COUNTRY REPORT:
Kenya

Think Ahead ACCA

Professional accountants – the future:

50 drivers of change in the public sector

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About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **198,000** members and **486,000** students in **180** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **101** offices and centres and more than **7,291** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

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Part of our ground-breaking *Professional accountants – the future* series, this is one of a series of country reports, following on from our global report *50 drivers of change in the public sector*. It focuses exclusively on identifying the 50 drivers of change in Kenya that are expected to have an impact on the public sector and the likely timing of these. It also assesses how professional accountants will need to continue to play a pivotal role in the decade ahead.

Introduction

The public sector is as complex as it is diverse and it is not the same in any two countries; what is considered to be part of the public sector often varies from one country to another.

The global public sector is changing, with the landscape being reshaped by a combination of factors: a growing and ageing population, the need for better infrastructure and increasing concerns over sustainability and consumption. At the same time, demands are growing for greater transparency and accountability for public funds. These challenges are heightened by advances in technology and by economic and political uncertainty. As the social and economic environment shifts, all these factors will have serious consequences for public sector organisations and their finance professionals.

The public sector is as complex as it is diverse and it is not the same in any two countries; what is considered to be part of the public sector often varies from one country to another. For example, in some countries, such as the UK and Scandinavian countries, healthcare is deemed to be a public sector function, while in some others it is a hybrid between the public and private sectors.

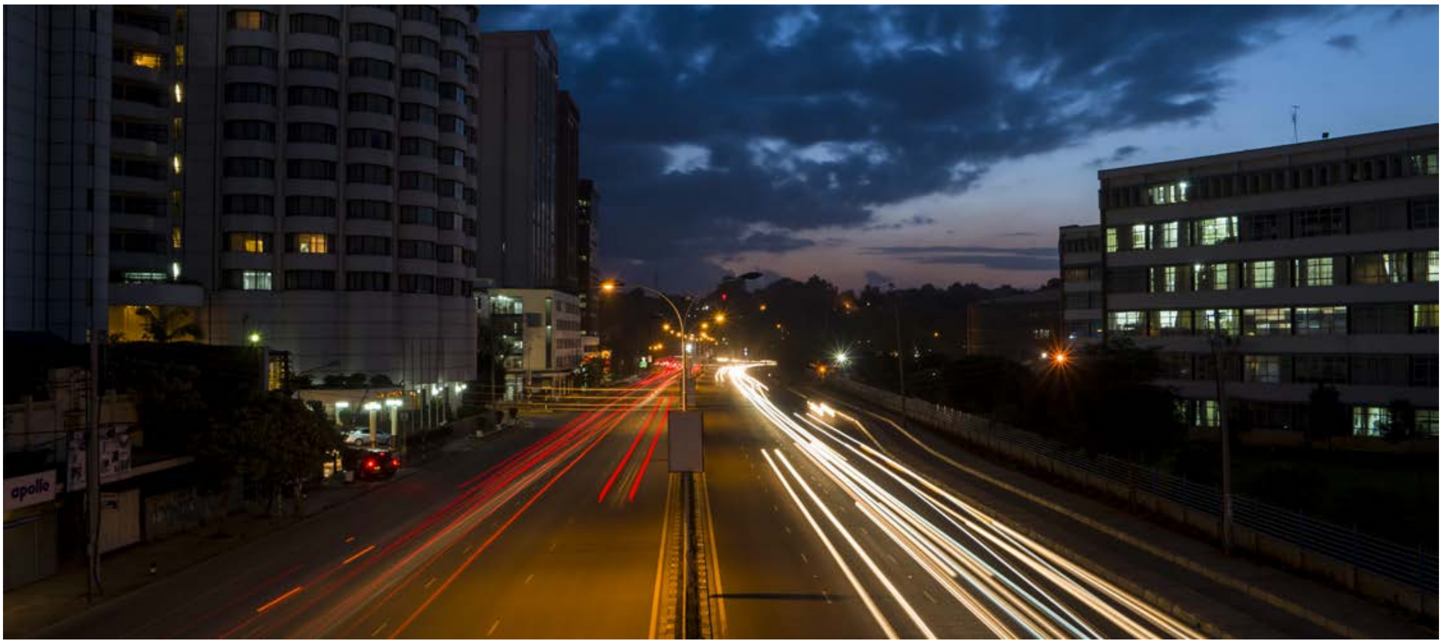
For professional accountants working in the public sector, the challenge is twofold. First, they need to understand the key forces shaping the future and how these could affect public sector organisations and the country they serve. Secondly, they need to provide support and influence financial decisions that will ensure that public funds are deployed cost-effectively and efficiently.

To help professional accountants and leaders in the public sector prepare for an uncertain future, ACCA undertook a global study to explore which emerging drivers of change could have the biggest impact and to highlight the skills that will be required over the period to 2026.

The recently launched global report *50 drivers of change in the public sector* is part of our ground-breaking Professional accountants – the future series and is the first report to focus exclusively on identifying the 50 factors that will impact the public sector, the likely timing of these and how they will shape the future.

The global study draws on a survey of ACCA's global forum for the public sector, ACCA members and members of other professional accountancy bodies working in the public sector. This was complemented with a series of roundtable events held across 12 countries, from the US in the west through to China in the east, and high-level interviews with key public sector figures.

This particular report is focused specifically on the results from the global report for Kenya and also follows a recent roundtable held in the country to discuss these key issues. In this report we explore the drivers of change that are impacting Kenya's public sector in particular. These include defining the scope of the accountant's role; the use of public private partnerships; the digitisation of work; the rate of economic growth; the stability of the national revenue base; global climate change; and the quality and availability of the global talent pool.



Kenya: drivers of change

Kenya's changing economic environment, political environment and societal norms – including a growing population – affect the public sector and the level of related services required.

The particular challenges facing Kenya, which are highlighted in this report include: the threat of political instability; a rapidly changing demography; the quality of public sector administration; fluctuations in government revenues; and high levels of unemployment.

All of these factors have an impact on the challenge to effectively deliver the right level of public service. Delivery channels are changing with the use of public private partnerships (PPP) and digitisation. These new models bring risks, which need to be managed, but they also provide new opportunities for professional accountants to play a key role.

Table 1: Ranking of the top 50 drivers of change for the public sector for Kenya

The drivers of change are categorised into eight key themes: Economy; Politics and law; Society and demographics; Business of government; Science and technology; Environment, energy and resources; The practice of accounting and The accountancy profession.

