

#	Queried by	Question	Response
1	CPA Lilian Obadha Akoth Member No.19360	Good Morning CEO, my name is Lilian in regards to 42nd AGM question, please clarify the Institute's position on issuance of Practicing Certificates to Members, the issue is of great concern to most accountants I have interacted with who are members most of whom are not in good standing because of the following reasons:-	We appreciate that this question is being asked on behalf of other members alike. We take note that you are an active member and working hard to comply with the good standing status of the Institute.
		The challenge in the requirement for Quality Review by the Institute when a Practitioner issues recommendation for someone applying for PC.	The issuance of the practicing certificate is guided by international standards which the Institute must conform to, in order to maintain International Standards and status in line with IFAC's statement of member obligation that we subscribe to. This is to assure the registration and quality assurance committee of fulfillment of the requirements for issuance of the practicing certificate which is an independent statutory committee appointed by the CS National Treasury. Please note that the review(s) for members who have applied for practicing certificates is mandatory. It is a requirement that an application for practicing certificate have the previous work reviewed because the issuance of the certificate grants the member to sign off audit work and give assurance to

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			the Public on financial statements and other assignments as may be requested by the public. The current requirement is that the applicant provides letters of reference from employer(s) covering the previous two (2) years confirming professional integrity and external audit experience. An audit quality assurance report conducted by the Institute may be used in very rare circumstances where the applicant fails to secure a such a letter(s) from the audit firm,
		CPD has become too expensive for most people's reach, what is the Institute doing to make CPD affordable for new members, most of whom are jobless or are seriously underpaid?	The education standards require that members of the profession undertake continuous professional development (CPD), with minimum CPD being prescribed in the standards. Each year the Institute rolls out various CPD programs that are aimed at catering for the diverse membership. The CPD programs are offered at different prices and range from as low as Kshs 500 including free CPD for a number of activities carried out by the Institute for free like attending AGM, Open days, branch AMMs, among others. The pricing of events takes into consideration many factors including the locality, service costs and the operational costs at the Institute. The programs are progressive and can be accessed at

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			<p>branch level, National level and/ internationally. It is worth noting that early this year, the Council reduced all National ICPAK events with an average drop in prices of 10%.</p> <p>In addition, the Institute is offering Virtual Courses in the form of:</p> <ul style="list-style-type: none"> <li>a) Multiple choice examinations</li> <li>b) Webinars</li> <li>c) Video trainings</li> </ul> <p>These courses are flexible and convenient to be undertaken at your own convenience and time and offered at affordable prices. The courses are a mix of free and paid ones that vary between Kshs. 500 to 3,500.</p>
		<p>My concern for the Institute is in the number of colleagues I meet and are disgruntled but do not know how to put across their issues, and the number of active and in good standing members compared to those holding PCs. The financial reports indicate just 1,000 plus members have PCs, kindly but urgently, the Institute should address the PC issue unless there is complacency on the part of the Institute.</p>	<p>Council of the Institute approved the issuance of multiple licenses. This was in line with the amendments to the Accountants Act made in year 2018. The Institutes is currently considering regulations for issuance of multiple licenses for its members to increase the number of practicing members. The regulations were shared with members and input was received from the membership on the draft regulations. This will obviously have a different level of CPD requirements and pricing that will broaden the practicing spectrum.</p>

