

A close-up photograph of a hand using a digital depth gauge to measure the internal threads of a metal flange. The gauge's digital display shows the number '85.96'. The background is filled with a stack of similar metal flanges.

2012

**ANNUAL REPORT
& FINANCIAL
STATEMENTS**



We thank you for your goodwill and support, which enables us to rise to new heights with every passing year. We reiterate our commitment to meeting your new needs, surpassing your expectations, growing existing relationships and developing new ones.

Asante Sana!



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ICPAK New Office
Front Impression



ICPAK New Office
Back Impression





About Us

The Institute of Certified Public Accountants of Kenya (ICPAK) is the professional body for Certified Public Accountants in Kenya established in 1978 by the Accountants Act, CAP 531. Since then, ICPAK has been dedicated to the development and regulation of the accountancy profession in Kenya so as to enhance its contribution and that of its members to national economic growth and development. In 2008, a new Accountants Act No. 15 was enacted to repeal the 1978 Accountants Act to take into account the various developments that had shaped the accounting profession globally.

The Institute mandate as prescribed by the Accountants Act No 15, 2008 is as follows:

- To promote standards of professional competence and practice amongst members of the Institute;
- To promote research into the subject of accountancy, finance and related matters, and the publication of books, periodicals, journals and articles in connection therewith;
- To promote the international recognition of the Institute;
- To advise the Examination Board on matters relating to examinations standards and policies;
- To advise the Minister responsible for Finance on matters relating to financial accountability in all sectors of the economy;
- To carry out any other functions prescribed for it under any of the other provisions of this Act or any other written law; and
- To do anything incidental or conducive for the performance of any of the preceding functions.

Currently, with membership approximating 11,000 CPAs, ICPAK is the recognized national organization dedicated to advancing the interest of accountants and professionals in the finance and accounting sector in Kenya through the promotion of internationally acceptable standards and best practices, thought leadership, research and continuing professional development.

Through its flagship events, the Annual Seminar, Corporate Governance, Management Accountants, Internal Audit Conferences, Executive Retreat and Economic Symposium,

ICPAK also provides a forum for accountants in the region to participate for mutual and fraternal benefits and to examine economic and regulatory issues impacting the profession globally.

ICPAK remains committed to upholding and promoting the fundamental values of the accountancy profession - Credibility, Professionalism and Accountability - which is embodied in its credo.

Governance Structure

ICPAK is led by an 11 member Council comprising of:

1. A Chairman and six members elected from the members of the Institute;
2. One member to represent the Ministry responsible for matters relating to finance;
3. One member appointed by the Minister responsible for Finance to represent a profession other than accountancy;
4. One member to represent Kenya Accountants and Secretaries National Examinations Board;
5. One member to represent Capital Markets Authority.

In accordance with powers granted by the Accountants Act, Council may at its discretion create committees and assign them specific roles to execute on its behalf so as to deliver on its mandate.

Administrative Structure

A fully functional Secretariat exists to implement the policies, goals and objectives of ICPAK. The Secretariat also assists in developing and implementing strategies that strengthen the role of ICPAK and facilitates the operations of the Council and its various committees. Additionally, the Secretariat enhances communication linkages among members in an effort to increase awareness and involvement in the initiatives of ICPAK.

Located at CPA Centre, Thika Road, the Secretariat is headed by a Chief Executive and supported by two Directors, Professional Services and Strategy and Shared Services.

ICPAK Mission Statement

Our Vision

To be a globally recognized Professional Accountancy Institute.

Our Mission

To develop and regulate the accountancy profession in Kenya through;

- Supporting the CPA(K) to be recognized globally as Competent Professionals who Add Value whilst Serving and Protecting the public interest;
- Building Sustainable Institutional Capacity to provide that support.

Our Credo

Credibility, Professionalism, Accountability

Core Values and Stakeholder Value propositions

1) Respect: We seek to dignify every person regardless of race, gender, creed, economic health status or age. We seek to understand our personal differences and points of view without compromising our core mission.

2) Integrity: We show impartiality, fairness and honesty while upholding the highest ethical standards. We maintain confidentiality whilst upholding the highest standards of integrity.

3) Professionalism: The team adheres to impeccable and beyond-reproach professional and personal standards in the conduct of our affairs with all; thinking and acting objectively, competently as we provide services to our members and stakeholders.

4) Team Work: As an Institute, all units work as a team and appreciate the important role played by others so as to achieve seamless member service with individual and organizational success.

5) Innovation: We strive to continuously innovate and be proactive in developing new services, processes and systems in response to the evolving regulatory framework.



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Chairman's Message



CPA Patrick M. Mtange

I am very honored to lead ICPAK at a time when increasingly, members of this noble profession are challenged to raise the bar both in terms of how we practice our craft, as well as in the expanding role that we are being called upon to play in governance and accountability including the implementation of 2010 Constitution.

To enhance member services and contribute to economic development of our country, ICPAK Council has identified a number of priority areas. Among the priorities is to ensure that the accountancy profession continuously plays its role in creating sustainable value as creators of value, enablers of value, reporters of value and preservers of value.

Another important area of focus has been the implementation of the goals identified in ICPAK's 2010-2014 Strategic Plan, which include: Enhancing member services; Thought leadership on governance and accountability; Promoting the regulation of the accountancy profession; Expanding the CPA brand; Supporting innovation, research and development in accountancy and related areas; and Institutional strengthening.

During 2012, ICPAK continued efforts to enhance members' services and build the accountancy profession in Kenya through various initiatives and this saw the growth in member numbers being sustained. The Institute also put in place various strategies to enable member retention which included enhancing the technical support provided to members; improved lobbying and advocacy on matters of interest to Accountants; and enhanced membership value additions. Initiatives undertaken are detailed in the strategic plan report to the members in this document.

Regarding ICPAK's membership value addition, the Institute formalized the discount on tuition fees given to its members by the KCA University. This facility offers its members and their dependants a 20% discount on tuition fees. Members also continued to enjoy the

negotiated motor insurance product with UAP and later Madison insurances, a value-add benefit extended to cover private motor vehicles owned by members, their spouses and companies fully owned by them. We shall continue to pursue partnerships with likeminded organizations to create varied pools for value adding benefits to our members.

To position CPA brand nationally and globally, the Institute continued to develop partnerships and strategic alliances. During the year the Institute established an MOU with State University of New York (SUNY) as well as strengthening our regional presence in Kenya. The Institute opened 3 new branches. The expansive Western region was split to create Nyanza and Western branches. In the Rift Region, a similar exercise was undertaken resulting in 2 more branches thus the North and South Rift. We inaugurated two International chapters during the year to serve our members in United Kingdom (UK) and South Africa respectively.

Over the years we have developed our reputation as an institution that seeks to promote accountability, good governance and public interest protection, and this agenda remained at the forefront of our activities in 2012. This was emphasized through taking a proactive approach to influencing legislation, policy, regulatory framework and any other matters impacting on governance and accountability.

In 2012, the Institute continued to participate in the various forums to influence governance and accountability issues particularly at this critical transitional phase. The Institute presented position papers for the following bills, regulations and issues of public interest: Draft Public Benefit Organizations (PBO) Bill, 2012; CRA criteria on revenue allocation; VAT Bill 2012, NSSF Bill; Draft Audit Committee Regulations, 2012; Public Financial Management Bill 2012 and the proposed salary increment by the parliamentarians. We actively engaged the Constitution Implementation Commission,

Salaries and Remuneration Commissions, Transition Authority, Ministry of Finance and Parliamentarians on various matters of mutual interest.

This Annual General Meeting marks the completion of my two year tenure as Chairman of ICPAK. I have enjoyed my role as Chairman, working with many exceptional professionals in Kenya and our partners all over the world. While our profession has many challenges ahead, we are dedicated to ensuring that the CPA brand safeguards its preeminent position.

I would like to thank ICPAK's Chief Executive, Caroline Kigen and the entire secretariat. We are very fortunate to have this team working hard for our members. I would also like to thank the members of Council and our various committees for their support during my term as Chair.

In closing I would like to refer to words attributed to Aristotle: "We are what we repeatedly do. Excellence, then, is not an act, but a habit." I can truly say that I never wanted to do anything else other than excellence, and remain proud to be a member of our great profession.

CPA Patrick Mtange

Chairman



Chief Executive Message



FCPA Caroline Kigen

While the year 2012 was not without its challenges ICPAK Secretariat continued to successfully implement its mandate and to advance its goals and objectives as outlined by the strategic plan and the Council.

ICPAK Secretariat team is grateful for the continued support of the Chairman and Council which has enabled us to accomplish our mission during the year. We are also grateful for the invaluable support of various Government Ministries, Constitutional Commissions, Parliament, Regional Institutes and affiliate organizations in helping us to achieve our goals in 2012.

Human Resources continued to play a critical role in ICPAK since the Institute's success depends on the high level of skills and professionalism of our people. In 2012 we offered opportunities to enhance knowledge and skills through seminars and in house trainings. Our priority in 2012 was to develop and retain staff with competencies and capabilities with the ability to: facilitate understanding of the Institute's key drivers of sustainable performance; effectively articulating and dealing with strategic and tactical issues; evaluate strategic options with respect to the Institute's risk profile and appetite and recommend optimal strategies; and support the strategic planning and implementation process with insight and analysis of the Institute and its competitive environment, and needs of internal customers/colleagues.

On ICT front, the Institute continued to integrate and automate most of its major processes. We automated the registration process for seminars and revamped our website, re-engineered the voting system and upgraded the ERP system to enhance service

delivery. In keeping with ongoing efforts to increase communication linkages with ICPAK members, The Accountant Journal, E-connect, Career Express and CPD Express continue to serve as important informational tools in keeping members and other stakeholders updated on ICPAK programmes and initiatives and in promoting the activities of the Institute. ICPAK website also continues to serve as an important medium for promoting the activities of the organization and its members and for providing information on developments of the accountancy profession.

In the upcoming year, ICPAK will focus primarily on implementing the key areas of focus identified in ICPAK strategic plan for 2010-2014. These include: Expanding the CPA brand by increasing its role and contribution at the regional and international level; Forging strategic partnerships with key regional and international organizations; Broadening the membership base; Strengthening the institutional and thought leadership capacity; Enhancing ICPAK as a technical resource centre for its member bodies in the region; and Increasing revenue and funding opportunities for the sustainability of ICPAK.

The Secretariat will continue to ensure the effective implementation of the programmes of ICPAK including supporting the work of Council and the various committees. Emphasis will also be placed on implementing initiatives aimed at increasing revenue in order to assist in sustaining the operations of ICPAK and ensuring the continued efficiency of the Secretariat.

FCPA Caroline Kigen

Chief Executive



Management Discussions and Analysis

Economic Outlook

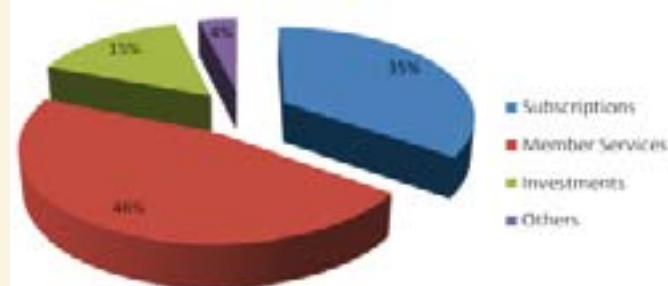
The World Bank forecasted a 5% growth rate in the year 2012 under stable conditions but the economy remained vulnerable to the effects of inflation caused by rising oil prices, Euro debt crisis and domestic political instability as we approached the election. Recovering from the macroeconomic imbalances and impacts of the year 2011, the country remained optimistic on being on the right track to economic recovery. The Institute put in place mitigating strategies to ensure that the business was not impacted much by the aftermath of 2011 elements.

A comparative analysis of the contribution to revenue from each of the main sources is as depicted below;

Table 1: Comparative contribution to revenues from various sources

Revenue Source	2012		2011	
	Amount in Kshs '000'	Percentage	Amount in Kshs '000'	Percentage
Subscriptions	115,228	35	99,396	42
Member services	152,276	46	100,341	42
Income from Investments	52,113	15	7,992	3
Others	12,631	4	31,764	13
Total	332,248	100	239,493	100

Chart 1: Revenue Contribution Sources



Financial Results and review of operations

The Institute achieved revenue of Kshs 332 million representing a growth of 39% from the previous year of Kshs 239 million. This performance was 27% above the projected performance of Kshs 261 million. Our major streams of revenue in the year were member subscriptions and training contributing about 81% of the total revenue. The performance in the year was therefore mainly impacted by the growth in member numbers, aggressive profiling of our CPD events thereby increased participation by both our members and non members.

Management Discussions and Analysis (continued)

Positive performance was also recorded on other income sources. Much of this revenue was realized from the interest income on invested cash received from the sale to KCA University. The management negotiated and was able to lock in the best returns on the short term investments. An analysis of the Institute revenues,

surpluses and member numbers indicates that these have continued to experience a sustained growth for the last five years. The management projects that the trend is likely to continue into the future and a number of strategies have been put in place to ensure this happens.

Table 2: Growth in revenues, surplus and active member numbers over the last 5 years

Year/ Description	2008	2009	2010	2011	2012
Revenues Kshs '000'	150,314	213,326	221,216	239,493	332,248
Operating Surplus Kshs '000'	18,819	31,968	18,138	18,124	67,150
Active Member Numbers	3,663	4,361	6,041	7,363	8,621

Chart 2: Growth in revenues & Surplus

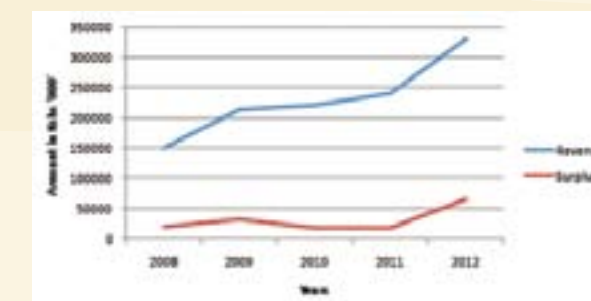
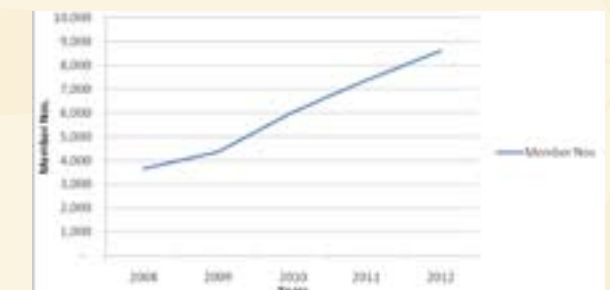


Chart 3: Growth in Member Nos.