RANK	DRIVER OF CHANGE	THEME
1	Defining the scope of the accountant's role	The practice of accounting
2	Use of public private partnerships (PPPs)	Business of government
3	The digitisation of work	Science and technology
4	The level of economic growth	Economy
5	Stability of national revenue bases	Economy
6	Global climate change	Environment, energy and resources
7	Quality and availability of the global talent pool	Business of government
8	Accounting skills capacity in transitional economies	The accountancy profession
9	Public perception and attractiveness of the accountancy profession	The accountancy profession
10	Business leader responsiveness to change and disruption	Business of government
11	Adoption of integrated systems thinking to manage business complexity	Business of government
12	Scale of take-up in alternative energy by business	Environment, energy and resources
13	Non-financial information and integrated reporting	The practice of accounting
14	Focus of global governance institutions	Politics and law
15	Scale and distribution of global population growth	Society and demographics
16	Big Data: the development and exploitation of large organisational databases, data mining and predictive analytics	Science and technology
17	Clarity in financial reporting and defining the audit function	The practice of accounting
18	Spread of diversity in society and the workplace	Society and demographics
19	Stability of the global economic infrastructure	Economy
20	Rate of democratic transition	Politics and law
21	Speed and duration of business cycles	Business of government
22	Evolution of corporate governance regulation and practice	Business of government
23	Scope and diversity of expectations of external stakeholders	Business of government
24	Workforce age structure	Society and demographics
25	Cost and ease of access to higher education	Society and demographics
26	Societal expectations and definitions of accounting	The accountancy profession
27	Level of investment required to maintain national physical infrastructure	Economy
28	New industries and production models	Science and technology
29	Opportunities arising from adoption of global regulation	The practice of accounting
30	Governance and delivery of outsourced public services	Politics and law
31	Competition for limited natural resources	Environment, energy and resources

RANK	DRIVER OF CHANGE	THEME
32	Manageability of national and international debt	Economy
33	Broadening measurement of public sector value and progress	Economy
34	Level of international political volatility	Politics and law
35	Extent of foreign direct investment in developed and developing economies	Business of government
36	Experimentation with and adoption of new business models	Business of government
37	Flexibility, suitability and cost of accountancy training	The accountancy profession
38	Balance between external financial accounting and internal managerial accounting	The practice of accounting
39	The workplace expectations of Generation Y, Z and beyond	Society and demographics
40	Cyber security challenges for government	Science and technology
41	Level of entrepreneurial skills in the accountancy profession	The accountancy profession
42	Pressure to manage reputation as part of business strategy	Business of government
43	Consideration of alternative economic perspectives	Economy
44	Size and complexity of the CFO's remit	The practice of accounting
45	Adoption of globally accepted accounting standards	The practice of accounting
46	Total scale and distribution of global inequality and unmet needs	Economy
47	Crowd sourced funding for innovation: the consumer as investor	Business of government
48	Enterprise risk management capability	Business of government
49	Carbon tax and other environmental market mechanisms	Environment, energy and resources
50	Advances in genetic science, impact of nanotechnology advances and robotic science across business sectors	Science and technology

> 'We need to be able to understand what brings in economic growth and how we can manage this income. What actually drives our borrowing? Is it development or consumption?'
> Kenya Roundtable participant

The top three (ranked) drivers of change for each of the eight categories identified were:

ECONOMY

4 The level of economic growth

5 Stability of national revenue bases

19 Stability of the global economic infrastructure

Kenya has the largest and strongest economy in East Africa (Gundan 2014, Otuki 2017) and it needs to maintain a high **level of economic growth**. Gross domestic product (GDP) grew by 6.1% in the first half of 2017 (Lyons 2017) after growth of more than 5.5% in 2016 and 2015. 'The key drivers for this growth include: a vibrant services sector, enhanced construction, currency stability, low inflation, low fuel prices, a growing middle-class and rising incomes, a surge in remittances, and increased public investment in energy and transportation', says the World Bank (World Bank 2017a). According to the International Monetary Fund (IMF), growth has been supported by public sector infrastructure investment, favourable weather (which has assisted agriculture) and improved tourism spend (IMF 2017). Concerns have been expressed that growth rates may subside however (Financial Times 2017a). Particular issues relate to the unintended consequences of interest rate caps, which were imposed by the government to deal with the high cost of borrowing. Loan interest is now capped at 4% above the Central Bank of Kenya's official rate, but there is evidence that the availability of loans is now decreasing, stifling economic growth (Financial Times 2017a). The cap led to a substantial decline in average commercial lending rates, which fell to 13.84% in September 2016, compared to 16.75% in September 2015 (World Bank 2017a). Falls in oil prices and improved exports of tea and horticulture products, plus higher received remittances from overseas, led to the narrowing of Kenya's external current account deficit in 2016 to 5.5% of GDP, down from 6.8% in 2015 (IMF 2017). Despite Kenya's positive economic performance over the last few years, a high proportion of Kenyans continue to live in extreme poverty (ICPAK 2016:4).

> 'There is a need to balance the raising of national revenue and the overburdening of the tax payer and be more thoughtful around innovation such as reducing the running costs of the government as well as investing in renewable energy sources and automation'.
>
> Kenya Roundtable participant

One of the government's most significant challenges looking forward, however, is the **stability of national revenue bases**. Government revenues have been inconsistent and appear over-dependent on income tax. In 2010/11, revenues were 20.98% of national GDP, rising to 30.42% of GDP in 2014/15. The IMF has urged Kenya to cut its fiscal deficit, which was 9.6% of GDP in the 2016/17 year (IMF 2017; Miriri 2017). Concerns have been expressed about Kenya's revenue raising profile: 'efforts should be made to diversify the sources and increase the tax bases', (ICPAK 2016:1). 'As the country embarks on capital intensive development projects in a bid to achieve the middle income status; there is need to strengthen its capacity to raise revenue', (ICPAK 2016:19). 'A good fiscal management system ensures that there are stable revenues over time', (ICPAK 2016: 2). 'It has been observed that although Kenya's GDP has been growing at almost the same rate over the years, there has been limited policy intervention to expand the tax base, particularly, in formalising the incomes earned from the informal sector to facilitate the collection of taxes', ICPAK 2016:2). The Kenya Economic Survey 2015 estimated that three-quarters of workers were engaged informally and outside the taxation system – 11.8m workers, as opposed to 2.4m in the formal sector (Business Daily 2015). Government debt to GDP has varied significantly over recent years: it was 47.1% in 2011, 38.2% in 2012 and 52.8% in 2015 (Trading Economics 2017). The Central Bank of Kenya reports that the country's public debt has more than doubled since 2013 and now stands at 54.8% of GDP (Africa Check 2017).

The global economic crisis had a negative impact on Kenya and this has caused continuing concerns over the **stability of the global economic infrastructure**. The value of the Kenyan shilling fell against the US dollar and remittances sent home by Kenyan workers overseas fell significantly (McCormick 2008). However, Kenya's growth since the crisis has been greater than the average for Sub-Saharan countries. The World Bank suggests three global factors influence Kenya's economic environment: industrialised countries' monetary policy adjustment; the end of the commodity price boom; and the rebalancing of the Chinese economy (World Bank 2016: vii).

