

**INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS OF KENYA**

2010

ANNUAL REPORT & FINANCIAL STATEMENTS

CREDIBILITY • PROFESSIONALISM • ACCOUNTABILITY



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 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 replace the 1978 Accountants Act to take into account the various developments that had shaped the accounting profession globally and in Kenya.

The Accountants Act prescribes the following as the functions of the Institute:

- 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;
- To advise the Examination Board on matters relating to examinations standards and policies;
- To advise the Minister 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 to the performance of any of the preceding functions.

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

CONTENTS

PAGE

Chairman’s Message	4
CEO’S Message	5
Overview on 2010	6
Strategic Plan 2010 - 2014	7
Corporate Governance Statement	23
The Council	24
Good Governance Practices	26
Record of Council and Committees Meetings	29
Management Team	30
Financial Report	31
Financial Commentry	32
Report of the Council	34
Statement of Council’s Responsibilities	35
Report of the Independent Auditor	36
Financial Statements	37

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Chairman's Message

The year 2010 marked a historic dawn for our country. With the promulgation of the new Constitution, the nation and our profession have much to gain from the streamlined governance structures championed by the new era. The Institute strove to ensure the profession is strategically positioned and remains relevant in the process; so that member skills and competencies are tapped into for new opportunities. The Institute played a key role in the review process and we made submissions to the Ministry of Justice and Constitutional Affairs, The Parliamentary Select Committee on Constitutional Review and the Committee of Experts. We also facilitated civic education sessions organized by the Association of Professional Societies of East Africa (APSEA), and the Nairobi City Council.

During the year, we prioritized a strong commitment to public interest oversight. We focused on increased media profiling including guest appearances on television shows, press releases and engagements on matters of governance and accountability. We prevailed upon the President to consider the macro-economic effect of the proposed salary increments that members of Parliament had recommended for themselves. We equally provided insights on the need to reject the Price Control Bill 2010 that had been passed by Parliament. As well, we heightened engagement with the Parliamentary Oversight Committees with a view to instituting stronger and more accountable systems of governance in the public sector. We offered critical advice to the Taskforce on the Review of the Constituency Development Fund and got involved in the national budgetary process. Moreover, we were engaged in lobbying for the speedy review of the various business bills including Companies Act, Liquidation Act and the Partnership Act.

Pegging itself to global standards, the Institute saw it fit to introduce the Associate Category. This initiative seeks to attain compliance with the International Education Standards which requires an accountant to have gained a minimum of three years practical experience as part of the qualification process. We are proud to have achieved this step as part of our vision to be a globally recognized accountancy Institute.

We look forward to KCA University achieving its' dream of owning part of the impressive CPA Centre property, a dream made possible by the members commitment to the growth of a humble accountancy college started more than 15 years ago. Our decision to aid the KCA University dream establishes recognition of the Institute's contribution to the national economy.

The members resolution is well rewarded, as a result of the CPA Centre property sale, we now stand on the threshold of attaining our own dream of owning state of the art offices, and re-investing our funds in a viable project that will ensure the financial sustainability of the Institute for years to come.

As I end my memorable tenure as Chairman, I wish to express my sincere gratitude to you, the members of the Institute; and the secretariat, for your relentless support. Together, we shape the Institute into what it needs to be: today, tomorrow, and into the future.

Michael M Hote



From the Chief Executive



We continue to operate in an extremely challenging and fast-changing environment. The scarcity of resources and the rising cost of living remains an ever present reality and will have an increasing impact on our day-to-day activities, and is already impacting the way businesses are run. Flexibility and adaptability will be instrumental in the business world of tomorrow. On the positive side, there has been a renewed demand for leadership and business skills, and for better financial management, particularly in the public sector of those countries where there is increasing need for accountability from the citizens. In the context of our profession, the challenges and resultant opportunities continue to grow.

We saw increased interest in the Institute from other third Parties more specifically from the Government. It is finally becoming a reality that the input of professional accountants has gained in recognition in the economy. Increased regulation, locally and globally, mounting complexity of business operations, and reporting thereon, and consequently heightened expectations of professionals, make the business world not only a land of challenge but also a world of opportunity for the skilled professional that remains flexible and can adapt quickly to change. This makes individuals with the right mindset and the right core skills invaluable, not only locally but globally. We recognise these challenges and continue to support our members to take advantage of the opportunities that present themselves.

Against this challenging backdrop, 2010 was a strong year for ICPAK. Membership rose by over 1,500 as a major milestone. Financially, we made a net surplus of Kshs 43 million from a turnover of Kshs. 239 million, while continuing to invest in the acceleration of our strategy.

We continued to make strong progress in extending our reputation and influence in Kenya even as we sought to secure recognition as a globally recognised professional accountancy Institute. In the year 2010, we launched a new Strategic Plan and focused our attention in making the strategic objectives real. We started off by ensuring that the Institute is staffed by competent human capital to meet the ever increasing demand for our services.

Among the priorities of the newly launched Strategic Plan 2010 – 2014, is the re-fashioning of the Institute into a management led organization. The Council is freed from day to day management of the Institute and can now focus on strategic issues, giving better oversight to the Institute and the profession. To achieve this, a new organization structure strategically aligned to member needs was implemented. Staff remuneration was also improved to ensure that the Institute is able to attract, retain and motivate competent staff in line with market trends. I'd like to thank the Institute's management for their assistance this year; their energy and commitment is at the heart of the Institute.

We are proud of all we have achieved in 2010, and we hope that this annual review will give you some insight into how we aim to support our members, inform debate and lead our profession. Going into 2011 the momentum we have established over the course of the past year will help us continue to lead at this critical time for the profession as well as the wider global economy.

Caroline J Kigen



Overview 2010

It is part of our responsibility to provide an Account and
to be Accountable.



Strategic Plan 2010 to 2014	8
Membership Services and Support	11
Enhance the Public Profile of the Institute and its Members	12
Corporate Communication and Branding	13
Institutional Strengthening and Operational Excellence	14

Strategic Plan 2010 to 2014

Our Achievements

The strategic plan 2010-2014 was launched in April 2010 at a colorful ceremony that saw the re-birth of our image and CPA (K) brand. In 2010 the Institute focused on implementation of the plan with key milestones being achieved. The members remain the key to our future, and throughout the year our efforts were geared towards making each and every member appreciate their contribution to the accountancy profession. The Plan has five Strategic Themes, each supported by a number of strategic objectives and activities required to achieve the objectives as below;

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

Membership Services and Support:

- Obtain in-depth knowledge of the CPA(K)
- Enhance the CPA(K)'s competencies
- Support the CPA(K)'s professional and business needs

Enhance the Public Profile of the Institute and its Members:

- Contribute to Economic Issues - Lobbying and Advocacy
- Strategic Partnerships and Alliances
- Relationship Building
- Strong and Fair Regulatory Mechanisms
- High quality financial management and reporting Standards

Corporate Communication and Branding:

- Effective Communication
- Recognition of the CPA (K) brand
- Distinct corporate brand
- Corporate Social Responsibility

Institutional Strengthening and Operational Excellence

- Strong Governance Structures: To serve its members effectively and efficiently and achieve the objectives set out for the members, the accounting profession and other stakeholders, the Institute will put in place strong governance structures.
- Operational Excellence: Developing an effective and efficient Management Team that delivers quality and lifelong value to members through operational excellence.

Membership Services and Support

Focus of the Strategic Plan is on our members; our first priority.

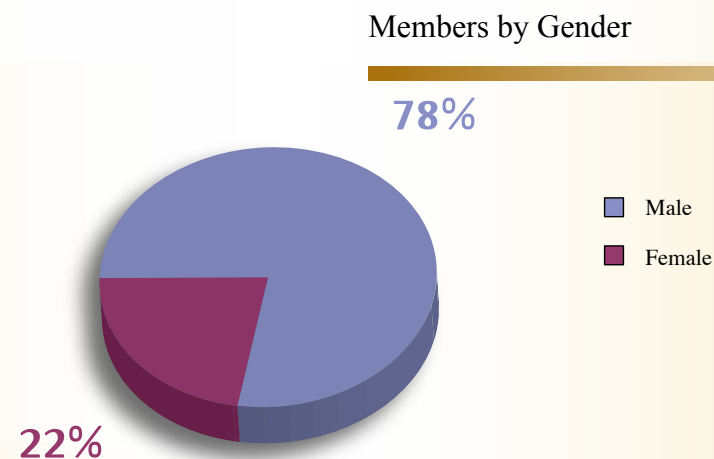
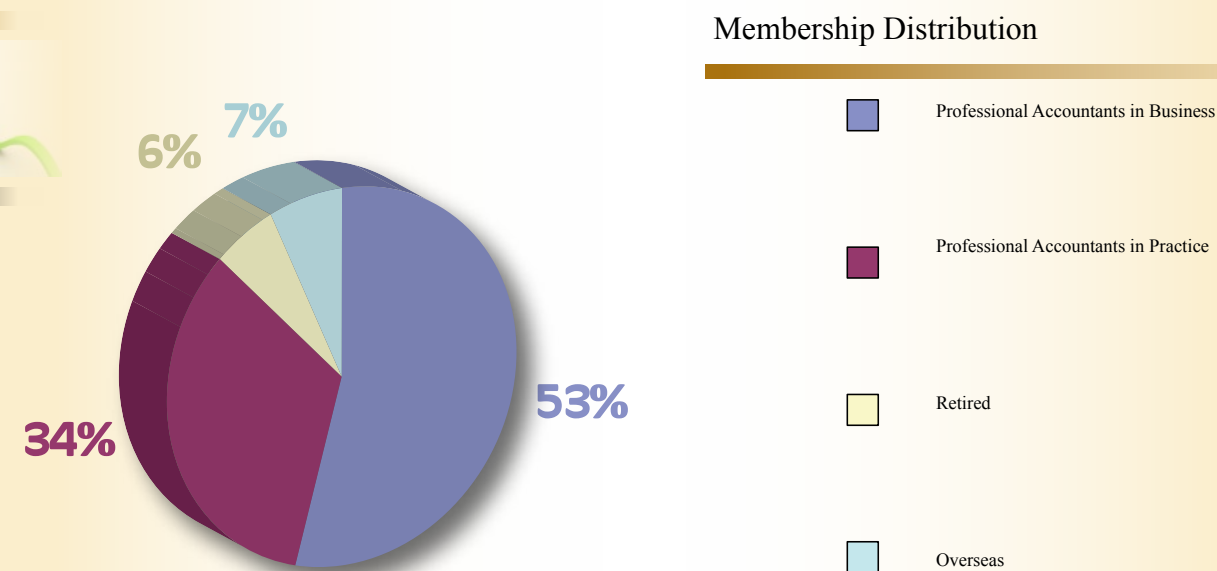
In recognition of the fact that professional accountants are expected to be effective in their work; adding value to those who rely on them including their clients, employers and the public in general, we have adopted strategies aimed at aiding our members meet and exceed expectations of users of their services. By so doing we will create and offer lifelong value to our members.