Future Outlook

Revenue streams diversification, member growth and retention remain key to the Institute's growth and sustainability. Some of the measures the Institute is undertaking to increase revenues and ensure sustainability in the growth experienced in the last few years are the construction of the office park which is expected to accommodate the Institute's secretariat and generate revenues from letting. This will ensure sustainability of service delivery to members in the country enabling ICPAK to achieve its mandate as laid down in the Accountant's Act No. 15, 2008. The construction is also expected to lead to a phenomenal growth in the assets of the Institute. The Institute projects a growth in assets by Kshs 1.5 billion once the construction is complete in 2014 representing over 200% growth and over 100% growth in revenues.

The other strategies that the Institute is presently working on is the diversification of its CPD programs by creating new trainings to meet the needs of untapped and emerging segments or sectors of the economy especially the opportunities presented by the devolved government financial management system. The Institute is also presently undertaking tailor-made in house trainings to various companies on request, thereby increasing revenue from this component. Lastly, the Institute believes that membership growth and retention are critical for the domestic and global visibility of the CPA brand. It is from the growing pool of high calibre professionals that the CPA brand will be able to meet the growing demand for professional accountants to propel growth in various sectors of the Kenyan economy, East Africa region and beyond.



Management Discussions and Analysis *(continued)*

During the year ended 31st December 2012, the Institute recruited 1,446 new members compared to 1,334 in the previous year. The retention rate during the year was 95.3% and the Institute is committed to ensure this rate rises to 100%. Among the strategies adopted to ensure continued growth in member numbers and retention are the aggressive recruitment strategies adopted, increase and enhancement of value-add products and services to members, unwavering support to our branch and chapter networks, increased inclusion of members in the development of the CPD calendar and increased visibility of the Institute and the CPA brand among others. We value our members and believe they remain critical to the development of the Accountancy profession in Kenya.

Risk Management

The Institute's activities expose it to a variety of operational and financial risks. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Managing risk is core to the Institute's business and the operational risks are an inevitable consequence of being in business. The Institute's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. Among the key risks are the financial and operational risks. Financial risks include the credit and liquidity risks while operational risks are the political and environmental risks. The Institute's financial risk management policies are designed to identify and analyze these risks, to set appropriate risk limits, controls, and to monitor the risks while ensuring adherence to laid down limits. This is achieved by means of reliable and up-to-date information systems. ICPAK regularly reviews its financial risk management policies and systems to reflect changes in markets and emerging best practices. In addition, ICPAK has an independent internal audit department which reports directly to the Risk, Audit and Compliance Committee of the Council. This Department is responsible for assessing the risk faced by the Institute on an ongoing basis, evaluate and test the design

and effectiveness of its financial and operational controls that address these risks.

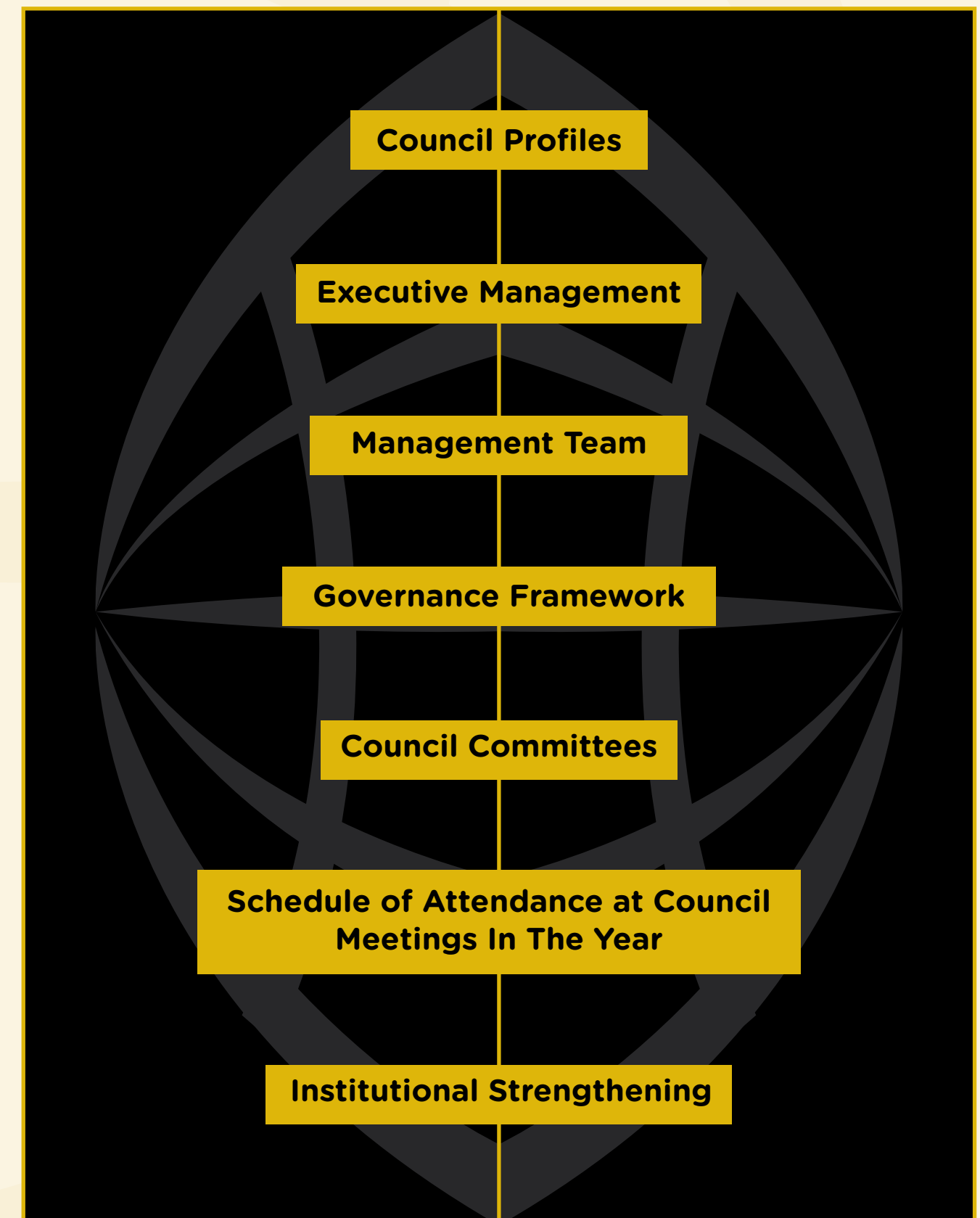
i) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Institute. The Institute has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient assurance, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Institute is exposed to this risk in several areas including trade and other receivables and cash and cash equivalents. However, ICPAK's credit risk is concentrated mainly to members for trainings attended on credit, on their sponsors' guarantee and thereby much of which more often than not are paid by such corporate sponsors. Credit is not granted to non-members attending our CPD programs.

ii) Liquidity risk management

This is the risk that the Institute will encounter difficulties in meeting its financial commitments. Prudent liquidity risk management includes maintaining sufficient cash to meet Institute's obligations when they fall due, under both normal and demanding conditions, without incurring unacceptable losses or at the risk of damaging the Institute's reputation. Ultimate responsibility for liquidity risk management rests with the Council, which has developed and put in place an appropriate liquidity risk management framework for the management of the Institute's short and long-term funding and liquidity management requirements. The Institute manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and any liabilities. To further mitigate this risk the Institute has in each of the last few years strived towards growth in surplus.

Corporate Governance





ICPAK Council Members 2012



CPA Patrick M. Mtange

Chairman

CPA Mtange is The Finance and Administration Manager for Diakonia - Africa regional office. He has extensive experience in both public and private sectors as he has previously worked for Kenya Wildlife Service as Financial Controller; Finance Manager for KENGO, a local NGO; an accountant at Ministry of Tourism and Wildlife and worked with Barclays Bank Kenya Ltd. He has experience from various boards including; Public Procurement Oversight and Advisory Board (PPOAB.), where he was Vice Chairman and Board member, Pan African Federation of Accountants (PAFA) and IFAC Council. He is the Convener, Governance & Advocacy Committee of ICPAK.



CPA Benson Okundi

Vice Chairman

CPA Okundi has over 15 years experience and is currently the PricewaterhouseCoopers (PwC) Africa, Government and Public Services Industry Group leader and a highly respected and regarded Public Sector Practitioner with a wide breadth of experience in assurance, governance, financial management, and institutional development. In Kenya, he is the PwC Partner responsible for the Public Sector Assurance. He holds an MBA (Project Management) from the University of Ghana, and a B.Com (Accounting Option) from the University of Nairobi. He is also a Certified Public Secretary. He is currently the Convener, Training and Development Committee of ICPAK.



FCPA Abdulwahid Mohamed Haji Aboo

FCPA Aboo has been a Council member for the last 8 years. He is the Sole-Proprietor of the Audit Firm, Abdulwahid Aboo & Company, since 1980. This firm is affiliated with Russell Bedford International (UK) since September, 2005 and later became a partnership as AAC Kenya, where he is now the Managing Partner. Previously he worked with PWC and the TSS Group of Companies. He is an FCCA, FAI, FCPAK, and FCPSK. He represents ICPAK on the IFAC SMP Committee and KCAU Finance Committee.



CPA Fernandes Baraza

CPA Baraza is the Head of Finance at Kenya Electricity Transmission Company Ltd (KETRACO). Previously he has worked as a Treasury Manager and later Head of Factories Accounts at Kenya Tea Development Agency Limited. He has also worked for Kenya Airways and East Africa Re in senior management positions. He brings a wealth of experience in Accounting, Financial and Risk Management, Auditing and Corporate Governance. He holds B.Com (Accounting) and MBA-Finance Degrees from Kenyatta University and a trained Lead Auditor in ISO 9001:2008 Quality Management Systems (QMS). He is the Convenor Shared Services Committee of ICPAK.



CPA Geoffrey Malombe

CPA Malombe joined the Government in 1997 and rose through the ranks to Assistant Accountant General in 2010. Before then he had worked with the private sector and Non Governmental Organizations. His experience in Government includes working at management levels with Ministries of Agriculture and Rural Development, Education, Science and Technology and Finance. He holds a Bachelors Degree in Agricultural Economics and an MBA from University of Nairobi. He is involved in other initiatives in the Ministry of Finance including the working committee on the preparation of legislations to implement Chapter Twelve of the Constitution on Public Finance.



ICPAK Council Members 2012 *(continued)*



CPA Julius Mwatu

CPA Mwatu is currently the Chief Finance Officer - Indigo Telecom and Financial Consultant - Nedbank Eastern Africa. He has extensive experience in Finance, Audit and Taxation services, having previously worked with KPMG, Ernst & Young and PKF. He is a renowned trainer for ICPAK in the area of Taxation. He holds an MBA (Finance), BSc. Statistics and is a CPS Finalist.



FCPA Pius Nduatih

FCPA Nduatih is the Chief Executive Officer/Secretary to the Board of KASNEB, a position he has held since January 2008. He previously served as the Chief Officer, Finance Division at KASNEB. Prior to joining KASNEB, he served as Head of Finance at the Commission for Higher Education and Kenya Science Teachers College. He graduated with a Masters Degree in Business Administration from the University of Leeds, UK in 1999 and a B.Com (Accounting) (Hons) in 1981. He is also a CPS and a member of ICPSK.



CPA Rashid Khamis MBS

CPA Khamis is currently the General Manager, Finance at the Kenya Roads Board. He has expansive experience from other key sectors of the economy having worked as a senior auditor with KPMG, Owner/Director, Finance & Strategy at Central Forex Group Ltd, Senior Bank Officer at PTA Bank and Financial Controller at Nairobi Safari Club. He holds a Masters Degree in Business Administration from the Said Business School, University of Oxford-UK, B.Com (Accounting) from the University of Nairobi. He has also participated in several social projects in Wajir County and been part of strategies employed to improve road networks in Kenya; a contribution that earned him an award of order of Moran of the Burning Spear (MBS) in 2011.



CPA Rosemary Gituma

CPA Rosemary has over 20 years experience at various senior positions in the private, public and NGO sectors. She holds an MBA in Accounting & Finance, and a B.Com Accounting Option, both from the University of Nairobi. Rosemary has previously served as the Head of Financial Management at East Africa Portland Cement Company and a Director for EAPCC (Uganda) Ltd, and as the Trust Secretary for the Board of Trustees for EAPCC Retirement Pension Scheme Benefits. She is currently a member of the Governance and Advocacy Committee of ICPAK.

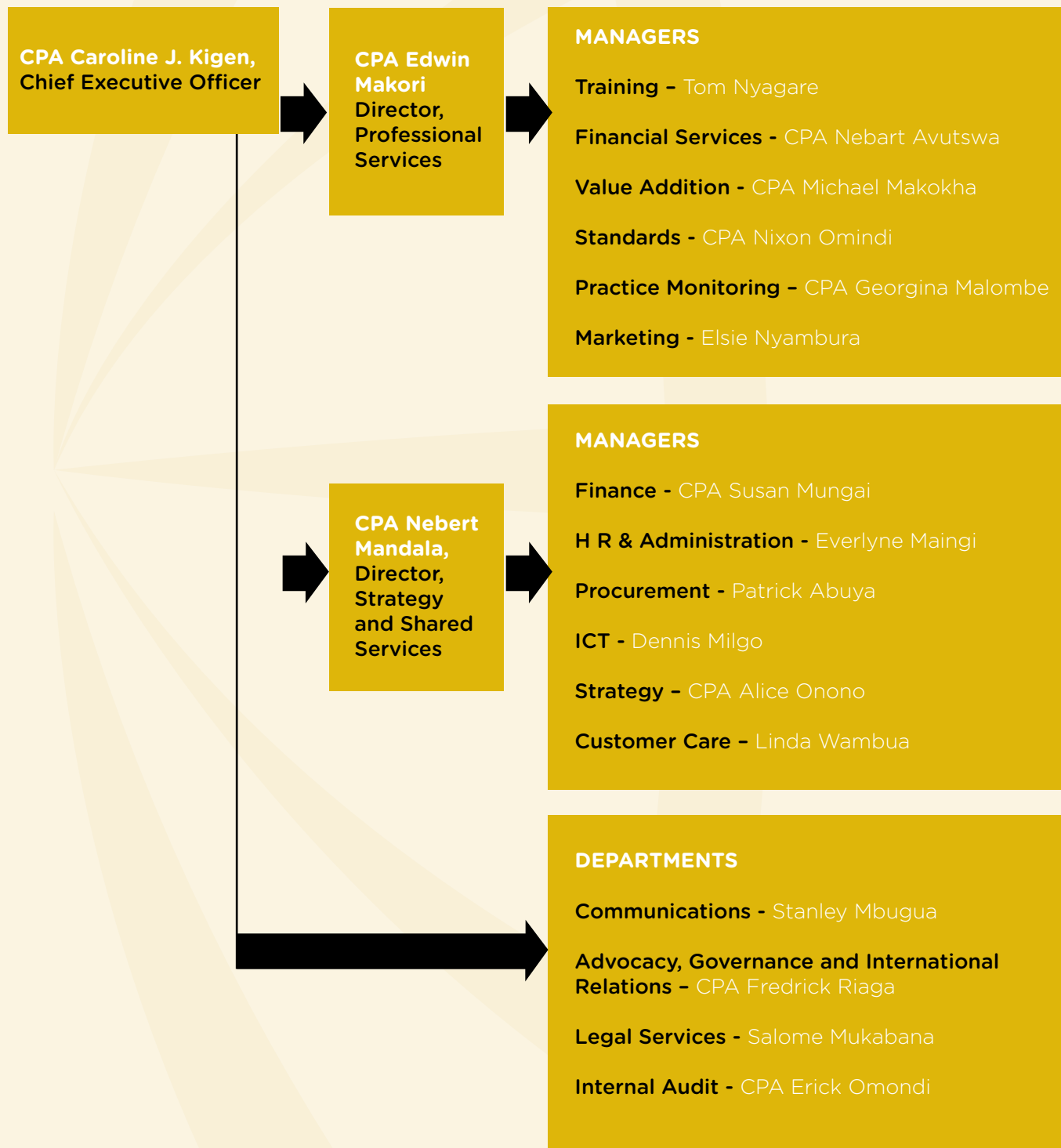


CPA Wycliffe Shamiah

CPA Shamiah has worked at the Capital Markets Authority, Kenya for the last 14 years and is currently Head Market Supervision, where compliance with set requirements is monitored at the Authority. He is an Associate of Toronto Leadership Center. He holds a Bachelor's Degree in Economics and Mathematics and also an MBA (Finance) from University of Nairobi. He represents the Capital Markets Authority on the Council.