POLITICS AND LAW

14 Focus of global governance institutions

20 Rate of democratic transition

30 Governance and delivery of outsourced public services

There are concerns within Kenya that the focus of **global governance institutions** such as the IMF and the World Bank was too concentrated on supporting nations in the developed world following the global financial crisis of 2008, and there has been criticism of the IMF intervention in Kenya in the 1990s. This involved telling the Central Bank to remove capital controls, which were perceived to have assisted the removal of corruptly obtained funds from the country (Pettinger 2012).

> 'There is a belief among developing nations, in particular, that they need a stronger voice'.
>
> Kenya Roundtable participant

Programmes supported by the World Bank have been criticised for leading to the eviction of thousands of Kenyans from their homes (International Consortium of Investigative Journalists 2017). The Kenyan government was criticised by both the IMF and the World Bank over the interest rate cap, which the two global institutions say will make it harder for Kenyan businesses to raise finance (Munda 2017). Other worries are that regulatory governance of multinational corporations has failed to prevent them exploiting less developed countries. One roundtable participant in Kenya commented: 'Issues of illicit flows are a big concern not just for Kenya but for Africa. This can affect both commercial and corporate transactions particularly in the extractive industry'. It is claimed that Sub-Saharan African countries in effect subsidised the advanced economies by $41.3bn in 2015 (Global Justice Now et al. 2017).

> ‘Democratic transition has only been happening over the last five years and should therefore be monitored to ensure that institutions are supported properly – as this is the key for a change in focus from powerful leadership to powerful institutions’.
> Kenya Roundtable participant

> ‘Kenya needs to be in line with international laws concerning transparency’.
> Kenya Roundtable participant

> ‘Kenya has a robust constitution that provides all the necessary checks and balances. The key is to respect it and adhere to it in order to have a successful democracy with good governance of institutions’.
> Kenya Roundtable participant

Kenya faces a divisive presidential election, which is scheduled for August 2017, but the outcome of the election is central to maintaining the **rate of democratic transition**. One opinion poll found that 70% of Kenyans fear a return of the violence which blighted the 2007/8 election campaign. Allegations were made of vote rigging and ethnic-related tensions, which led to 1,300 deaths and 600,000 people being forced out of their homes. This was the worst violence since Kenyan independence in 1963 (Onyulo 2017) and led to charges of crimes against humanity being held against President Uhuru Kenyatta at the International Criminal Court (ICC) – charges that were eventually dropped (BBC News 2014). The election problems were perceived to have damaged the Kenyan economy.

More broadly, attempts at strengthening governance, transparency and accountability structures in Kenya have faced obstacles. Transparency International previously reported: ‘Kenya – despite the adoption of a few anti-corruption measures including passing a law on the right to information – has a long way to go’ (Benoba 2017). In the 2016 study, Kenya scored 26 on a scale of zero to 100, with zero perceived to be highly corrupt and 100 very clean. This compares to a score of 25 in 2015 and 27 in 2013 and 2012, while Kenya is ranked at position 145 out of 176 countries. ‘In 2016 more corruption scandals came to light with hardly any resolution to existing ones. There are no indications that this trend will be reversed in the circumstances’, said Samuel Kimeu, Executive Director of Transparency International Kenya (TI Kenya 2016).

Outsourcing has to some extent become popular with the Kenyan government, but there are concerns about the **governance and delivery of outsourced public services**. An academic study of outsourcing in Kenya expressed criticisms including: inadequate policy framework and guidelines; weak enforcement mechanisms; lack of transparency; contracts not meeting the specific needs of users; opposition from staff; systems incompatibility between provider and user; cost escalation because of power asymmetries between provider and client; and lack of user involvement in design (Afande and Maina 2015). One roundtable participant commented: ‘Both national and county governments in Kenya have increased outsourcing, but the management of the outsourcing process is still poor’. The government intends to increase the outsourcing of public services as part of its programme for training more young people in using digital technologies (Ntshona 2017).

SOCIETY AND DEMOGRAPHICS

15 Scale and distribution of global population growth

18 Spread of diversity in society and the workplace

24 Workforce age structure

The **scale and distribution of global population growth** is a major issue for Kenya. The country’s population is currently estimated at 46.1m and is increasing by about one million a year (World Bank 2017a). The demographic shape of Kenya is changing rapidly with a high birth rate, leading to an expected increase of 40% in the number of children aged under 15 by 2050. Increased life expectancy for the population aged 54 to 68 is another factor. This will expand the working age population from 22m people today to 56m by 2050, potentially creating a ‘demographic dividend’ – providing the working age population is supported into employment. The World Bank has advised Kenya that it needs to extend the provision of services to its growing and more urbanised population and also to reduce the birth rate (Fengler 2010).

> ‘We need to change our mind set to that of the future. We need to engage with the workforce of tomorrow. If we don’t coach them properly we are going to have issues and conflicts’.
> Kenya Roundtable participant

‘Kenya has met a few of the Millennium Development Goals (MDGs) targets, including reduced child mortality, near universal primary school enrolment, and narrower gender gaps in education. Interventions and increased spending on health and education are paying dividends. While the healthcare system has faced challenges recently, devolved health care and free maternal health care at all public health facilities will improve health care outcomes and develop a more equitable health care system. Kenya has the potential to be one of Africa’s great success stories from its growing youthful population, a dynamic private sector, a new constitution and its pivotal role in East Africa. Addressing challenges of poverty, inequality, governance, climate change, low investment and low firm productivity to achieve rapid, sustained growth rates that will transform lives of ordinary citizens, will be a major goal for Kenya’ (World Bank 2017a).

The **spread of diversity in society and the workplace** is a challenge that the government must address. Kenya contains 70 ethnic groups, the largest being the seven million Kikuyu, who constitute about 20% of the population. There are three main languages spoken, Bantu, Nilotic and Cushite, but Swahili is also spoken by some. ‘Interethnic rivalries and resentment over Kikuyu dominance in politics and commerce have hindered national integration’, it is reported (African Studies Center). While Kenya is a multi-party democracy, there is a strong correlation between tribal identity and party political affiliation (Nyambura 2017).

The World Bank calculates that nine million youths will join the labour market in the next 10 years, as part of the **change to the workforce age structure**. ‘Kenya is not short of jobs; it is short of high productivity jobs’, said Jane Kiringai, World Bank senior country economist for Kenya. ‘To increase productivity of jobs in the informal sector, policy interventions could be geared towards increasing access to broad skills beyond formal education, creating linkages between formal and informal firms, and helping small scale firms enter local and global value chains’ (World Bank 2016). In 2008, Kenya’s unemployment rate was 40% (Rockefeller). ‘At the moment in Kenya, unemployment is a big issue for the youth and this leads them to having no interest in technology while the high cost of accessing it doesn’t give them the opportunity. Cost and access in education could help to solve some of the issues in this respect. However, it should be ensured that this education is tailored to the market need and the young people of Kenya need to take up opportunities’, said a Roundtable participant.

