**INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA**

**INTERNAL AUDIT MASTER CLASS**

**CASE STUDY**

2001 – The Central Bank of Kenya demands details on source of USD 25 million transferred from Liechtestein to a local bank – Bank X. The money is withdrawn after a court gives temporary reprieve after ruling that there was no such offence as money laundering under Kenya’s statutes back then.

2004 – An internal auditor at Bank X blows the whistle on an alleged US$ 573 million  tax evasion scheme involving 85 accounts held at the bank. He names companies A, B, C,D, E, F, G, H as participants in the scheme.

2006 - Shadow finance minister, Billow Kerrow, presents documents in Parliament alleging blatant and widespread tax evasion by a net of companies over a period of six years. He links bank X and 8 companies to the tax evasion scheme.

2006 – CBK places Bank X under statutory management.

2009 – Company E, a petroleum importer implodes under a KES 7.6 billion scandal

2018 – Companies A and B are placed under administration – owe KES 30 billion (KES 18 b - suppliers, KES 4 b –commercial paper, KES 8 b to banks)

2020 – Company D is placed in receivership by creditors – owes suppliers KES 6.2 b.

Questions

1. With reference to Bank X’s auditor, please identify possible audit governance weaknesses that may have encouraged whistle blowing rather than working through the company’s structures.
2. Identify internal and external stakeholders affected by the governance failures in bank X. What would have been the value of internal audit to each of the stakeholders.