) structured hours and fifteen (15) unstructured hours.
- 6.2 Members who intent to go into practice shall be required to attend at **least two** of the four training seminars specified below alongside other structured seminars in any calendar year.
- i. Audit Quality Assurance Seminar
  - ii. Financial Reporting Seminar
  - iii. Audit Staff Training Seminar-Practical Approach
  - iv. Induction Workshop for Aspiring Practitioners
- 6.3 Members who are already in practice shall be required to attend at **least one** of the training seminars specified above. Audit firms that conduct programmed in-house trainings will be deemed to have acquired the necessary CPD when they submit evidence of such training having been conducted and attended by the member in practice. In developing the training programmes, the firms should take into consideration any changes in standards and any recent developments in the country that affect the accounting profession.
- 6.4 The Institute will award CPD hours on conferences, seminars and workshops organized by the Institute or any other training institution that it deems proper to recognise. For non-structured CPD hours, the member will be required to provide prove of activities undertaken or literature read by submitting the information in a form to be assessed on the Institutes website ([www.icpak.com](http://www.icpak.com)).

## 7.0 APPLICATION FOR A PRACTISING CERTIFICATE

A person is eligible for grant of practicing certificate if he/she meets the following conditions: -

- Has been an ordinary Member of ICPAK for the last 2 years
  - Has acquired **5 years' experience** performing external audit work full time and **7 years' experience** on part time bases, monitored by a holder of a valid practicing certificate and a
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member in good standing, who has been holding the practicing certificate for a period of not less than six (6) years.

- Have obtained 40 CPD hours per year, in accordance with ICPAK's CPD Guidelines, in the years prior to the application for a Practicing Certificate.
- Has attended any of the **two** mandatory trainings indicate below;
  - i. Audit Quality Assurance Seminar
  - ii. Financial Reporting Seminar
  - iii. Audit Staff Training Seminar – Practical Approach
  - iv. Induction Workshop for Aspiring Practitioners
  - v. Annual Practitioners Growth Forum
- Is in good standing in regard to subscription and disciplinary
- Foreign nationals should possess valid work permits.

7.1 The application shall be duly filled, with all necessary attachments and full payment of requisite fees.

7.2 The Institute shall review the application and at the Institute's discretion, the applicants audit work may be reviewed for compliance with applicable standards.

7.3 Where an applicant's external audit experience is based on experience obtained more than four years from the date of application, the applicant will be required to demonstrate audit competency to warrant grant of the license. The mode of demonstration shall be at the discretion of the committee. This may include placement under an existing practitioner for a period of time before issuing a practising certificate to the applicant (see section 8.0 below).

7.4 The Registration and Quality Assurance Committee, a statutory committee that is mandated to grant licenses to members shall review the application. Successful applicants shall be issued with a notification letter informing them of their admission as practising members and their practising number. The notification letter shall be deemed valid for purposes of carrying out audit assignments and signing of audit opinions until replaced by a practising certificate and annual license.

7.5 Practising certificate shall be issued once by the Institute upon admission into the practising category.

7.6 After issue of a practising certificate the member shall apply for annual licence in that financial year. A financial year shall be taken to start from **1st January to 31st December**.

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The member will be expected to commence public practice within one year from the date of issuance of the practising certificate. If the member is unable to commence practice within the one year, he/she shall return the practising certificate to the Institute immediately upon the expiry of the period.

7.7 Where a practising certificate is returned to the Institute voluntarily, the member shall apply for reinstatement after which the practising certificate shall be re-issued without any charges. However, if the reinstatement is applied for after four years have lapsed, the member shall be required to undergo some form of training or acquire some experience at the discretion of the Committee (see section 8.0 below).

7.8 When a Member is struck off the register of membership for any reason, the practising certificate and the license shall cease to be in force and shall be returned to the Institute within 14 days.

7.9 Loss of practising certificate shall attract a replacement fee of **KShs 10,000**.

## 8.0 CAREER BREAKS

8.1 A member who has been on a career break for four years or more may not be able to satisfy the Committee with regard to recent experience acquired. It is advised that members who have been on a career break and who intent to be granted a practising certificate should contact the Institute for advice on how to make an application.

8.2 The Committee in making its decision will be guided by the relevance of the work experience immediately prior to the career break and the CPD undertaken during the break and up to the point of application.

## 9.0 ANNUAL LICENSES

9.1 All holders of practising certificates who intend to practice in any calendar year will be required to apply for annual licence for that particular year. All applications shall be received by the Institute not later than **30<sup>th</sup> November** of the preceding year for existing members in practice. An application for renewal of a practising license shall be made in such form and contain such information as the Institute requires on an annual basis. This renewal application is designed to be submitted online.