Kenya has the highest proportion of African women sitting on corporate boards of any African nation, with the support of organisations such as Women in Management, Business and Public Service in Kenya, and the Kenya Institute of Management (Hruby and Yoo 2017).

BUSINESS OF GOVERNMENT

2 Use of public private partnerships (PPPs)

7 Quality and availability of the global talent pool

10 Business leader responsiveness to change and disruption

The **use of public private partnerships (PPPs)** is central to public administration in Kenya. PPPs were first introduced in Kenya in 1996 to help meet the country’s energy demand and their use has since been expanded, supported in 2012 by a credit from the World Bank and the adoption of a PPP Law in 2012. Kenya’s Public Private Partnership Unit’s most recent progress report – dated March 2017 – states that 66 PPP projects were in the pipeline, including five roads, seven port-related projects, 13 education infrastructure projects and 12 projects in the energy industry (PPPU 2017 and PPP Knowledge Lab 2017). Operational PPPs include several energy schemes, two port developments and a water supply, but according to the PPP Unit’s website the Nairobi Urban Toll Road was a ‘failed’ project. Concerns have been raised about the way PPPs are reported on the government’s accounts. The IMF stated: ‘While a PPP Act has been

'If we wait for the government to turnaround particular services it would take too long… PPPs should be better streamlined to enable us to make the necessary changes'.

Kenya Roundtable participant

adopted, existing PPPs of around 5.7 percent of GDP are not reported or covered under the Act', (IMF 2016:7). 'A more comprehensive approach to risk management would cover all potential risks, including those arising from PPPs, natural resource exploitation, financial sector difficulties, management of assets and liabilities, and long-term fiscal sustainability issues such as pension liabilities' (IMF 2016:48). It recommended that Kenya: 'Disclose all the rights and obligations and other exposures under all existing and planned PPPs and PPP-type contracts at least annually' (IMF 2016:10). The World Bank's PPP Knowledge Lab expressed concern that in Kenya, PPP contracts are awarded to sole bidders, despite the lack of evidence of a value for money or competitive tender (PPP Knowledge Lab 2017:35 and 41).

'Governments have been and are increasingly looking to partner up with the private sector to help fund large scale public infrastructure programs. This has led to significant growth in the adoption of PPP initiatives. However, the perception is that any risk of failure lies with the public sector and reward is with the private sector'.

Kenya Roundtable participant

Attracting and managing talent is one of Kenya's main challenges and is affected by the **quality and availability of the global talent pool**. Some 30% of employers identify inadequately skilled workforces as a major constraint to their businesses – one of the highest rates in Sub Saharan Africa (WEF 2017:iii). While Kenya has increasingly moved its economy towards the use of digital technologies, this exacerbates problems of skill shortages – 18.4% of all formal sector employment in Kenya occurs in occupations with high Information and Communication Technology (ICT) intensity (WEF 2017:iii). Despite this, WEF analysis shows Kenya to be better positioned with regard to the future of work than most African countries (WEF 2017:2). The quality of Kenya's education system is rated by WEF as the best in Africa and above average in global terms (WEF 2017:7).

UNESCO data shows Kenya as having a literacy rate for over 15s of around 80% for males and just below 75% for females – but the rate for both genders has slipped since 2000 (UNESCO n.d.). The Kenyan government has initiated programmes to raise skills amongst young adults, having revamped the National Youth Service as a skills programme, introduced a tax rebate for employers training new graduates and begun an upgrade of national schools, which includes the purchase of more computers (World Bank 2016). Although Kenya is East Africa's largest economy, it also has the highest unemployment rate at 39.1% – suggesting that economic growth has not proportionately generated employment (Otuki 2017). President Uhuru Kenyatta has admitted that part of the problem is a mismatch between high level skills and demand for intermediate and vocational skills – 'The market is saturated with degree-level graduates, at the expense of middle-level [workers with the] relevant skills and competencies', he said (Aglionby 2017). Unemployment is a huge policy challenge for Kenya, according to the United Nations Development Programme, which reported that: 'While Kenya has shown progress in promotion of human development – in improving access to education, health and sanitation, with more people rising out of extreme poverty – several groups remain disadvantaged', (Otuki 2017).

Doubts have been widely expressed about the quality of the public sector's **business leader responsiveness to change and disruption**. Concerns extend to the skills and competence of people holding leadership positions within government, public bodies and state owned corporations and whether the remuneration policies are fair (Leftie 2016). Constitutional reform initiated in August 2010 has introduced important changes, with stronger devolution. 'It is transformative and has strengthened accountability and public service delivery at local levels. The government's agenda is to deepen the implementation of devolution and strengthen governance institutions, while addressing other challenges including land reforms and security to improve economic and social outcomes, accelerate growth and equity in distribution of resources, reduce extreme poverty, and youth employment',

> 'I believe that in terms of digitisation of work Kenya is still far behind, however we are improving'.
>
> Kenya Roundtable participant

according to the World Bank (World Bank 2017a). The devolution programme has received praise (Aglionby 2017). In response to past criticisms of aspects of Kenya's public services management, the government has responded through the introduction of what has been termed 'results-based management and performance contracting', (Aid Effectiveness Kenya 2013).

SCIENCE AND TECHNOLOGY

3 The digitisation of work

16 Big Data: large organisational databases, data mining and predictive analytics

28 New industries and production models

As part of **the digitisation of work** globally, Kenya has been an early adopter of online government services – having introduced the iTax service in 2014, when tax services became completely digitised (Wahome 2014). The government is keen to expand its provision of online services and become a leading nation in terms of online services. 'We have one of the most active online populations in Africa and this user base is growing with over 37.7m individuals out of our population of 47.2m now having access to the internet', said communication minister Joe Mucheru (Kenya News Agency 2017). The minister announced plans to build capacity for 10,000 youths to enable them to maximize global work opportunities available online. This Ajira Digital Programme is funded by Rockefeller Foundation. To strengthen the programme the government will outsource some of its work to online platforms to enable youths to access more opportunities. Mobile penetration at 80% and internet penetration at 85% are the highest in East Africa. Despite this there have been criticisms of limited use of cloud technologies (Malinde 2017) and insufficient internet access (Keys 2017). According to the Alliance for Affordable Internet, the cost of internet access in Kenya is too high with 1GB of mobile broadband in the country costing 9.72% of an average monthly income. The Alliance recommends this should cost no more than 2% of monthly average income (Sunday 2017).

Big Data and data analytics present opportunities and threats in all countries, but Kenya is arguably not as well positioned as it needs to be to take full advantage of the emerging technologies. A survey conducted by the International Data Group for IBM found that just 34% of firms surveyed in Kenya are planning Big Data projects, while a mere 14% already have Big Data projects underway; this is substantially below global levels. The survey also found low levels of employer training to prepare staff for Big Data.

