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THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT-SECOND SESSION

LIAISON COMMITTEE

DELEGATION REPORT OF THE FINANCIAL
INNOVATIONS & EMERGING ISSUES SEMINAR HELD
BETWEEN 6TH AND 10TH FEBRUARY, 2018 IN KUALA
LUMPUR, MALAYSIA

JUNE 2018

Directorate of Committee Services
The National Assembly,
Parliament Buildings, Continental House, Room 402
NAIROBI.

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ABBREVIATIONS AND ACRONYMS

ASEAN	Association of Southeast Asian Nations
CEO	Chief Executive Officer
CPA	Certified Public Accountant
CRM	Customer Relationship Management
DLT	Distributed Ledger Technology
DUC	Differentiated Unit Cost
EU	European Union
HELB	Higher Education Loans Board
HG	HelloGold
HRMS	Human Resources Management System
ICPACK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IR	Integrated Reporting
ISO	International Organization for Standardisation
KPI	Key Performance Indicator
POS	Point of Sale
PTPTN	National Higher Education Fund Corporation
RM	Malaysian Ringgit
SME	Small and Medium-Sized Enterprises
SSPNIM	National Higher Education Savings Scheme
TC	Technical Committees
WWW	World Wide Web

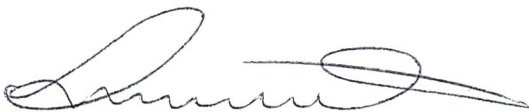
FOREWORD

Between 6 and 10 February, 2018, I was honoured to lead a 5-person delegation of the Liaison Committee to attend the Annual Financial Innovations & Emerging Issues Seminar held at the Hotel Intercontinental in Kuala Lumpur, Malaysia.

The seminar which was hosted by the Institute of Certified Public Accountants of Kenya brought together professionals in both public and private sectors to delve on new ideas, trends and best practices in accountancy and financial management. The Seminar was aimed at equipping delegates with intellectual tools and mindset requisite for progressive change leadership. Various topics were discussed including – Technology-based Innovations in Accountancy; Ethics and Compliance for Professional Accounts: Dealing with Current and Future Challenges; The Role of the Accountant in the ‘Firm of the Future’; Innovations in Funding of Students in Higher Education – Case of Malaysia and Kenya; Commodity Trading on Mobile Apps: Current and Future Opportunities and Risks: a case study of HelloGold; and the Projectile of the Crypto-Currency Technology and Global Economic Implications.

In conclusion, the Committee wishes to record its appreciation to the Office of the Speaker and the Clerk of the National Assembly for facilitation in fulfilment of its mandate.

It is now my pleasant duty and privilege, on behalf of the delegation and by extension the Liaison Committee, to table this Report in the House pursuant to Standing Order 199 (6).



 **Hon. Roselinda Soipan Tuyu, MP**

Leader of Delegation and Vice Chairperson of Liaison Committee

Date: 26/11/2018.....

EXECUTIVE SUMMARY

A delegation of the Liaison Committee participated in the Annual Financial Innovations & Emerging Issues Seminar held at the Hotel Intercontinental in Kuala Lumpur, Malaysia from 6th and 10th February, 2018.

The delegation comprised the following –

1. Hon. Roselinda Soipan Tuya, MP – **Leader of Delegation**
2. Hon. Julius Melly, MP
3. Hon. Joseph Limo, MP
4. Hon. Ezekiel Machogu, MP
5. Ms. Susan Maritim, First Clerk Assistant (Delegation Secretary)

The seminar which was hosted by the Institute of Certified Public Accountants of Kenya brought together professionals in both public and private sectors to delve on new ideas, trends and best practices in accountancy and financial management. The Seminar was aimed at equipping delegates with intellectual tools and mindset requisite for progressive change leadership. Various topics were discussed including – Technology-based Innovations in Accountancy; Ethics and Compliance for Professional Accounts: Dealing with Current and Future Challenges; The Role of the Accountant in the ‘Firm of the Future’; Innovations in Funding of Students in Higher Education – Case of Malaysia and Kenya; Commodity Trading on Mobile Apps: Current and Future Opportunities and Risks: a case study of HelloGold; and the Projectile of the Crypto-Currency Technology and Global Economic Implications. The details of the deliberations are contained in the body of this Report.

