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4/7/18

PARLIAMENT OF KENYA



*Paper laid by
the Hon. Alfred Ajor
mpf*

Thursday 5-7-2018

THE NATIONAL ASSEMBLY

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TWELFTH PARLIAMENT
SECOND SESSION

05 JUL 2018

SPECIAL FUNDS ACCOUNTS COMMITTEE

REPORT OF THE 3RD ANNUAL ICPAK CHAPTER SEMINAR

May 8-12, 2018

Johannesburg, South Africa

Directorate of Committee Services

National Assembly

Parliament of Kenya

NAIROBI

May 2018

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LIST OF ABBREVIATIONS AND ACRONYMS

AFCTA	Africa Continent Free Trade Area
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standard
PEFA	Public Expenditure Financial Accountability
PFMA	Public Finance Management Act
PPP	Public Private Partnership
SAICA	South Africa Institute of Certified Accountants
SDGs	Sustainable Development Goals
SOWETO	Southern Western Township

CHAIRPERSON FOREWORD

Capacity building for Members of the Special Funds Accounts Committee is one of the key activities of the Committee's work plan for the current financial year. To achieve this, the committee has adopted various strategies, amongst them collaboration with professional bodies such as the Institute of Certified Public Accountants of Kenya (ICPAK) and Kenya Institute of Management (KIM) whose mandate revolves around governance and accountability in public finance.

The 3rd Annual ICPAK Chapter Seminar which took place on 8th to 12th May, 2018 in Johannesburg, South Africa is amongst the key activities under the ICPAK calendar of events that the Committee participated in. The Committee was represented by a delegation of five Members and two staff who took part in all Seminar deliberations.

The forum offered a great opportunity for Members to learn best practices in public finance management which is key to effective discharge of Committee mandate. This is in addition to the complimentary role that ICPAK has continued playing in regulating the accountancy profession which is key proper public financial management

The delegation wishes to extend its appreciation to the Office of the Speaker and the Clerk of the National Assembly for facilitation of the travel to and return from the Seminar. In addition, the delegation commends ICPAK for organising the Seminar and other forums aimed at supporting the Committee in achieving its mandate.

On behalf Members of the delegation, it is my pleasant duty to present this report to the House pursuant to Standing Order number 199.


Hon. Masadia Alfred Agoi, MP

Leader of the delegation

03/07/2018

EXECUTIVE SUMMARY

This report contains deliberations that took place during 3rd Annual ICPAK Chapter Seminar that took place on 8th to 12th May, 2018 in Johannesburg, South Africa which was attended by more than one hundred delegates from various countries in Africa. The Committee was represented by a delegation of five Members and two staff.

Arising from presentations made by key practitioners in various fields and discussions at the plenary, the Committee has made various recommendations contained in this report.

Based on the complimentary oversight role that ICPAK plays enhancing accountability in the public sector through regulating the accountancy profession, the Committee recommended enhanced collaboration between ICPAK and Parliamentary Oversight Committees. Further, the Committee recommended that ICPAK review the accounting training to ensure that it's responsive to emerging accounting challenges brought by evolving risks. This will require the institute to transform its approach from the conventional accounting to digital agenda to mitigate challenges emerging challenges.

On trade between the two countries, the Committee noted the existing trade barriers on access of Kenyan products to the South Africa markets and recommended prompt address of the same to cure the current trade imbalance. In addition, the Committee was informed of existing opportunities especially in construction industry and recommended that publication of the information to enable more youth take advantage of the opportunities.

Finally, the Committee recommends development of appropriate legal framework geared towards enhancing Public- Private Partnership to address the current infrastructure financing gap and reduce rise in public debt as a result of increase in domestic borrowing to finance these projects.

1. PREFACE

The Special Funds Accounts Committee was established in the fifth session of the Eleventh Parliament during the review of the National Assembly's Standing Orders and is amongst the Watchdog Committees of the twelfth Parliament. It plays an oversight role on expenditure of public funds for specific public entities to enhance accountability, adherence to public financial management legal framework and ensure that the public gets value for money.

The Committee executes its mandate on the basis of annual and special audit reports prepared by the Office of the Auditor General.

1.1 Committee Mandate

The Special Funds Accounts Committee is a Select Committee of the House established under Standing Order number 205A of the National Assembly and mandated to examine accounts laid before the House of the National Government Constituencies Development Fund, Equalization Fund, Judiciary Fund, Political Parties Fund and other Funds established by law as the Speaker may direct.

