Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting
(ISAR)

38th SESSION
9 – 12 November 2021

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Agenda item 3. Review of practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals

Presented by

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United Nations Project on advancing enterprise sustainability and SDG reporting in Kenya

Corporate and SME Case Studies:
Practical Implementation of the Global Core Indicators for Entity Reporting
and
The Accounting Assessment Tool (ADT) assessment report for Kenya

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ISAR-38, 9 – 12 November 2012, Geneva

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Presentation agenda

- ❑Companies background
- ❑Case Study findings
- ❑Conclusion and recommendations
- ❑ADT assessment report in Kenya

Objective of the pilot project

Safaricom and the three SMEs in Kenya joined the UNCTAD pilot project to report on their contribution to implementing the SDG agenda.

This is based on the Guidance on Core indicators (GCI) for entity reporting on the contribution towards the attainment of the Sustainable Development Goals proposed by UNCTAD (19 October 2018).

Goals of the pilot project

Safaricom and the three SMEs joined the project:

- to support the UN efforts towards achieving the SDGs and promote SDG reporting
- to demonstrate the ability of business entities to report on their SDG activity based on the GCI
- to demonstrate their leadership in sustainability reporting

CASE STUDY: REPORTING BY SAFARICOM IN KENYA ON THEIR CONTRIBUTION TO IMPLEMENTING THE SDG AGENDA IN LINE WITH THE GUIDANCE ON CORE INDICATORS

Main results : Safaricom PLC

The sustainability report contains information on all 33 GCIs (20 of them are fully disclosed, 9 are partially disclosed, while no disclosure is made for 4 of the indicators).

Summary of non-disclosed indicators

Non-disclosure by pillars	
Economic	**A.3.3. Total expenditures on research and development** *Information on the indicator can be tracked from the accounting records of the company going forward.*
Environmental	**Sustainable use of water** **B.1.1. Water recycling and reuse** **B.1.3. Water stress** *Information to be obtained from the Company's utility bills and other sources to enable tracking of the indicator.*
Social	**C.4.1. Percentage of employees covered by collective agreements.** *No disclosure on this indicator. The organization does not have labour union employees and so no CBAs are negotiated. This is mainly due to the legal framework and labor laws in the country which make labor union membership optional. However, HR and other company records can provide details for tracking the indicator.*

Action taken to disclose GCI

Status of information needed for the 2019 sustainability report	Activity to disclose GCI	Number of GCIs
The indicator has been covered by the company's sustainability report	Give a link to the GRI indicator	14
The information about the indicator is available and can be sourced from the accounting system or internal reporting	Make an additional query and/or consolidate data	3
The information needed to disclose the indicator has been collected as part of the company's sustainability report preparation	Make additional calculations and/or disclosure	12
Not needed (the indicator is not included in the 2019 Sustainability Report)	None	4
Total		**33**

CASE STUDY: REPORTING BY SMEs IN KENYA ON THEIR CONTRIBUTION TO IMPLEMENTING THE SDG AGENDA IN LINE WITH THE GUIDANCE ON CORE INDICATORS

Tai
sacco
.....together we soar

JEILO
collections
An Excellent Touch of Style

DUNE
PACKAGING

The three SMEs studied in Kenya

Tai Sacco	Jeilo Collections	Dune Packaging
Medium	**Micro / Small**	**Medium**
Services	Production	Manufacturing
Regulated savings and credit cooperative society	Production of trendy handbags using locally available raw materials	Manufacture of a wide range of packaging materials

Summary of the findings

GCI indicators	Tai Sacco	Jeilo Collections	Dune Packaging
Industries	**Services**	**Production**	**Manufacturing**
Disclosed	12	8	18
Partly disclosed	10	13	6
No data	9	11	9

Main results in summary:
SMEs Case Study

The sustainability reports contain information on all 33 GCIs (in aggregate: 60 – 70% fully disclosed, 20 % are reported partially, while difficult to report is represented by about 10-20% of the indicators).

Main results in summary

The reasons for partial and non-disclosure are mainly due to the nature of the industry within which the companies operate and the unique nature of each entity's operations.

Other reasons are due to the legal and regulatory framework under which the company operates.