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2	Francis Mungai Member 9523	I would like to raise an AOB item during the AGM. My question relates to the dual compliance requirement by the Cooperatives commissioner in which ICPAK licensed firms are required to undergo additional vetting so as to be allowed to conduct external audit services for cooperatives. What is the institution doing about this and when can we expect the commissioner of cooperatives to scrap this requirement?	<p>The Institute is very much alive to this issue and has started engagements with State Department of Cooperatives. The Institute wrote to the department expressing concerns in the way the department invites applications for eligible audit firms who would wish to audit cooperative societies for purposes of approval from the Commissioner of Cooperative Department. The audit firms are required to pay an annual registration fee of three thousand shillings (ksh 3,000/=). The matter is of concern as the Audit firms obtain practicing certificates and annual licenses from ICPAK as per the Accountants Act and are vetted by the Institute for eligibility to offer audit services in Kenya. The audit firms pay annual subscription fee to be eligible to practice accountancy in Kenya.</p> <p>The State Department of Cooperatives have been relying on the provision provisions of the Cooperative Societies Act No 12 of 1997 that state:</p> <p><b><i>S 25(4) The auditor shall be appointed at the annual general meeting from a list of auditors approved by the Commissioner, in consultation with the Institute of Certified Public Accountants of Kenya.</i></b></p>

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			<p><b><i>Rule (r) prescribe the fees to be paid on applications, registrations and other acts done by the Commissioner under this Act;</i></b></p> <p>However, Council held a meeting with the State Department of Cooperatives, and the following issues were discussed and agreed between the Commissioner and the Institute:</p> <ol style="list-style-type: none"> <li>1) The Commissioner expressed his joy that ICPAK was committed to better the growth and operations of the Saccos in the country and promised to engage with the Institute more and more in various matters both on the saccos and matters of general Public Interest.</li> <li>2) The State Department of Cooperatives extended the window period for approval of eligible audit firms who would wish to audit cooperative societies to 15<sup>th</sup> of March 2020 to allow more firms that had not applied to do so.</li> <li>3) The department acknowledged that their online system being used by firms for application was a new tool which they anticipated would have its fair</li> </ol>

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			<p>share of challenges to the users but further asked firms to channel any challenges encountered in using the system to their ICT team at the department.</p> <p>4) The State department also said they would consider the decision to remove the licensing fees of sh. 3000 levied on the firms when doing amendments to the law since the fees is provided for in the law and that can only be done through the same process.</p> <p>5) The department further declared that they were not in any way subjecting the firms to multiple vetting process or jeopardizing the Institute's oversight role but only undertaking precautionary procedures to verify facts about the firms.</p> <p>6) The firms that are interested in auditing sacco's are required to present normal registration documents (<b>PIN, BN reg, TCC etc.</b>) to safeguard the SACCO's from rogue auditors who seek to fleece them of their hard-earned sweat and tarnish</p>

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			<p>their reputation and that of the Institute.</p> <p>The full details of the meeting can be found on our website:  <a href="https://www.icpak.com/resource/report-on-the-meeting-with-the-ministry-of-industry-trade-and-cooperatives-feb-2020/">https://www.icpak.com/resource/report-on-the-meeting-with-the-ministry-of-industry-trade-and-cooperatives-feb-2020/</a></p>
3	CPA Kaniu Samuel Njoroge, ID No: 22020278, ICPAK No 1373	Current Assets vs Current Liabilities- KES 233 Million against 443 Million as indicated on page 9 of the annual financial report- How does the Institute intend to address the unfavorable liquidity ratio of 0.52:1	<p>Beside the Institute registering a 052:1 current ratio which is below the benchmark of 1:1, it is worth noting that this is an improvement from the 0.39:1 registered in 2018. The improvement is a testament of the positive response to various strategies that the Institute has put in place to address this negative liquidity. Among them:</p> <p><b>Cost optimization strategies</b>, such as direct importation of seminar materials, acquiring air ticket agency with Kenya Airways.</p> <p><b>Revenue diversification</b> by introducing new revenue streams such as Audit software, Firm license, inhouse training and Consultancy.</p> <p><b>Aggressive marketing</b> of CPA Centre building to improve rental income.</p> <p><b>Submission of research proposals to donors</b> for funding to free internal</p>

