



REPUBLIC OF KENYA

**THE NATIONAL TREASURY & PLANNING**

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**THE REGULATORY IMPACT STATEMENT**

**IN THE MATTER OF PUBLIC PARTICIPATION ON THE DRAFT: -**

- 1. ACCOUNTANTS REGULATIONS, 2021;**
  - 2. ACCOUNTANTS (PROFESSIONAL PRACTICE AND ETHICAL CONDUCT) REGULATIONS, 2021;**
  - 3. ACCOUNTANTS (QUALITY ASSURANCE REVIEW) REGULATIONS, 2021.**
  - 4. ACCOUNTANTS (EXAMINATIONS) RULES, 2021; AND**
  - 5. ACCOUNTANTS (REMUNERATION) ORDER, 2021.**
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**(1) The objectives of and reasons for the proposed sets of Accountants Regulations are mainly the following:**

- (a) to provide for means of administering the Accountants Act, 2008 by the Cabinet Secretary with respect matters affecting the operations of the Institute and practice by members of the Institute; and the administration and management of the Examinations Board;
- (b) to provide for means of administering the Accountants Act, 2008 by the Council of the Institute with respect to matters affecting the operations of the Institute and practice by members of the Institute; and set standards of professional practice and ethical conduct;
- (c) to provide governance framework/rules on matters relating to the administration, management and conduct of examinations offered and accreditation of institutions offering training in subjects examinable by the Examinations Board, in accordance with the Accountants Act, 2008; and
- (d) to provide for a framework to monitor compliance with professional, quality assurance and other standards published by the Council for observance by the members of the Institute.

**(2) The effect of the proposed sets of Accountants Regulations includes the following:**

- (a) It is expected that enactment and implementation of these regulations will facilitate Government execute its role in the regulation of the accountancy profession while ensuring

that such regulation achieves public interest objective at the lowest possible cost while safeguarding quality and consistency, in the supply of accountancy service;

- (b) Create training and employment opportunities to accountancy professionals in Kenya through the guarantee of a rebate of up to 20% of the firm's annual license fees to any firm offering practical work experience for associate members or trainee accountants for a period of two years;
- (c) Minimize Professional Misconduct in the Accountancy profession through the measures prescribed to deal with such professional misconduct and promote financial accountability in Kenya. These regulations will in essence enable the Institute deal with public interest issue on fraud, misappropriation of funds and any other unethical behaviours in both private and public sectors of the economy.
- (d) Secure regional and global presence of the Kenya's accountancy professionals through the regional and international preferential treaties with regard to mobility of labour.
- (e) Safe guard the quality and credibility of the examinations on accountancy and regulate the Institutions that offer examinations on accountancy through accreditation and strict monitoring including prescription to deal with for any compromise on examinations credibility;
- (f) The regulations have placed standards and predictable fees or various licensing regimes of accountancy profession practice thus guaranteeing predictability while at the same time providing for revenue streams of the Institute and the Examinations Board;
- (g) These regulations envisage to foster regional integration efforts by the government through provision of subsidized license fees for individuals and firms from the East African Community, who would wish to apply and practice in the country;
- (h) The regulations have put in place an appropriate system for monitoring the performance of the bodies charged with regulating the accountancy profession in the country and aligned tenets of accountancy practice to global best practices, with focus on outcomes, in this case overall quality and consistency of accountancy services;
- (i) Ensured coverage of the entry and licensing requirements including education and on-going professional development requirements, monitoring of the behavior and performance of professional accountants, the standards including ethical standards, that professional accountants must meet; the discipline systems and procedures for those individuals and firms that fail to meet such requirements;
- (j) Almost all the gaps in the Accountants Act, save for areas which require amendments to the Act have been fully espoused by these regulations thus guaranteeing full implementation of the Accountants Act, 2008;
- (k) These regulations have accorded Government a stakeholder driven understanding the nature and characteristics of issues of the accountancy profession and qualification process that should be regulated and identified clear policy recommendations on the issues to be addressed; and
- (l) These regulations have accorded Government with the flexibility to explore ways to amend legislation and regulation seamlessly where circumstances require, directly and through the Institute and the Examinations Board.