Obtaining in-depth knowledge of the CPA (K)

In the year 2010 the Institute carried out two surveys aimed at obtaining up to date information on our members. The review sought to segment our members depending on their industry, demographics, and geographical location among others so as to better clarify the value proposition for each of these segments. We shall continue to understand the needs of members through annual surveys and redefine our products and services to meet these needs.

Profile of the Members 2010 (Includes both Active and Inactive Members)

The Institute membership as at December 2010 was 6,166, 3,346 are in business, 2,068 in public practice, 349 are retired while 403 are based overseas. A total of 1,381 of the accountants are female while 4,785 are male.

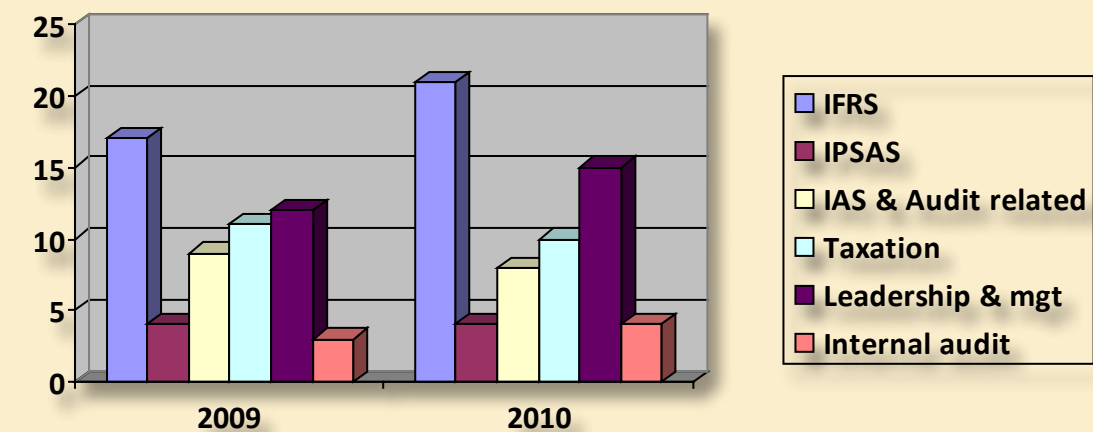


Enhancing the CPA (K)'s competencies

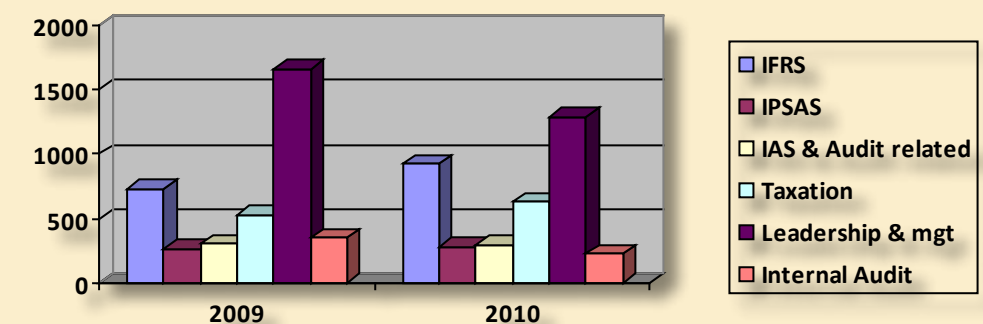
The knowledge and skills needed to function effectively as a professional accountant in public practice, industry, commerce, education and the public sector continues to expand and change at a rapid rate. While a professional accountant has a duty to continually acquire the knowledge and skills necessary for at least a globally acceptable competence level, the Institute within its obligation has continually not only availed various opportunities for the members' lifelong professional education, but has also been diligent in improving the quality of such education.

In 2010, the Institute not only mentioned a comprehensive and well researched Continuing Professional Development (CPD) year planner for the members but also went ahead to execute over 90% of the CPD events as planned. Balancing between costs, obligations and members' needs, the Institute provided a varied range of CPD events targeting all member segments uniquely. The year saw a growth of 16% in revenues from CPD activities resulting from an increase of 9.68% in CPD events and an aggregate growth of 14.24% in attendance. Total seminars held in 2010 were 62 compared to a total of 56 seminars held in 2009, while total participants attendance stood at 4,024 in year 2010 and 3,451 in 2009.

Comparative Number of Seminars and Workshops held



Comparative Number of Participants attending Seminars



Measurements of quality of the CPD Programme

We undertook a survey of learning needs at every CPD event held. About 50% of those in attendance responded. Some of the key variables we tracked for evaluating success are as reported below:

Relevance of Topics

More than 75% indicated that topics covered at the events were relevant.

Quality of Presentation

Over 70 % of delegates rated presentations as good and/or excellent. Most of the speakers handed in their presentation materials in time. This has enabled us to produce bound copies of the presentation materials for small events. CDs are used for big events.

Quality of Facilitators

Speakers received favorable ratings of either excellent or good by participants.

HIGHLIGHTS OF LEARNING OPPORTUNITIES AVAILABLE IN 2010

We held the following major events in 2010:

Economic Symposium: This event was held in February and had a turnout of about 300 delegates. It focuses on addressing the socio political, economic, technological and global issues affecting the East African region.

Annual Seminar: The Annual seminar was held in May and realized a turnout of about 800 delegates. This is the biggest event as it brings together accountants from all specializations to dialogue and debate important themes affecting both the profession and the region at large.

Managerial Accounting Seminar: This event was held in July for the second time in 2010 and the participants doubled from 32 (2009) to 65 (2010). It addresses themes in managerial accounting and performance management.

Internal Audit seminar: This was held in September 2010. The event targets internal auditors. It had a total of about 180 delegates. It addresses issues affecting internal audit professionals.

Executive Retreat: This event was held in November 2010. It attracted about 85 delegates. It targets senior executives and address themes around leadership and management.



Enhancing Our Public Profile

Over the years we have developed our reputation as an institution that seeks to promote accountability and good governance and service in the public interest and this agenda remained at the forefront of our activities in 2010. We continued with activities aimed at enhancing our profile and that of the CPA (K) both locally and internationally.

One of our key strategies in enhancing our profile is to ensure that as a profession we continue to earn public trust and enhance confidence in the accountancy profession by ensuring that we are seen to be a strong and fair regulator of the accountancy profession in Kenya and that we continue promulgating high quality internationally recognized financial reporting and management standards that would lead to a strong firms, practices and accounting professionals.

High Quality Internationally Recognized Standards

In the year 2010 we remained active participants in the Standard Setting process and have continued to respond to various Exposure Drafts issued by the various International Standard Setting Boards of the International Federation of Accountants as well as the International Accounting Standards Board. We continued to adopt various international standards and have undertaken various initiatives to assist in the effective implementation of the same.

During the year 2010, the Professional Standards Committee was reconstituted in line with the Strategic plan 2010-2014. The Committee is comprised of work groups whose primary responsibility is to oversee implementation of the various accounting standards.

HIGHLIGHTS OF ACTIVITIES RELATING TO PROMULGATING HIGH QUALITY INTERNATIONALLY RECOGNIZED STANDARDS IN 2010

Participation in Standard Setting: We participated in Standard setting through responding to various Exposure Drafts and Discussion Papers. During the year under review, 4 exposure drafts were responded to; these were exposure drafts on IAS 12 on Income Taxes and IAS 18 on Revenue. We also commented on an exposure draft for Defined Benefit Plans {IAS 26} and on Other Comprehensive Income. {IAS1}

International Standards on Auditing (ISA's): During the year 2010, the following Exposure Drafts and Revised ISA's were issued for comments by stakeholders; ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment; Proposed International Standard on Assurance Engagements (ISAE) 3420; ISA 610 (Revised), Using the Work of Internal Auditors. ICPAK responded to ISA 315 and ISA 610 and expects to issue comments for the following standards in the year 2011;

- Proposed International Standard on Review Engagements ISRE 2400 (Revised), Engagements to Review Historical Financial Statements; Proposed International Standard on Assurance Engagements
- ISAE 3410, Assurance Engagements on Greenhouse Gas Statements; Proposed International Standard on Related Services
- ISRS 4410 (Revised), Compilation Engagements; International Auditing Practice Statements
- Proposals Relating to the Withdrawal of Existing IAPs and Clarification of the Status and Authority of New IAPs and
- Proposed IAPS 1000, Special Considerations in Auditing Complex Financial Instruments

Provision of Technical Support and Guidance

We issued various guidance documents to aid in the implementation of various standards and will continue to do so in 2011. Some of the documents that were issued are;

- A template on Specimen Financial Statements that comply with the full IFRS.
- A template on Specimen Financial Statements that comply with the IFRS for SME.

More templates are slated for release in 2011.

During the year, we responded to 30 technical queries from members and non-members that touched on the implementation of various IFRSs. These technical queries have assisted in the implementation of IFRSs in the country.