Management Team



The management team

From left (Back Row)

Denis Milgo, CPA Eric Omondi, CPA Susan Mungai, Elsie Nyambura, FCPA Caroline Kigen, CPA Georgina Malombe, Linda Wambua, Tom Nyagare, Stanley Njoroge

From left (Front Row)

CPA Michael Makokha, CPA Nebert Mandala, CPA Nixon Omondi, CPA Fred Riaga, CPA Edwin Makori, CPA Nebert Avutswa



Governance Framework

Overview

Sound corporate governance is critical to our professional integrity and to maintaining members' trust in us. Responsibility for good governance lies with your Council. This section describes the way corporate governance is enshrined in the operations of ICPAK.

Governance – the manner in which power is exercised in the management and control of organisations – has assumed critical importance in these days of political pluralism. ICPAK recognizes that governance is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, protection of public interest, efficiency in member services, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.

Good Corporate Governance seeks to promote:

- An efficient, effective and sustainable Institute that contributes to the welfare of society by creating wealth, employment and solutions to emerging challenges
- A responsive and accountable Institute
- A legitimate Institute that is managed with integrity, probity and transparency
- Recognition and protection of stakeholder rights
- An inclusive approach based on democratic ideals, legitimate representation and participation

To embrace good governance the Institute requires that all members conform to a code of ethics. We also expect our members and staff to comply with our Code of Conduct. We strive to continuously improve the effectiveness of our Council, our Committees and our Secretariat and we undertake annual reviews to assess our performance. The review for the 2012 financial

year is described in this report.

Council acknowledges the importance of diversity, including gender, to the effective functioning of the Council and commits to supporting diversity in the Council. It is our aspiration to have a minimum of a third female representation on your Council by 2015. We also value diversity of business skills and experience because Council and Committee members with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance efficiency by bringing a wide range of perspectives to the Institute. Looking ahead, we will strive to maintain our high standard of corporate governance as it is central to our continuing success. We will continue to balance the use of our time in Council meetings between discussion of strategy, review of financial and operational performance, oversight of risk management and internal controls, ensuring the safeguarding of our assets, and keeping Council and Secretariat succession plans refreshed. Our key mandate is promotion of standards of professional competence and practice amongst members of Institute, public interest protection and advocating for sound accountability and governance in all sectors of the economy. In this regard we are committed to best practice and continuously seek to promote best corporate governance practice. In 2012 we continued to entrench good governance in everything we did at all levels of the Institute and operated in such a manner as to be Credible, Professional and Accountable.

Compliance with the Governance Policy/ Council Charter

The Council has in place a governance policy which succinctly defines the Council's roles and responsibilities as well as functions and structures that support the Council in carrying out its strategic oversight function. It also details aspects like ICPAK's stakeholder relationships, key corporate governance policy guidelines and Council Committee Charters. The intent of this Charter is therefore to provide policy direction on issues of accountability, transparency, value addition, legitimacy, and overall credibility

Governance Framework *(continued)*

and to deliver value to the members and other stakeholders of the Institute. This is the spirit that users of the charter are expected to share and promote at all times.

This document, among other issues, ensures that the practices of the Council are consistent with and reflect its commitment to best practice in corporate governance. It sets out the collective and individual powers, duties, obligations, responsibilities and liabilities of the Chairman, the Council members and the Chief Executive Officer. The Council Charter seeks to ensure the effectiveness of each Council member's contribution in the governance of the Institute by facilitating full and free exercise of independent judgment and professional competencies. In particular it spells out the governance arrangements that are to be applied in the Institute, in among others, the following areas: Roles and functions of the Chairman, Council members and Chief Executive Officer; Conduct of Council meetings; Management to Council reporting requirements and timelines; Council and Committee members induction and development; Terms of reference for all Council Committees; Disclosure of material information to the public; and the Code of conduct.

Code of Ethics

The Institute is committed to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. The Council adheres to the code of corporate governance as well as its own stringent standards of governance and control. A formal code of ethics has been approved by the Council and is fully implemented to guide Council members, Management, Employees and Stakeholders on acceptable behavior in conducting business. These include among others, requirement for Council and Committee members to act honestly, in good faith and in the best interests of the Institute; exercise duty of care and diligence; avoidance and disclosure of conflict of interest; maintenance of confidentiality of information about the Institute, commitment to and attendance to Institute's business and respect to fellow Council and Committee members.

Internal Control and Risk Management System Review of Control Environment

The Council has a collective responsibility for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The Institute has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information and safeguarding of member resources. The system of internal control in place has defined procedures with operational and financial controls to ensure that assets are safeguarded, transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. The performance of the Institute is reported regularly to its management and the Council through performance trends, forecasts and actual performance analysis and budgets for close monitoring.

The Council reviews effectiveness of internal control systems in place by assessing the work of both internal and external assurance providers. Internal assurance is carried out by an independent Internal Audit Department that reports to the Council's Audit, Risk and Compliance Committee and provides confirmation that the Institute's standards, policies and procedures as set by the Council are being complied with. External assurance is provided by an audit firm appointed by the members. The Council has reviewed the Institute's system of internal control and is satisfied that the system is effective. However, the Council recognizes that any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process. The Institute has a number of policies and procedures in key areas of financial reporting, including the finance policy, credit policy and the information and communication policy.



Governance Framework *(continued)*

Risk assessment

The risk assessment process is conducted quarterly. The significant risks are identified based on the evaluation of the impact and likelihood of the risks materializing.

Control Activities

The management is responsible for ensuring that the internal control activities are performed and documented, and is required to report to the Audit Risk and Compliance Committee on the compliance on a quarterly basis. In addition the Institute has implemented a formalized reporting mechanism for the strategy, budget and financial

performance to Shared Services and Strategy Committees.

Monitoring

The monitoring of the internal control and risk management systems is performed at multiple levels such as periodical review of control documentation, audits performed by the internal audit and monitored by the Audit Committee. The Audit Committee charter outlines its roles and responsibilities related to supervision and monitoring of the internal control and risk management systems. The monitoring is performed on the basis of periodical reporting from the finance, internal and external audit.



Our Governance





Our Governance *(continued)*

Council Operations

The Council is the governing body of the Institute charged with the oversight of the Institute and except for direction and guidance on strategy and policy; the Council has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Council nonetheless retains the following key roles and responsibilities;

- **Strategic Role:** The Council's role in this regard is to make significant decisions regarding the Institute's Vision, Mission and Strategies.
- **Oversight Role:** The Council's role is to oversee Institute's Management in the implementation of the Strategic Plan thereby ensuring that the objectives stated therein are achieved.
- **Stewardship Role:** The Council represents the interests of the members and therefore has a role to be accountable to the members.
- **Stakeholder Relationships Role:** The Council has a role to protect and serve the public interest and in so doing enhance the Institute's public image both locally and internationally.

Council Meetings

An annual plan of scheduled Council and Committee meetings is prepared each year. The Council meets at least six times a year and special meetings are convened when need arises. The Council receive all information relevant to the discharge of their obligations in accurate, timely and clear form so that they guide and maintain full and effective control over strategic, financial, operational and compliance issues.

Council effectiveness

The Council has due regard for the benefits of diversity in its membership, including gender, and strives to maintain the right balance. Our Council comprises individuals with deep knowledge and experience in core and diverse professional outlook. Keeping up-to-date with key business developments is essential for the Council members to maintain and enhance their effectiveness. From time to time the Council receives presentations from executives in our

business on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Council meetings. The Council members also have the opportunity to get feedback from members and stakeholders at planned events throughout the financial year.

Throughout their period in office, Council members are regularly updated on the Institute's business and the regulatory and industry specific environments in which we operate. Updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Council Committees

In discharging its Governance role the Council is authorized by the Accountants Act to establish such Committees as are necessary for the performance of the functions of the Institute and to delegate powers conferred on it to such Committees. Formal reports and/or minutes of each Committee meeting are circulated to the Council within the time frame set out in the relevant Committee's Terms of Reference, together with a clear list of recommendations and/or other matters and issues for the consideration of the Council.

Membership of Council Committees is based on the needs of the Institute, relevant legislative and other requirements and the skills and experience of the individual members. The Council has a responsibility for the appointment of Committee members who are drawn from the Council and Institute members in good standing. The role, function, performance and membership of each Committee is reviewed on an annual basis as part of the Council's self-assessment process.

In 2012 the Committees the Council had established and their roles are as follows;

Our Governance *(continued)*

1. Disciplinary Committee

This Committee is responsible for handling inquiries into allegations of professional misconduct against members as defined by Section 30 of the Accountants Act No. 15 of 2008. The Committee makes decisions based on evidence and advises Council on disciplinary action to be taken on errant members in accordance with the procedures and rules stipulated in the Accountants Act. It also advises the Council on the disciplinary/ethical issues arising that need member awareness through training.

2. Registration & Quality Assurance Committee

This Committee is charged with receiving, considering and approving applications for registration as a CPA and granting of practicing certificates and annual licenses in accordance with the provisions of the Accountant's Act. The Committee mandate also includes monitoring compliance with professional quality assurance and other standards published by the Council for observance by the members of the Institute.

3. Governance and Advocacy Committee

This Committee drives the advisory role of the Institute in accordance with the mandate prescribed by the Accountants' Act No. 15 of 2008 to advise the Minister of Finance on matters of accountability in all sectors of the economy. In seeking to achieve this objective, the Committee is expected to build networks and enter into collaborations with the critical institutions within the Executive, Parliament and Non-state actors pursuing similar objectives.

4. Public Finance Committee

This Committee is mandated to champion the Institute's participation in the development of policies with regard to public financial management. Of critical importance is the participation in the development of fiscal policies through the national budget. Subsequently, the Committee ensures active participation through liaison with relevant institutions and agencies of Government through the process of implementing the adopted fiscal policies.

5. Training and Development Committee

This Committee oversees the development and implementation of Continuing Professional Development (CPD) policies, guidelines and the annual training calendar. The Committee is mandated to advise the Council on matters that deal with the International Education Standards (IESs) issued by International Federation of Accountants (IFAC). The Committee also provides oversight on the Institute's members' training and development programme.

6. Strategy Committee

This Committee oversees the development and review of the strategic plan. Its mandate includes focus on strategies that facilitate Council to give guidance and strategic direction to the Institute. It also monitors and evaluates the implementation of the strategic plan. This includes; Ensuring that annual plans are consistent with the longer term strategic issues and are implemented; Review the quarterly performance reports and make recommendations both to management and Council; Set performance standards and objectives for the Institute in line with the strategic plan; Review the environment and risk profile affecting the Institute and how this would impact on the strategy.

7. Shared Services Committee

The Committee's mandate is to provide best practice in the development, implementation and subsequent monitoring of the Finance and Administration function of the Institute on behalf of Council. It is charged with the responsibility of reviewing the Institute's policies in the areas of HR, IT, Procurement, Finance, Marketing and Public Relations.

The Committee also focuses on review of financial performance and financial reporting processes so as to obtain reasonable assurance on their effectiveness; and review of the annual budget.



Our Governance *(continued)*

8. Audit, Risk and Compliance Committee

This Committee is responsible for monitoring the internal control and risk management systems. The mandate of the Committee includes; providing oversight on external auditing and financial reporting processes; provide effective oversight on the operations of the internal audit function; oversee the continued implementation of the Internal Control Framework and risk management in the Institute's business processes and ensure compliance with relevant laws and regulations that govern the Institute's operations.

9. Financial Services Committee

This Committee is tasked with providing guidance on financial reporting and audit related matters affecting the financial services sector, and to avail necessary expertise in the formulation of policies and guidelines impacting the sector. The committee's mandate also includes promoting good financial reporting and interpreting accounting and auditing standards related to the sector, in liaison with the Professional Standards Committee of the Institute.

10. Practitioners Development Committee

The mandate of the Committee is to provide oversight on initiatives and programmes aimed at developing the capacity of the Institute's members who are in public practice, with a specific focus on the Small and Medium-sized Practices (SMPs).

11. Professional Standards Committee

This Committee is tasked with promoting high professional financial reporting, auditing and ethics standards in Kenya by developing mechanisms through which the Institute can monitor and enforce those standards. Specifically, the Committee is tasked with promoting the development, use of and compliance to International Financial Reporting Standards (IFRS), IFRS for SMEs, International Public Sector Accounting Standards (IPSAs) and International Standards on Auditing (ISAs) as well providing guidance on professional ethics.