1.2 Committee Membership

Chairperson	Hon. Kathuri Murungi, M.P.
Vice-chairperson	Hon. William Chirchir Chepkut, M.P.
Member	Hon. Alfred Agoi Masadia, M.P.
	Hon. Justus Gesito Mugali, M.P.
	Hon. Shakeel Shabbir Ahmed, M.P.
	Hon. Erastus Kivasu Nzioka, M.P.
	Hon. Irene Kasalu, M.P.
	Hon. James G. Kamau Wamacukuru, M.P.
	Hon. Marwa Kitayama Maisori, M.P.
	Hon. Mwambu M. Mabonga, M.P.
	Hon. Rehema Dida Jaldesa, MP.
	Hon. Jared Okelo, M.P.
	Hon. Dennitah Ghati, M.P.
	Hon. Mark Lomunokol, M.P.
	Hon. Abdi Koropu Tepo, M.P.
	Hon. Geoffrey Omuse, M.P.
	Hon. Esther M. R. Passaris, M.P.
	Hon. Mohamed Ali Lokiru, M.P.
	Hon. Mohamed Ali Mohamed, M.P.

1.3 Committee Secretariat

- | | |
|---------------------------|---------------------------|
| 1. Ms. Lucy Kimathi | Senior Clerk Assistant |
| 2. Ms. Ruth Mwhaki | Third Clerk Assistant |
| 3. Ms. Clare Kidombo | Research & Policy Analyst |
| 4. Mr. Robert Ngetich | Fiscal Analyst |
| 5. Mr. Peter Mwaura | Legal Counsel |
| 6. Ms. Debra Mupusi Ghati | Media Relations Officer |
| 7. Mr. Josphat Bundotich | Sejeant at Arms |
| 8. Ms. Eva Kaare Naserian | Serjeant at Arms |

1.4 Objectives of the Seminar

The 3rd Annual ICPAK Chapter Seminar was organized under the theme '*The Africa We Want: Prospects and Risks*' based on the projected growth of 4.3% in the year 2018 for the African Continent as focused by the African Development Bank economic growth trajectory. The continent is expected to rely on its dynamic private sectors and vast resources to accelerate economic growth, which require concerted effort for the continent in trading with itself first even as it looks outwards. This is in addition to capitalizing on its demographic dividend and technological advancement to spur growth and create immense business opportunities for professionals and its citizens.

It is against this backdrop that ICPAK organized a Chapter Seminar whose theme was focused on Africa's development trajectory, and where the five thematic areas were discussed through presentations made by experts in various fields.

The first thematic area was covered under "Infrastructure Development in Africa: Design and Implementation Challenges" where the topic focused on challenges African Nations are facing in design and implementation of infrastructure projects with a case study on the South Africa success infrastructure design and implementation. This was informed by the fact that Infrastructure is one of the key components of achieving Sustainable Development Goals (SDGs) in Africa and ultimately sustainable economic growth.

Under "Reporting Under International Public Sector Accounting Standards (IPSAS) Accrual – *Lessons from South Africa*", the topic focused on lessons that Kenya can draw from South Africa on implementation of IPSAS Accrual Accounting in 2002 in comparison to Kenya which adopted the standard in 2014.

On "Improving Public Finance Management: Fiscal Transparency and Accountability", participants were taken through options available, adoption by various government and the gaps that exist in achieving fiscal transparency and accountability in Public Finance Management.

Finally, on "Multigenerational Teams and the challenges in the workplace: *Getting the Balance*", the presentation aimed at developing strategies geared towards enhancing teamwork amongst multigenerational teams to improve productivity given the fact that millennials are expected to form the largest part of the workforce in the next few years.

2. INTRODUCTION

2.1 The Institute of Certified Public Accountants of Kenya

The Institute of Certified Public Accountants of Kenya (ICPAK) is a statutory body established under the Accountants Act ¹ to regulate the accountancy profession in Kenya. It serves as the umbrella body that oversees the activities of qualified and registered Certified Public Accountants and serves as the profession's mouthpiece in Kenya.

The ICPAK is mandated to promote standards of professional competence and practice amongst members of the Institute and advise the Examination Board on matters relating to examinations standards and policies amongst others.

The institute holds membership in the international accountancy organizations such as International Federation of Accountants (IFAC) and Pan African Federation of Accountants (PAFA). ICPAK is also represented in the Kenya Accountants and Secretaries National Examinations Board (KASNEB) where it nominates members to its board to realize its concern about protecting the reputation of the Accountancy profession.