Conclusion

- The GCI is an important tool to promote business reporting on the contribution towards the achievement of the SDGs
- The GCI is based on sustainability reporting frameworks most widely used across the globe. Thus, for advanced users of those framewoeks, the disclosure of GCIs does not present significant difficulties
- Based on the pilot project results, comments and suggestions as to the Guidance have been prepared
- Safaricom and the 3 SME companies plan to continue making efforts towards disclosing GCIs in subsequent sustainability reporting cycles

Capacity building activities – July 2021

Part of the activities for the 11th Tranche Project include capacity building forums. This was made possible through the GCI Webinars for the large corporates and the Small and Medium-sized Enterprises (SMEs).

The Webinars were successfully held between the 6th – 9th July 2021 and results of the case studies as well as the technical guidance on the GCI were shared among more than 500 participants.

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Development Account Project
The ADT assessment report

KENYA

Objective of the ADT Assessment

The Accounting Development Tool (ADT) was used in Kenya to assess a country's current **capacity to produce high-quality business information**, in order to **identify gaps** and **determine priority areas** for future development.

General observations in the ADT assessment process

- The overall result based on the ADT assessment was **89.69% in 2021** which is a relatively positive indication of the current status of corporate reporting in the country.

  This implies that there has been effort made in the enhancement of the reporting infrastructure, both in financial and non-financial disclosure areas.

- However, some challenges were identified during the assessment.
- The results are based on responses from **26 organisations** which provided feedback through the questionnaire

Summary of results for Pillar A: Legal and Regulatory Framework

RESPONSIBLE CONSUMPTION AND PRODUCTION

Strengths identified

- The results from the current assessment demonstrates achievements in some of the areas: the incorporation of the ESG information in enterprise reporting as well as ethics, investigations, disciplines and appeals in the accounting profession requirements etc.
- The country has adopted the IFRS and IFRS for SMEs as a basis for financial reporting and this has ensured consistency in financial reports. Non-financial reporting has not been standardized.

Areas of development

- ❑ Lack of coordination between the PAO and other regulatory players in the country
- ❑ Difficulties in compliance with the CMA code of corporate governance,
- ❑ Difficulties in compliance with regulatory framework for microenterprises and non-listed companies,
- ❑ Challenges in ethics regulation for different entities.

Summary of results for Pillar B: Institutional Framework

- Lack of coordination among government agencies with regard to facilitating development of legislation in the area of corporate reporting.

- The relationship between government authorities and PAO is not sufficient as the PAO remain autonomous instead of being an agent for the government to enable capacity building within the systems.

- Gaps were identified in the structure of accounting standard setting bodies, funding, implementation of the Companies Act No.17 of 2015, compliance with auditing standards, the standard setting process, audit regulation, compliance with the code of ethics, and the general accountancy profession set-up and regulation in the country.

Summary of results for Pillar C: Human Capacity

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- The training in the accounting and auditing professions remains in line with international standards.
- There is a significant improvement in the quality of professional education and training as evidenced from the assessment.
- Lack of harmonization in academic curriculum has been identified across professional bodies and academic institutions.
- The current education program does not include ESG reporting as well as CPD requirement for the qualified members.
- There are no specific academic programme focusing on microenterprises as there is no standards developed yet.
- There are no formal mechanism for information sharing between the PAO and other actors and regulators involved in corporate reporting.

Summary of results for Pillar D and the Addendum:

- Existence of the national strategic plan that is targeting capacity-building in the area of corporate reporting.
- There is also progress made in the following areas based on the need for strengthening audit quality review process, IXBRL implemented by some regulated corporates to enhance reporting.
- There is need to implement initiatives such as strengthening capacity of small and medium size practitioners and building mechanisms to enhance transparency through corporate reporting.
- Working with KSG, PSASB to get guidance on their recommended interventions to improve reporting in the public sector.

Summary of results for the Public sector:

- Based on the responses received, Kenya did not fully adopt IPSAS as there have been some modifications to make it relevant to the country.
- There are also different types of entities in the public sector which apply different accounting frameworks.
- The government is working on transitioning to full accrual IPSAS framework for all the entities in the public sector, except the Government Business Entities which apply the IFRS framework.
- The Public Sector Accounting Standards Board (PSASB) has continued to support the adoption and implementation of IPSAS in the public sector for the public sector entities to prepare financial statements.
- The auditing standards used by the Office of the Auditor General (OAG) to perform audits are in accordance with the International Standards of Auditing with the application of relevant principles contained in the International Standards of Supreme Institutions (ISSAIs) published by the International Organisation of Supreme Audit Institutions (INTOSAI).
- The OAG has also adopted The INTOSAI Framework of Professional Pronouncements (IFPP).

QUESTIONS & COMMENTS