Schedule of attendance at Council and Committee meetings in the year

Council

Members

	Eligibility	Attendance
CPA Patrick Mtange	7	4
CPA Benson O. Okundi	7	5
CPA Felicitas Irungu*	3	3
CPA Joan W. N. Riitho*	3	3
FCPA Abdulwahid M. H. Aboo	7	7
CPA Julius Mwatu	7	6
CPA Rosemary K. Gituma	7	4
CPA Wycliffe Shamiah	7	4
FCPA Pius Nduatih	7	5
CPA Geoffrey Malombe	7	3
CPA Rashid Khamis MBS	4	2
CPA Fernandez Baraza	4	3

Disciplinary Committee

Members

	Eligibility	Attendance
FCPA Jonathan Ciano	6	6
CPA Charity Muya	6	5
CPA Geoffrey Erick Odongo	6	6
CPA John Mudany	6	3
CPA Joshua Okumbe	6	4
CPA Grace Kiptui	6	4
CPA Waigi Kamau	6	4

Registration & Quality Assurance Committee

Members

	Eligibility	Attendance
FCPA Jim McFie	7	7
CPA Daniel Ndonye	7	7
CPA Yusuf Omari	7	2
CPA Humfrey Wanyama	7	5
CPA Beatrice Gathirwa	7	3
CPA Lewis Kamau	7	5
CPA Isaac Njuguna	7	5

Governance and Advocacy Committee

Members

	Eligibility	Attendance
CPA Patrick Mtange	4	4
CPA Benjamin Kimanga	4	4
CPA Chris Kisire	4	1
CPA Ismael Guyo	4	2
CPA Shilpa Haria	4	2
CPA Josephat Mwaura	4	0
CPA Tom Omariba	4	3

Schedule of attendance at Council and Committee meetings in the year *(continued)***Public Finance Committee**

Members	Eligibility	Attendance
CPA Erastus Omolo	7	7
CPA Phillip Muema	7	4
CPA Francis Kamau	7	6
CPA Maurice Ray	2	2
CPA Michael Koome	7	2
CPA Simon Kirui*	5	1
CPA Priscilla Mathenge	7	6
CPA Lucy Yawe*	5	1
CPA George Mbatia*	5	3

Training and Development Committee

Members	Eligibility	Attendance
CPA Fenandes Baraza*	3	3
CPA Benson Okundi	2	2
CPA Margaret Ngatia	5	5
CPA George Onyango	2	2
CPA Janet Mabwa	2	2
CPA Isaac Ndung'u	2	2
CPA George Obare*	3	2
CPA Newton Gachondu*	3	1
CPA Loice Shuma*	3	2
CPA Wycliffe Temesi	5	3
CPA Agnes Odhiambo	2	0

Strategy Committee

Members	Eligibility	Attendance
CPA Rosemary Gituma*	2	0
CPA Rosemary Wanyeki	5	2
CPA Elly Osewe	5	5
CPA Benard Siero	5	4
CPA Nicholas Letting	5	4
CPA Julius Mwangi	5	5
CPA Charles Gathuto	5	4
CPA Rashid Khamis MBS	3	0

Shared Services Committee

Members	Eligibility	Attendance
CPA Felicitas Irungu*	3	3
CPA Fernandes Baraza	3	3
CPA Rashid Khamis MBS	6	3
CPA Jackson Ndula	6	5
CPA Wilson Chirchir	6	4
CPA Samuel Okello	6	3

Professional Standards Committee

Members	Eligibility	Attendance
CPA Benson Okundi*	2	1
CPA Joseph Gichuki	5	5
CPA Hellen Thulasi	5	5

Schedule of attendance at Council and Committee meetings in the year *(continued)***Professional Standards Committee** *(continued)*

CPA Richard Njoroge	5	3
CPA Nancy Mahoya	5	2
CPA David Mwindi	5	3
CPA Jacob Gathecha	5	4
CPA Simon Fisher	5	5
CPA Jonathan Agunda	5	4
CPA Fred Aloo	5	3
CPA Geoffrey Malombe	3	0

Audit, Risk and Compliance Committee

Members	Eligibility	Attendance
CPA Joan W. Riitho*	2	2
CPA Agnes Ogada	4	4
CPA George Rutto	4	2
CPA Renson Mwangola	4	4
CPA Nebert Avutswa*	2	2
CPA Patrick Kimani	4	3
FCPA Pius Nduatih	2	2

Financial Services Committee

Members	Eligibility	Attendance
CPA Kange Saiti	2	2
CPA Wycliffe Shamiah	2	1
CPA Jesse Kiptim	2	2
CPA John Karimi	2	2
CPA Lucy Njoroge	2	2
CPA Ali Mohamed	2	2
CPA Gerald Kago	2	2
CPA Charles Ringera	2	2
CPA Kenneth Odhiambo	2	2
CPA Chris Useki	2	1
CPA Gladys Karuri	2	0

Practitioners Development Committee

Members	Eligibility	Attendance
CPA Julius Mwatu	7	6
FCPA Abdulwahid M. H. Aboo	3	2
CPA Jacinta Mwendwa	7	6
CPA Mike Mbaya	7	5
CPA James Kidzuagane	7	6
CPA Julius Mathenge	7	5
Ms.Carol Mbuvi	7	6

Special Interest Committee*

Members	Eligibility	Attendance
CPA Winnie Nyamute*	1	1
CPA June Kavinda*	1	1
CPA William Masita*	1	1
CPA Isaak Shabir*	1	1

Note: * Denotes the member's/ Committee term ended in July 2012



Strategic Plan Overview 2012



Strategic Plan 2010 to 2014

Our Achievements

As a professional organization for Accountants in Kenya, we believe in the development of our members and the sustainability of the business in order to meet the goal above. We also appreciate the dynamism presented by the current business environment and the realignment of our strategies and thought processes necessary to attain our vision as a globally recognised professional Institute.

2012 marked the mid term of the implementation of the Institute's 2010-2014 Strategic Plan. Management efforts are channeled towards ensuring the Strategic Plan is achieved and

therefore the annual work plans are developed around key objectives in the strategic plan. In 2012 the Institute achieved a score of 75% in its corporate performance appraisal therefore the confidence that we are on the right track towards the realization of the major objectives on which our Strategic Plan is anchored. Our members still remain key to our future, and throughout the year our efforts were geared towards making each and every one of them appreciate their contribution to the accountancy profession.

A snapshot overview of the pillars and strategic objectives in the Strategic Plan are as highlighted below;

Pillar No.	Description	Strategic Objectives
1	Enhance Member Services	<ul style="list-style-type: none"> Achieve a member retention rate of 100% of active members per Annum Develop and implement a demand driven and effective CPD Program Provide technical support to members so as to enhance their skills and competencies.
2	Thought leadership on Governance & Accountability	<ul style="list-style-type: none"> Impact on governance and accountability in all sectors of the economy
3	Promote the regulation of the accountancy profession	<ul style="list-style-type: none"> Enhance public trust and confidence in the Institute and its members Ensure that members maintain the highest standards of professional conduct and competence
4	Promote the CPA brand	<ul style="list-style-type: none"> Position the CPA as a pre-eminent brand
5	Support innovation, research and development in Accountancy and related areas	<ul style="list-style-type: none"> Thought leadership in Accounting & related areas
6	Institutional strengthening	<ul style="list-style-type: none"> Institutionalize a strong governance mechanism Develop an effective and efficient secretariat that delivers quality and lifelong value to members Establish a strong and sustainable financial base Mainstream ICT in the Institute's Operations to enhance efficiency Improve the Physical infrastructure by Construction of a new office block Establish an oversight mechanism to ensure that the Institute is achieving the objectives laid out in the strategic plan



Enhancing Member Services

The Institute continued to develop and support its members professionally to enable them deliver on expectations as professional accountants through provision of a range of focused services to cater for their common and specific needs within the different segments.

Technical support to members

The Institute continued to assist members on technical matters relating to standards implementation and established a guideline on the reclassification of financial assets which was sent to members. On the other hand, the Institute developed 3 tools on General IFRS reporting template, insurance sector reporting template and reviewed the FiRe Award evaluation criteria on IFRS, IFRS for SMEs, Corporate Social Investment (CSI) and CSR. Additionally, the Institute responded to numerous technical queries mainly centered on IFRS that came during the year through the established technical helpdesk.

Value Addition Services

During the year the Institute formalized the discount on tuition fees given to its members by the KCA University. This facility offers its members and their dependants a 20% discount on tuition fees. Members also continued to enjoy the negotiated motor insurance product with UAP (Madison insurance with effect from September 2012), a value-add benefit extended to cover private motor vehicles owned by members, their spouses and companies fully owned by them. By year end, 305 members had signed up thereby saving up to Kshs 8.3 million. We shall continue to pursue partnerships with likeminded organizations to create varied pools for value adding benefits to our members.

Growth and strengthening of the branch network

During the year, the Institute opened 3 new branches. The expansive Western region was split to create Nyanza and Western branches. In the Rift Region, a similar exercise was undertaken resulting in 2 more branches thus the North and South Rift. In the month of November 2012, the Institute inaugurated the South African Chapter. Branch networks are aimed at reducing the cost of compliance among members, strengthening member networking and most importantly, to play ICPAK's oversight role on devolved government.

Operations of the branches are overseen by an elected branch executive Committee that plays an effective role in the choice of CPD and other events held in the branch. Once a year, members of the branch have an opportunity to attend the Branch Annual Members meeting during which they evaluate the affairs of the branch. The Institute recorded a significant member growth within branches ranging from 27%-47% growth over 2011 branch members. On average, each branch organizes events with a total of 92.5 CPD units giving members a wider choice on the trainings to attend for compliance with CPD requirements.

Other activities carried out to enhance membership growth are as follows:

- Hosted 8 business forums to educate the public on who the CPA is and the value they would gain from using the CPA services. These were in Kakamega, Busia, Kitale, Nakuru, Kericho, Nyeri, Malindi and Kitui with a total participation of 260.
- 11 student forums were organized which attracted a total of 560 students and 6 company visits were made during the year.



Enhancing Member Services *(continued)*



Training and Development

During the year under review, the Institute held 89 Continuing Professional Development (CPD) events all over the country. Of these, 85 were planned for in the CPD Calendar, while additional four were organized in response to branch CPD needs as requested by the branch leadership. Member compliance with the CPD requirement grew by 20.1% while the number of members who filed their CPD units grew by 20.03%. Each and every member of the Institute is required as part of his/her good standing status to comply with the CPD requirement.

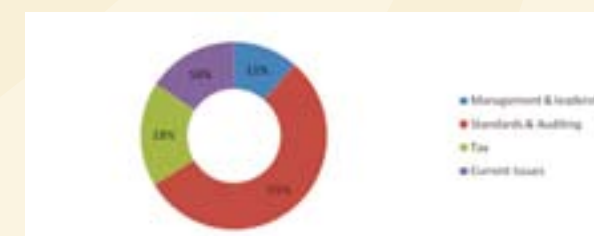
The Institute developed five (5) new seminars to address gaps in other sectors which included; Corporate Governance Conference, Forensic Audit Conference, Financial Reporting for Counties, Financial Reporting for Hospitality Industry and Financial Reporting for Agricultural Sector. Additionally, to enhance flexibility of our programmes and further increase compliance with the CPD requirement, over 10 professional forums and video sessions were held for those who were not able to attend the normal day seminars.

On aggregate, 36% of participants in our trainings rated ICPAK CPD events for the year as "excellent" while 54% rated the events as "good" on a four points scale of 'excellent', 'good', 'fair' and 'poor'.

Summary on the CPD events held at a glance

During the year, the Institute held 12 residential, 21 non-residential, 40 branch trainings and a total of 16 other events (6 video sessions, 5 evening talks and 5 professional forums). Of the held events, 10 of them centered on management and leadership training, 45 on standards and auditing, 4 on tax and 11 on current issues as detailed in the chart and table below;

Chart 4: Category of events



Enhancing Member Services *(continued)*

EVENTS HELD AT A GLANCE

CATEGORY	2011 EVENTS	2012 EVENTS
RESIDENTIAL EVENTS	<ol style="list-style-type: none"> 1. The 19th Economic Symposium 2. The 27th Annual Seminar 3. Annual Budget Review Seminar 4. The 3rd Management Accounting Seminar 5. The 11th Internal Audit Conference 6. The 5th Practitioners' Growth Forum 7. The Africa Congress of Accountants 8. The 16th Executive Retreat 	<ol style="list-style-type: none"> 1. The 19th Economic Symposium 2. Corporate Governance and Ethics Conference 3. Financial Reporting and Management Conference: Counties & Local Authorities 4. The 28th Annual Seminar 5. Annual Budget Review Seminar 6. The 4th Financial Services Conference 7. The 4th Management Accounting Seminar 8. The 12th Internal Audit Conference 9. Forensic Audit Conference 10. The 6th Practitioners' Growth Forum 11. The Annual Conference on NPO Financial Management 12. The 17th Executive Retreat
NON-RESIDENTIAL EVENTS (Held in Nairobi)	<ol style="list-style-type: none"> 1. Tax Principles Workshop : "KRA expectations" 2. Audit Quality Review Seminar(2 events) 3. IFRS For SMEs: Workshop 4. Financial Reporting for NGOs 5. IFRS Workshop: IAS 18, 19 & 21 6. Corporate Financial Management Workshop 7. IPSASs :Workshop- Technical and Policy Issues 8. Financial Reporting for SACCOs Workshop 9. IFRS for SMEs Workshop 10. IPSASs Workshop: Assets Valuation & Impairment for Public Entities 11. Financial Services Conference 12. Risk , Governance & Assurance Workshop 13. Income Tax Workshop: IAS 12 14. Asset Valuation & Impairment Workshop 15. IPSASs: Financial Reporting for Public Sector Entities 16. Financial Instruments Workshop 	<ol style="list-style-type: none"> 1. Tax Principles Workshop : "KRA expectations" 2. IFRS Workshop: Accounting for Employee Benefits: IAS 18, 19 & 21 3. Seminar on Financial Reporting for the Hospitality/Leisure Industry 4. Financial Reporting for Not for Profit Organizations 5. Audit Quality Review Seminar 6. Financial Instruments Workshop 7. Income Tax Workshop: IAS 12 8. IFRSs Imersion Workshop 9. Financial Reporting Seminar: Agriculture Sector 10. Seminar on Indirect Taxes 11. IPSASs Workshop 12. IFRS For SMEs Workshop 13. Tax Management for Not-for-Profit Organizations 14. Audit Staff Training Workshop 15. Asset Valuation & Impairment Workshop 16. Financial Reporting for SACCOs Workshop 17. Audit Quality Assurance Seminar 18. Tax Forum 19. Consolidation Workshop 20. Audit Staff Training Workshop 21. The Financial Reporting Workshop

Enhancing Member Services *(continued)*

EVENTS HELD AT A GLANCE

CATEGORY	2011 EVENTS	2012 EVENTS
	<ol style="list-style-type: none"> 17. Audit Quality Assurance Seminar 18. Consolidation Workshop 19. ISAs Workshop 20. Tax Forum 21. The Financial Reporting Workshop 	
BRANCH EVENTS: (Held outside Nairobi)	<ol style="list-style-type: none"> 1. IFRSs(5) 2. Budget Review Seminar(5) 3. ISAs Workshop(5) 4. Tax Seminar(5) 	<ol style="list-style-type: none"> 1. AQA and ISQC 1(6) 2. Asset Valuation(6) 3. Budget Review Seminar(6) 4. Practitioners Staff Development Workshop(1) 5. Workshop on IFRS for SMEs(6) 6. Income Taxes and ISAs(6) 7. VAT Bill (6) 8. PFM (3)
OTHER EVENTS	<ol style="list-style-type: none"> 1. 10 Video sessions 2. 3 Evening talks 	<ol style="list-style-type: none"> 1. 6 Video sessions 2. 5 Evening Talks 1. 5 Professional Forums
TOTAL EVENTS	62	89





Thought Leadership on Governance and Accountability

The Institute continued to advocate for good corporate governance practices by taking a proactive approach to commenting on relevant issues and influencing legislation, policy, regulatory framework and any other matters impacting on governance and accountability. This is one of the approaches to enhancing confidence in the accountancy profession in Kenya.