The delegation has made recommendations based on the lessons learnt through the meetings and interactions held with seminar facilitators and participants. The recommendations are as follows:

1. There is need for the Government of the day to embrace technology aimed at improving public service delivery in keeping with world trends and creating conducive environments for implementing more effective public policies, easing private sector engagement with the authorities, developing innovative ecosystems and applications, showing leadership and reinforcing Kenya’s competitive edge in the East African region. As espoused in the Report, the Blockchain technology is an idea whose time has come, and the country must take a position on the matter. **It is therefore recommended that the Departmental Committee**

on Finance and Planning initiates talks with the relevant stakeholders with the view of developing a policy or legislation on cryptocurrency technology.

2. On embracing the trend on subscription economy and cloud, it is recommended that the Parliamentary Service Commission undertakes a market study on technology-based solutions aimed at improving service delivery not only to Members of Parliament and staff, but also to the citizens of Kenya.
3. On improving accessibility to funds for higher education, it is recommended that the Departmental Committee on Education and Research in partnership with other education sector players, encourages a saving-for-education culture through introduction of innovative products that will result in enhanced accessibility to higher education funding and a reduction in over-reliance on bursary and HELB funding to complete higher education.

1.0 PREFACE

The Liaison Committee is established pursuant to Standing Order No. 217 with the following membership: –

1. Hon. Moses Cheboi, CBS, MP (*Deputy Speaker & Chairperson, Liaison Committee*)
2. Hon. Soipan Tuya, MP (*First Chairperson of Committees and V/Chair, Liaison Committee*)
3. Hon. Adan Duale, EGH, MP (*Leader of Majority Party & Chairperson, Committee on Selection*)
4. Hon. Ali Wario, MP (*Chairperson, Labour and Social Welfare Committee*)
5. Hon. Katoo Ole Metito, EGH, MGH, MP (*Chairperson, Defence & Foreign Relations Committee*)
6. Hon. Jeremiah Kioni, MP (*Chairperson, Constitution Implementation Oversight Committee*)
7. Hon. Maoka Maore, MP (*Chairperson, NG-Constituencies Development Fund Committee*)
8. Hon. William Cheptumo, M.P (*Chairperson, Justice & Legal Affairs Committee*)
9. Hon. Kimani Ichungwah, MP (*Chairperson, Budget & Appropriations Committee*)
10. Hon. David Gikaria, MP (*Chairperson, Energy Committee*)
11. Hon. Julius Melly, MP (*Chairperson, Education, Research & Technology Committee*)
12. Hon. Maina Kamanda, EGH, MP (*Chairperson, National Cohesion & Equal Opportunity Committee*)
13. Hon. Kanini Kega, MP (*Chairperson, Trade, Industry & Cooperatives Committee*)
14. Hon. Kareke Mbiuki, MP (*Chairperson, Environment & Natural Resources Committee*)
15. Hon. Paul Koinange, MP (*Chairperson, Administration & National Security Committee*)
16. Hon. (Dr.) Rachael Nyamai, MP (*Chairperson, Lands Committee*)
17. Hon. Sabina Chege, MP (*Chairperson, Health Committee*)
18. Hon. Moitalel Ole Kenta, MP (*Chairperson, Committee on Implementation*)
19. Hon. William Kisang, MP (*Chairperson, Communication, Innovation & Information Committee*)
20. Hon. Naisula Lesuada, MP (*Chairperson, Committee on Regional Integration*)
21. Hon. Joseph Limo, MP (*Chairperson, Finance & National Planning Committee*)
22. Hon. Opiyo Wandayi, MP (*Chairperson, Public Accounts Committee*)
23. Hon. David Pkosing, MP (*Chairperson, Transport, Public Works and Housing*)
24. Hon. (Dr.) Victor Munyaka, MP (*Chairperson, Sports, Tourism & Culture*)
25. Hon. Kathuri Murungi, MP (*Chairperson, Special Funds Accounts Committee*)
26. Hon. Abdullswamad Nassir, MP (*Chairperson, Public Investments Committee*)
27. Hon. Gladys Boss Shollei, CBS, MP (*Chairperson, Committee on Delegated Legislation*)
28. Hon. Ezekiel Machogu, MP (*Chairperson, Committee on Members' Services & Facilities*)
29. Hon. Adan Haji Ali, MP (*Chairperson, Agriculture and Livestock Committee*)
30. Hon. Joash Nyamoko, MP (*Chairperson, Parliamentary Broadcasting & Library Committee*)