Financial Reporting Awards

These Awards continue to be a useful tool in the implementation of International Standards and in 2010; we introduced new award categories –IFRS for SME's and for Savings & Credit Cooperative Societies - to reward those companies who excelled in implementing the full IFRS in the SACCO sector and the IFRS for SME's financial reporting frameworks. In 2010, the number of entrants in the FiRe Award scheme rose from fifty three (53) in 2009 to ninety (90) in 2010. In addition to this, the award went regional with entries being received from companies domiciled in Uganda and Tanzania. We look forward to more regional entrants in 2011.



Hon. Musalia Mudavadi (Deputy Prime Minister) with Eddy Njoroge (MD. Kengen) during the 2010 FiRe Awards Ceremony

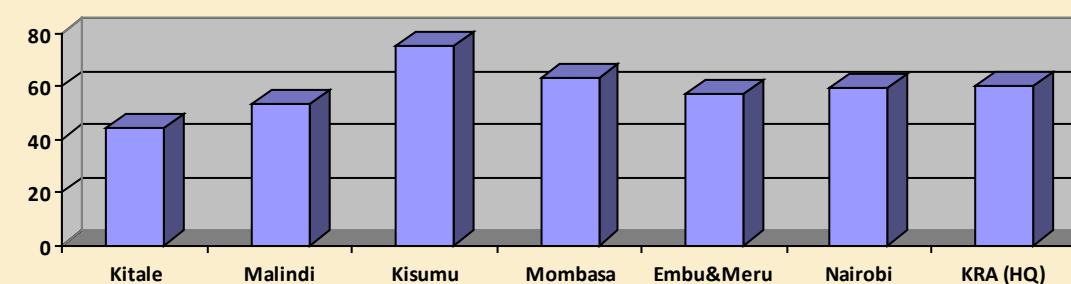
Strengthening of our Regulatory Role

To promote the Institute's statutory role as a regulator of the accountancy profession and there by ensuring that we command public trust and confidence, we continued to promote good conduct amongst our members and strived to uphold the integrity of the disciplinary processes. The disciplinary committee during the year 2010 handled 2 new disciplinary inquiries out of which one member was reprimanded and one was acquitted.

The complaints received against members remained low during the year from an average of 6 in the year 2009 to 5 in the year 2010 of which 3 were settled amicably and did not proceed to inquiry.

The Institute has aggressively embarked on a sensitization campaign for the business community on the services that members offer and the need to engage bona fide members to offer them professional services. The Secretariat in conjunction with the Kenya Revenue Authority and the Commissioner of Co-operatives Office held 8 well attended business forums in various towns as illustrated below;

2010 Business forums attendance



The business forums led to reduced reports of illegal practitioners, increased business for members and supported increased registration into membership. Ten business forums are planned in the coming year.

The members formally approved review of the By-Laws during the Annual General Meeting in 2010 and members are encouraged to familiarize themselves with the provisions of the By-Laws and ensure adherence to the provisions therein.

The guide on marketing and publicity practices was issued in early 2010 and members are now allowed to market their services within the guidelines formulated. The Disciplinary Committee also developed guidelines on disciplinary proceedings to further improve the disciplinary process and ensure high standards of professional work.

The compliance department responded to 2,222 internet queries as well as 690 physical letters. Most of these correspondences related to member career support queries in form of confirmation of professional status and legal related queries.

The compliance department has also supported ICPAK participation in regional and global regulatory developments by coordinating ICPAK's implementation of the action plan agreed upon with the Compliance Advisory Panel of the International Federation of Accountants (IFAC) in the area of compliance with the Statements of Membership Obligations (SMO's).

The department has also engaged local regulators like Capital Markets Authority and Sacco Societies Regulatory Authority (SASRA) on issues affecting members leading to improved regulations on issues affecting members especially those in practice.



Institute receives Certificate from CAP Chairman

Compliance Advisory Panel (CAP) of IFAC

The Compliance Advisory Panel (CAP) oversees the implementation and operation of the IFAC Member Body Compliance Program. The CAP is also responsible for making recommendations to the IFAC Board about the membership application process including recommending new applicants for membership.

14

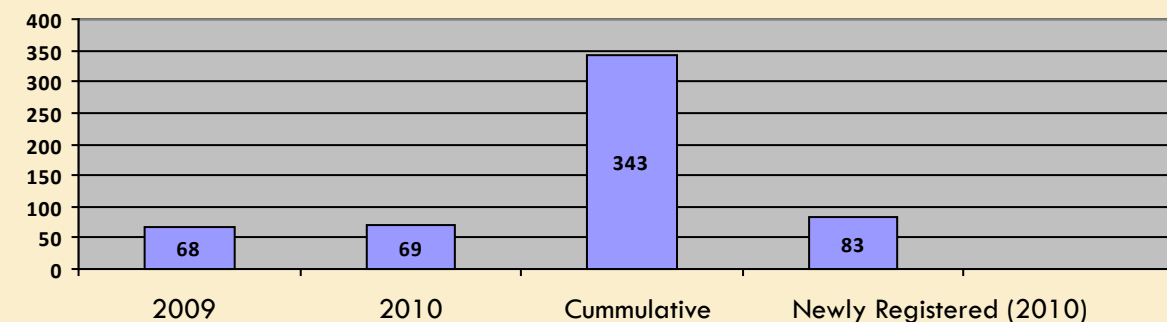
This Panel meets once every quarter and during the year ended 31st December 2010, ICPAK had the privilege of hosting one of the Panel meetings in Nairobi, Kenya where ICPAK's compliance with the seven statements of membership obligations (SMO's) was noted to be the leading in Africa. The seven SMO's include;

- 1 Quality Assurance
- 2 International Education Standards for Professional Accountants and Other EDCOM Guidance
- 3 International Standards, Related Practice Statements and Other Papers Issued by the IAASB
- 4 IFAC Code of Ethics for Professional Accountants
- 5 International Public Sector Accounting Standards and Other PSC Guidance
- 6 Investigation and Discipline
- 7 International Financial Reporting Standards

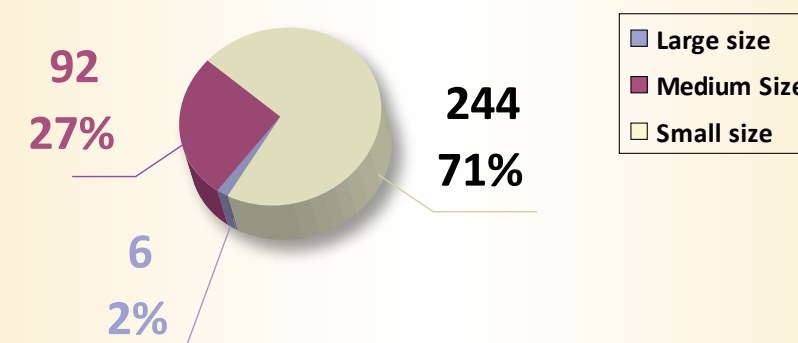
Practice Monitoring and Review

The Practice Monitoring and Review Programme that was established in 2006 has continued to focus on strengthening audit in Kenya by assisting audit firms improve and enhance their auditing systems. This aims at protecting the public by ensuring that members maintain the highest standards of professional conduct and competence. In 2010, 69 firms were reviewed compared to 68 firms in 2009. We intend to strengthen the capacity of the Practice Monitoring and Review team to ensure all reviews are carried out within the recommended timelines for various firm clusters. The big 4 audit firms were approached with a view of partnering with ICPAK to train the practice monitoring staff in audit and two ICPAK staff will be attached to Ernest and Young starting January 2011.

SUMMARY OF AUDIT FIRMS REVIEWED TO DATE



Firms reviewed by category



The firms reviewed included those from Mombasa, Kisumu, Nakuru, Eldoret, Kisii and a few from Nairobi. Many of these firms faced challenges in complying with International Standards on Quality Control (ISQC-1) and a couple of workshops on ISQC 1 are planned in 2011 aimed at addressing this deficiency. Overall, despite the few challenges faced in recording the work done within the audit working paper file, most firms remained committed to upholding quality in the services they offered.

15

Associate Category of Membership launched

The Institute has been on the fore front of initiatives to implement the standard relating to practical experience which requires a professional accountant to obtain a minimum of three years' practical experience as part of the qualifications process, while taking cognizant of the challenges of implementation which would entail finding opportunities for the practical experience to be gained; a tall order given the high levels of unemployment in Kenya. Nevertheless we have developed a draft Practical Experience Framework and are in the process of addressing the various challenges prior to fully rolling it out. The Framework identifies the key competencies required of a professional accountant and provides for a mentorship programme through which CPA(K)s will mentor and supervise the training given to trainee accountants.

To this end the Institute launched a new category of members known as Associates. This targets CPA Examination finalists who lack 3 years practical work experience. The graduates will be expected to join the Institute as Associates members during the period of attaining relevant and monitored work experience after which they will become eligible to attain the CPA (K). The program is currently on pilot basis and it is expected to be launched officially in 2012.

Media Publicity

In totality our thought leadership initiatives attracted substantial media coverage in 2010 with the ICPAK brand attracting free publicity in the print media of Kshs. 5,432,524 compared to Kshs 3,688,310 in 2009 and Kshs 1,024,255 in 2008. Print media includes the following newspapers: Daily Nation, Business Daily, The Standard and the East African both online and newspaper mentions and the amounts were derived at based on the media monitoring clips recorded throughout the year by an independent media monitor we have engaged for this very purpose.