Over the years we have developed our reputation as an institution that seeks to promote accountability, good governance and public interest protection and this agenda remained at the forefront of our activities in 2012.

Key participations

In 2012, the Institute continued to participate in various forums to influence governance and accountability issues. Critical among these forums were;

- Participated as a discussant in the review of the parliamentary standing orders in a workshop organized by the national assembly.
- Critically reviewed and commented on PART XXXIV – Supply and Ways and Means, of the standing orders and submitted ICPAK's comments to the Parliamentary Initiative Network.
- Facilitated a seminar for members of the Parliamentary Committees on Budget and Finance, Trade and Planning on Budget 2012/13.
- As a member of KEPSA, participated in the Prime Ministers Round Table Forums to brainstorm and evaluate the progress made on the implementation of the East Africa Commission Treaty.
- Participated as a discussant in the review of the parliamentary standing orders in a workshop organized by the national assembly through Parliamentary Initiative Network (PIN), as well as membership in the PIN Public Finance Thematic Group.

Involvement in the Constitution Implementation process

Actively engaged CIC and Parliament in the implementation process through written memoranda key milestones include:

- Public Financial Management Act 2012: The National Government PFM framework vs County Government PFM Framework – ICPAK sought a unified PFM Law.
- Independent Offices Act 2011, Controller of Budget Act 2011.
- Salaries and Remuneration Commission Act 2011.
- Commission on Revenue Allocation Act 2011.
- Political Parties Act 2012.
- Leadership and Integrity Act 2012.
- National Government Loans Guarantee Act 2011
- Contingencies and County Emergency Funds Act 2011.
- Intergovernmental Fiscal Relations Act 2011.
- Ethics and Anti-Corruption Commission Act 2011.
- Campaign Financing Bill 2012.
- Draft Public Benefits Organizations (PBO) Bill 2012.

The Institute also critically reviewed the Public Financial Management Bill 2012 through;

- Facilitated a Forum to synthesize member views, prepared a memorandum to the Parliamentary Committees and key stakeholders on ICPAK's position on the bill.
- Facilitated a publication on the Daily Nation to sensitize the public on the issues to be addressed.
- Held consultative meetings with Parliamentary Committees and Parliamentary Caucus on Devolution with regard to PFM Bill 2012.

In the year 2012 the Institute informed debate into the following topical issues and regulations;

- The domicile of the internal audit function;
- Internal audit regulations;
- Public Service Regulations;
- Salaries and Remuneration Regulations for State Officers;



Thought Leadership On Governance And Accountability *(continued)*

- Lobbied for the adoption of the Institutes position paper on the Commission on Revenue Allocation (CRA) criteria on horizontal revenue allocation through the following means;
- Held meeting with the CRA on the proposed Revenue sharing formula;
- Submitted a written memorandum to CRA on the criteria for revenue allocation;
- Press release on ICPAK's position on the parameter weights of the CRA formula;
- Held consultative meeting with the Public Budget Committee (PBC) on the criteria on horizontal revenue allocation, secured an invitation as a presenter and a discussant at PBC Retreat in Naivasha where the Committee would be developing final report for submission to Parliament;

Lobbied on behalf of members for the amendment of various provisions of the VAT Bill 2012 through the following means;

- Facilitated a forum that discussed the VAT Bill 2012 with members and stakeholders, collating their views to inform the Institutes policy position.
- Facilitated a TV Talk Show through KTN's Business weekly to sensitize and educate the public on the provisions of the VAT Bill 2012.
- Presented to 2 Parliamentary Committees (Budget & Finance & Planning Committees) in Naivasha, the Institutes position paper on the VAT Bill.

Strategic Alliances and Partnerships

The Institute has continued to develop partnerships and strategic alliances through which it is able to influence and participate in the developments impacting the profession both locally, regionally and internationally. During the year the Institute established an MOU with State University of New York (SUNY). The Institute also worked with various constitutional commissions like Commission for Implementation of Constitution (CIC) and Commission for Revenue Allocation (CRA) on the devolution agenda. To strengthen partnerships, the Institute met with the Auditor General's office to discuss the domicile of the Internal Audit Function and agreed on quarterly meetings to discuss progress.

Specifically created strategic alliances with:

- Parliamentary oversight committees: PAC, PIC. We engaged with Parliamentary Committee on Trade, Finance and Planning and the Parliamentary Budget Committee.
- The Ministry of Finance through Treasury on the implementation of PFM Law.
- CIC on implementation of the Constitution.
- Transition Authority.
- Commission on Revenue Allocation.
- KENAO.
- Met CPA Parliamentarians and established bi-annual meetings for the Institute to engage the legislators.

Representation in Boards

During the year under review, the Institute facilitated the nomination of its members to represent the Institute on the following additional Committees & Boards; LAPTRUST Audit Committee, CIC Board, and Treasury Private Public Partnership Steering Committee. The Institute also advocated for an increase in slots allocated for ICPAK members on the proposed Accounting Standards Boards once set. We endeavor to improve mechanisms for appointment on the various Boards after assessing that members who seek for appointment in the various Boards have no disciplinary cases against them, are members in good standing, and that they meet the requirements stipulated by the requiring Boards/ Organizations.

In the year, we lobbied and developed mechanisms for increasing the number of slots we have on different boards through the following means;

- Met the Budget Committee to specifically advocate for the inclusion of the Office of the Accountant General and the Internal Auditor General to be members in good standing of the Institute in the Public Financial Management Bill as institutions in the National Treasury.
- Secured a slot for ICPAK at the EAC Platform on professional services where ICPAK is a standing member of the Steering Committee.



Thought Leadership On Governance And Accountability *(continued)*

IFAC and PAFA Activities

ICPAK continued to play an active role in the activities of IFAC and PAFA during the year through active engagement, strong representation and attendance of Committee meetings where we are represented.

International Meetings Attended in The Year 2012

Professional Accountants in Business (PAIB) Committee

ICPAK Representative	Location	Date
CPA Steve Lugalia	India	12th-14th March 2012
CPA Steve Lugalia	New York	13th- 14th September 2012

International Ethics Standards Board for Accountants (IESBA) Committee

ICPAK Representative	Location	Date
CPA Felicitas Irungu	Ireland	19th- 23rd February 2012
CPA Felicitas Irungu	New York	18th- 20th June 2012
CPA Felicitas Irungu	New York	10th-12th December 2012

Compliance Advisory Panel (CAP) meetings

ICPAK Representative	Location	Date
FCPA Caroline J. Kigen	Rwanda	26th-27th January 2012
FCPA Caroline J. Kigen	New York	17th-20th April 2012
FCPA Caroline J. Kigen	New York	17th-22nd July 2012
FCPA Caroline J. Kigen	New York	10th-11th October 2012

Small and Medium Practices (SMPs) Committee

ICPAK Representative	Location	Date
FCPA Abdulwahid Aboo	Singapore	15th-23rd March 2012
FCPA Abdulwahid Aboo	Las Vegas	12th-15th June 2012
FCPA Abdulwahid Aboo	New York	21st-23rd October 2012

IPSAS Committee Meeting

ICPAK Representative	Location	Date
CPA Anne Awuor	Germany	12th-15th March 2012
CPA Anne Awuor	Ontario	11th-14th June 2012
CPA Anne Awuor	Toronto	17th-20th September 2012

Pan-African Federation of Accountants (PAFA)

ICPAK Representative	Location	Date
FCPA Caroline J. Kigen	South Africa	16th March 2012
CPA Patrick Mtange	South Africa	15th-17th March 2012
FCPA Caroline J. Kigen	Tunis	4th May 2012
CPA Patrick Mtange	Tunis	4th May 2012
FCPA Caroline J. Kigen	New York	8th- 14th October 2012
FCPA Caroline J. Kigen	Cape Town	13th-16th November 2012
CPA Patrick Mtange	Cape Town	13th-16th November 2012
CPA Nebert Mandala	Cape Town	19th-20th November 2012
CPA Fredrick Riaga	Cape Town	19th-20th November 2012
CPA Michael Makokha	Cape Town	19th-20th November 2012

Promoting the Regulation of the Accountancy Profession

The Institute recognizes the value placed on the work of its members and thereby the necessity to regulate their conduct in professional competence and ethical conduct. We therefore recognize the fact that public interest needs to be safeguarded.

Among the strategies that the Institute adopted in enhancing regulation is to uphold the compliance by its members to the prescribed standards, rules and regulations through increased awareness, effective practice monitoring and disciplinary mechanisms.

Enhanced registration process

During the year, the membership practicing and annual return forms were revised to enhance members' commitment to ICPAK rules, guidelines and regulations. We continued to uphold the policy that prior to issuance of a practicing license, the review team evaluates the working papers of the person seeking the practicing license to ensure he/she is aware of the auditing requirements and other compliance to legal and regulatory requirements. The Institute also continued to educate its members through the new member guidelines it developed for reference by new members. We additionally developed International Standards on Quality Control (ISQC 1) guidelines and the same is available on the website.

Member discipline

The Institute continued to adhere to the disciplinary procedures and mechanisms. In the year 2012, the Institute finalized 3 cases whereby one member in practice was suspended, another was acquitted based on evidential proof and one was reprimanded. One case in the Court of Appeal was concluded and the decision of the Disciplinary Committee was upheld by the court. However, the member was discharged of the requirement to undertake retraining based on the fact that it had been overtaken by events.

Additionally, the Institute also conducted 6 raids on illegal practitioners in Machakos, Kitui, Kisumu, Kericho, Mombasa and Malindi during the year during which a total of 5 illegal practitioners were arraigned in Court. We also conducted 8 lectures on professional ethics to students in University and new members to ICPAK to enhance on their awareness of the expectations of the profession.

Practice Monitoring

The Institute continued to enhance member competences through monitoring member's in practice whether they complied with professional quality assurance standards and other standards published by the Council for observance. Through this, the Institute continued to recommend regulations that govern quality assurance programmes, including actions necessary to rectify deviations from published standards. This is meant to enhance public trust and confidence in the Institute and its members and to ensure that members maintain the highest standards of professional conduct and competence.

Since the audit quality review programme started in year 2005, 411 firms have been reviewed including the large firms, medium sized firms and small firms. During the year 79 firms were reviewed compared to 70 firms reviewed in year 2011. Out of these firms, 19 were second time reviews, 3 were third time reviews and 57 were first time reviews. For second time reviews two firms had not made any efforts to implement the recommendations issued after the first review was carried out. These two firms were summoned to the Institute and they have given a plan on how they plan to comply. The other firms had tremendous improvements especially on audit documentation and evidence.



Promoting the Regulation of the Accountancy Profession *(continued)*

The regions where reviews were carried out during the year were:

REGION	NUMBER OF FIRMS REVIEWED
Nairobi	29
Mt. Kenya (Nyeri, Karatina, Kerugoya)	10
Eastern	7
South Rift (Nakuru, Kericho)	7
Nyanza (Kisumu, Kisii)	13
Coast (Mombasa, Malindi)	13

Enhanced participation in the FiRe Award program

The Institute continued to ensure increased participation by members in the Financial Reporting Award program so as to enhance compliance by members of the profession. During the year the Institute reviewed FiRe Award evaluation criteria on IFRS, IFRS for SMEs, Corporate Social Investment (CSI) and CSR. This saw increased participation by firms to 84 compared to 79 in 2011 representing a 15.4% increase. Individual feedback for the 2011 FiRe event were given out in the year and an audit carried out for the 2012 event for an improvement in the year 2013.



Promote the CPA Brand

During the year, the Institute continued to profile the CPA brand through the Accountant Journal, its trainings and various media to create pre-eminence. The Institute also engaged in various CSR activities. The motive for the various initiatives is to ensure that the Institute's statutory roles, its mission, values and its work in supporting the growth of the accountancy profession as well as the CPA brand are effectively communicated to a broad audience.

Position the CPA as a pre-eminent brand

The key focus here was the developed and continuous enhancement of the CPA value proposition through marketing the qualities

and the standards of the CPA qualification and undertaking public education campaigns which explain in detail to a general and stakeholder public each of the Institute's roles and that of its members. During the year, 5 CPAs were profiled through our Journal and the Institute made presentations in different foras in order to amplify our brand.

Media coverage on ICPAK events

ICPAK continued to ensure that all its major events were properly branded. During the year, the Institute enjoyed a good coverage for the Financial Reporting and Management Conference, Annual Seminar and the Budget Seminar. The summary for the media coverage is as below;





Promote the CPA Brand *(continued)*

Date	Media house	Event/description	Duration	Amount
19th January 2012	K24	Interview with the Chairman	4.00 minutes	540,000
22nd Feb 2012	KTN	Economic Symposium	1.30 minutes	108,000
23rd Feb 2012	NTV	Economic Symposium	1.30 minutes	108,000
24th Feb 2012	Daily Nation	Economic Symposium	1/8 page	54,000
19th March 2012	CLASSIC FM	Press Release	0.30 sec	25,000
19th March 2012	CAPITAL FM	Press Release	0.30 sec	30,000
19th March 2012	KISS FM	Press Release	0.30 sec	25,000
23rd May 2012	NTV	Annual Seminar	0.45 sec	90,000
23rd May 2012	Citizen	Annual Seminar	0.45 sec	90,000
24th May 2012	Daily Nation	Annual Seminar	1/4 page	108,000
7th June 2012	KTN	AGM	0.25 sec	45,000
8th June 2012	The Star	Pictorial - AGM	1/8 page	50,000
8th July 2012	KTN	Interview with the Chairman	8.00 minutes	720,000
9th July 2012	Standard Newspaper	Interview with the Chairman	1/4 page	75,600
30th July 2012	The Standard	FiRe Awards Launch	1/4 page	99,900
25th August 2012	KTN	Tax Seminar	1.30 minutes	108,000
7th Sept 2012	KTN	Interview with the Chairman	8 minutes	720,000
10th Oct 2012	KTN	Press Release - MPs Gratuity	0.25 sec	45,000
10th Oct 2012	Nation	Press Release - MPs Gratuity	0.25 sec	45,000
10th Oct 2012	Citizen	Press Release - MPs Gratuity	0.25 sec	45,000
				3,131,500

Participation in CSR Programs

The Institute continued to exert its presence and visibility through various Corporate Social Responsibility programs. During the year under review, the Institute held a golf tournament from which the proceeds were used to meet monthly donations to the Mama Fatuma Children Home and the Nyumba ya Wazee. Additionally during the 2012 Annual Seminar members visited Tumaini Children Home and Wema Centre and made various donations.