9.2 Applications for annual licenses shall be accompanied by the following mandatory requirements among other requirements.

- a. Proof of purchase of a professional indemnity insurance (type of insurance designed to protect your business against any claims arising from bad or



negligent advice or services) which shall be enclosed for the purpose of the annual renewal of the practising License as provided under the Sixth Schedule of the Accountants Act and the By-Laws of the Institute on Professional Conduct and Ethics.

- b. Copy of agreement signed between the member and the appointed interim manager.
- c. In case of a partnership there should be a valid partnership deed
- d. For members with branches; curriculum vitae and a copy of ICPAK membership certificate for the branch manager.
- e. Declaration of compliance with anti money laundering laws and regulations (section 48 of the Proceed of Crime and Anti-Money Laundering Act (POCAMLA)).

9.3 Holders of practising certificates who do not intend to practice in any calendar year shall apply to the Institute for omission of their names in the list of practising members. They shall be required to return the Practising certificate to the Institute until a time when they will intend to resume active practice. Failure to return the practising certificate shall be deemed to continue in practice and as such will be required to pay annual practising fee of KShs 10,000.

9.4 Members with branches will be required to apply for annual licenses for all the branches. Additional fees of **Kenya shillings seven thousand five hundred (KShs. 7,500)** will be charged for each branch.

9.5 Annual licenses shall only be valid from 1<sup>st</sup> January up to 31st December of the year they are issued.

9.6 Annual licenses shall cease to take effect when a member is de-registered/ struck off the register of members.

## 10.0 ESTABLISHMENT OF BRANCHES

10.1 Members in practice who intent to open branch offices shall apply to the Institute to be granted such authority. The application shall be in such a form as prescribed by the Institute.

10.2 Branches shall be managed by full time Managers who shall be members of the Institute in good standing.

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10.3 The Managing partner shall take overall responsibility for branch management including signing of audit opinions. The branch managers shall operate on delegated responsibility.

10.4 Closure of branches shall be communicated to the Institute at least two (2) months prior to the closure of the branch or two weeks after closure in cases of emergency of closure.

## 11.0 SUCCESSION PLANNING

11.1 All firms shall be required to have proper succession planning in place.

11.2 Annual license application forms shall have a section on Interim Management of the firm in case of any eventuality. Forms without this section being duly filled shall not be accepted by the Institute.

11.3 In cases where the Managing partner of a firm passes on, the Interim Manager (see accountant act of 2008 on qualifications of an interim manager) shall take over the operations of the firm for a maximum period of one year during which he/she will have made the necessary arrangements to wind-up the firm. The Interim Manager in the process of winding up shall consult with the next of kin.

11.4 After the lapse of one year, the Institute shall notify the general public of the cessation of the firm and where applicable, the firm that has taken over the clients of the deceased member.

11.5 An interim manager shall be responsible for their own actions. She/he shall exercise due care and professionalism during the term of his/her engagement and meet other conditions as may be prescribed by the Sixth Schedule of the Accountants Act no. 15 of 2008.

## 12.0 LICENSING OF FIRMS

### **Practising accountants – Section 19 of the Accountants Act, CAP531**

Practising as an accountant (1) Subject to this section, a person practises as an accountant for the purposes of this Act if, in consideration of remuneration or other benefits received or to be received, and whether by himself or in partnership with any other person, such person— (a) engages in the practice of accountancy or holds himself out to the public as a person entitled to do so; (b) offers to

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perform or performs services involving the auditing or verification of financial transactions, books, accounts or records; (c) offers to perform or performs services involving the verification or certification of financial accounts and related statements; or (d) engages in any practice, or performs or offers to perform any services, which may be prescribed. (2) A salaried employee of the Government, a local authority or of any other person does not practise as an accountant by reason only of doing, in his capacity as such employee, any of the acts referred to in subsection (1). (3) An advocate, a Certified Public Secretary or a person authorised to do so by or under any written law, does not practise as an accountant by reason only of carrying on the work of a tax consultant or a tax advisor.

A person who wishes to practise as an accountant shall be required to be a member of ICPAK.

The table below provides the scale of fees payable for the firm licensing based on the number of Partners and turnover per Firm;

No of Partners	Fees based on Turnover	
	Below Kes1,000,000	Over Kes1,000,000
1 Partner	Kes10,000	Kes20,000
2 – 5 Partners	Kes30,000	Kes50,000
More than 5 Partners	Kes50,000	Kes100,000

It should further be noted that no Firm or Partner will be licensed without a valid Professional Insurance Indemnity (PII).

### 13.0 EFFECTIVE DATE

13.1 The amendments take effect from **October 2018**