EVENT / TOPIC	PUBLICITY WORTH Kshs	TYPE OF MEDIA USED
Moving the Masses talk show and Biz Week show (Aug)	1,480,000	KBC TV
Statements on the Country's Annual Budget Review	350,000	Newspaper - Daily Nation, TV - NTV
Comments on the New Associate Category	1,825,934	Newspaper – Daily Nation TV – K24, NTV
Press release and statements on the MPs Hefty Salaries	480,000	TV - NTV,K24,Citizen and KTN, Radio- Kiss,Classic, Easy FM and KBC
Comments on Public Finance	259,200	TV - NTV
Commentary on new Taxation rules and the export sector	293,000	Newspaper – Standard
Report on new reporting rules for Saccos	172,000	Newspaper – Standard
Publicity during the IPSAS Conference	800,560	Newspaper – Standard, Business Daily TV – NTV, K24
Publicity during the FiRe Awards	1,600,000	Newspapers – Business Daily, Daily Nation TV – Citizen and NTV



Thought Leadership

In 2010, we sought to provide thought leadership in issues arising in the economy which were of interest to the profession and in which we had the necessary expertise.

The year saw the passage of the New Constitution. The Institute was a key player in the review process and made submissions to the Ministry of Justice and Constitutional Affairs, The Parliamentary Select Committee on Constitutional Review and the Committee of Experts. In this regard, we facilitated civic education sessions organized by the Association of Professional Societies of East Africa (APSEA) and the Nairobi City Council.

We submitted year 2010/2011 budget proposals to the Treasury Budget team. In response to our submissions, we facilitated a work shop for the members of the Parliamentary Budget Committee and the Finance and Administration Committee.

HIGHLIGHTS OF THOUGHT LEADERSHIP ACTIVITIES UNDERTAKEN IN 2010

The Institute prepared and made contributions to the following taskforces and committees;

- Taskforce reviewing the Constituency Development Fund
- We are engaged in lobbying for the speedy review of the various business bills including Companies Act, Liquidation Act and the Partnership Act
- Contributing to the New Constitution of Kenya through various submissions made to the Ministry of Justice and Constitutional Affairs, The Parliamentary Select Committee on Constitutional Review and the Committee of Experts. Our contributions in this regard were made at the earliest stages where our proposal on professionalizing the constitutional offices were taken up and continued once the various drafts were issued. We were requested and did provide substantive input into the Chapter on Public Finance
- Facilitated civic education sessions organized by the Association of Professional Societies of East Africa (APSEA) and the Nairobi City Council.
- Submitted year 2010/2011 National Budget proposals to the Treasury Budget team.
- Facilitated a work shop for the members of the Parliamentary Budget Committee and the Finance and Administration Committee on the 2010/2011 National Budget

Press Statements were issued regarding the following;

- The proposed salary increments for the MPs and the price control bill.
- The Chairman was the guest speaker on a radio cum TV show on Accountability – Moving the Masses

Engagements with key Institutions;

- Heightened engagement with parliamentary committees on matters of governance and accountability.
- Ministry of East African community on the EAC common market protocol.

Strategic Partnerships and Alliances

We have continued to develop partnerships and strategic alliances through which we are able to influence and participate in the developments impacting the profession both locally, regionally and internationally. We have grown our reputation internationally and regionally through participation in the various Boards and Committees of the international Standard Setters and have continued to consolidate our influence in the Eastern Central and Southern African Federation of Accountants.

To strengthen partnerships, we finalized an agreement with KRA top management that yielded quarterly round table meetings. The first round table meeting was held in September 2010, and more meetings are planned for the year 2011 where we hope a number of issues affecting the two institutions will be discussed and amicable solutions reached.

In the year 2010, we sought to lobby and advocate on behalf of members on matters that create and add value. We identified and worked with the following Parliamentary Committees: Public Accounts Committee (PAC), Constituency Fund Committee (CFC) and Local Authority Fund Committee on matters on public accountability. The meetings highlighted the need for strengthened collaboration, a matter that will be considered in the 2011 work plans. We enlisted our participation in the Parliamentary Initiative Network (PIN), a caucus group that facilitates collaboration with the National Assembly.

On matters of the EAC Common Market Protocol, we effectively partnered with the Ministry of East African Community in the implementation of the Common Market Protocol. We took a leading role in the Kenyan Delegation to the negotiation meeting on the implementation of the Common Market Protocol with regard to Free Movement of Services and Labor as exemplified under the Annex on Mutual Recognition of Academic and Professional Qualifications. We participated in sensitization campaigns organized by the Ministry of East African Community on the implications of the Common Market Protocol on professional services.

We continued to hold various meetings with the World Bank on the integration of the professional services in the East Africa Community region.

We have also sought to establish strong relationships with IFAC and enhance our profile internationally through IFAC activities. In 2010, ICPAK was well represented in the World Congress of Accountants held in Malaysia by a section of the Council, management and our members.

HIGHLIGHTS OF STRATEGIC PARTNERSHIPS AND ALLIANCES BUILT IN 2010

Strong Representation: The following represent the Institute at various IFAC boards and committees:

• Felicitas Irungu	Ethics Committee
• Owen Koimburi	Professional Accounting Organisations Developing Committee (PAODC);
• Ashif Kassam	International Auditing and Assurance Standards Board (IAASB);
• Caroline Kigen	Compliance Advisory Panel (CAP);
• Ndung'u Gathinji	Nominations Committee;
• Steve Lugalia	Professional Accountants in Business Committee (PAIB);
• Anne Owuor	International Public Sector Accounting Standards Board (IPSASB)

Felicitas Irungu was appointed in the year 2010, the terms of three members Koimburi, Kassam and Kigen will be expiring in 2011.

Representation in Boards: We have continued to lobby for CPA(K)s to be included in Boards of Directors and in 2010, we secured new representations in the following, Ethics Commission for Co-operative Societies, UNCTAD, Kenya National Chamber of Commerce & Industry, Insurance tribunal and Capital Markets tribunal

Recognition of the CPA (K): We initiated formal mutual recognition agreements with the East African Institutes who all recognize the CPA (K) and the formal signing is expected in March 2011. Those in progress include South African Institute of Professional Accountants (SAIPA), and Association of CPA of the UK.

Corporate Communication and Branding

The Institute aims at using a variety of strategies and channels including the internet and media outreach to continue its efforts of strengthening ICPAK corporate image, promoting Certified Public Accountant (CPA) (K) brand and encouraging the use of CPA (K) credentials. The strategic goal is to ensure that the Institute's statutory roles, its missions, values and the work it does in supporting the growth of the accountancy profession as well as the CPA(K) brand are effectively communicated to a broad audience.

Strengthen and promote the recognition of the CPA(K) Brand

The Institute continued to focus on marketing and promoting the qualities and the standards of the CPA (K) qualification. To this end we pursued and entered into a MoU with the Youth Enterprise Fund to promote the young accountant both locally and internationally. This is aimed at developing a strategy on marketing Kenyan skills abroad and carrying out the activities together; and seeking mutual agreements with institutions and countries to promote and facilitate accounts to work abroad. ICPAK and YEDFB visited Rwanda and held meetings with various stakeholders with the aim of identifying opportunities for accountants in the country.

HIGHLIGHTS OF COMMUNICATION AND BRANDING ACTIVITIES UNDERTAKEN IN 2010

Website: We have enhanced the website and will continue to do so in 2011 so that it is an effective communications channel. In 2010 we launched a discussion forum enabling members to post technical queries and engage in discussions with likeminded professionals.

E Connect: The e-connect newsletter was also revamped making it more user-friendly and personal. We have received numerous positive responses from members in reference to this e-newsletter. Advertising on the E Connect has increased as a result.

The Accountant: The Bi Monthly journal has been revamped to provide useful and in-depth content to the reader. The Journal was revamped and given a new and better look based on the new ICPAK logo and corporate colors. Apart from an increase in distribution within the CBD from 20 vendors to 24 vendors, the Journal is now being sold in all Uchumi Supermarkets within Nairobi.

Corporate Logo and Colors: One of the initiatives undertaken as part of branding was the rethinking and relooking at ICPAK's corporate logo and colors. These are the visible means by which we convey the values of ICPAK and through which the public identifies us. This therefore offers an opportunity for the public to know us for who we really are- Credible; Professional and Accountable. The new look ICPAK logo is aimed to serve and enhance our public visibility underpinned by revamping ICPAK initiatives geared towards serving public interest. While the development phase was undertaken in 2009, the new look Corporate Logo was launched in 2010.

Corporate Social Responsibility: We invested in social responsibility initiatives in the areas of philanthropy and environment protection/awareness. The Charity golf tournament raised a record Kshs 1,100,000/- in cash and in kind, which in turn bolstered our CSR activities.

Fifteen ICPAK staff attended the Standard Chartered marathon run, we have continued to make donations to Nyumba ya Wazee and Mama Fatuma Children's Home.

Institutional Strengthening and Operational Excellence

Our business is promoting professionalism in the accounting profession. We seek to practice what we preach as attested to by our credo Credibility Professionalism and Accountability. We continued to selectively deploy our skills to opportunities that we believe will generate value to our stakeholders.

ICPAK recognizes the need for strong and efficient operations which will ensure its continued ability to focus on and meet members' needs effectively. The strategic plan therefore focuses on putting in place strong governance structures and developing an effective and efficient secretariat that delivers quality and lifelong value to members through operational excellence. It is our aspiration that in the coming years, through enhancing our core strengths and expanding our expertise in critical, focused areas, ICPAK will transform itself as an institution that not only serves the accountancy profession but also plays a leading role in rethinking and shaping the accountancy profession into what it needs to be: today, tomorrow, and into the future.

Human Capital

We are a knowledge driven organization that relies on highly motivated staff and will therefore entrench a culture that values its people and is proactive and responsive to the needs of the staff.

Our People – the pillar of our Institute.

ICPAK staff remains the key to our future, and throughout the year our efforts were geared towards making each and every employee appreciate their value and contribution in achieving the ICPAK vision of being a globally recognized Professional Accountancy Institute.

In acquiring the right talent for ICPAK, we achieved great success in obtaining the right skills and creating a diverse workforce. We have re-assessed our work environment and physical amenities to ensure that they take into consideration our workforce needs, and we will continue to do more.