Support Innovation, Research and Development in Accountancy and Related Areas

The Institute recognizes the necessity to develop and promote the accountancy profession through knowledge building. It is in this regard that we appreciate the need to support research in accounting, financial management, governance and related areas.

Thought leadership in Accounting & Related areas

During the year the Institute developed a research policy and re-established the library. Three members who were undertaking research as part of their academic endeavors were supported by the Institute by way of guidance and critical reviews of the study papers. The Institute continues to provide data and other forms of non-monetary assistance to members pursuing research.

Highlights of Research and Innovation Initiatives undertaken in 2012

Surveys at IFAC level

ICPAK members continued to participate in research conducted by IFAC on various issues affecting the accountancy profession. Among the surveys included the SMP surveys. This survey is done quarterly and 170 responses were received from members. The challenges facing SMPs in the year included; challenges of attracting new clients, competition within the industry and the ever increasing regulatory burden.

Member Perception Surveys

During the year, ICPAK conducted the 2nd new member perception survey targeting members who had joined in the year. The findings indicated that majority of members join ICPAK 2 years after completing CPA exams. The Institute has therefore redirected its efforts to this group. Additionally, majority indicated on the need for ICPAK to be vibrant on social media platforms, which has since been taken over by the Communications team. Overall, ICPAK brand was rated as a pre-eminent brand.



Institutional Strengthening

The Institute has put in place a Strategic Plan and enabling structures to effectively deliver on its implementation over the planned period. Among these are the various initiatives taken to establish strong governance structures, systems and an effective and efficient secretariat that delivers quality and lifelong value to members.

Highlights of Institutional Strengthening Activities Undertaken In 2012

Human Capital

Human Resources continued to play a critical role in ICPAK since the Institute's success depends on the high level of skills and professionalism of our people. In 2012 we offered opportunities to enhance knowledge and skills through seminars and in house trainings following a training need analysis that led to the development of the 2012 training program. The Institute undertook both work environment and employee satisfaction surveys in the year that indicated an overall satisfaction index of 72.75%; employee satisfaction index at 73.3% and Work Environment Index at 72.2%. The recommendations therein shall be implemented in the year 2013.

The HR function conducted an in house human resources audit on the policies, practices, and procedures in order to ensure that the Institute adopts best practice and the policies comply with the legal and other regulatory requirements. Various human resources policies were reviewed and approved by Council and these will continue to guide the management in its operations. The Institute experienced growth in the number of staff to meet the increase in the number of our members and also to ensure that the organization structure is able to drive the 2010-2014 Strategic Plan. Among the positions filled were; Manager Professional Standards, Manager Financial Services, Manager Communication and several officers in Value Addition Services, Governance and Advocacy, Practice Monitoring, Credit Control and Standards Departments.

Risk Management & Finance Capital Strengthening

The Institute continued to grow its revenue base to ensure continued sustainability in the provision of member services. Revenue streams diversification, member growth and retention remain key to the Institute's growth and sustainability. Some of the measures the Institute is undertaking to increase revenues and ensure sustainability in the growth experienced in the last few years are the construction of the office park which is expected to accommodate the Institute's secretariat and generate revenues from letting.

The other strategies that the Institute is presently working on is the diversification of its CPD programs by creating new trainings to meet the needs of untapped and emerging segments or sectors of the economy especially the opportunities presented by the devolved government financial management system. The Institute is also presently undertaking tailor-made in house trainings to various companies on request thereby increasing the revenue from this component.

The Institute embarked on an ambitious project of developing a state of the art multi storey office complex at a cost of over Kshs 1.2 billion. The entire proposed project (ICPAK Complex) when fully complete will comprise an ultra modern 12-storey office block with approximately 14,000 square meters built area, hotel, conference facility and serviced apartments. Phase one of the construction started in May 2012 comprises of the office block with an expected completion of April 2014. The proposed project when complete will largely be used for income generation in order to diversify our revenue sources and partly accommodate the ICPAK secretariat. Close to 90% of the office park will be let out with the balance being occupied by ICPAK secretariat. This will ensure sustainable long term development and sustainability of service delivery to CPAs in the country enabling the Institute achieve its' mandate of developing and regulating the



Institutional Strengthening *(continued)*

accountancy profession in Kenya. The project will build the Institute capacity to achieve its mandate as laid down in the Accountants Act.

ICT Capital

The Institute continued to employ ICT in its operations during the year 2012. Among major initiatives undertaken were;

Upgrade of the ERP system

The Institute embarked on a process to automate all its major processes and integrate some online

services with the website. We also commenced upgrading of the ERP system, a process that will see our service levels greatly improved. This exercise is expected to be completed in the year 2013.

Re-engineering of the voting system

This was done in the year to address the limitations raised during the 2011 audit process. We expect that this will make the 2013 voting system easier and more reliable.



FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2012

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Institute Information For The Year Ended 31 December 2012

Members of the Council

Chairperson	CPA Patrick M. Mtange
Vice Chairperson	CPA Benson O. Okundi
Members	FCPA Abdulwahid M. Aboo CPA Julius W. Mwatu CPA Rosemary K. Gituma CPA Fernandes O. Barasa - Elected, June 2012 CPA Rashid M. Khamis, MBS - Elected, June 2012 CPA Felicitas Irungu - Retired, June 2012 CPA Joan W. N. Riitho - Retired, June 2012 CPA Geoffrey Malombe (representing Treasury) FCPA Pius Nduatih (representing KASNEB) CPA Wycliffe Shamiah (representing CMA)

Chief Executive & Secretary to the Council

FCPA Caroline J. Kigen

Council Committees

Committee	Chairman/Convenor
Governance and Advocacy	CPA Patrick M. Mtange
Audit Risk and Compliance	FCPA Pius Nduatih
Disciplinary	FCPA Jonathan Ciano
Financial Services	CPA Kang'e Saiti
Practitioners Development	CPA Julius W. Mwatu
Professional Standards	CPA Joseph Gichuki
Public Finance	CPA Erastus Omolo
Registration and Quality Assurance	FCPA Dr. Jim McFie
Shared Services	CPA Fernandes O. Barasa
Strategy	CPA Rashid M. Khamis, MBS
Training and Development	CPA Benson O. Okundi

KCA University Representatives

Board of Trustees	CPA Patrick Mtange
Finance Committee	FCPA Abdulwahid M. Aboo
Audit Risk and Governance Committee	CPA Anne E. Owuor

Secretary to the Council

FCPA Caroline J. Kigen
 P. O. Box 59963 - 00200
 NAIROBI

Institute Information For The Year Ended 31 December 2012 *(continued)***Registered Office and Principal Place of Business****CPA Centre**

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 Ruaraka, Thika Road
 P. O. Box 59963 - 00200
 NAIROBI.
 Telephone: +254 (020) 2304226, 2304227
 Fax: +254 (020) 8562206
 Mobile: +254 727 531006 / 733 856262 / 721 469796 / 721 469169
 Email: icpak@icpak.com
 Website: www.icpak.com

Independent Auditor**MAZARS**

Certified Public Accountants (K)
 Green House, Ngong Road
 P. O. Box 61120 - 00200
 NAIROBI.

Principal Bankers**Barclays Bank of Kenya Limited**

Moi Avenue Branch
 P. O. Box 30116 - 00100
 NAIROBI.

Standard Chartered Bank of Kenya Limited

Ruaraka Branch
 P. O. Box 32886 - 00600
 NAIROBI.

CFC Stanbic Bank Limited

Chiromo Road, Westlands
 P. O. Box 72833 - 00200
 NAIROBI.



Report of the Council For The Year Ended 31 December 2012

1. Incorporation

The Council submit their report and the audited financial statements for the year ended 31 December 2012, which show the state of the Institute's affairs.

The Institute of Certified Public Accountants of Kenya (ICPAK) is a body corporate established in 1978 under the provisions of the Accountants Act, Chapter 531 of the Laws of Kenya (Re-enacted as Accountants Act No. 15 of 2008) and is domiciled in Kenya. The address of the registered office is as set out on page 46.

2. Principal Activities

The principal activities of the Institute are to promote standards of professional competence and practice amongst members of the Institute; to promote research into the subject of Accountancy and Finance and related matters, and the publication of books, periodicals, journals and articles in connection therewith; to promote international recognition of the Institute and the CPA (K) brand; advise the Kenya Accountants and Secretaries National Examination Board (KASNEB) on matters relating to examinations standards and policies; and to advise the Minister responsible for Finance on matters relating to financial accountability in all sectors of the economy.

3. Membership

Active members at end of year

Existing members at invoice date

Practising

Non practising

Overseas

Retired

New members in the year

Subscription debtors written off

Subscription debtors recovered

Active members at end of year

	2012 No.	2011 No.
Active members at end of year	8,621	7,363
Existing members at invoice date		
Practising	889	862
Non practising	5,622	4,482
Overseas	475	419
Retired	377	354
New members in the year	1,446	1,334
	8,809	7,451
Subscription debtors written off	(403)	(349)
Subscription debtors recovered	215	261
Active members at end of year	8,621	7,363

Active members are those members who owe less than two years subscription fees as at year end.

4. Results for the Year

Total comprehensive income for the year

	2012 Kshs. '000'	2011 Kshs. '000'
Total comprehensive income for the year	328,977	18,124

Report of the Council For The Year Ended 31 December 2012 (continued)

5. Financial Statements

At the date of this report, the Council was not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

6. Auditor

The Institute's auditor MAZARS, Certified Public Accountants (K) has indicated willingness to continue in office.

By order of the Council

Caroline Kigen

Secretary to the Council

29th April 2013



Statement of Council's Responsibilities On the Financial Statements For The Year Ended 31 December 2012

The Accountants Act No. 15 of 2008 requires the Council to prepare financial statements for each financial year that give a true and fair view of the state of financial position of the Institute, as at the end of the financial year and of its operating results for the year. It also requires the Council to ensure that the Institute keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Institute. The Council is also responsible for safeguarding the assets of the Institute.

The Council accepts responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. It also accepts responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The Council is of the opinion that the financial statements give a true and fair view of the state of the financial position of the Institute as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Accountants Act No. 15 of 2008.

Nothing has come to the attention of the Council to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Council on 29th April 2013 and signed on its behalf by:-

CPA Patrick Mtange

Chairman

Fernandes Baraza

Council Member

Report of the Independent Auditor to the members of ICPAK For The Year Ended 31 December 2012

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute of Certified Public Accountants of Kenya, set out on pages 52 to 78 which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Accountants Act No. 15 of 2008; and for such internal control as Council determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial position of the Institute as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Accountants Act No. 15 of 2008.

MAZARS
Certified Public Accountants (K)
CPA Alphonse Karungu

Nairobi.

30th April 2013



Statement of Comprehensive Income For The Year Ended 31 December 2012

	Note	2012 Kshs. '000'	2011 Kshs. '000'
Income			
Subscriptions	4	115,228	99,397
Training and development services	5 (a)	152,276	100,341
CPA Centre	6 (a)	8,884	18,341
Discontinued operations (net income)	6 (c)	2,979	12,096
Social responsibility	7 (a)	768	1,327
		<u>280,135</u>	<u>231,502</u>
Expenses			
Training and development services	5 (b)	81,906	57,283
CPA Centre	6 (b)	4,191	7,039
Social responsibility	7 (b)	996	1,346
Operating expenses	8	<u>178,005</u>	<u>155,702</u>
		<u>265,098</u>	<u>221,370</u>
Operating Surplus		15,037	10,132
Other income	9	<u>52,113</u>	<u>7,992</u>
Surplus before gain on sale of non current assets held for sale		67,150	18,124
Gain on sale of non current assets held for sale	10	<u>254,493</u>	<u>-</u>
Surplus before other comprehensive income		321,643	18,124
Other comprehensive income			
Revaluation surplus	11	<u>7,334</u>	<u>-</u>
Total comprehensive income for the year		<u>328,977</u>	<u>18,124</u>

Statement of Financial Position As At 31 December 2012

	Note	2012 Kshs. '000'	2011 Kshs. '000'
ASSETS			
Non current assets			
Property and equipment	11	237,693	107,386
Investment property	12	21,000	16,000
Prepaid operating lease rental	13	3,783	3,913
Intangible asset	14	2,292	-
Investment in CPA Centre Limited	15	<u>50</u>	<u>50</u>
		<u>264,818</u>	<u>127,349</u>
Current assets			
Inventories	16	938	827
Trade and other receivables	17	141,955	80,084
Cash and cash equivalents	18	<u>308,001</u>	<u>121,049</u>
		<u>450,894</u>	<u>201,960</u>
Non current assets held for sale	19	<u>-</u>	<u>85,507</u>
Total assets		<u>715,712</u>	<u>414,816</u>
EQUITY AND LIABILITIES			
Equity			
General fund		589,873	255,971
Revaluation reserve	20	61,126	65,823
Designated fund	21	<u>5,085</u>	<u>5,313</u>
		<u>656,084</u>	<u>327,107</u>
Non current liabilities			
Retention on construction	22	9,793	-
Due to CPA Centre Limited	26	<u>50</u>	<u>50</u>
		<u>9,843</u>	<u>50</u>
Current liabilities			
Trade and other payables	23	31,580	28,777
CPA Centre sale deposit	24	-	34,000
Advance subscriptions	25	<u>18,205</u>	<u>24,882</u>
		<u>49,785</u>	<u>87,659</u>
Total equity and liabilities		<u>715,712</u>	<u>414,816</u>

The financial statements on pages 52 to 78 were authorised for issue by the Council on 29th April 2013 and were signed on its behalf by:

Patrick Mtange

Chairman

Fernandes Baraza

Council Member



Statement of Changes in Equity As At 31 December 2012

	Note	General fund Kshs. '000'	Revaluation reserve Kshs. '000'	Designated fund Kshs. '000'	Total Kshs. '000'
At 1 January 2011		235,764	67,887	5,332	308,983
Changes in equity in 2011					
Total comprehensive income for the year		18,124	-	-	18,124
Transfer of excess depreciation	11	2,064	(2,064)	-	-
Deficit from social responsibility	7	19	-	(19)	-
At 31 December 2011		<u>255,971</u>	<u>65,823</u>	<u>5,313</u>	<u>327,107</u>
At 1 January 2012		255,971	65,823	5,313	327,107
Changes in equity in 2012					
Total comprehensive income for the year		328,977	-	-	328,977
Transfer of excess depreciation	11	2,064	(2,064)	-	-
Revaluation surplus	11	(7,334)	7,334	-	-
Revaluation surplus write off*	20	9,967	(9,967)	-	-
Deficit from social responsibility	7	228	-	(228)	-
At 31 December 2012		<u>589,873</u>	<u>61,126</u>	<u>5,085</u>	<u>656,084</u>

*Revaluation surplus write off: relates to revaluation surplus earlier recognised on non-current assets held for sale.