**(3) Possible alternative and practicable means of achieving the foregoing objectives, including other regulatory as well as non-regulatory options:**

- (a) An alternative to operationalization of the Accountants Act, 2008 would have been to leave the Council of the Institute and the Examinations Board, through resolutions and consultations with the Minister, handle specific matters case by case and on a need basis. This alternative is highly depended on the good will of the institutions and neutrality in the leadership and oversight of Institute the Examinations Board;
- (b) The alternative to the role of Government to execute the regulation of the accountancy profession while ensuring that such regulation achieves public interest, would have been to allow the Institute and the Examinations Board to make such decisions through their leadership and oversight bodies established in the Accountants Act, 2008, however the bearing maybe;
- (c) The alternative to administration and management of the operations of the institute and practice by members of the Institute including setting standards of professional practice and ethical conduct, would have been left to the decisions of the Council of the institute guided by several pieces of By-laws, Guidelines and Council resolutions, which have no bearing in law in accordance with the provisions of the Statutory Instruments Act, 2013;
- (d) The alternative to governance on matters relating to the administration, management and conduct of examinations offered and accreditation of institutions offering training in subjects examinable by the Examinations Board, in accordance with the Accountants Act, 2008, would have been allowed through various pieces of By-laws, Guidelines and Council resolutions, which have no bearing in law in accordance with the provisions of the Statutory Instruments Act, 2013;
- (e) The alternative to monitoring compliance with professional, quality assurance and other standards published by the Council for observance by the members of the Institute, would have been left to the discretion of the council and the prescribed International Federation of Accountants guidelines, which are not domesticated to fit into the Kenyan work and academic environment; and
- (f) The alternative to a prescribed, benchmarked and predictable licensing fees regime for the individual and firms form the country, region and the globe at large willing to set practicing operations in Kenya, would have been left to the decisions of the Council and the Examinations Board trough resolutions or existing fragmented pieces of bylaws and guidelines.

**(4) Assessment of the costs and benefits of the proposed sets of the Accountants Regulations and of any other practicable means of achieving the same objectives;**

- (a) It is expected that enactment and implementation of these regulations will facilitate Government execute its role in the regulation of the accountancy profession while ensuring that such regulation achieves public interest objective at the lowest possible cost while safeguarding quality and consistency of quality, in the supply of accountancy services; Enactment and implementation of these regulations will guarantee full implementation of the Accountants Act, 2008 and bring forth legal legitimacy of the existing Bylaws, Guidelines and resolutions of the Council of the Institute and the Examinations Board as required by the Statutory Instruments Act, 2013;
- (b) Enactment and implementation of these regulations will guarantee sound regulatory framework for the accountancy profession in Kenya, adherence to internationally

recognised standards and code of ethics for the accountancy profession, and secure the accountants professionals from the country a place or recognition in the global arena;

- (c) With the predictable licensing and fees regimes prescribed in these regulations, their enactment and implementation would not only guarantee stable revenue streams for the Institute and the Examinations Board, but also place Kenya as a globally competitive destination for accountancy profession and enhance global confidence in ease of doing business in the country; and
- (d) Enactment and implementation of these regulations will guarantee quality of accountancy services, enhance compliance and strict adherence to controls thereby assist in fighting corruption and fraud in institutions and support the larger government agenda of promoting financial accountability in the country.

**(5) Any other matters specified by the guidelines;**

Overall, the net impact of the proposed regulatory rule is positive on practice of the accountancy profession in Kenya and beyond including qualifications for the profession.

**(6) Draft copy of the proposed statutory rule.**

Draft copies of the proposed sets of the Accountants Regulations can be downloaded from National Treasury website <http://ntntp.treasury.go.ke/>, the Institute of Certified Public Accountants of Kenya (ICPAK) Website <https://www.icpak.com/> and the Kenya Accountants and Secretaries National Examinations Board (KASNEB) website <https://kasneb.or.ke/>.

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