



ICPAK PRESS STATEMENT

ICPAK Statement issued on 24th January 2020, at Sunshine Hotel, Kericho County

Ladies and gentlemen of press, Council members, ICPAK Branch officials, the Chief Executive Officer and I are very pleased to welcome you to this press briefing that is held on the sidelines of 4th Annual ICPAK Branch Leaders Forum, here in Kericho County.

The Institute continues to play its mandate of safeguarding public interest. This morning, ICPAK will be commenting on the following policy interventions that have a direct bearing on the citizen:

(A) Pending Bills & Adoption of IPSAS Accrual

The Institute appreciates the role that the National Government and Treasury have played in enforcing the payment of pending bills at the Ministries, Departments and Agencies (MDA) and County levels. We want to appreciate the MDAs and Counties that have made it a priority to settle their pending bills and encourage all others to do the same.

Payment of amounts owed to micro, small & medium enterprises (MSMEs) is critical as cash is the lifeline blood to small businesses in this country and contributes to injecting cash in the economy and allowing small business to continue running their businesses.

We take this opportunity to ask the President and Cabinet to support the implementation of IPSAS accrual accounting for all Public sector entities including the Counties. This will ensure that all unpaid obligations and liabilities are captured at every instance when financial statements are prepared and ensures that entities do not hide the pending bills. IPSAS accrual will also ensure that all the countries assets are captured in the Nation's financial statements.

ICPAK jointly with the National Treasury have established the Public Sector Accounting Standards Board (PSASB) whose main role is to champion the adoption of IPSAS in Kenya. As part of this the focus is on adoption of Accrual accounting for all of Government entities by **1st July 2021**.

(B) Fight Against Corruption

The Institute applauds the Government in the fight against corruption and we support re appreciates

We believe that parts of our key financial regulations such as PFM, PPDA, Accountants Act, etc need to be amended to support the fight against corruption.

Key among these is to enact strong legislation to protect whistleblowers. Accountants are privy to many financial transactions and are looking to cooperate in the un-earthing of corrupt practices as long as the appropriate protection measures are put in place. All organizations in both private and public sector must be encouraged to put in place proper whistle blower protections for their staff and public.

We also note that we need legislation that makes it mandatory to employ qualified accountants who are members of the Institute in all key finance, accounting and budgeting positions, including in Audit Committees. This will lead to appropriate guidance being provided and they will be answerable to the professional disciplinary process if they misbehave.

We also encourage the investigating agencies to work closely with ODPP and Judiciary to ensure that cases are prosecuted expeditiously. The current situation where cases take years to wind through the Judiciary system is discouraging.

(C) Auditor General Recruitment

As per the requirements of The Public Audit Act 2015, The Institute is part of the Selection Panel to select the nominee for the Auditor General of Kenya. The first round of applications attracted 70 applicants and 17 were shortlisted for interview. The Panel concluded that the applicants did not demonstrate adequate competitiveness for the position and the Panel was therefore unable to submit any names to the Appointing Authority for appointment as Auditor General as required by Section 11(5) of the Public Audit Act, 2015.

We are unable to comment further as the matter is currently being litigated in court. We ask the court to dispense the court case in an expedited manner to allow for the recruitment of the Auditor General.

We will also make recommendations to amend legislation to allow for an Acting Auditor General for a short fixed period during which the substantive auditor general will be recruited to avoid the lacuna we have in place currently where all Public Sector entities are unable to release their results in a timely manner due to the lack of a substantive auditor general.

(D) Recent Tax reforms and role of CPAs

The Institute supports recent taxation measures aimed at increasing tax revenue, compliance and broaden the tax base in Kenya. Indeed, ICPAK members as accountants and tax agents and advisors play a crucial role in the collection of taxes and advisory on tax policy. This is evidenced by the fact that over 50% of tax agents and tax advisors in Kenya are ICPAK members.

We have had good discussions with KRA and have formed joint technical teams that are looking at recommendations on how to improve the efficiency of the iTax system and other recommendations other processes such as VAA.

We continue to work closely with KRA to ensure that the Country has enough qualified tax agents and accountants to serve the public to eliminate any rogue tax service providers that may be taking advantage of the public.

The Institute notes the recent communication regarding administration of Turnover and Presumptive tax that alluded to the fact that these taxes will eliminate the need for accountants. We wish to inform the public that the Institute has since engaged KRA on this matter and corrected this perception. We categorically state that accountants will continue supporting the public and taxpayers at large in tax administration

(E) Recommendations arising from COB Budget Implementation Review Report

The Institute has studied and reviewed the recently released Controller of Budget, First Quarter of 2019/2020 Budget Implementation Review Report and wish to make some comments as follows:

(i) Own Source Revenue

According to the COB Report, county governments generated a total of Kshs.7.71 billion, which was 13.8% of the annual target and an increase compared to Kshs.7.41 billion generated in a similar period of FY 2018/19. This is a commendable development. In this regard, the Institute in partnership with other stakeholders will continue supporting counties to optimize Own Source Revenue for sustainability.

We wish to recommend as follows:

1. **Revenue forecasting and mapping:** a clear, consistent and standard forecasting model needs to be adopted by the country as a basis for determining revenue projections. There is further need for a comprehensive analysis and mapping of counties' revenue potential
2. **Revenue collection systems:** There is need to standardize revenue collection management systems across counties for uniformity and easy reporting. In addition, counties should strive to automate revenue collection systems to seal loopholes and leakages;
3. **Collaboration with KRA:** To enhance efficiency and effectiveness in revenue collection and administration, county units should consider engaging KRA for technical support.
4. **Public Participation in Revenue collection:** Counties should empower citizens with revenue information through revenue clinics- for citizens to understand the importance of taxes and charges to county service delivery.

(ii) Absorption of Development Funds

The Report by COB has also delved into the issue of absorption of Government expenditure. The report showed a slight improvement at national level and decline at county level. For instance, the total development expenditure for Ministries, Departments and Agencies (MDAs) was Kshs.99.7 billion representing absorption rate of 14.2%, this was an improvement from 7.6% in

the same period for the FY 2018/19. Equally, Counties spent Kshs.1.94 billion on development activities, representing an absorption rate of 1.1% of the annual development budget, a decline from 2%, reported in a similar period of FY 2018/19.

- Despite improvements in absorption of developments, the levels, at the two levels of government, are still low which in turn hamper service delivery.
- To achieve the recommended absorption rate, the Institute recommends that the procurement process be expedited and delay in transfer from the Exchequer be rectified.

The Institute will continue playing its financial and advisory role to help the government achieve its development agenda; and in the interest of the accountancy profession and public. Subsequently, ICPAK calls on spending units and accountability institutions to review the findings of Controller of Budget Reports and implement the recommendations thereof.

Thank you.

FCPA Rose Mwaura, MBS

Chairman, ICPAK

About us

The Institute of Certified Public Accountants of Kenya (ICPAK) is a statutory body of accountants established under by the Accountants Act of 1978, and as repealed under the Accountants Act Number 15 of 2008, mandated to develop and regulate the Accountancy Profession in Kenya. It is also a member of the International Federation of Accountants (IFAC), the global umbrella body for the accountancy profession.

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