With the increase in competition and resulting demand for skilled workforce, we have implemented new retention strategies that focus on the individual employee. Through our development programmes, we have ensured that our team is equipped with the right skills to deliver in our commitments to members.

Focusing on our vision of becoming a leading Institute, we will continue acquiring the right talent and taking proactive measures to develop the right talent.

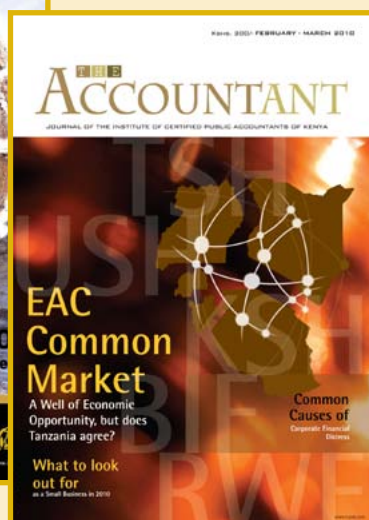
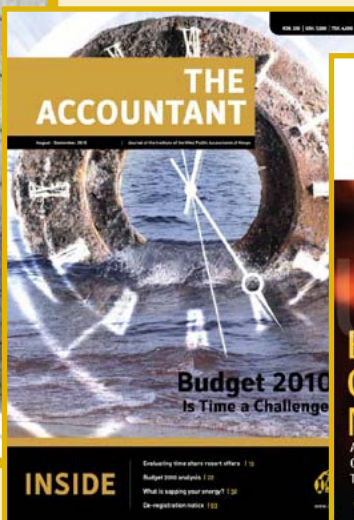
- In 2010, various initiatives to enhance capacity at ICPAK were undertaken including approval of a new organization structure that will see service delivery to our members being improved; a job evaluation exercise that commenced the previous year was completed and approved. This focused on improving staff compensation to ensure that the Institute is able to attract, retain and motivate competent staff in line with market trends.
- ICPAK is a non-discriminative employer and ensures fairness and equity in employment. The journey towards a comprehensive Human resource manual began. This will include policies, procedures and terms & conditions of service. A transparent and competitive recruitment process was practiced within the year. Three managers, one senior officer and two officers were recruited in the year. To motivate existing staff two internal promotions were carried out in the year.
- ICPAK believes in continuous learning and supports staff towards this by organizing staff development and capacity building sessions. Training needs assessment is carried out during the annual staff appraisal from which the relevant trainings are planned. During the year there was one team building exercise and staff attended various trainings facilitated by both ICPAK and other professional institutions including KIM, IHRM and IOD.
- To ensure a healthy workforce ICPAK has a comprehensive medical scheme for its staff and this was enhanced to include Group Life Assurance and Group Personal Accident covers.



20



21



Technological Capital

We continue to optimize the use of technology to reduce cost and increase efficiency in serving our members and stakeholders. In 2010, we enhanced the ballot counting system, to include an electronic voting module, which enabled members to efficiently submit votes online through the Institute’s website

Strategic Oversight

The Institute has put in place an oversight mechanism to ensure that it is achieving the objectives laid out in the strategic plan and the annual plans of all the functions and departments. To this end the Institute continued to entrench the strategy and oversee the implementation process to ensure that it delivers on the desired results. Council receives quarterly progress reports on performance as a monitoring tool.

Proposed ICPAK Development



Corporate Governance



The Council	24
Good Governance Practices	26
Record of Council and Committee Meetings	29
Management Team	30

Council Members: June 2009 to June 2010

Our Leaders



Michael Maina Itote

Michael is a Director / Principal Consultant with Management Audit Consulting Ltd (MACL) and a Partner in the Audit and Assurance Services Firm of Maina Itote & Kimathi, Certified Public Accountants. Michael trained and worked for Deloitte & Touche before joining Lonrho Africa Plc, initially in the role of Group Internal Auditor and later as Group Financial Controller. He left Lonrho in 2001 and founded Management Audit Consulting Limited (MACL) in the same year.

Patrick Mtange

Patrick Mtange is currently, The Finance and Administration Manager for Diakonia - Africa regional office. He has extensive experience in both public and private sectors as he 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 was the Vice Chairman and board member of Public Procurement Oversight and Advisory Board (PPOAB).



Abdulwahid Mohamed Haji Aboo

Abdulwahid Aboo is currently the Vice-Chairman for the Institute and has been the Council Member for the last 6 years. He has been the Sole-Proprietor of the Audit Firm, Abdulwahid Aboo & Company, since 1980. This firm is affiliated with Russell Bedford International (UK) in September, 2005 and later became a partnership as AAC Kenya, where now he is the Managing Partner. Previously he worked with PWC and the TSS Group of Companies. He is an FCCA, FAI, FCPAK, FCPSK.

Anne Elizabeth Owuor

She has worked in the Public Sector for more than 25 years having worked in KCB, Office of the President, Provincial Administration & KPLC. Currently with KPLC as Debt Control Manager & Gender Coordinator, she has also held senior management positions -Internal Audit Manager, Chief Accountant amongst others. Anne has a CPA (K), CIA, MBA, Post Graduate Diploma and Masters of Science in Audit Management & Consultancy. Currently she is undertaking doctoral studies in Auditing. Sits on the KCAU Board, IPSAS Board & IIA (K).



Kellen Kariuki

She is Senior Vice President, Middle East, Pakistan and Africa with Citibank N.A. During her 20 years with Citibank, she has held senior leadership positions in Finance such as Chief Financial Officer and senior leadership positions in Human Resources. She has an undergraduate degree in Accounting, an MBA in Strategic Management and is a CPA (K).



Joan Wambui Ng'ang'a Riitho

She has over 20 years working experience in Finance, Accounting and Auditing gained while working at senior management levels with Kenya Roads Board, Kenya Reinsurance Corporation, Kenya Commercial Bank and CARE International in Kenya. Currently she heads the Internal Audit Department of Rural Electrification Authority (REA). She holds a MBA Finance, and B.Com –Finance (Hons), both from University of Nairobi.

Felicitas Therero Irungu

Felicitas joined Ernst & Young in 1989 as an audit trainee and rose through the ranks to audit manager in 1986 until 2003. Since 2003 she has been director in charge of Learning & Development and is also involved in audit support initiatives within the professional practice. She has been involved in delivery of training programs, both in house programs and for clients. Felicitas holds a Bachelors Degree in Economics and Business Education (B Ed Hons) and is a CPA (K) and holds an MBA from Strathmore Business School. She is involved in other initiatives in the firm including Public Sector. She was appointed in the IFAC International Ethics Board of Accountants (IESBA) from January 2011.



Wycliffe M. Shamiah

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

Kariithi Murimi

His career started in 1978 when he joined the then Coopers & Lybrand as a Tax and Audit supervisor for ten years. He later joined Unga group as an Internal Auditor where he rose through the ranks to become General Manager and Director. He left the group to become the Chief Executive Officer and Team Leader of JMG Solutions. Mr. Murimi holds an MBA from the University of Free State, South Africa. He is a CPA(K), and a member of ICPAK. He represents KASNEB on the Council and is Chairman of Finance Committee KCAU.



Philip G. Ndungu

He has over 30 years experience as an auditor in the Public Service, having started working in July 1979 in the former Office of the Controller & Auditor General before moving over to Internal Audit Department, Treasury in July 1999. Currently Mr Ndungu is the Internal Auditor General, He holds a BCom from the University of Nairobi and an MBA from Bradford University, UK. He is a CPA(K) and a member of ICPAK. He represents the Permanent Secretary to the Treasury on the Council

Good Governance Practices

Leadership by Example

The Council is the principle governing body of ICPAK and is responsible for the overall governance of ICPAK. It comprises non-executive members including the Chairman and six members elected from among ICPAK's membership. In addition, two members of the Council are nominated by the Minister of Finance, one who is drawn from the Ministry of Finance and the other drawn from a profession other than the accountancy profession and represents users of accounting services. One Council member represents the Capital Markets Authority, which is the body charged with the development and regulation of Capital Markets in Kenya while one Council Member is nominated by the Kenya Accountants and Secretaries National Examinations Board (KASNEB) which is the body charged with overseeing and administering the professional accountancy examinations in Kenya.

The functions of the Council as specified in the Accountants Act include:

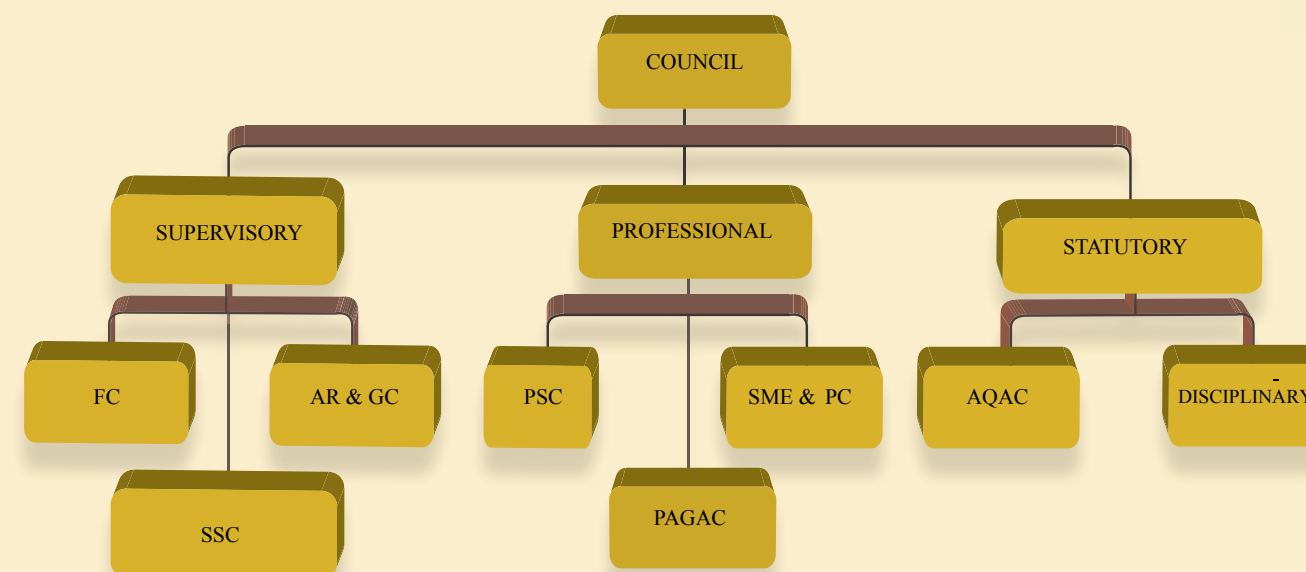
- Issuing standards of professional practice, including accounting and auditing standards, which shall form the basis of accountancy practice for members of the Institute in the preparation, verification and auditing of financial statements.
- Issuing By-Laws, Regulations and Guidelines to govern matters affecting the operations of ICPAK.