Mandate

The Committee is mandated to –

- (i) guide and co-ordinate the operations, policies and mandates of all Committees;
- (ii) deliberate on and apportion the annual operating budget among the Committees;
- (iii) consider the programmes of all Committees, including their need to travel and sit away from the precincts of Parliament;

- (iv) ensure that Committees submit reports as required by these Standing Orders;
- (v) determine, whenever necessary, the committee or committees to deliberate on any matter; and
- (vi) give such advice relating to the work and mandate of select committees as it may consider necessary.

The Committee is further mandated to consider reports of Committee that have not been deliberated by the House and report to the House on the consideration of such reports.

2.0 SEMINAR DELIBERATIONS

Introduction

This section captures the presentations made and issues raised during plenary.

The seminar, with the theme “**Beyond the Horizon**” which was hosted by the Institute of Certified Public Accountants of Kenya, brought together professionals in both public and private sectors to delve on new ideas, trends and best practices in accountancy and financial management. It was aimed at equipping delegates with intellectual tools and mindset requisite for progressive change leadership.

Various topics were discussed including – Technology-based Innovations in Accountancy; Ethics and Compliance for Professional Accounts: Dealing with Current and Future Challenges; the Role of the Accountant in the ‘Firm of the Future’; Innovations in Funding of Students in Higher Education – Case of Malaysia and Kenya; Commodity Trading on Mobile Apps: Current and Future Opportunities and Risks: a case study of HelloGold; and the Projectile of the Crypto-Currency Technology and Global Economic Implications.

2.1 Technology Based Innovations in Accountancy

The presentation was made by Hj. Ir. Aziz Ismail, CEO of Authentic Venture a leading Cloud solutions provider in Malaysia.

Introduction

ICT plays a vital role in advancing economic growth and reducing poverty. A World Bank survey of firms carried out in 56 developing countries found that use of ICT increased growth, more investment opportunities, more productivity and more profitability than those who don't.¹

With this background, Mr. Ismail introduced OfficeCentral which is one of the technology-based innovations in accounting.

OfficeCentral

OfficeCentral is an integrated office management suite on the cloud specially designed for SMEs. It enables CEOs to control and manage their companies 24/7 from anywhere with ease. Its portfolio includes HRMS (Human Resources Management), Payroll, Accounting, CRM

¹ <http://www.worldbank.org/en/news/press-release/2013/09/10/icts-are-creating-new-jobs-and-making-labor-markets-more-innovative-inclusive-and-global-world-bank-study>

6 | *Liaison Committee: Report on Financial Innovations & Emerging Issues Seminar, 6-10 February, 2018, Kuala Lumpur, Malaysia*

(Customer Relationship Management) and POS (Point of Sale). All solutions are in the cloud to enable full control yet with minimum cost.

The presenter emphasised that the **world has moved to subscription economy and cloud**. Successful organisations are using subscription method and the cloud which has the following benefits: **more organised, more focus, detailed reports and consistent**.

Advantages of OfficeCentral Accounting Management Module

- increased efficiency;
- conforms to International Standard;
- automated GST Report (Goods and Services Tax);
- highly secure with 2-step approval;
- multi-location: Access from anywhere;
- financial ratio trend;
- efficient/time saving: saves 90%;
- automated work flow;
- access anytime;
- always the latest version;
- easy to use;
- multi-user environment;
- fast response;
- readily available/instant information; and
- better customer experience.