Statement of Cash Flows For The Year Ended 31 December 2012

	Note	2012 Kshs. '000'	2011 Kshs. '000'
Cash flows from operating activities:			
Total comprehensive income for the year		328,977	18,124
Adjustments for:			
Depreciation on property and equipment	11	5,098	4,997
Amortisation of prepaid operating lease rental	13	130	130
Amortisation of intangible assets	14	208	-
Fair value gain on investment property	12	(5,000)	-
Revaluation surplus	11	(7,334)	-
Loss on disposal of equipment		75	53
Gain on sale of non current assets held for sale	10	(254,493)	-
Interest income		<u>(46,374)</u>	<u>(7,292)</u>
Surplus before working capital changes		21,287	16,012
(Increase)/Decrease in inventories	16	(111)	314
(Increase) in trade and other receivables	17	(61,871)	(9,027)
Increase in trade and other payables	23	2,803	9,201
(Decrease)/Increase in advance subscriptions	25	<u>(6,677)</u>	<u>6,370</u>
		(44,569)	22,870
Interest income	9	46,374	7,292
Net cash generated from operating activities		<u>1,805</u>	<u>30,162</u>
Cash flows from investing activities:			
Purchase of property and equipment	11	(2,644)	(2,146)
Proceeds from sale of property and equipment		-	39
Retention on construction for work certified	22	9,793	-
Proceeds from sale of non current assets held for sale	10	306,000	-
Purchase of intangible assets	14	(2,500)	-
Insurance compensation on computers		108	107
Work in progress	11	(125,610)	(19,685)
Land sub division costs		-	(1,850)
Net cash generated from/(used in) investing activities		<u>185,147</u>	<u>(23,535)</u>
Increase in cash and cash equivalents		186,952	6,627
At the start of the year	18	121,049	114,422
At end of the year	18	<u>308,001</u>	<u>121,049</u>



Notes For The Year Ended 31 December 2012

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented unless otherwise stated.

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings (Kshs) which is also the functional currency (see (c) below), rounded to the nearest thousand. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified in profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the accounting policies adopted by the Institute. Although such estimates and assumptions are based on the Council's best knowledge of the information available, actual results may differ from those estimates. The judgments and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgments of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

b) New and revised standards***Adoption of new and revised standards***

The following new and revised standards and interpretations have become effective for the first time and have been adopted by the Institute where relevant to its operations:

- IAS 12 (Amendment) - Income Taxes : the amendment requires that a rebuttable presumption be made that the carrying amount of investment property carried at fair value will be recovered through sale.
- IFRS 7 (Amendment) - Disclosures - Transfers of financial assets: The amendments improve the disclosure requirements in relation to transferred financial assets.

The adoption of the above where relevant has had no material effect on the Institute's accounting policies or disclosures.

Notes For The Year Ended 31 December 2012 *(continued)*1. Summary of significant accounting policies *(continued)***b) New and revised standards *(continued)******New and revised standards and interpretations in issue but not yet effective***

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but are not yet effective for the year beginning 1st January 2012. The Institute has not adopted any of these revised standards, amendments and interpretations in advance of the effective date:

- IAS 1 (Amendment) - Presentation of financial statements: the amendment will require entities to group items of other comprehensive income according to whether or not they will be subsequently reclassified to profit or loss. It is effective for accounting periods beginning on or after 1st July 2012.
- IAS 19 (Amendment) - Employee Benefits : The key amendments include elimination of the 'corridor approach', modification of accounting for termination payments, and changes to the disclosure requirements for defined benefit plans. The amendments are effective for accounting periods beginning on or after 1st January 2013.
- IFRS 9 - Financial Instruments will eventually replace IAS 39 - Financial Instruments, Recognition and Measurement. The new standard will be effective for annual periods beginning on or after 1st January 2015. The chapters published to date cover recognition, derecognition, classification and measurement of financial assets and financial liabilities. Most gains or losses on financial assets measured at fair value will then be recognised in profit or loss, but the company will be able to make an irrevocable election to present changes in fair value of investments in equity instruments in other comprehensive income.
- IAS 27 (Revised) - Separate Financial Statements ; IAS 28 (Revised) Investments in Associates and Joint Ventures ; IFRS 10 - Consolidated Financial Statements ; IFRS 11 - Joint Arrangements ; IFRS 12 - Disclosure of Interests in Other Entities : these revised and new standards become effective for accounting periods beginning 1st January 2013, and have to be adopted simultaneously if adopted earlier. IFRS 10 establishes new principles of control, which determines whether an investee should be consolidated: it replaces parts of IAS 27, which will then deal only with separate financial statements of a parent, and SIC 12 - Consolidation of Special Purpose Entities . IFRS 11 establishes new principles for determining the nature of a joint arrangement, and eliminates the 'proportionate consolidation' method for joint ventures. The revised IAS 28 deals with the application of the equity method of accounting for associates and joint ventures. IFRS 12 sets out revised disclosure requirements for subsidiaries, joint arrangements, associated and unconsolidated structured entities.
- IFRS 13 - Fair Value Measurement : the new standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements: it does not introduce any new requirements to measure an asset or a liability at fair value. The new standard is effective for accounting periods beginning on or after 1st January 2013.

Notes For The Year Ended 31 December 2012 *(continued)*1. Summary of significant accounting policies *(continued)***b) New and revised standards *(continued)******New and revised standards and interpretations in issue but not yet effective***

- IFRIC 20 - Stripping costs in the production phase of a surface mine : the Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for accounting periods beginning on or after 1st January 2013.
- IFRS 7 (Amendment) - Financial Instruments - Disclosures : this amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's financial position. The amendment is effective for accounting periods beginning on or after 1st January 2013.
- Investment Entities (amendments to IFRS 10, IFRS 12, and IAS 27). The amendments are effective for accounting periods beginning on or after 1st January 2014.

Where applicable to the Institute, Council has assessed the potential impact of the above and expect that they will not have a significant impact on the Institute's financial statements for 2012.

c) Foreign currency transactions

Transactions in foreign currencies during the year are converted into Kenya Shillings (functional currency) at the rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya Shillings at the rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit or loss in the year in which they arise.

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the services offered by the Institute. It is recognised when it is probable that future economic benefits will flow to the Institute and the amount of revenue can be measured reliably. It is stated net of rebates and discounts.

- Subscription income from active members is recognised in the year in which it is due. Active members are considered to be those members:
 - who are up to date with their subscription; and/or
 - owing less than two years.
- Subscription income from other members is recognised when it is received and is treated as recovery.
- Registration fee is recognised on member application.
- Training and development services income is recognised upon service delivery.
- Rental income is recognised on a straight-line basis over the period of the lease.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Hostel income is recognised upon service delivery, net of VAT and discounts.

Notes For The Year Ended 31 December 2012 *(continued)*1. Summary of significant accounting policies *(continued)***e) Property, equipment and depreciation**

All property and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment excluding buildings. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Buildings are subsequently shown at market value, based on periodic valuations carried out by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated under revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit or loss and depreciation based on the asset's original cost) is transferred from the revaluation reserve to the general fund.

Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following rates:

Buildings	Over the 42 year term of the leasehold land
Equipment	4 years
Computers	4 years
Furniture and fittings	10 years

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining the surplus for the year. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the general fund.

Notes For The Year Ended 31 December 2012 *(continued)*1. Summary of significant accounting policies *(continued)***f) Intangible assets**
Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of three years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Institute, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, staff costs and an appropriate portion of relevant overheads.

g) Investment property

Investment property is property held to earn rentals. It is a long-term investment in buildings that are not occupied substantially for own use. Investment property is initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date as determined by independent registered valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment property being valued. Changes in fair value are recorded in the profit or loss.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year in which it is incurred.

Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating surplus.

h) Impairment of Non-current assets

Internal and external sources of information are reviewed at each reporting date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

Notes For The Year Ended 31 December 2012 *(continued)*1. Summary of significant accounting policies *(continued)***i) Financial instruments**
Classification

The Institute classifies its financial instruments into the following categories:

Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

Financial liabilities, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

Recognition and measurement**Financial assets**

Financial assets are initially recognised at fair value. The Institute's financial assets which include cash and cash equivalents and receivables fall into the following categories:

Cash and cash equivalents: For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and short term marketable securities.

Receivables: Receivables are carried at original invoiced amount less an estimate made for impairment based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified. Subsequent recoveries of amounts previously written off are credited to income in the year of their recovery.

Financial liabilities

Financial liabilities including trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

j) Employee benefits**Post-employment benefit obligations**

The Institute operates a defined contribution staff retirement benefit scheme for its employees. The scheme is administered by Insurance Company of East Africa and is funded by contributions from both the Institute and the employees. The Institute's contributions to the defined contribution retirement benefit scheme are charged to the statement of comprehensive income in the year in which they relate.

The Institute and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The Institute's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

Notes For The Year Ended 31 December 2012 *(continued)***Employees entitlements**

There is no monetary liability for employees' annual leave entitlement accrued at the reporting date as this lapses if the current period entitlement is not utilised in full.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

l) Leases

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Amortisation of prepaid operating lease rentals is charged to the statement of comprehensive income on a straight line basis over the 42 year term of the leasehold land.

m) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition. Operations are classified as discontinued when cessation of such operations is highly probable. Management must be committed to the sale or cessation of operations, which should be expected to qualify for recognition as a completed sale or cessation within one year from the date of classification.

n) Advance subscriptions

Deferred subscriptions (also known as deferred/unearned income) are subscription fees received from members for subsequent periods as at year end. They are recorded as a liability until the fees are due, at which time they are recognised as income.

o) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of 12 months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Institute, the Council makes certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The Council evaluates at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

i) Significant judgements in applying the Institutes' accounting policies

In the process of applying the Institute's accounting policies, the Council has made judgements in determining:

- Whether assets are impaired

Notes For The Year Ended 31 December 2012 *(continued)***3. Risk management objectives and policies****a) Financial risk management**

The Institute's activities expose it to a variety of financial risks including credit, liquidity and market risks. Risk management is carried out by the Audit, Risk and Compliance Committee under policies approved by the Council. The policies focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk. The Institute has not hedged against any risks in the current year.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the Institute to credit risk as at the statement of financial position date is as follows:

i) Credit risk *(continued)*

	Fully performing Kshs. '000'	Past due but not impaired Kshs. '000'	Past due and impaired Kshs. '000'	Total Kshs. '000'
31 December 2012				
Financial assets				
Subscription receivables	-	11,299	-	11,299
Other receivables	19,238	66,332	-	85,570
Prepayment for construction	45,086	-	-	45,086
Cash & Cash equivalents	308,001	-	-	308,001
Gross financial assets	<u>372,325</u>	<u>77,631</u>	<u>-</u>	<u>449,956</u>
31 December 2011				
Financial assets				
Subscription receivables	-	5,914	-	5,914
Other receivables	14,553	59,617	-	74,170
Cash & Cash equivalents	121,049	-	-	121,049
Gross financial assets	<u>135,602</u>	<u>65,531</u>	<u>-</u>	<u>201,133</u>

Notes For The Year Ended 31 December 2012 *(continued)***3. Risk management objectives and policies** *(continued)***a) Financial risk management** *(continued)*

The past due debtors are not impaired and continue to be paid. Credit risk is concentrated mainly to members for seminars attended on credit. The Institute does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations as they fall due. The management ensures that adequate cash reserves are maintained to pay off liabilities as they crystallise. Financial assets are held in short term fixed deposits maturing within 3 to 12 months.

The current ratio during the year was 9.10 (2011: 2.30).

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities.

31 December 2012

Trade and other payables

31 December 2011

Trade and other payables

	Between 1 - 3 months Kshs. '000'	Between 3 - 12 months Kshs. '000'	Over 12 months Kshs. '000'
31 December 2012 Trade and other payables	15,605	15,516	459
31 December 2011 Trade and other payables	15,341	12,977	459

Notes For The Year Ended 31 December 2012 *(continued)***3. Risk management objectives and policies** *(continued)***a) Financial risk management** *(continued)***iii) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The Institute's interest rate risk arises from short term bank deposits because of changes in market interest rates.

If the interest rates on the Institute's short term bank deposits at the year-end were to increase/decrease by 5 percentage points, with all other factors remaining constant, the surplus for the year would be lower/higher by Kshs. 2,318,696.

Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency.

The Institute has no trade receivables, nor trade payables, nor borrowings which are denominated in foreign currency as at the reporting date.

b) Financial risk management

The Institute's objective in managing its equity is to ensure that it supports the development of its business and is able to continue as a going concern. The Institute is not subject to any external equity or capital requirements.

Notes For The Year Ended 31 December 2012 *(continued)*

4. Subscriptions income

	2012 Kshs. '000'	2011 Kshs. '000'
Active members at beginning of year		
Practising	18,460	17,136
Non practising	60,833	44,780
Overseas	3,681	3,259
Retired	1,414	1,294
Registration and licence fees	10,371	8,500
New members in the year	24,355	23,950
	<u>119,114</u>	<u>98,919</u>
Subscription debtors written off	(9,021)	(6,364)
Subscription debtors recovered	5,135	6,842
	<u>115,228</u>	<u>99,397</u>
Active members at end of year		

Subscription debtors written off represents the value of subscriptions due from members owing more than two years that remain unpaid at the reporting date. This is in accordance with the accounting policy on revenue recognition (set out in policy 1 (d) above).

5. Training and development services

(a) Income

	2012 Kshs. '000'	2011 Kshs. '000'
Annual seminar	56,343	45,021
Economic symposium	6,749	3,534
Monthly seminars/video sessions	51,975	23,037
Managerial seminar	11,039	8,760
Internal audit conference	11,129	10,426
Executive retreat	12,564	5,589
Sale of publications	2,477	1,178
E-Connect advertising	-	383
ACOA Conference (net income)	-	2,413
	<u>152,276</u>	<u>100,341</u>

Notes For The Year Ended 31 December 2012 *(continued)*5. Training and development services *(continued)*

(b) Expenses

	2012 Kshs. '000'	2011 Kshs. '000'
Annual seminar	22,220	21,941
Economic symposium	3,394	2,747
Monthly seminars/video sessions	35,204	19,096
Managerial seminar	4,765	4,209
Internal audit conference	4,759	4,585
Executive retreat	10,125	3,924
Sale of publications	1,439	781
	<u>81,906</u>	<u>57,283</u>
Surplus from training and development services	<u>70,370</u>	<u>43,058</u>

The expenses exclude direct staff salaries and other related expenses.