> 'In Kenya the information is there, but is not always made available… as accountants we need to make informed decisions based on data, based on facts and that can be done only if we are able to analyse data properly'.
>
> Kenya Roundtable participant

Kenya's government is extremely focused on the challenge of the need to move towards **new industries and production models**. According to the Rockefeller Foundation (2013), Kenya is a hub for tech entrepreneurs and is well positioned to grow strong e-entrepreneurs. Kenya has been called Africa's 'Silicon Savannah', with significant private and public sector investment having gone into building a digital infrastructure. 'In 2012, Kenya added 4.6 million internet users to a base of 13.6 million', with broadband subscriptions rising by half a million in the same period (Rockefeller Foundation 2013:10). In the years from 2008 to 2012, the ICT sector had the greatest foreign direct investment (FDI) of any Kenyan industry, with an increased presence of international ICT companies in Kenya. The country has also been an early adopter of mobile money, with more than 23m Kenyans using it by 2013. By then, mobile financial services were employing at least a hundred thousand people in the country. Government leadership and initiative were credited with stimulating the sector (Rockefeller Foundation 2013: 10–11).

> ‘There is push for better management of the environment and energy and we as a country need to focus’.
>
> Kenya Roundtable participant

Kenya has been described by IBM as facing difficulties because of its immature cloud technology systems and market (van Zyl 2013). The Ministry of Industrialisation and Enterprise Development’s Kenya Vision 2030 is the basis for developing new industries in the country. This contains five points intended to strengthen the industrial base of Kenya: flagship projects in agro-processing, textiles, leather, construction services and materials, oil and gas and mining services and IT related sectors; supporting small and medium sized enterprises (SMEs); accelerating industrial development through industrial parks and zones along infrastructure corridors; creating an industrial development fund; and supporting these initiatives through a new Ministerial Delivery Unit (Ministry of Industrialization and Enterprise Development 2015).

ENVIRONMENT, ENERGY AND RESOURCES

6 Global climate change

12 Scale of take-up in alternative energy by business

31 Competition for limited natural resources

Agricultural sustainability in Kenya has been threatened by both droughts and flash flooding, which are often attributed to **global climate change** (Bosire 2017). Kenya is suffering other severe impacts from climate change, including the drying up of the world’s largest desert lake, Lake Turkana. As the water evaporates and the lake shrinks, so its salinity rises and threatens the survival of fresh water fish – an important food source for the local population (Moran 2014; Down to Earth 2017).

There are promising signs of the **scale of take-up in alternative energy by business**. The African Development Bank and the World Bank are supporting Kenya’s renewable energy investment plan as part of the $839m ‘Scaling-Up Renewable Energy Program’ (Financial Times 2017a). Renewable energy development in Kenya includes the use of geothermal, solar, wind, biomass and hydro sources. ‘Kenya has identified energy as one of the critical foundations and enablers of a socio-economic transformation envisioned for the country’ (Climate Investment Funds). ‘Kenya’s energy sector faces daunting challenges, characterised by high cost and insufficient supply. With nearly 80% of Kenyans living without access to basic energy services, a top priority for the government is to improve access to adequate and affordable energy supplies. Key barriers inhibiting the expansion of Kenya’s renewable energy sector include economic and financial limitations, insufficient technical and human capacity, and various social constraints. Poor access to affordable energy bears negative implications for households and for women in particular, leading to adverse economic, health, and education outcomes’.

There are also particular problems in distributing electricity to rural areas, according to *Renewable Energy World* (Jacobs 2014). Kenya is also seeking to develop its first nuclear power plant by 2027 (Wanjala 2016). Oil reserves found in the Lake Turkana region mean that Kenya may become self-sufficient in oil production; assisting with its economy, but damaging both the global climate and local environmental conditions. The marine environment and the weather system are also threatened by plans for new coal-fired electricity generation (Rosen 2017). Oil aside, Kenya has relatively limited natural resources of its own to export and is vulnerable in the international **competition for limited natural resources**. It is dependent on imported commodities, which help to increase inflation rates when global commodity prices rise.

'There is a need for an on-going conversation to describe the various aspects of the accountant's role'.
Kenya Roundtable participant

THE PRACTICE OF ACCOUNTING

1 Defining the scope of the accountants' role

13 Non-financial information and integrated reporting

17 Clarity in financial reporting and defining the audit function

One of the challenges facing professional accountants working in Kenya's public sector is **defining the scope of the accountant's role** and to determine the extent to which they can evolve towards a more strategic partner in the public sector. They also have a critical role to play in helping improve the management of risk and corporate governance of their organisations, because great stewardship is essential to sound financial management. The International Federation of Accountants (IFAC) has suggested that those 'involved in governance in Kenya' must take a lead in tackling corruption in the country. Another key area for possible development of the scope of the accountant's role in Kenya is in shared services as multi-national organisations seek to drive cost, process and standardisation efficiencies whilst tapping into local talent. The global marketplace here however is competitive, and it remains to be seen whether or not Kenya (and East Africa more generally) can truly establish itself as a global shared service destination of choice.

The move towards the reporting of **non-financial information and integrated reporting** is gaining ground across Africa, with Kenya one of the leading countries moving towards widespread usage. EY reports: 'While very many countries in Africa are becoming receptive to integrated thinking and integrated reporting and are beginning to think about it along the correct lines both in the private and public sector settings, others like Zambia and Kenya have become absolutely sold on moving to adopt integrated reporting' (EY 2015: 6). Several of Kenya's largest companies – such as Kenya Broadcasting Corporation (KBC) – have adopted integrated reporting and there are significant opportunities for adoption across the public sector. There are also other initiatives in the market, most notably the Financial Reporting (FiRe) award, which for the previous 14 years has particularly supported and promoted integrated reporting as a key development of significant benefit across the East Africa region (www.fireaward.org).

There is also a need in Kenya, according to our study, to strengthen **clarity in financial reporting and to better define the audit function**. Kenya's Auditor-General provides independent opinions on the financial statements of national and county governments and many other publicly funded bodies. The Auditor-General also performs value-for-money and performance audits of public bodies. Audit office reports, however, have found serious deficiencies in financial reporting practices in some state bodies (Jamah 2017). In some instances, issues found by the Auditor-General have directly led to the loss of aid funding for Kenya (Houreld 2017). There have also been wider challenges alleged against the Auditor General's office, suggesting a very challenging political climate (Mwangi 2017).