Simple to use online accounting

- User sets **accounting period** based on their requirements;
- User can add unlimited depth of **Chart of Account** and define as header or details
- User can insert **unlimited amount of transactions**;
- User can import transactions from other modules such as payroll and finance;
- Automatic generation of accounting reports such as balance sheets and profit and loss;
- Only approved transactions are shown in accounting

Customer Relationship Management Module

- Increases efficiency through automated sales process;
- Enhances control: through a sales KPI Management e.g. sales per month, quotations per month, invoices per month etc.
- Automated GST rate and price book
- Leads management
- Mobile Apps
- Customer database
- Inventory management and multi-location
- POS in the cloud

- POS on tablet -offline
- Geography dashboard
- Quote from the phone

Human Resources Management (HRM) Module

1. Staff management: online staff profile, store data online including contact details, children information, experiences etc.
2. Leave management: apply leave online, approve leave online, configure leave types and settings
3. Movement management: record staff movement in and out of office
4. Attendance management: record staff attendance data
5. Course management: register staff training courses relevant to staff, staff can view and register for courses online.

Payroll Management Module

- Payroll profile: online staff payroll profile, keep payroll date including numbers, currency, contribution, status etc.
- Payroll Groups: can have more than one way to calculate payroll for different staff
- Adjustments: unlimited adjustments
- Online salary slips: staff can print their payslips without having to ask HR department
- Payroll reports: automate generate monthly payroll reports

Financial Management Module

- Mobile claims module: staff submit claims online, view status of approval and payment;
- Movement
- Advances vs claims: staff submit advances online and view status of approval and payment.
- Claim limits
- Payment requisitions: staff submit payment requisitions online and view status of approval and payment.
- Payment vouchers: create new vouchers, view old vouchers record and auto-generate payment vouchers from approved claims, advances and payment requisitions.
- Petty cash vouchers: create new petty cash vouchers, view old vouchers records and auto-generate vouchers from approved claims, advances and payment.

2.2 Role of the Accountant in the Firm of the Future

The presentation was made by Mr. Paul Dunn, co-author of "The Firm of the Future: A Guide for Accountants, Lawyers, and Other Professional Services"

Introduction

The accounting industry is rapidly shifting from a reliance on compliance to a stronger advisory focus. This has led to an increasing emphasis on client relationships and proactive communication in employees.

The accounting firm of the future will have accountants, analysts, advisers, authorities and administrators, all working together to achieve the best result for their clients.

Mr. Dunn believes that **future firms should be more concerned with the value they present in the eyes of the customer and less concerned with inward-looking items like billing rates, billable hours and realization rates.** They believe that the billable hour has its roots in Karl Marx's labor theory of value, which has been discredited. Customers value products and services based on the perceived benefits they receive rather than the time to manufacture or create the item.

He added that professionals can best capture that value by reaching a fixed-price agreement (FPA) with a client for an agreed-upon package of services. When the customer requests a change in the scope of services provided, such for a proposed sale of a business or a business acquisition, a change order should be negotiated. This approach is defined as Pricing on Purpose.

Professional firms can find alternative measures, called Key Performance Indicators, to better measure whether a firm is successful. These measures should measure activities that are of concern to the customer. Examples would be turnaround time for jobs, percentage of projects delivered by promise date or internal target date, sales of new services, and customer retention. They also point out some of the most important activities can't be measured.

What is the Firm of the Future?

The firm of the future is:

- a) **Online:** The firm never enters data; rather, it focuses on data management and offering insight. Significant time can be saved by using electronic tools to automate data entry. In addition to time saved, data can be updated daily, offering a greater time advantage – immediate insight!
- b) **Paid for value:** The firm no longer focuses on the hours of input required to create an outcome; instead, it focuses on creating value for clients. This value focus allows the

firm to earn higher fees and build greater client satisfaction and loyalty. The firm is able to focus on their role as trusted advisor to their clients.