Notes For The Year Ended 31 December 2012 (continued)

6. CPA Centre

(a) Income

Rent	14,933	4,933
Hostel occupancy	3,951	13,408
	<u>8,884</u>	<u>18,341</u>

(b) Expenses

Hostel occupancy	4,191	7,039
	<u>4,191</u>	<u>7,039</u>

Surplus from CPA Centre

(c) Discontinued operations

The following net income forms part of discontinued operations on finalisation of the sale of part of the CPA Centre:

Income: Rent	2,979	12,096
Net Income foregone from discontinued operations	<u>2,979</u>	<u>12,096</u>

Discontinued operations exclude operating expenses in respect of services offered to both ICPAK and KCA University on a cost sharing basis. The staff offering the services were laid off and the services transferred to KCA University.

7. Social responsibility

(a) Income

Golf tournament	768	1,327
	<u>768</u>	<u>1,327</u>

(b) Expenses

Golf tournament	996	1,346
(Loss) from social responsibility activities	<u>(228)</u>	<u>(19)</u>

Social responsibility is the net proceeds from an annual charity golf tournament. These proceeds are utilised in funding various corporate social responsibility activities other than educating needy students.

Notes For The Year Ended 31 December 2012 (continued)

8. Operating expenses

Salaries and other related (Note 27)	107,082	87,172
International relations	15,019	17,703
Council and committee	7,752	8,353
Accountancy journal (net of cost recoveries)	9,114	6,035
Depreciation on property and equipment	5,098	4,997
Printing and stationery	2,874	4,726
Staff meetings and welfare	3,540	2,654
Utilities	1,554	2,321
Telephones and postages	2,992	2,270
Member recruitment and marketing	3,003	2,903
Staff training	1,136	2,159
Practitioners development	1,794	2,140
Shared services	2,876	2,533
FiRe Award	1,500	1,500
Audit quality review	2,087	1,375
Computer and website	3,631	2,017
Governance and advocacy	1,908	1,074
Bank charges	671	975
Disciplinary measures	1,529	933
Audit fees	786	932
Repairs and maintenance	1,254	638
Amortisation of prepaid operating lease rental	130	130
Amortisation of intangible assets	208	-
Insurance	392	87
Loss on disposal of computers	75	53
Allowance for credit losses	-	22
	<u>178,005</u>	<u>155,702</u>

9. Other income

Interest income	46,374	7,292
Miscellaneous income	739	700
Fair value gain on investment property	<u>5,000</u>	<u>-</u>
	<u>52,113</u>	<u>7,992</u>

Interest Income: Income received from short term bank deposits held in various banks.
Fair value gain on investment property (Note 12).

Notes For The Year Ended 31 December 2012 *(continued)*

10. Gain on sale of non current assets held for sale

During the year ended 31 December 2012, the part sale of CPA Centre to KCA University was finalised and the sale price of Kenya shillings 340 million received in full.

Proceeds from sale
Non current assets held for sale (note 19)

Kshs. '000'
340,000
(85,507)
<u>254,493</u>

Notes For The Year Ended 31 December 2012 *(continued)*

11. Property and equipment

Cost and valuation

	Buildings Kshs. '000'	Work-in progress Kshs. '000'	Equipment Kshs. '000'	Computers Kshs. '000'	Furniture and fittings Kshs. '000'	Total Kshs. '000'
At 1 January 2011	80,000	3,240	10,139	6,620	6,292	106,291
Additions	-	-	939	843	364	2,146
Work in progress	-	19,685	-	-	-	19,685
Disposals	-	-	(202)	(202)	(44)	(448)
At 31 December 2011	<u>80,000</u>	<u>22,925</u>	<u>10,876</u>	<u>7,261</u>	<u>6,612</u>	<u>127,674</u>
At 1 January 2012	80,000	22,925	10,876	7,261	6,612	127,674
Depreciation write back	(5,334)	-	-	-	-	(5,334)
	<u>74,666</u>	<u>22,925</u>	<u>10,876</u>	<u>7,261</u>	<u>6,612</u>	<u>122,340</u>
Additions	-	125,610	930	687	1,027	128,254
Revaluation Surplus	7,334	-	-	-	-	7,334
Disposals	-	-	-	(430)	-	(430)
At 31 December 2012	<u>82,000</u>	<u>148,535</u>	<u>11,806</u>	<u>7,518</u>	<u>7,639</u>	<u>257,498</u>
Depreciation						
At 1 January 2011	-	-	9,454	3,943	2,143	15,540
Disposals	-	-	(190)	(38)	(21)	(249)
Charge for the year	2,667	-	465	1,213	652	4,997
At 31 December 2011	<u>2,667</u>	<u>-</u>	<u>9,729</u>	<u>5,118</u>	<u>2,774</u>	<u>20,288</u>
At 1 January 2012	2,667	-	9,729	5,118	2,774	20,288
Disposals	-	-	-	(247)	-	(247)
Charge for the year	2,667	-	618	1,095	718	5,098
Depreciation write back	(5,334)	-	-	-	-	(5,334)
At 31 December 2012	<u>-</u>	<u>-</u>	<u>10,347</u>	<u>5,966</u>	<u>3,492</u>	<u>19,805</u>
Net carrying amount						
At 31 December 2012						
- net cost and valuation	<u>82,000</u>	<u>148,535</u>	<u>1,459</u>	<u>1,552</u>	<u>4,147</u>	<u>237,693</u>
- net cost	<u>21,260</u>	<u>136,891</u>	<u>1,459</u>	<u>1,552</u>	<u>2,979</u>	<u>164,141</u>
At 31 December 2011						
- net cost and valuation	<u>77,333</u>	<u>22,925</u>	<u>1,147</u>	<u>2,143</u>	<u>3,838</u>	<u>107,386</u>
- net cost	<u>21,863</u>	<u>22,925</u>	<u>1,147</u>	<u>2,143</u>	<u>2,670</u>	<u>50,748</u>

Notes For The Year Ended 31 December 2012 *(continued)***11. Property and equipment** *(continued)*

Buildings value is as per valuation carried out during the year by Paragon Property Valuers Limited - an independent registered valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of building being valued, based on an open market value on 18th December 2012.

Work-in-progress: represents costs incurred towards construction of an ultra modern multi-storey office park at the CPA Centre.

12. Investment property

At 1 January
Fair value gain
At 31 December

	2012 Kshs. '000'	2011 Kshs. '000'
At 1 January	16,000	16,000
Fair value gain	5,000	-
At 31 December	21,000	16,000
Rental income from investment property	4,933	4,933

Investment property generated a rental income of Kshs. 4,933,114 (2011: Kshs. 4,933,114). There were no direct operating expenses (2011: Nil).

The value of investment property is as per valuation carried out during the year by Paragon Property Valuers Limited - an independent registered valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of investment property being valued, based on an open market value on 18th December 2012.

13. Prepaid operating lease rental

Leasehold land:

Cost
At 1 January
At 31 December

	2012 Kshs. '000'	2011 Kshs. '000'
At 1 January	5,478	5,478
At 31 December	5,478	5,478
Amortisation		
At 1 January	1,565	1,435
Charge for the year	130	130
At 31 December	1,695	1,565
Net carrying amount	3,783	3,913

The fair value of the assets classified as prepaid operating lease rentals is Kshs. 140,000,000 based on an open market valuation carried out on 18th December 2012 by Paragon Property Valuers Limited (an independent registered valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of land being valued).

The prepaid operating lease rental is amortised over the 42 year term of the leasehold land acquired in 1999. The land is located at the CPA Centre, LR No. 28799/2 along Thika Road.

Notes For The Year Ended 31 December 2012 *(continued)***14. Intangible assets****Software costs:**

Cost
At 1 January
Additions
At 31 December

Amortisation
At 1 January
Charge for the year
At 31 December

Net carrying amount

	2012 Kshs. '000'	2011 Kshs. '000'
At 1 January	3,520	3,520
Additions	2,500	-
At 31 December	6,020	3,520
At 1 January	3,520	3,520
Charge for the year	208	-
At 31 December	3,728	3,520
Net carrying amount	2,292	-



Notes For The Year Ended 31 December 2012 (continued)

15. Investment in CPA Centre Limited

Investment in CPA Centre Limited

	2012 Kshs. '000'	2011 Kshs. '000'
	50	50

The Institute is a beneficial owner of CPA Centre Limited with a direct shareholding of 50.02% of the issued share capital. The investment comprises of 10,004 shares of KShs. 5 each. This company did not trade during the year.

16. Inventories

IFRS Books

	2012 Kshs. '000'	2011 Kshs. '000'
	938	827

17. Trade and other receivables

Subscription receivables

Less: Transfer to non-active category

Net subscription receivables

	2012 Kshs. '000'	2011 Kshs. '000'
Subscription receivables	20,320	14,356
Less: Transfer to non-active category	(9,021)	(8,442)
Net subscription receivables	11,299	5,914
Other receivables	27,548	17,757
Deposits and prepayments	3,380	291
Prepayment for construction	45,086	-
Staff receivables	1,031	18
Related party receivables (Note 26)	53,078	53,448
FiRe Award fund	533	2,656
	<u>141,955</u>	<u>80,084</u>

18. Cash and cash equivalents

Cash at bank and in hand

Short term bank deposits

	2012 Kshs. '000'	2011 Kshs. '000'
Cash at bank and in hand	16,884	7,640
Short term bank deposits	291,117	113,409
	<u>308,001</u>	<u>121,049</u>

The weighted average effective interest rate on short term bank deposits at the year-end was 15.7% (2011: 7.0%).

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. The year-end cash and cash equivalents comprise the following:

Cash and bank balances as above

	2012 Kshs. '000'	2011 Kshs. '000'
	<u>308,001</u>	<u>121,049</u>

Notes For The Year Ended 31 December 2012 (continued)

19. Non current assets held for sale

Property and equipment

Investment property

Prepaid operating lease rentals

Value of property disposed (temporary structures)

	2012 Kshs. '000'	2011 Kshs. '000'
Property and equipment	-	15,515
Investment property	-	32,785
Prepaid operating lease rentals	-	28,071
Value of property disposed (temporary structures)	-	9,136
	<u>-</u>	<u>85,507</u>

During the year, the sale to KCAU of part of the CPA Centre was finalised and the sale price of Kenya shillings 340 million received in full.

20. Revaluation reserve

Property and equipment

Buildings

Land improvements

Furniture and fittings

	2012 Kshs. '000'	2011 Kshs. '000'
Buildings	59,958	64,190
Land improvements	-	465
Furniture and fittings	1,168	1,168
	<u>61,126</u>	<u>65,823</u>

The movement of the reserve is as follows:

At 1 January 2012

Transfer of excess depreciation

Revaluation surplus write off*

Revaluation reserve

At 31 December 2012

Buildings Kshs. '000'	Land improvements Kshs. '000'	Furniture and fittings Kshs. '000'	Total Kshs. '000'
64,190	465	1,168	65,823
(2,064)	-	-	(2,064)
(9,502)	(465)	-	(9,967)
7,334	-	-	7,334
<u>59,958</u>	<u>-</u>	<u>1,168</u>	<u>61,126</u>

The last valuation on buildings was carried out on 18 December 2012 by Paragon Property Valuers Limited (an independent registered valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of building being valued) based on an open market value.

Notes For The Year Ended 31 December 2012 *(continued)*

21. Designated funds

Year 2012

At start of year
Transfers from the general fund
At end of year

	Bursary funds Kshs. '000'	Charity funds Kshs. '000'	Total Kshs. '000'
At start of year	5,000	313	5,313
Transfers from the general fund	-	(228)	(228)
At end of year	<u>5,000</u>	<u>85</u>	<u>5,085</u>

Year 2011

At start of year
Transfers from the general fund
At end of year

At start of year	5,000	332	5,332
Transfers from the general fund	-	(19)	(19)
At end of year	<u>5,000</u>	<u>313</u>	<u>5,313</u>

The bursary fund was set up by the Institute from the general fund to support education of needy students.

22. Retention on construction

Retention on construction for work certified

	2012 Kshs. '000'	2011 Kshs. '000'
Retention on construction for work certified	<u>9,793</u>	<u>-</u>

For construction work of the ultra modern multi-storey office park at the CPA Centre.

23. Trade and other payables

Trade payables
Rental deposit
Advance receipts
Other accruals
Related party payable (Note 26)

	2012 Kshs. '000'	2011 Kshs. '000'
Trade payables	15,099	17,665
Rental deposit	841	600
Advance receipts	2,972	5,622
Other accruals	12,209	4,431
Related party payable (Note 26)	459	459
	<u>31,580</u>	<u>28,777</u>

In the opinion of the Council, the carrying amounts of payables approximate to their fair value.

24. CPA Centre sale deposit

CPA Centre sale deposit

	2012 Kshs. '000'	2011 Kshs. '000'
CPA Centre sale deposit	<u>-</u>	<u>34,000</u>

Sale deposit obtained from KCA University towards the sale of part of the CPA Centre in 2011 utilised with the sale completion in 2012.

Notes For The Year Ended 31 December 2012 *(continued)*

25. Advance subscriptions

Advance subscriptions

	2012 Kshs. '000'	2011 Kshs. '000'
Advance subscriptions	<u>18,205</u>	<u>24,882</u>

Advance subscriptions represent amounts received in the current year for the subscriptions of subsequent periods as at year end.

26. Related party transactions

The Institute is the sponsor/founder of KCA University. In accordance with the Universities Act, the assets and liabilities are held through a Board of Trustees for the benefit of University Education.

The Institute is a beneficial owner of CPA Centre Limited with a direct shareholding of 50.02% of the issued share capital. The balance is held indirectly through KCA University. This company did not trade during the year. The investment comprises 10,004 shares of KShs. 5 each.

i) Related party receivables

Receivable from KCA University (Note 17)

The receivable is for rent and service charge.

	2012 Kshs. '000'	2011 Kshs. '000'
Receivable from KCA University (Note 17)	<u>53,078</u>	<u>53,448</u>

ii) Related party payables

Payable to KCA University (Note 23)
Due to CPA Centre Limited

Payable to KCA University (Note 23)	459	459
Due to CPA Centre Limited	<u>50</u>	<u>50</u>
	<u>509</u>	<u>509</u>

iii) Key management compensation

Salaries and other short term benefits
Post employment benefits

Salaries and other short term benefits	12,716	12,579
Post employment benefits	<u>833</u>	<u>814</u>
	<u>13,549</u>	<u>13,393</u>

No provision is necessary in 2012 and 2011 in respect of related party balances.



Notes

2012 Kshs. '000'	2011 Kshs. '000'
93,140	75,226
1,149	1,263
4,388	4,027
4,915	4,498
599	571
423	-
368	390
2,100	1,197
<u>107,082</u>	<u>87,172</u>

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

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FINANCIAL SERVICES CONFERENCE & EXHIBITION

10th to 12th July 2013

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Conference Participation fee

Kshs 28,450

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Kshs 150,000

For more information or enquiries on corporate partnership, please call 0727 531 006, 0733 856 262, 020 8068570, 020 2304227 or email: memberservices@icpak.com





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