Other functions and roles of the Council include

- Strategic Leadership: Approving, monitoring and guiding the implementation of the Institute's Strategic plan.
- Performance Evaluation: Setting performance targets and reviewing of the Institute results so as to ensure achievement of operational plans.
- Integrity of financial reporting: Reviewing and monitoring controls, policies and procedures put in place to ensure integrity in the Institute's accounting records and financial statements.
- Risk management and Compliance: Monitoring and reviewing the policies and procedures put in place by management to ensure that the various risks facing the Institute are effectively mitigated and various regulatory and legislative requirements are complied with.
- Stakeholders' interests: Guiding the Institute so as to ensure the fulfillment of the interests of various stakeholders, besides reviewing and monitoring corporate governance and corporate social responsibility practices at the Institute.
- Executive Review: Approving appointment of and remuneration of the Chief Executive and other key staff as well as monitoring and reviewing their performance.

The Council has delegated the day to day operations of ICPAK to a Management Team led by the Chief Executive and two deputies, the Director, Strategy and Shared services and the Director, Professional Services.

The Council has also established various Committees to support it in discharging its mandate. The current committees and mandates are set out below.



- Professional Standards Committee (PSC):** This Committee is responsible for the Institute's standard setting role and implementation of standards as promulgated by Council. To perform its mandate, the following work-groups assist the Committee in implementation of these standards:

- Financial Reporting standards
- Public Sector Standards
- Auditing & Assurance standards
- International Education Standards
- Ethics Standards
- Taxation
- Financial Services

- Public Accountability & Governance Committee (PAGAC):** It is responsible for the stewardship of the Institute's public interest role including the advisory role to the Minister for Finance, Public Financial Management, and Professionalism in Public sector and all activities aimed at promoting good governance and accountability in Kenya.
- Audit Risk & Governance Committee (ARGC):** Oversees governance regarding Council and branches as well as reviews secretariat effectiveness and acts as the recipient of any confidential reports regarding Council, Committees and Secretariat. It also assesses the risks facing the organization and ensures there are adequate risk management strategies. It also oversees the internal and external audit processes.
- Registration & Quality Assurance Committee (AQAC):** This is a Statutory Committee responsible for admitting new members to ICPAK and administering the practice monitoring and review (audit quality review) program.
- Disciplinary Committee:** This is a Statutory Committee charged with the responsibility of disciplining errant members in accordance with the procedure and rules stipulated in the Accountants Act.
- Strategy Services Committee:** Charged with overseeing the strategy development and implementation.
- Finance Committee (FC):** To provide best practice in the development, implementation and subsequent monitoring of the finance and administration function of the Institute on behalf of Council.



HIGHLIGHTS OF ACTIVITIES UNDERTAKEN IN 2010 AIMED AT PROMOTING GOOD GOVERNANCE

Revision of the Committee Structure: In 2010, The Council further restructured some of its committees to enhance service delivery and recognize need to become more strategically inclined and less task oriented. This will place greater responsibility on the Institute's Secretariat to drive programmes without hands on supervision by Committees.

Appointment & Induction: Council members are appointed in accordance with the Accountants Act and the By-Laws. The chairman retires every year and is eligible for re-election while one third of the Council members are eligible to retire by rotation and may offer themselves for re-election. On appointment, Council members undergo induction training to ensure they are conversant with the Institute's Strategic Plan, annual plans, operational structures and the role(s) they are expected to perform.

Management System: The Institute has also embarked on documentation of its quality management system, a process that will see a review and documentation of all policies and processes and culminate into the ISO certification. Following the conclusion of the process the internal audit department will amend the current internal control framework to reflect changes in compliance to the established quality management system.

Conflict of Interest: We have continued to apply strict rules that prohibit a member of Council or of a Committee from taking part in any discussion and decision of a matter in which a member has an apparent conflict of interest. To ensure this rule is observed members of the Council and Committees are required to sign a Code of Conduct every year and to declare any conflict of interest at each meeting.

Access to Information: Council and Committee members are provided with information on a timely basis to facilitate discussions and decision making.

External Auditors: KOKA Koimhuri were appointed as the external auditors for ICPAK in 2009 and their performance as the external auditor is reviewed annually by the Council with advice from the Audit and Governance Committee.

Internal Auditors: To support governance previously the Internal Audit Function was outsourced, in the year under review the Institute constituted an in house Internal Audit Department. The department has developed the Annual Audit Plan and the Audit risk and governance work plan for the Financial Year 2010:2011, and this is currently being implemented.

Council and Committee Members:

Record of Meetings Held and their Attendance

The Composition of the Council and Record of Meetings Held and attendance for the period 1st January 2010 to 31st December 2010 and the Composition of the Committees and the Meetings held and attended for the period 1st July 2010 to 31st December 2010 are set out below;

The Council

Members	Eligibility	Attended
M M Itote	13	13
P Mtange	13	8
A W Aboo	13	11
A E Owuor	13	5
E E Aholi*	6	4
J W N Riitho	13	12
F Irungu	13	13
W M Shamiah`	13	8
K Murimi	13	12
P G Ndungu	13	0
K Karuiki*	7	5

Strategy and Support Services Committee

Members	Eligibility	Attended
P Mtange	8	5
E Osewe	8	8
R Wanyeki	8	7
N Letting	8	6
T Omariba	8	7
B Siero	8	8

Public Accountability & Governance Advisory Committee

Members	Eligibility	Attended
M Itote	6	4
K Murimi	6	4
M Wangai	6	4
V Onyango	6	3
B Kamanga	6	4
C Kisire	6	1
D Oyombe	3	1
J Nguri	3	1

Audit Risk & Governance Committee

Members	Eligibility	Attended
A Owuor	2	2
J Riitho	4	4
R Mwangola	6	6
A Ogada	6	6
G Rutto	6	6
J Mwangi	6	6

Registration & Quality Assurance Committee

Members	Eligibility	Attended
J Mc Fie	11	11
D Ndonye	11	9
L Kamau	11	8
B Gathirwa	11	7
Y Omar	11	3
H Wanyama	11	8
P Nduatih	11	8

Disciplinary Committee

Members	Eligibility	Attended
J Ciano	6	6
C Muya	6	6
J Mudany	6	5
E Odongo	6	6
J Okumbe	4	3
G Kiptui	4	3
W Kamau	4	4

Finance Committee

Members	Eligibility	Attended
K Kariuki	2	2
T Omariba	2	2
J Ndula	2	2
E Rono	2	1
D Mbogho	2	-

NOTE: The Council held six meetings from January 2010 to June 2010 and seven meetings from July 2010 to December 2010. Eligibility denotes the number of meetings held since one was elected/retired. Eric Aholi retired in June 2010 while Kellen Karuiki was elected in June 2010.

Management Team

We value our People



Chief Executive
Caroline J Kigen



Front Row left to right; **Director, Shared Services** Nebert Mandala
Managers: Procurement Loise Thuge, **Human Resources** Everlyne Maingi,
Marketing & Corporate Affairs Elsie Nyambura **Value Addition Projects** Makokha Wanjala

Back Row left to right; **Governance & Advocacy** Fred Riaga, **Finance** Susan Mungai
Compliance & Regulatory Affairs Richard Kamami, **Standards** George Mwangangi,
Legal Affairs John Wambugu, **Training & Development** Tom Nyagare,
Information Technology Dennis Milgo

Financial
Report

For the Year Ended
31st December 2010

To effectively deliver value to members and other stakeholders, we must grow a strong and sustainable financial capital base capable of supporting all its activities. We are committed to building a strong Institute with the capability to support our ambitious growth as envisaged in the Strategic Plan.

Financial Commentary	32
Report of the Council	34
Statement of Council’s Responsibilities	35
Report of the Independent Auditor	36
Financial Statements	
Statement of Comprehensive Income	37
Statement of Financial Position	38
Statement of Changes Equity	39
Statement of Cash Flows	40
Notes to the Financial Statements	41

Financial Commentary

The year 2010 saw our national economy recovering from a sluggish growth tied to the global slowdown. As accountants, we emerge from the global economic crisis fortified. Our core values of Credibility, Professionalism and AccountAbility no doubt impacted positively in stewarding the economy to weather the storm

Financial Capital

The Institute once again proved its' capability to effectively deliver value to members and other stakeholders supported by a strong and sustainable financial base. Total assets grew by 24%, from KShs 304 million in 2009, to Kshs 377 million in 2010. The Institutes' net surplus grew by 35%, from KShs 31.9 million in year 2010 to 43.1 million in year 2010. The growth was driven by strong focus on better service delivery and cost efficiency.

The planned investments in a state of the art office block and other associated amenities funded by the CPA Centre sale is expected to further grow the financial base and lead to sustainability of member services.