- c) **Connected to clients:** Building strong client relationships is critical to the success of the Firm of the Future. The firm actively cultivates client relationships and seeks opportunities to add value to their clients' businesses. Innovation and collaboration are key to the mindset of the firm. Enhanced focus on relationships allows the firm to grow significantly larger than a traditional firm, using fewer resources to produce greater outputs.
- d) **Free of Timesheets:** Timesheets give the illusion of control. At best, timesheets are a backwards view to measure our inputs into the accounting process. Timesheets have nothing to do with running our firm better or placing a value on the outcome that we produce for our clients. The facts support Mr. Baker's assertion, in that firms without timesheets have greater focus on value, greater employee satisfaction and are consistently more profitable.

2.3 Malaysian Experience in Funding of Students in Higher Education

The presentation was made by Ms. Mastura Mohammed Khalid, Deputy CEO, National Higher Education Fund Corporation (PTPTN), Malaysia.

The National Higher Education Fund Corporation (PTPTN)

PTPTN was formed in 1997 to ensure that Malaysian students, who require education funding, could pursue their studies in local institutions of higher learning.

Functions of PTPTN

1. **Providing education loans** to students pursuing studies at local higher education institutions currently numbering 2.8 million at a cost of RM 64.4 billion (KES 1.7 trillion)
2. **Managing loan collection:** due for payment as at 31 Dec 2017 was 1.9 million borrowers.
3. **Managing Savings Scheme:** National Higher Education Savings Scheme (SSPN1M)
Total Accounts: 3.2 million; Total Deposits: RM3.4 billion (KES approx. 8 billion)

Challenges to Overcome

1. **Managing Funding:** The Corporation funds approximately 2.8 million students with approved amount of RM64.4 billion; approximately RM 4billion each year for disbursement.
2. **Managing loan collection:** Deferment is a major problem occasioned by unemployment, further study at a higher level or low salary because the job is not equivalent to academic qualifications, monthly commitments, e.g. housing loan, car loan.

Initiatives by PTPN

1. **Various repayment channels** e.g. internet banking, salary deduction, 241 Payquick Kiosks, Banks & Post Offices
2. **Customer care services:** AKPK - Credit Counseling & Debit Management Agency, CARELINE – until 10:00pm, PTPTN @KLIA2 – 24h/7d, 67 Branches Nationwide
PTPTN @UTC – until 10:00pm, EPF Withdrawal 24-month Deferred Payment, Reschedule / Restructure
3. **Discounts:** 20%: Full settlement, 10%: Instalment via salary deduction/ auto debit/, 50% from remaining debt.
4. **Enforcement:** Credit Ratings (Central Credit Referral Information System), Immigration Blacklist, Legal Action.

‘Industry & Academia Are One’

It is important to link the industry/job market and the academia since the two are equal partners. Demand for the right skills is determined by the industry. Academia has several players including learning institutions which provides the relevant courses, Ministry of Higher Education which acts as the regulator and Loans Board (PTPN) as the financier.

National Higher Education Savings Scheme (SSPN1M)

One of the products offered by PTPTN is SSPN1M which is a sharia-compliant product aimed at inculcating saving-for-education culture among public.

SSPN1M Products - SSPN1M - i & SSPN1M - iPlus

Detail	SSPN1M - i	SSPN1M - iPlus
Launched	2004	2015
Opening Account Requirements	The account is opened by parents / guardians for child aged 18 years and below and can retain it until the age of 29 years.	
	Citizens aged 18 years and above have the option of opening the account themselves or by their parents / guardians.	
	Citizens aged 29 years and above have to open the account themselves.	
Monthly Commitment	No monthly commitment and minimum saving is RM20 per transaction	Depends on the package, from RM30 to RM500 (including monthly commitment).

SSPN1M Products

Detail	SSPN1M -i	SSPN1M - iPlus
Takaful premium	Free for depositors who maintain the savings of RM1,000 and above	Depends on the package, from RM10 to RM300.
Takaful Coverage	<ol style="list-style-type: none"> 1. Death 2. Total permanent disability 3. Funeral expenses <p><i>* The compensation amount is dollar to dollar.</i></p>	<ol style="list-style-type: none"> 1. Death; 2. Total/partial permanent disability 3. 36 critical illnesses 4. Hospital income benefit 5. Funeral expenses <p><i>* The compensation amount is varies based on packages</i></p>
Tax Relief	Up to RM6,000	Up to RM12,000