It is the third largest professional body of accountants in Africa whose current membership stands over twenty thousand accountants spread across nine branches in Kenya.

2.2 The 3rd Annual ICPAK Chapter Seminar

According to the Africa Development Bank, Africa's average growth rebounded to 3.4% in 2017 and is expected to expand by 4.3% in 2018². The continent can count on its dynamic private sectors and vast resources to accelerate economic growth in the next decade. Despite progress made, 54% of the continent's population is still living in poverty.

Africa therefore needs concerted effort in growth and development to succeed as a force in the global economy. For Africa to achieve this, deliberate efforts must be put in place to focus the continent in trading with itself first even as it looks outwards. Further, Africa should capitalize on its demographic dividend and technological advancement to spur growth. This would in turn create immense business opportunities for professionals and its citizens.

¹ Accountants Act, No. 15 of 2008

² African Development Bank Report, 2017

3. OPENING REMARKS

The conference was officially opened by Ambassador Lemarron Kaanto, the Deputy High Commissioner, Kenya High Commission, South Africa. He appreciated ICPAK for enhancing professional collaboration with South Africa Institute of Certified Accountants (SAICA), which is key to regional integration in Africa.

He informed delegates that majority of Africa countries resolved to form the Africa Continent Free Trade Area (AFCTA) that witnessed 27 Africa Countries sign a Tripartite Free Trade Agreement on 21st March, 2018 at Kigali, Rwanda in line with African Union philosophy which aim at uniting African countries. He added that once the Free Trade Area is consummated, it will enable the republics of South Africa, Kenya and other African Countries have a platform which will enable free movement of people and services across the countries.

He further informed participants that Kenya was in the process of depositing the legal instruments ratifying the Africa Continent Free Trade Area to the African Union Commission once the same is ratified by the National Assembly. He emphasized on the need for Kenya and South Africa to put in place policies and strategic instruments that will facilitate crosspollination of knowledge, technology, innovations and ideas to benefit not only the individual countries but the two regional economic blocks- The East African Community and The Southern African Development Community.

Ambassador Kaanto reiterated the important role that ICPAK as a professional body plays in public finance management and challenged accountants working in the public sector to go beyond call of duty and ensure public resources within their care are safeguarded.

He added that Accountants need to be bound by duty of care given that they owe allegiance to the general public whose hope for a better and productive life is dictated by the professional conduct the ICPAK members who are engaged in the public sector.

Arising from his remarks and interaction with participants, the delegation was informed of trade barriers on access of Kenyan products especially fruits, vegetables and meat products to the South Africa markets, yet the same products are exported in European market.

4. SEMINAR PRESENTATIONS

The Seminar was undertaken through various presentations made under the following four thematic areas:

4.1 Infrastructure Development in Africa: Design and Implementation Challenges

The presentation was made by Mr. Peter Varndell, Africa Infrastructure Desk Manager, NEPAD Business Foundation who informed that Infrastructure is one of the key components of achieving Sustainable Development Goals (SDGs) in Africa and that adequate infrastructure is a critical enabler for productivity and sustained economic growth;

He stated that Africa as a continent needs \$50bn annually worth of infrastructure which is driven by various factors such as population growth (middle class growth), rapid urbanisation rising incomes and aging legacy infrastructure.

He took participants through the key infrastructure projects in five sectors- Energy & Power, Technology, Water & Sanitation, Transport (Rail, Air, Roads, Ports) and Urban Infrastructure, which also includes housing.

Mr. Varndell informed participants that Kenya has infrastructure financing deficit of \$2.1bn annually which constraints growth & development and sustained expenditure of \$4bn is required to meet country's infrastructure needs. He further stated that the country's public debt which currently stands at 57% of GDP creates a deficit which cannot be met by public resources, hence the need for private sector with Public Private Partnership (PPP) being the preferred option to address the infrastructure gap. He proposed the need to convert wish lists into bankable projects and make economic corridors/regional like the East African Community (EAC) projects more attractive.

From the presentation, the delegation took note of the Kenya's infrastructure financing deficit and the growing public debt which may not be sustainable in the long term, hence the need to enhance Public Private Partnership address the infrastructure financing gap.

4.2 Reporting Under International Public Sector Accounting Standard (IPSAS) Accrual – Lessons from South Africa

The presentation was made by Ms. Lindy Bodewig, the Chief Director, National Treasury of South Africa, who took participants through the journey of adopting International Public Sector Accounting Standard (IPSAS). She informed participants that South Africa began adopting IPSAS Accrual Accounting in 2002 in comparison to Kenya which adopted the standard in 2014.