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			cash for other activities of the Institute
		Benevolent fund Pg. 31 & Pg. 32 - The benevolent fund seems to be growing at a high rate which is a good thing (KES 69Million- 2019 against KES 43 Million - 2018; are there plan to ring-fence this fund so that it is not commingled with ICPAK normal operations	The Institute has already ring-fenced this fund by creating a separate account from ICPAK operation account. In addition, the Institute is in the final stages of establishing a Benevolent Trust with trustees who will manage benevolent fund investment and disbursement and reporting to members.
		Considering that the interest rate on the benevolent fund was 8.37%, it implies KES 28 Million out of available funds of KES 43Million (Balance as at 31.12.2018) was invested on the fixed deposit. I propose the institute consider investing a larger proportion of the funds (while taking into consideration the anticipated claims). I also propose the institute to consider investment in bonds and treasury bills in the event the interest rate for the fixed deposits offered by banks in 2020 is lower (following the interest rate cap removal)	Your concern has been noted, however it is worthwhile to note that as disclosed in Note 24 (b) and 24 (c) the Institute had invested 84% (Kshs58.2 M) of all benevolent fund in fixed deposit, 9% (Kshs 6.3 M) was in the bank while 7% (Kshs 4.6 M) had not been received from members.  Upon becoming fully fledged benevolent fund trustees will be consider all available investment options.
4	CPA Dauglas Muhati M No – 22524 Likhaya.d@gmail.com	Thank you for investing the benevolent funds which earned investment interest for the members.	Compliment well received



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		Could we get a breakdown of the costs incurred in the production of the <i>Accountant Journal</i> separate from the Seminar materials?	<b>JOURNAL PUBLICATION COSTS</b>	
			<b>DETAILS</b>	<b>AMOUNTS</b>
			Journal Printing	5,377,641
			Journal Postage	3,426,700
			Editorial cost	715,300
			Journal design costs	455,700
			Journal Writers Honoraria	276,000
				<b>10,251,341</b>
		Could it mean we discontinued production of the <i>Accountant Journal</i> ? -	No. The Institute has over the years used the <i>Accountant Journal</i> as a benefit to members and as an information mechanism which not only resonates with the members but also is able to connect members on what is happening in the profession, markets, economy and personal growth thus updating them on a raft of issues that touches the profession, economy and other local and global issues of interest. It is one of the benefits that ICPAK accrues to its members, hence would not consider stopping. However, various strategies are being adopted to reduce its production and distribution costs including stopping further printing of the journal and going electronic.	

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			Besides members are encouraged to advertise on the journal for a wide coverage especially to fellow professionals on services and products offered.
		What efforts have been put in place to have the research department up and running?	<p>The research Department has been in operation for several years. It has been very vibrant and has carried out high quality researches that informed various policies and decisions. In year 2019, the Institute partnered with various stakeholder to accomplish below researches.</p> <ul style="list-style-type: none"> <li>- GIZ supported ICPAK to conduct a Study on “<b>Status and Uptake of Tax Amnesty in Kenya</b>” see link <a href="https://www.icpak.com/assessment-of-uptake-and-impact-of-tax-amnesty-in-kenya/">https://www.icpak.com/assessment-of-uptake-and-impact-of-tax-amnesty-in-kenya/</a>. Costs to this study were directly borne by GIZ (Approximately Kshs. 1.5Million)</li> <li>- ICPAK published a <b>Proposed Tax Policy – Framework developed by Non-State Actors</b>. This was well received by National Treasury, Kenya Revenue Authority and other players. This is work that started way-back in 2017. See link <a href="https://www.icpak.com/resource/icpak-proposal-for-income-tax-policy/">https://www.icpak.com/resource/icpak-proposal-for-income-tax-policy/</a></li> </ul>