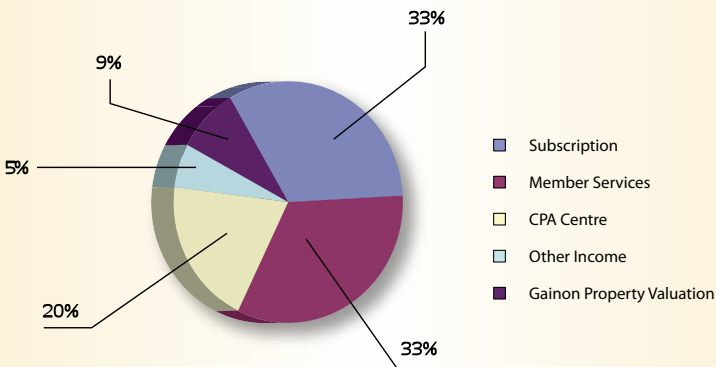
The Institute bid farewell to a section of faithful secretariat due to inevitable downsizing of operations ahead of the CPA Centre property sale. Redundancy costs of KShs 9.2 million were incurred on this. Their contribution to the Institute's growth in the past cannot be downplayed and we wish them well in their endeavors.

Revenue and Expenditure

Revenue

The Institute grew its' total revenue by 15% with the main drivers as highlighted;

Revenue by Categories



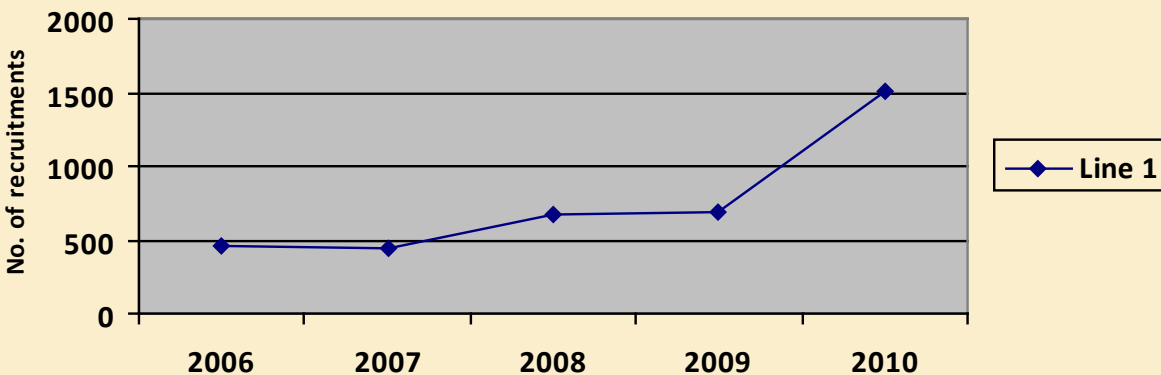
Member services revenue: This grew by a significant 30%. The growth points to increased uptake of Continuous Professional Development programs as members strive to keep abreast of professional requirements, as well as the Institute's continued focus on high quality of seminars offered.

Financial Commentary (contd)

Subscription revenue: This grew by 27%. The Institute's strong focus on service delivery to all stakeholders has seen new registrations averaging 125 new members per annum. A strong legislative framework with the enactment of the new Accountants Act and increased awareness of Institute activities has also contributed to this growth.

The Institute has experinced phenomenal growth in new members for the last five years from under 500 members per year to over 1500 members in the year 2010

Annual Member Recruitment



CPA Centre revenue: Revenue from the CPA Centre predictably decreased as activities were downsized ahead of the expected sale. The impact is a 15% decrease from year 2009 to 2010.

Expenditure

Total expenditure increased by 22%. Activities affecting expenditure include member services which grew by 26%, driven by member service revenue which also witnessed significant growth. CPA Centre expenses decreased by 16%; due to downsizing of activities. Operating expenses increased by 39%, this having been impacted by implementation of the Strategic Plan which saw greater investment in secretariat capacity and governance to enhance membership service delivery.

Financial Position

At the financial year end, Equity increased by 15% from KShs 265 million in 2009 to KShs 305 million in 2010, while our properties were worth KShs 107 million. This was achieved through careful stewardship of our finances.

Cashflow and Liquidity

The Institutes' continued focus on maintaining a strong liquidity position saw the cash levels grow by Kshs 15 million to Kshs 114 million. This is mainly held in short term investments to be utilized in the planned development and member services delivery.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
REPORT OF THE COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2010

The Council submit their report and the audited financial statements for the year ended 31st December 2010, which show the state of the Institute's affairs.

1 INCORPORATION

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 1.

2 PRINCIPAL ACTIVITY

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

Active members at start of year

Transfer from non active category at start of year

New members during the year

Less:

Deregistered during the year

Transfer to non active category at end of year

Active members at end of year

Note: Active members are those paid up members as at year end.

	2010 No.	2009 No.
Active members at end of year	5,283	4,361
Active members at start of year	4,361	3,663
Transfer from non active category at start of year	1,060	1,127
New members during the year	1,503	691
	6,924	5,481
Less:		
Deregistered during the year	-	(60)
Transfer to non active category at end of year	(1,641)	(1,060)
Active members at end of year	5,283	4,361

4 RESULTS FOR THE YEAR

Surplus for the year

	2010 Kshs.	2009 Kshs.
Surplus for the year	43,108,050	31,967,595

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 KOKA Koimhuri & Co. has indicated willingness to continue in office.

BY ORDER OF THE COUNCIL

Caroline J. Kigen

Secretary to the Council

29th March 2011



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
STATEMENT OF COUNCIL'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2010

The Accountants Act requires the Council to prepare financial statements for each financial year that give a true and fair view of the state of affairs 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 designing, implementing and maintaining internal controls relevant to the preparation of financial statements which are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the Institute.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards and in the manner required by the Accountants Act. The Council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Council further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Council is required to prepare the financial statements on the going concern basis unless its inappropriate to presume that the Institute will continue in business.

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 March 2011** and signed on its behalf by:-

Michael M. Noto
Chairman

Kellen Rariuki
Council Member



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF THE
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Institute of Certified Public Accountants of Kenya, set out on pages 37 to 61 which comprise the Statement of Financial Position as at 31st December 2010 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 notes.

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 Kenyan Accountants Act; 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.

36

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 control relevant to the entity's preparation and fair presentation of 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 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 financial position of the Institute of Certified Public Accountants of Kenya as at 31st December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Accountants Act.

KOKA Koimburi & Co.
Certified Public Accountants (K).
Nairobi.

30th March 2011

**INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Kshs.	2009 Kshs.
INCOME			
Subscriptions	3	91,491,646	72,083,437
Member services	4 (a)	91,885,856	70,650,497
CPA Centre	5 (a)	55,848,898	65,751,241
		239,226,400	208,485,175
EXPENSES			
Member services	4 (b)	58,329,060	46,136,566
CPA Centre	5 (b)	39,864,877	47,248,979
Operating expenses	6	122,622,840	87,972,374
		220,816,777	181,357,919
OPERATING SURPLUS		18,409,623	27,127,256
OTHER INCOME	7	15,380,363	4,840,339
SURPLUS BEFORE RE-BRANDING & REDUNDANCY		33,789,986	31,967,595
Corporate branding	8	(6,535,363)	-
CPA Centre redundancy costs		(9,246,573)	-
		18,008,050	31,967,595
OTHER COMPREHENSIVE INCOME			
Fair value gain on property	9	25,100,000	-
SURPLUS FOR THE YEAR	10	43,108,050	31,967,595

37

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	2010 Kshs.	2009 Kshs.
ASSETS			
NON CURRENT ASSETS			
Property and Equipments	9	86,829,615	64,459,916
Intangible Assets	11	-	879,949
Investment Property	12	16,000,000	8,600,000
Prepaid Operating Lease Rentals	13	4,042,819	4,173,240
Investment in CPA Centre Limited	14	50,020	50,020
		106,922,454	78,163,125
CURRENT ASSETS			
Inventories	15	1,141,540	1,364,282
Trade and other receivables	16	71,056,521	42,434,905
Cash and cash equivalents	17	114,422,429	99,204,993
		186,620,490	143,004,180
Non Current Assets Held for Sale	18	83,656,354	82,917,376
		377,199,298	304,084,681
TOTAL ASSETS			
EQUITY AND LIABILITIES			
EQUITY			
General fund		234,355,244	216,347,194
Revaluation reserves	19	65,374,259	43,592,638
Designated funds	20	5,332,024	5,201,917
		305,061,527	265,141,749
CURRENT LIABILITIES			
Trade and other payables	21	19,575,937	23,723,912
CPA Centre sale deposit	22	34,000,000	-
Deferred subscriptions	23	18,511,814	15,169,000
Due to CPA Centre Limited	24	50,020	50,020
		72,137,771	38,942,932
TOTAL EQUITY AND LIABILITIES		377,199,298	304,084,681

The financial statements on pages 37 to 61 were approved for issue by the Council on **29th March 2011** and were signed on its behalf by:

Michael M Hote

Chairman



Kellen Kariuki

Council Member

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	General fund Kshs	Revaluation reserves Kshs	Designated fund Kshs	Total Kshs
At 1 January 2009		176,059,072	43,592,638	1,845,291	221,497,001
Funds received during the year	20	-	-	385,061	385,061
Funds utilised during the year	20	-	-	(373,749)	(373,749)
Transfers to Designated fund	20	(3,345,314)	-	3,345,314	-
Surplus for the year		31,967,595	-	-	31,967,595
		204,681,353	43,592,638	5,201,917	253,475,908
Funds received from RAB		11,665,841	-	-	11,665,841
At 31 December 2009		216,347,194	43,592,638	5,201,917	265,141,749
At 1 January 2010		216,347,194	43,592,638	5,201,917	265,141,749
Funds received during the year	20	-	-	1,141,334	1,141,334
Funds utilised during the year	20	-	-	(1,011,227)	(1,011,227)
Property and Equipment impaired	9	-	(3,318,379)	-	(3,318,379)
Surplus for the year		18,008,050	25,100,000	-	43,108,050
At 31 December 2010		234,355,244	65,374,259	5,332,024	305,061,527

2010: In the opinion of the Council the recoverable amount of certain capital items in the class of Equipment and Furniture & fittings were found to be lower than the carrying amounts and were impaired. The carrying amount was the revalued amount.