She further stated that the Constitution of South Africa envisages public sector reporting in compliance with generally recognised practice and that the Accounting Standard Board (ASB) which is comprised of 10 members appointed by the Minister of Finance after consultation with Auditor-General (and Accountant-General) was fully constituted in 2002.

She took participants through the mandate of ASB which includes Preparing and publishing accounting guidelines and directives, Promoting transparency in and effective financial management, and monitoring the activities of the board.

Ms. Bodewig challenged ICPAK as a regional standard setters to contribute to the development process of the IPSAS and ensure compliance of the same.

4.3 Improving Public Finance Management: Fiscal Transparency and Accountability

The presentation was made by Mr. Patrick Kabuya, ICPAK South Africa Chapter Board Chairman who emphasized on the need to manage public financial resources with integrity, transparency and accountability to achieve effective and efficient service delivery. This calls for governments to be fully accountable for all monies collected and how they are distributed.

He informed delegates of fiscal transparency gaps that still exist in Africa with some countries facing stagnation and others deteriorating in transparency. He proposed for adoption of various strategies across all African Nations in achieving fiscal transparency and accountability in Public Finance Management.

He further stated that Public Finance Management is key to budget cycle which entails preparation, execution, reporting, auditing and oversight. He stated that stronger Public

Finance Management systems through aggregate fiscal discipline (in revenue collection, debt management), efficient allocation of resources to priority areas and effective use of resources (to manage leakages) are essential to better governance.

Mr. Kabuga defined Public Expenditure Financial Accountability (PEFA) as a reform program that assesses the strength of PFM system by examining possible loose ends in the budget cycle. He enumerated seven indicators used by PEFA to assess PFM system-Budget reliability, Transparency of Public Finances, Management of Assets and Liabilities, Policy-based Fiscal strategy and budgeting, Predictability and control in budget execution, Accounting and reporting and External scrutiny and auditing.

He further informed key areas of PFM reforms that are used by most countries which include Domestic revenue mobilisation, Public investment management, Service delivery bottlenecks and Strengthening public sector institutions, particularly Supreme Audit Institutions and Parliamentary Oversight Committees

He challenged the accountancy profession play a key role in PFM reforms through enhancing the relationship between the government and the profession by contributing to the government agenda. This is in addition to developing more professionals and technicians to serve in both public and private sector. He finally advised the accountancy profession to develop innovative programs which are market driven and support institutions in developing ethics and integrity programs.

4.4 Multigenerational Teams: Getting the Balance

The presentation was made by Mr. Alex Granger, Global Speaker & Thinker Shifter and Chief Purpose Officer at TWICEBLUE.

The presentation was made on the background that millennial generation has begun making its mark on the workforce where different generations comprising of the Baby Boomer, Generation X and the millennials are working alongside each other. In cognisant of the fact that millennials will form the largest part of the workforce in the next few years and much thought has gone into how business managers can get the most out of them, the true challenge remains in getting these generational teams to work alongside each other in harmony.

He took participants through characteristics of high performing teams which include a shared vision and purpose, diversity which entails equality/sameness, equity/fairness and liberation. This is in addition to autonomy, where people have to be let to do what they are best at, interdependence through enhanced connection and mutual accountability for individual action.

Mr.Granger emphasized on the role of team leadership in enhancing productivity, where the leader need to be a great communicator on the most effective ways of achieving results and have ability to energize the team to perform optimally. In addition, the team leader need to recognize people as the most valuable asset, possess high level of integrity and ability to solve problems to keep the team going.

On the current multigenerational teams that are found in the work place, Mr.Granger took participants through five generations that are found in the current workplace.

The first generation of traditionalists is comprised of persons born before 1946 grew up in tough times followed by prosperity and value authority. They are traditional, contribute to the common good and are loyal employees with strong work ethics. The Baby boomers is comprised of those who were born between 1946 and 1964, and make 41% of the work population. They value equal rights, teamwork and personal growth. This is in addition to being highly driven and likely to work overtime.

Generation X is comprised of persons born between 1965 and 1977 and make up to 29% of the workforce. They value independence, work-life balance, education and are entrepreneurial. On the other hand, Generation Y who are commonly referred to as Millennials is comprised of persons born between 1977 and 1997. They grew up in the digital era hence value idealism, fun and competition. They are tenacious and ambitious but not necessarily focused.