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			<ul style="list-style-type: none"> <li>- In collaboration with Uraia Trust, commenced a study on “Devolution -6 years on” to assess PFM institutions. Most of the costs of the study are directly borne by Uraia. The study is still ongoing</li> <li>- ICPAK in collaboration with ACCA conducted a study on “Future Accountant” see link <a href="https://www.icpak.com/resource/acca_icpak_joint-research-the-future-of-accountancy/">https://www.icpak.com/resource/acca_icpak_joint-research-the-future-of-accountancy/</a></li> <li>- In addition, the Public Policy and Research Division conducts on regular basis public policy researches, evidenced-based policy briefs to advise the Institute’s position on emerging issues and other areas of national importance- in 2019, we focused on Demonetization, capping of interest rates, budget process and legislation among others</li> </ul>
		What informed the significant devaluation of the property in the current year?	In a long time in Kenya, prices for houses especially commercial property have been on a downward trajectory. This has been attributed by several factors including oversupply and slowed economic activities, even before COVID19 pandemic. The property market has experienced a glut in lettable space,

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			<p>with Nairobi alone having over 9.5 million square feet of lettable space. This has caused sluggish uptake of spaces, with many units remaining vacant. Landlords and developers are forced to reduce their prices to be in line with the ongoing trend to avoid the risk of losing business. The effect in the market has been reduction in rent on the lettable spaces.</p> <p>From the Institute accounting perspective there was no change in the valuation of investment property during the year. The Institute valued the CPA Centre building in line with approach adopted under IAS 40. As such, the valuation considered the reduced rental incomes expected from CPA Centre, hence the reduced fair value of ICPAK investment property by 8%. ICPAK used market value approach in arriving at the fair value. This takes into consideration the existing market dynamics and transactional prices of similar properties.</p> <p>This is way better than the registered reduction in property prices in Nairobi of between 15% to 33% depending on location.</p>
		Presentation of the annual report	The 2019 annual report is uploaded in ICPAK Website,

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5	CPA Samuel Omondi Oyombra M No. 8234	<p><b>Disciplinary Issues:</b> During the discussions on the Council report at the Annual General Meeting in June 2019, members discussed, the need to have the Council re-consider the practice of publishing all disciplinary cases tabled at the Institute's Disciplinary Committee, and instead restrict itself to publishing only those disciplinary issues that have been concluded. Publishing ongoing inconclusive cases on Icpak website and on the Icpak Journal as has been the case hitherto, could be (mis)conceived as a reprimand of the concerned members even before their cases are heard and determined. I have noted that, as of today, the cases still remain published regardless of the counsel given by the AGM of last year, and with it, comes reputation questions on the concerned members:</p> <p><b>Question</b> (a) What reasons inform this decision to continue publishing cases (on the website and in the journals) before they are concluded? Is this a common practice by any of the comparable IFAC member bodies? (b) Why hasn't our Council found the AGM's counsel (to pull down cases from the website) worthwhile?</p>	<p>The Disciplinary Committee of the Institute is independent of the Council of the Institute. In the Accountants Act, the Fifth Schedule Section 10 states "Proceedings on the inquiry shall be deemed to be judicial proceedings for the purposes of Chapter XI of the penal code (Cap. 63). This therefore means the proceedings of the Disciplinary Committee (DC) take the same shape as that of a court of law. As in any court of law, which has a cause list (list of cases), the DC will have its cases well published as the outcome of the DC can only be challenged in the high court.</p> <p>The common practice with other jurisdictions is also to publish the list of cases ongoing for example SAICA in South Africa with the KPMG-Gupta Case.</p> <p>The names of firms in DC have been pulled down from the website but there is a competing need for transparency and accountability.</p> <p>The DC of the Institute took long to be constituted. The membership was gazette last year after a long delay.</p>

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		<p><b>(c)</b> Seeing how some disciplinary cases have remained outstanding for far too long, how soon can these cases be dispensed with, and how will Council facilitate their speedy conclusion?</p> <p>I would appreciate a response, but more importantly an action to protect the members affected from further reputation loss. It's not easy to repair a damaged reputation.</p>	<p>The DC is working hard to dispense the cases as quickly as possible while following the due process. Since this is a quasi-judicial court the matters may not be concluded as fast as anticipated due to the nature of the cases and the procedures required before the case is concluded to be able to stand the test of time in case the matter is challenged at the High Court.</p>