THE ACCOUNTANCY PROFESSION

8 Accounting skills capacity in transitional economies

9 Public perception and attractiveness of the accountancy profession

26 Societal expectations and definitions of accounting

To strengthen public sector financial management globally it is essential to build the **accounting skills capacity in transitional economies**, and this is seen as a key driver in Kenya's public sector economy. One of the approaches being taken to strengthen transparency and accountability is through Kenya's implementation of International Public Sector Accounting Standards (IPSAS). Kenya's Public Finance Management Act 2012 established the Public Sector Accounting Standards Board (PSASB), which chose 2014 as the date for IPSAS

The evolving scope and nature of accounting and the role of the accountant are being shaped by changes in multiple influencing factors.

adoption and initiated the International Professional Practice Framework (IPPF) for Internal Auditing Standards. Adoption of IPSAS has been supported through the engagement of two Big Four firms and the World Bank, as well as the commitment of the Kenyan government. Adoption has also involved training of accountancy staff within government and secondment of people from the private sector (Moturi 2015). National and county governments now use cash-based IPSAS, while semi-autonomous government agencies use accruals-based IPSAS and state and county corporations carrying out commercial activities apply International Financial Reporting Standards (IFRS), and regulatory and non-commercial state and county corporations apply IPSAS accrual standards.

The accountancy profession in Kenya is affected by a troubling contradiction, which affects the **public perception and attractiveness of the accountancy profession**. Qualified accountants sometimes have difficulty in gaining employment within the country – yet government agencies have been criticised by the Auditor-General for using people without sufficient financial management skills to undertake roles that should be undertaken by professional accountants. The Auditor General has blamed the lack of financial management capacity as one of the causes of abuse of taxpayer cash in parts of the public sector (Business Daily 2017). There is also a recognised need to strengthen internal audit systems within state bodies (Sanga 2015; Daily Nation 2017).

Issues that have to be addressed to strengthen the role of accountants in Kenya include **societal expectations and definitions of accounting**. The evolving scope and nature of accounting and the role of the accountant are being shaped by changes in multiple influencing factors. One particular area of influence here as previously noted is the growing interest in integrated reporting. Last year (2016) the FiRe awards noted a significant increase in entries due to a push for more transparent financial reporting in the public sector in Kenya, particularly driven by the PSASB (www.fireward.org).

Summary: implications for finance professionals

Kenya's public sector's financial professionals face serious challenges. They need to recognise the challenges and the drivers of change in order to equip themselves for a constantly changing operating environment, in which their role is central to the objectives of modernising government and improving its efficiency.

Those challenges are recognised by professional accountants in Kenya who say that their main driver of change is **defining the scope of the accountant's role**. The profession has to deal with growing demands which include the sometimes limited **accounting skills capacity in transitional economies** and also concerns around the **public perception and attractiveness of the accountancy profession**. There are responsibilities on professional accountancy bodies, employers and the government to support the development and training of a new generation of professional accountants, with the right aptitudes and who understand the specific character of the public sector.

To be fully effective, public sector professional accountants must develop new capabilities as they contribute to improvements in the effectiveness of the business of government. They must be adaptable as demands on them change and business models evolve. **Business leader responsiveness to change and disruption** is therefore recognised as one of the main drivers of change in Kenya. As new business models are adopted, these can only work effectively and for the benefit of the citizen if they are properly governed. Increasingly, Kenya is looking to the **use of Public Private Partnerships (PPPs)** as a means of dealing with the challenge of improving infrastructure and increasing government efficiency. PPPs have been seen as a way of doing these things while managing government debt in a country where the **stability of national revenue bases** is a significant challenge. The ability to raise government income depends both on the capacity to generate income through taxation and also the **level of economic growth**. Here Kenya has a major advantage as it has the largest and strongest economy in East Africa.

However, Kenya has a skills crisis that it must overcome if it is to significantly expand its economy. The **quality and availability of the global talent pool** is one of the country's key drivers of change. Technology interacts with that need for the right skills, with the **digitisation of work** being another key driver. Kenya's rapidly changing demography presents its own challenges, with the population rising by about a million people a year with a big rise in the number of young people, as well as increased life expectancy. If productive jobs can be found for a working age population that is projected to jump from 22 million people today to 56 million by 2050, this can create a 'demographic dividend' that provides the country with a higher national income. But that growing population also means that the public sector must extend the provision of services to an increasingly urbanised population, but to do so in an affordable and efficient way. The World Bank has warned that economic sustainability requires a reduction in the birth rate (Fengler 2010).

Global climate change is causing serious damage to Kenya through droughts, flash flooding and the drying-up of the world's largest desert lake, Lake Turkana. These impacts threaten Kenyan food production. But the growing demands for carbon free generation of energy offer opportunities. 'Kenya has identified energy as one of the critical foundations and enablers of a socio-economic transformation envisioned for the country' (World Bank, Climate Investment Funds). The country has an opportunity to become a world leader in the production of energy from non-carbon sources, including geothermal, solar and wind. But Kenya also has to overcome the legacy of poor electricity distribution networks to rural areas.

There are many very different factors that affect the economic, political and social context within which the public sector operates. These factors come together to create a rapidly changing operating environment for the public sector, which has to be properly managed. Professional accountants have a central role in the effective management of Kenya's public sector as it responds to these drivers of change.

A PLATFORM FOR ENGAGEMENT

The aim for this global project is to provide a platform for engagement between Kenya's public sector organisations, professional accountants and the wider community of stakeholders. No future-oriented work of this type can ever hope to be definitive, but this report provides an important input into the development of future public sector strategy. It provides accountancy professionals, and the organisations in which they work, with a framework for preparing for, adapting to and influencing change.

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Appendix: 50 Drivers of change definitions

ECONOMY

1. Stability of the global economic infrastructure

The global economy, trade and financial flows are dependent on a complex underpinning infrastructure that comprises a range of key agreements, standards, systems, checks, balances and governance frameworks.

2. The level of economic growth

Growth expectations influence business confidence, consumer spending, government planning and budgeting, and management of the micro and macro economy.

3. Consideration of alternative economic perspectives

The financial crisis has offered a chance for nations to explore new economic perspectives and models traditionally neglected by mainstream economic thought. A serious examination of these perspectives could help reformulate the global economic system along more environmentally sustainable and equitable lines.

4. Total scale and distribution of global inequality and unmet needs

Higher income inequality, (as noted by OECD) within countries correlates with higher unemployment, higher crime rates, lower average health, weaker property rights, limited access to public services, lower social mobility, more social unrest, and less trust within and across the society, leading to more fragile democracies. This presents huge challenges for public sector and how it develops policies to meet these challenges.

5. Broadening measurement of public sector value and progress

How we assess value, progress and performance for government is expanding rapidly to take account of non-financial measures of development encompassing everything from innovation to happiness.

6. Stability of national revenue bases

The stability of national revenue bases is considered a prerequisite for the economic well-being of countries as it affects governments' ability to provide public services. Generally, government revenues are derived from direct taxes paid by households (mainly personal income tax) and corporations; and indirect taxes, social contributions and revenues from state owned assets and enterprises.