Lastly, there is Generation C, also known as generation 2020, who are persons born after 1996. They are found to be more socially aware than all generations before them. Not only do they value peer to peer recommendations, collaboration and making meaningful impact to the world but are more likely to make cautious career choices

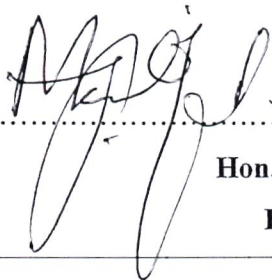
Based on the fact that all these generations form the workforce, Mr. Granger stated the need to for organizations to develop appropriate strategies geared towards enhancing cohesiveness across these generations to reduce conflict and ensure teamwork for enhanced productivity.

5. RECOMMENDATIONS

The Committee made the following recommendations:

1. THAT the Ministry of Foreign Affairs address the issues surrounding existing trade barriers on access of Kenyan products especially fruits, vegetables and meat products to the South Africa markets with a view to ensuring accessibility of Kenyan products to the market;
2. THAT the Ministry of Foreign Affairs establish and publicize information on various opportunities available in South Africa. This will enable more youth take advantage of the opportunities and reduce the levels of unemployment in Kenya.
3. THAT the National Treasury develop appropriate policy and legal framework to enhance Public- Private Partnership to address the current infrastructure financing gap and reduce the rise in public debt caused by increased domestic borrowing to finance these projects.
4. THAT the Institute of Certified Public Accountants of Kenya enhance ^{their} collaboration with Parliamentary Oversight Committees to ensure review of legal framework on accountability and application of public funds is in place.
5. THAT the Institute of Certified Public Accountants review the accounting training to ensure that it's responsive to emerging accounting challenges brought by evolving risks; and
6. THAT the Committee continue to engage the Institute of Certified Public Accountants of Kenya on capacity building programs.

Sign:.....



Hon. Masadia Alfred Agoi, MP
Leader of the delegation

Date:.....

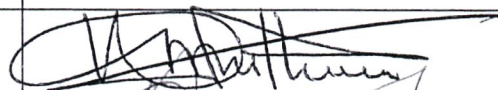
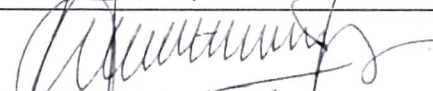
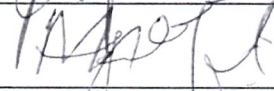


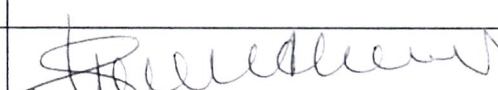
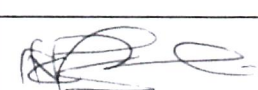

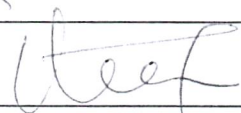


03/07/2018

KENYA NATIONAL ASSEMBLY
TWELFTH PARLIAMENT
SPECIAL FUNDS ACCOUNTS COMMITTEE

ADOPTION LIST

Report of the 3rd annual ICPAK chapter seminar that held on May 8 -12 in Johannesburg, South Africa

DATE 3/7/2018 TIME 10:00 a.m VENUE Committee Room 12

	NAME	SIGNATURE
1.	Hon. Kathuri Murungi, M.P. - Chairperson	
2.	Hon. Chepkut, William Kamuren Chirchir M.P.- Vice Chairperson	
3.	Hon. Alfred Agoi Masadia, M.P.	
4.	Hon. Dennitah Ghati, M.P.	
5.	Hon. Justus Kizito Mugali, M.P.	
6.	Hon. Mark Lomunokol, M.P.	
7.	Hon. Shakeel Shabbir Ahmed, M.P.	
8.	Hon. Abdi Koropu Tepo, M.P.	
9.	Hon. Erastus Kivasu Nzioka, M.P.	
10.	Hon. Passaris, Esther Muthoni Rasanna, M.P	
11.	Hon. Geoffrey Omuse, M.P.	
12.	Hon. Irene Kasalu, M.P.	
13.	Hon. James Kamau Githua Wamacukuru, M.P.	
14.	Hon. Jared Okelo, M.P.	
15.	Hon. Marwa Kitayama Maisori, M.P.	
16.	Hon. Mohamed Ali, M.P.	
17.	Hon. Lokiru Mohammed Ali, M.P.	
18.	Hon. Mwambu Mabongah, M.P.	
19.	Hon. Rehema Dida Jaldesa, M.P	

