



# Amendments to the Accountants' Act, and their impact on the practice

FINANCE BILL 2018

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# Background

- The amendments were tabled as part of the Finance Bill 2018. On 21<sup>st</sup> September 2018, the president assented the bill into law. The amendments are contained in Section 74-83 of the Finance Act 2018.

# Not previously in the Accountants Act no 15 of 2008 under interpretations



- “company” has the meaning assigned to it under section 2 of the Companies Act, 2015;

# DEFINITION OF ACCOUNTANTS



- “accountant” is a person registered as an accountant under section 24 of the Accountant Act and is a member as defined in section 4(2) (a) and (b) with expertise achieved through formal education and practical experience and shall be held to a high professional standard.

# DEFINITION OF ACCOUNTANTS



- The act now distinguish the following categories
  - 1. trainee accountant
  - 2. associate accountant
  - 3. and Certified Public accountant (CPA)
- ICPAK will define the role and advise the scope of each category- SEE NEXT SLIDES

# Not previously in the Accountants Act 1967 15 of 2008 under interpretations



- 74. ‘accountancy’ means practice in accounting, financial reporting, control systems, systems auditing, auditing, assurance, forensic accounting and auditing, finance, financial management, public finance management, taxation, financial risk management, management accounting and advisory services related thereto; and

- **Legal implication**

This definition outlines the various facets in accountancy that will allow for the prescription of the **remuneration** order and also allow for the issuance of **multiple licenses**

# TRAINEE ACCOUNTANT



- Students intending to pursue accountancy examination administered by KASNEB will be required to register with the institute prior to sitting the examinations.
- The examination board will now, prior to registering a person to undertake any accountancy examinations, require that person be registered as a member of ICPAK

# TRAINEE ACCOUNTANT- CONTD



- The trainee accountant will also be subjected to PRACTICAL training by the institute before completing their examinations,
- The new requirement is in tandem with the international accounting education standards board (IAESB) standards, - THE STANDARD PRESCRIBE THE PREQUALIFICATION AND POST – QUALIFICATION REQUIREMENTS FOR ASPIRING AND QUALIFIED ACCOUNTANTS



# TRAINEE ACCOUNTANT- CONTD



- Individual accountants but who have not registered with the institute or are working while pursuing the accountancy qualification will be required to register with the institute as Trainee accountants
- FEES –
- MEMBERSHIP CARD,
- SHALL NOT DESIGNATE THEMSELVES AS PROFESSIONAL ACCOUNTANT

# ASSOCIATE MEMBERS



- Those who have passed final CPA examination BUT do not meet the criteria for admission as CPA,
- They shall NOT hold themselves as professional accountants,

# PUBLIC CAUTION



- The following designations are NOT anchored in law
  - CPA 1
  - CPA 2
  - CPA 3
- Employers should desist from using as FINES are quite hefty, - upto two million shillings, and further fine of two thousand every day the offence continues,

# Section 8 of the Accountants Act.

## The functions of the Institute



- **76.** Section 8 of the Accountants Act, 2008 is amended by inserting the following new paragraph immediately after paragraph (f)—
  - (fa) prescribe the remuneration order for the accountancy profession with the approval of the Cabinet Secretary responsible for finance.
- This amendment adds another function of the Institute which is **to come up with a remuneration order for accountants**

# Under Section **18 (2)** of the Accountants Act the Requirements for a practicing certificate



- Under **S. 78**. Section 18 of the Accountants Act, 2008 is amended in subsection (2) by deleting the words “one hundred thousand” and substituting therefor the words “five hundred thousand”.
- This amendment has enhanced the penalty of practicing without a license from one hundred thousand shillings to five hundred thousand shillings.

# Under the Accountants Act, **S.21** (7) Where a practicing certificate ceases to be in force



- Under **S. 79**. Section 21 of the Accountants Act, 2008 is amended in subsection (8) by deleting the words “five thousand” and substituting therefore the words “five hundred thousand
- This amendment has enhanced the penalty for not returning the practice license that ceases to be in force within fourteen days from five thousand shillings to five hundred thousand shillings.

# In the Accountants Act **S. 24.** ***Application for registration***



- **S.80** Section 24 of the Accountants Act, 2008 is amended in subsection (5) by deleting the words “fifty thousand” and substituting therefor the words “five hundred thousand”
- This amendment has enhanced the penalty for a person who willfully makes a false or misleading statement commits an offence from fifty thousand shillings to five hundred thousand shillings.

# Not previously in the Accountants Act no 15 of 2008 under interpretations



- Under **S. 81**. Section 30 of the Accountants Act, 2008 is amended by inserting new requirement for accountants to observe the code of ethics and applicable standards over client or organization instruction. There is a member protection clause for all accountants



# 41. Offences



- **82.** Section 41 of the Accounts Act, 2008 is amended by deleting subsection (4) and enhancing the penalty for a person or firm that uses wrongly the designation of CPA and FCPA and HCPA to a fine not exceeding two million shillings, and, in the case of a continuing offence, a further fine not exceeding two thousand shillings for each day on which the offence continues.

4. (1) For the purpose of the conduct of the inquiry the Disciplinary Committee



- **82.** The Fifth Schedule to the Accountants Act, 20018 is Amended and has enhanced the penalty for disciplinary on a person or firm to recover in whole or in part the costs of the inquiry not exceeding one million from any or all the parties involved in the proceedings

) For the purpose of the conduct of the inquiry the Disciplinary Committee



## The Fifth Schedule to the Accountants Act, 2018

This amendment has enhanced fines from twenty thousand shillings to five hundred thousands shillings for a person who refuses to be sworn, fails to answer questions, fails to produce documents or is held laible for a disciplinary liability under this paragraph.

# QUESTIONS



End