7. Manageability of national and international debt

The manageability of national and international debt is important for macroeconomic stability, business confidence and future economic development prospects. Levels of public debt also have important ramifications for citizen well-being, unemployment levels and the provision of social welfare services. Globally, the economic outlook is increasingly influenced by the views of policymakers, central bankers and financial institutions on the sustainability of sovereign debt.

8. Level of investment required to maintain national physical infrastructure

Physical infrastructure forms the economic backbone of all economies. The quality and resilience of a national infrastructure has a direct influence on the growth, competitiveness and attractiveness to inward investment of a nation's economy. The standard of economic infrastructure, encompassing water, waste, transport, energy and communications, affects the quality of life for citizens as well as the ability to meet objectives and commitments regarding sustainability and reducing carbon emissions.

POLITICS AND LAW

9. Focus of global governance institutions

A network of governance institutions such as the World Bank, IMF, World Trade Organization (WTO) and the UN could face intensifying pressure to adapt their structures to the reality of the changing world. There is, however, still a belief among developing nations – such as the G77 grouping – in particular that they need a stronger voice in the wider set of global governance institutions.

10. Rate of democratic transition

The rate of democratic transition is changing the global landscape. Political changes may open up the economy, attract foreign investment, create business opportunities and drive the growth of domestic segments but swift changes in power can be violent and disruptive – creating political and economic instability.

11. Level of international political volatility

The level of political volatility caused by popular uprisings or the actions of hostile nations and terrorists groups can pose a threat to both the physical and economic integrity of a state. Such fluctuations can affect inward investment and spending in a country thus seriously affecting the state's economic performance, and reduce confidence of global financial markets.

12. Governance and delivery of outsourced public services

The way in which public services are managed, funded, supplied and consumed is changing fundamentally, in line with the financial struggles that nations face. In order to meet higher demands with smaller public funds, it is likely that 21st century public services will look radically different in the future and from what was seen in the 20th century.

Public sector provision is increasingly moving to the private sector raising questions around governance and risk.

SOCIETY

13. Scale and distribution of global population growth

A number of key trends are shaping the world's demographic landscape. The global population is expected to continue to grow at least until 2050, forecast to reach 9.3 billion. At the same time, overall fertility levels are declining. These global trends mask marked differences at the national and regional levels. There are numerous cultural, social and economic factors that both affect and are affected by global demography.

Rapidly growing populations also present economic and capacity-building challenges for governments seeking to provide public services.

14. Spread of diversity in society and the workplace

Greater mobility across the globe has a great impact on the level of diversity. Cultural diversity and Increasing levels of female participation in the workforce is seen as both an important social goal and a vital way of maximising the use of available talent to maintain or bolster economic development.

15. Workforce age structure

A downward trend in global fertility coupled with an ageing society means that each future generation could be smaller than the previous one. Although the global population is still growing the average age is also rising.

With the abolishment of the default retirement age and workers staying in senior positions longer, organisations have to factor in increased salary and healthcare costs. As existing retirees re-enter the workforce owing to a combination of low pensions and removed barriers, organisations will have to consider how to attract, retain and integrate older talent.

16. The workplace expectations of Generation Y, Z and beyond

One of the biggest challenges faced by organisations today is how to understand and respond to the expectations of generations coming into the workplace.

17. Cost and ease of access to higher education

The economics of education is changing as public budgets shrink and institutions have to compete for funds, raise fees and cut unprofitable courses. Rising cost of higher education has important ancillary impacts for the level of personal debt for students and their equality of opportunity.

Online channels for delivering education are also changing the nature and delivery of professional development. The uptake of online learning may increase in emerging economies.

BUSINESS

18. Use of Public Private Partnerships (PPPs)

Governments have been and are increasingly looking to partner with private sector to help fund large scale public infrastructure programmes. This has led to significant growth in the adoption of PPP/PFI initiatives. However the perception that any risk of failure lies with public sector and reward is with the private sector.

19. Business leader responsiveness to change and disruption

Momentous economic and social forces are currently reshaping the world. At the same time, disruptive advancements – often enabled by technology – are affecting everything from industry structures, through societal governance to the nature of human interaction. The ability of organisations to adapt to new challenges and opportunities created by change and transformation is becoming a key determinant of success or failure in a turbulent operating environment.

20. Quality and availability of the global talent pool

Access to talent at all levels is consistently identified as a critical future success factor for all organisations. The challenge of securing a suitable flow of talent is increasingly becoming a top priority for leaders who are finding growth and development ambitions hampered by talent shortages. The quality of education itself seems to be a critical talent issue.

21. Extent of foreign direct investment in developed and developing economies

Foreign direct investment (FDI) flows are an important source of investment and economic growth for many countries. In an uncertain and highly competitive global economy, ensuring that a destination is seen as a safe location for FDI is becoming an increasing priority for many countries and their governments.

22. Speed and duration of business cycles

As technologies such as the internet compress time and distance, organisations are under pressure to adapt their structures, processes and systems on an almost continuous basis. As a result, there is a growing emphasis on the need for speed, flexibility, adaptability and responsiveness. These in turn demand rapid decision making and shortening cycles for execution of change. Public sector organisations will need to factor this in policy development and implementation.

23. Experimentation with and adoption of new business models

In an uncertain economic climate, the pace of introduction of new business models could accelerate. These new models have the potential to disrupt and reinvent industries. As pressure on public finances increase the need to develop new models of financing and alternative revenue and pricing models.

24. Crowd sourced funding for innovation: the consumer as investor

The internet has facilitated the emergence of new finance models that allow organisations to fund product development and service delivery in advance via crowdsourcing using online platforms. The public sector needs to be able to respond to such rapid changes.

25. Adoption of integrated systems thinking to manage business complexity

The perceived shortening of business cycles is creating major challenges in terms of how we design, manage and change highly complex, globally interconnected and rapidly evolving businesses. While the timescales for action are shortening, the perceived complexity of the task of making change happen is growing.

26. Enterprise risk management capability

There is growing concern and increasing uncertainty over the nature and scale of risks to which organisations are – or could be – exposed. At the same time, new risks and sources or concepts of risk, such as resource wars, are emerging. The ability to effectively manage this is increasingly important.

27. Evolution of corporate governance regulation and practice

Traditional structures of corporate governance stem from legislation, regulation and institutional best practices. They are intended to oversee the conduct of business and the management of relationships among and between internal and external stakeholders. These governance rules should improve accountability, reduce corruption and avoid conflicts of interest. A general push for greater transparency for public spends has driven increased expectations for accountability and demonstration of robust risk-management policies.

28. Scope and diversity of expectations of external stakeholders

The range of stakeholders for public sector organisations and the breadth of their concerns and expectations are increasing in the wake of a period of enormous economic turbulence and systematic failures. As a result, regulatory, transparency, ethical and performance demands of this growing range of external stakeholders are expanding for the organisation, the finance function and the accountancy profession.

29. Pressure to manage reputation as part of business strategy

The public sector has always had challenge of corporate reputation management which has been compounded by the instantaneous nature of the internet and social media in particular. The challenge is to manage long term government priorities whilst managing short term 'shocks'.

