




**PRACTICENOTE:  
NO.PSD/2021/001**

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**AUDITOR REPORT  
SIGNING, APRIL 2021**





The Institute of Certified Public Accountants of Kenya (ICPAK) is a statutory body established under section 3 of the Accountants Act, Cap 531 of the Laws of Kenya and mandated to develop and regulate the accountancy profession in Kenya. A key mandate is the promotion of standards of professional competence and practice amongst members of the Institute.

## PREFACE

In November 2020, the Council of the Institute of Certified Public Accountants of Kenya (ICPAK) approved guidelines on the issuance of multiple licenses. These guidelines followed amendments to the Accountants Act, No.15 of 2008 through the Finance Act, 2018.

Consequently, the Council begun issuing multiple licences for different categories with effect from February 2021. Thus, only Practitioners in possession of either a Composite Practicing Certificate (Category “C”) or an Audit and Assurance Practicing Certificate (Category “A”) are licensed to perform audit and assurance services. As a result, only specific members licensed for this purpose, and not all practitioners, may sign the external auditor’s report. This is a departure from the practice before the implementation of the multiple licensing regime, where the auditor’s report was signed by the firm.

This Practice Note contains further guidance to external auditors on the signing of audit reports and was developed by members of the Professional Services Committee of the ICPAK Council as listed below:

- |     |                       |                                |
|-----|-----------------------|--------------------------------|
| 1.  | FCPA Michael Mugasa   | Chairman                       |
| 2.  | FCPA Anne Muraya      | Member                         |
| 3.  | FCPA Geoffrey Injeni  | Member                         |
| 4.  | FCPA George Mokuu     | Member                         |
| 5.  | FCPA Sam O. Alala     | Member                         |
| 6.  | FCPA Simon Fisher     | Member                         |
| 7.  | FCPA Asif Chaudhry    | Member                         |
| 8.  | CPA Evanson Ng’ang’a  | Member                         |
| 9.  | CPA Fredrick Macharia | Member                         |
| 10. | CPA Georgina Muchai   | Member                         |
| 11. | CPA Joseph Kariuki    | Member                         |
| 12. | CPA Sylvester Kiini   | Member                         |
| 13. | CPA Edwin Makori      | Chief Executive Officer, ICPAK |

Many thanks to CPA Dr. Nebart Avutswa, CPA Cliff Nyandoro and Clare Abuodha, Advocate of the ICPAK Secretariat for their support in the process.

### **FCPA Michael Mugasa**

Chairman, Professional Standards Committee Council

## PREAMBLE

1. In exercise of the powers conferred by Section 9 (3) of the Accountants Act, No.15 of 2008, the Council issues this Practice Note to provide guidance to members providing audit and assurance services in the preparation of financial statements, specifically with specific regard to the signing of the external auditor's report.

## OBJECTIVE

2. The importance of an audit of a company's financial statements by an independent external auditor cannot be overlooked as it is the foundation of stakeholder confidence. The key objective of this Practice Note is to ensure individual auditors' ownership, responsibility and accountability for the audit report that is issued and signed on behalf of the firm.
3. This approach is further intended to reduce incidences of illicit practices associated with the signing of audit reports and is largely supported by the international standards of auditing and assurance, international best practices as well as applicable laws governing the profession.

## GUIDING CONSIDERATIONS

4. International Standard on Auditing (ISA) 700 (Revised) - Forming an Opinion and Reporting on Financial Statements

This revised ISA deals with the auditor's responsibility to form an opinion on the financial statements as well as the form and content of the auditor's report issued as a result of an audit of financial statements. The standard promotes consistency in the auditor's report but recognizes the need for flexibility to accommodate particular circumstances of individual jurisdictions.

ISA 700 (Revised) applies to an audit of a complete set of general-purpose financial statements and is effective for audits of financial statements for periods ending on or after December 15, 2016.

5. Legal and Regulatory framework in Kenya

The Companies Act, No. 17 of 2015 of the Laws of Kenya, outlines the auditor's responsibility in signing the auditor's report. The responsibility includes stating the Auditor's name in published copies of the auditor's report. Offences related to failure to comply with these provisions are applicable to individual practitioners.

Sections 735, 736 and 738 of the Companies Act, No. 17 of 2015 provide as follows:

### **735. Auditor to sign and date auditor's report**

- (1) Subject to subsection (2), an auditor shall-
  - (a) sign and date the auditor's report; and
  - (b) ensure that the auditor's name is prominently displayed in the report.
- (2) If the auditor is a firm, the senior statutory auditor of the firm shall sign the report on behalf of the firm.
- (3) An auditor who fails to comply with subsection (1), or a senior statutory auditor who fails to comply with (2), commits an offence and is liable on conviction to a fine not exceeding two hundred thousand shillings.

### **736. Name of auditor to be stated in published copies of auditor's report**

- (1) A company shall not publish a copy of an auditor's report that relates to the company unless the copy-
  - (a) state the name of the auditor and, if the auditor is a firm, the name of the person who signed the report as senior statutory auditor; or
  - (b) if the conditions specified in section 737 are satisfied - state that a resolution has been passed and notified to the Cabinet Secretary in accordance with that section.
- (2) For the purposes of this section, a company is regarded as publishing the report if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner that invites members of the public generally, or any class of members of the public, to read it.
- (3) If a copy of the auditor's report is published without the statement required by this section, the company, and each officer of the company who is in default, commit an offence and on conviction are each liable to a fine not exceeding five hundred thousand shillings.

### **738. Offences in connection with the auditor's report**

- (1) This section applies-
  - (a) if the auditor is a natural person—to that person and any employee or agent of that person who is eligible for appointment as auditor of the company; and
  - (b) if the auditor is a firm—to any director, member, employee or agent of the firm who is eligible for appointment as auditor of the company.
- (2) A person to whom this section applies commits an offence if the person includes, or is responsible for including, in an auditor's report on the financial statements of a company information or an explanation that the person knew or ought to have known was false or misleading in a material respect.

- (3) A person to whom this section applies commits an offence if the person fails to include, or is responsible for failing to include, in such a report a statement required by section 730(2), (3), (4) or (5).
- (4) A person found guilty of an offence under subsection (2) or (3) is liable on conviction to a fine not exceeding one million shillings or to imprisonment for a term not exceeding three years, or to both.

#### 6. Practice in other Jurisdictions

The development of this Practice Note has been informed by benchmarking practice in other progressive jurisdictions including Nigeria, Uganda, Tanzania, Canada and the United Kingdom.

### REQUIREMENT

7. Prior to this Practice Note, the signing of audited reports has been done as a firm. The auditor in charge of the assignment indicated his details separately as the auditor responsible for the audit assignment.
8. The auditor's report shall now contain the signature of the Partner authorised to sign on behalf of the Firm, along with the Partner's ICPAK membership number and Practice licence.
9. This is as illustrated in the Schedule to this Practice Note.

### EFFECTIVE DATE

10. This Practice Note on signing of the auditor's report shall take effect from 1st April 2021.

Issued by the Council of the Institute this 15<sup>th</sup> day of March 2021.

**CPA Edwin Makori**  
CEO and Secretary to Council

## REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

In our opinion, the information given in the report of the directors on page 63-85 is consistent with financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Delfina Libenta, Practicing Certificate No 12345.



For and on behalf of A.N. Other and Associates

Certified Public Accountants

Nairobi, Kenya

Date: 9th May 2018