SCIENCE AND TECHNOLOGY

30. The digitisation of work

Increasing digitisation is transforming the nature of work and working practices in almost every sector. It is reasonable to assume that task automation will extend to ever-more knowledge-intensive, analytical and judgement-based work activities over the next decade and beyond.

31. Cyber security challenges for government

The increased reliance on computers in our daily lives and digitisation of financial services has opened up individuals and organisations to threats from cyberspace. Threats and attacks are typically conducted by groups and individuals who hack systems to attain both ideological and financial goals.

32. Big Data: the development and exploitation of large organisational databases, data mining and predictive analytics

There is a growing interest in how organisations can exploit 'Big Data' – the large and growing databases of customer and transactional information being generated through daily activities. The challenge is to create new toolsets that enable the management and manipulation of these large datasets and to generate powerful predictive insights about future customer behaviour. As governments are usually the largest collector of data, increasing use of data mining and predictive analytics should help to spot possible future opportunities, shocks, issues and challenges.

33. New industries and production models

Advances in science and technology are yielding radical new industrial processes that could be the basis of major industries of the future. In many cases, these industries are also introducing new business models and distribution approaches.

34. Advances in genetic science, Impact of nanotechnology advances and robotic science across business sectors

Advances in science have revolutionised humankind's understanding and control over the natural world. Opportunities are being created through nanotechnology and rapid progress in robotic science has led to the development of sophisticated machines that perform a wide range of industrial and domestic tasks. In medicine, a major field of study is the development of miniature robots that can be ingested and then repair damaged cells and organs in the body. This places great pressure on governments to ensure there is regulatory rigour to address ethical concerns raised and simultaneously explore opportunities to manage better healthcare provision.

ENVIRONMENT, ENERGY AND RESOURCES

35. Global climate change and

There is increasingly widespread agreement that the planet faces a real and growing risk from dangerous climate change and their impacts are unpredictable. New environmental risks – such as hereto unforeseen extreme weather events place significant pressure on public finds to manage the aftermath and develop robust preventative measures such as effective flood defences.

36. Competition for limited natural resources

Increasing demand for finite resources places pressures on governments to promote ethical resource consumption and maintain economic growth.

37. Carbon tax and other environmental market mechanisms

There is a growing move by governments to use taxation and market mechanisms to encourage more environmentally sound behaviour and provide the funds to finance environmental protection and clean-up costs.

38. Scale of take-up in alternative energy by business

Governments are evaluating and encouraging the greater use of alternative energy sources as one route to reducing dependency on carbon-based fuels. Increase of alternative forms of green energy, such as solar, wind and bio-gas, has given organisations a wider range of options for fulfilling their energy needs.

THE PRACTICE OF ACCOUNTING

39. Defining the scope of the accountant's role

Definitions of the accountant's role vary around the world. Common features include maintaining a record of an organisation's assets, transactions and financial activities, carrying out audits and ensuring compliance with financial and tax regulations.

The evolution towards becoming a more strategic partner within a business or as an external supplier may allow accounting to become a more integrated part of organisations.

40. Size and complexity of the CFO's remit

Organisations face a series of threats including macro-economic instability, consumer uncertainty, market volatility and increasing administrative complexity. At the same time, rising energy prices and a reconfiguration of the global landscape towards the emerging economies also present prominent and persistent challenges. As such, the role of the CFO is changing rapidly in line with constantly evolving expectations, demands and operating contexts.

41. Non-financial information and integrated reporting

The challenge of providing a total picture of organisational health is driving the move to communicate both financial and non-financial performance data in an integrated reporting format. Non-financial information is increasingly recognised to be as important as financial information as a driver of business value and risk. In response to demands for a holistic picture of organisational health, the model of integrated reporting is increasingly being adopted.

42. Clarity in financial reporting and defining the audit function

The goal of financial reporting is to present shareholders and regulators with a clear picture of an organisation's financial health.

The role of the audit function is to ensure that the accounts have been prepared in accordance with the regulatory framework, verify that the underlying procedures are robust and that the organisation's financial position has been clearly represented

43. Balance between external financial accounting and internal managerial accounting

A constant challenge for accountants is striking the right balance between external financial reporting requirements and internal managerial accounting. Both are expected to become more demanding and complex over time. Furthermore, as demands grow for a more integrated and holistic approach to external accounting, so the distinction between the two may reduce.

44. Opportunities arising from adoption of global regulation

As business globalises beyond traditional boundaries and more economies open up to adopt global practices and norms, the need for global regulation increases. Both opportunities and challenges arise from the implementation of global regulatory systems.

There are a number of significant factors for governments, firms and accountancy practitioners trying to implement global regulations. These include the rate of change, the distance between practitioners and those defining and implementing legislation, the operational context, and the complexity of regulations required to deal with the range of issues.

45. Adoption of globally accepted accounting standards

The introduction and global adoption of international accounting standards is seen by many as a desirable but unachievable goal. Others argue it is an essential prerequisite of true globalisation. In accountancy, steps towards global norms have been achieved with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and International Public Sector Accounting Standards (IPSASs) that are being aligned to IFRSs to ensure greater comparability between public and private sector financial reporting.

THE ACCOUNTANCY PROFESSION

46. Societal expectations and definitions of accounting

One of the big long-term questions for the profession is the extent to which the definition of what accounting is, and what it entails, may change over the next decade or more. The evolving scope and nature of accounting and the role of the accountant are being shaped by changes in multiple influencing factors. These include how the global economy is regulated, political motivations, disruptive technology developments and evolving business expectations.

47. Flexibility, suitability and cost of accountancy training

In a changing world, the spotlight inevitably falls on the capability of the education system to respond to the continuously evolving training needs of businesses and the professions. Economic changes, new business models and evolving regulatory demands will continue to create new and additional strategic, accounting, compliance and reporting requirements. The profession must demonstrate its ability to operate in a state of 'continuous evolution'.

48. Accounting skills capacity in transitional economies

Many developing economies are now producing significant numbers of well-trained professional accountants. Others, however, may have to undergo a fundamental transformation of their accountancy education system. Such a transformation process would include bolstering higher education course design and teaching methods.

49. Level of entrepreneurial skills in the accountancy profession

CFOs are increasingly expected to adopt a broader strategic and entrepreneurial role across the organisation. A greater emphasis on basic entrepreneurial skills such as business leadership, creativity, team-building, communication, negotiation and sales literacy could be integrated into accountancy training and continuous professional development.

50. Public perception and attractiveness of the accountancy profession

The public standing of and trust in accountants are critical to the effective functioning and attractiveness of the accountancy profession. Any issues could hamper the ability to recruit and retain top talent to the profession. Another key consideration for would-be entrants is the level of remuneration a big issue for the public sector where salary tends to be lower.

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