2009: Funds received from RAB - With the enactment of the Accountants Act 2008, the Registration of Accountants Board ceased its operations as a distinct entity and was merged with the Institute, and thereby their assets transferred to the Institute.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 KShs.	2009 KShs.
Cash flows from operating activities:			
Surplus for the year	10	43,108,050	31,967,595
Adjustments for:			
Depreciation on property and equipment	Appendix (a)	4,476,302	4,883,969
Amortisation of intangible assets	Appendix (a)	879,949	1,173,264
Amortisation of prepaid operating lease rentals	Appendix (a)	130,421	130,421
Fair value gain on investment property	7	(7,400,000)	-
Fair value gain on property	9	(25,100,000)	-
Loss on disposal		7,246	-
Designated funds utilised during the year	20	(1,011,227)	(373,749)
Designated funds received during the year	20	1,141,334	385,061
Interest income	7	(7,980,363)	(4,840,339)
Surplus before working capital changes		8,251,712	33,326,222
Decrease/(increase) in inventories		222,742	(17,609)
Increase in trade and other receivables		(28,621,616)	(23,949,752)
(Decrease)/increase in trade and other payables		(4,147,975)	11,238,486
Increase in deferred income		3,342,814	5,101,000
Increase in deposits		34,000,000	-
		13,047,677	25,698,347
Interest income	7	7,980,363	4,840,339
Fund received from Registration of Accountants Board		-	11,665,841
Net Cash generated from Operating Activities		21,028,040	42,204,527
Cash flows from investing activities:			
Purchase of property and equipment	9	(2,002,833)	(4,118,138)
Insurance compensation on computers		171,275	-
Work in progress	9	(3,240,068)	-
Increase in non current assets held for sale		(738,978)	-
Net Cash used in Investing Activities		(5,810,604)	(4,118,138)
Increase in cash and cash equivalents		15,217,436	38,086,389
At the start of the year		99,204,993	61,118,604
Increase in cash and cash equivalents		15,217,436	38,086,389
At end of the year	17	114,422,429	99,204,993

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 in compliance with International Finance Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (KShs), rounded to the nearest shilling, and prepared under the historical cost convention as modified by the revaluation of certain property and equipment.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant the financial statements, are disclosed in note 2.

b) Adoption of New and Revised International Financial Reporting Standards (IFRS)

Standards, amendments and interpretations effective in 2010

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 17 (Amendment) Leases, Classification of leases of land and buildings. The amendment requires that all leases of land for which the title is not expected to pass to the lessee by the end of the lease be classified as an operating lease. This will allow entities to classify long term leases of land that in substance meet the criteria of a finance lease to be classified as such and presented as property, plant and equipment.
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
- IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Adoption of New and Revised International Financial Reporting Standards (IFRS) - (Continued)

Standards, amendments and interpretations effective in 2010 (Continued)

- IFRS 2 - Share-Based Payment - (Amendment) to Group Cash-settled Share-based Payments Transactions - the amendment provides guidance on the measurement of share based transactions among group entities.
- IAS 39 - Financial Instruments: (Amendment) Eligible Hedged Items Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRS- the amendment clarifies that only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to the entity shall be designated as hedged items.
- IFRIC 17 - Distribution of Non-cash Assets to Owners - the standard provides guidance on how an entity shall account for non-cash assets distributions. The effective date of the Interpretation is for annual periods commencing on or after 1st July, 2009 and it shall be applied prospectively.

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

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 not yet effective. The Institute has not early adopted any of these revised standards, amendments and interpretations:

- IAS 1 – (Amendment) Clarification of Statement of Changes in Equity with regard to the presentation of the analysis of other comprehensive income by item. The amendment becomes effective for annual periods beginning on or after 1st January 2011.
- IAS 24 – (Amendment) Related Party Disclosures, Revised definition of related parties. The amendment becomes effective for annual periods beginning on or after 1st January 2011.
- IAS 32 – (Amendment) - Classifications of Rights Issues. The amendment becomes effective for annual periods beginning on or after 1st February 2010.
- IFRIC 14 - (Amendment) - Prepayments of a Minimum Funding Requirement,
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments,
- IFRS 7- Financial Instruments (Amendments enhancing disclosures) effective for annual periods beginning on or after 1st January 2011.
- 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 2013.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Adoption of New and Revised International Financial Reporting Standards (IFRS) - (Continued)

New and revised standards and interpretations in issue but not yet effective (Continued)

- IFRS3 - Business Combinations – (Amendment) Amendments resulting from May 2010 annual improvements to IFRS – the effective date of the amendment on measurement of non-controlling interest is annual periods commencing on or after 1st July, 2010. The effective date for the amendment on un-replaced and voluntary replaced share based payment award is for annual periods beginning on or after 1st July 2010 and is to be applied prospectively from the date the entity first applied IFRS 3(2008).
- IAS 27 – Consolidated and Separate Financial Statements – (Amendment) Amendments resulting from May 2010 annual improvements to IFRS - the amendment clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Rates, IAS28 - Investment in Associates and IAS 31 – Interest in Joint Ventures as a result of IAS 27(2008) should be applied prospectively and not retrospectively, with the exception of paragraph 35 and paragraph 46 of IAS 31, which should be applied retrospectively. The amendment is effective for annual period commencing on or after 1st July 2010.
- IFRIC 13 - Customer Loyalty Programmes – (Amendment) the amendment clarifies that the fair value of award credits should consider the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and any expected forfeitures. The effective date is for annual period beginning on or after 1st January, 2011.

Where applicable to the Institute, the Council of the Institute has assessed the potential impact of the above and expects that they will not have a significant impact on the Institute's financial statements for 2011.

c) Revenue recognition

- Subscription income from active members is recognised in the year in which it is due. Active members are considered to be those member who are up to date with their subscription.
- Subscription income from other members is recognised when it is received.
- Rental income is accounted for in the period in which it is earned.
- Interest income is accounted for in the period in which it is earned.
- Hostel and food and beverage income are recognised in the period in which they are earned, net of VAT and discounts.

d) Branches

Contributions made by the Institute to the branches' activities are charged to the income and expenditure statement in the period that the expense is incurred. Receipts are recognised as income.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property and equipment and depreciation

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

Buildings, land improvement and furniture and fittings 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the Statement of Comprehensive Income) 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
Land improvements	20 years
Equipment	4 years
Computers	4 years
Furniture and fittings	10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 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 and is determined annually by external registered valuers. Changes in fair value are recorded in the Statement of Comprehensive Income.

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 indications 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in the year in which the reversals are recognised.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets

The Institute's financial assets which include cash and cash equivalents and receivables fall into the following category:

Cash and cash equivalents

For the purposes of the cash flow statement, 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 doubtful debts 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.

Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the Statement of Financial Performance.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Institute commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Institute has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating surplus.

Financial liabilities

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

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Employees benefits

Pension 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 income and expenditure statement 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 Financial Performance in the year to which they relate.

Employees entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

k) Investments

Non-current investments are shown at cost and provision is only made where, in the opinion of the Council there is a permanent diminution in value. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Comprehensive Income.

l) 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.

m) Accounting for 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. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

n) Foreign currency transactions

Transactions in foreign currencies during the year are converted into Kenya Shillings (functional currency) at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the Statement of Financial Performance in the year in which they arise.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) 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 non-current 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 cease of operations, which should be expected to qualify for recognition as a completed sale or cessation within one year from the date of classification.

2 CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

Property and equipment

Critical estimates are made by the Council in determining depreciation rates for property and equipment. The rates used are set out in policy 1 (d) above.

ii) Critical judgements in applying the entity's accounting policies

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

- Whether assets are impaired
- The classification of financial assets
- The going concern

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

3 SUBSCRIPTIONS INCOME

	2010 Kshs.	2009 Kshs.
Active members at start of year	65,380,884	48,325,516
Transfer from non active category at start of year	7,974,887	11,789,588
New members in the year	22,156,342	12,744,125
Registration and licensing fees	9,669,917	7,199,095
	105,182,030	80,058,324
Transfer to non active category at end of year	(13,690,384)	(7,974,887)
Active members at end of year	91,491,646	72,083,437

The amount transferred to the non-active category represents the value of subscriptions due from members that remain unpaid at the reporting date excluding those identified as receivable (see Note 16). This is in accordance with the accounting policy on revenue recognition (set out in policy 1 (c) (ii) above). The amount is reversed in the following year and remains due until the member is deregistered by virtue of Section 29 (4) of the Accountants Act.

4 MEMBER SERVICES

	2010 Kshs.	2009 Kshs.
(a) INCOME		
Annual seminar	37,546,434	27,031,904
Economic symposium	3,627,270	3,780,000
Monthly seminars/video sessions	38,305,711	31,813,994
Managerial Seminar	4,798,173	2,444,077
Executive retreat	5,777,430	3,954,030
Sale of publications	1,420,810	1,431,792
E-Connect advertising	410,028	194,700
	91,885,856	70,650,497
(b) EXPENSES		
Annual seminar	23,116,449	17,138,731
Economic symposium	2,673,429	2,644,347
Monthly seminars/video sessions	23,351,961	20,414,524
Managerial Seminar	2,730,296	1,668,639
Executive retreat	5,346,963	3,014,616
Sale of publications	1,109,962	1,255,709
	58,329,060	46,136,566
Surplus from member services	33,556,796	24,513,931

The expenses exclude direct staff salaries and other related expenses.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

5 CPA CENTRE

(a) INCOME

Rent and service charge:

- KCA University
- Other tenants

Hire of grounds

Hostel occupancy

Food and beverage

- KCA University
- Other customers

(b) EXPENSES

Hostel occupancy

Food and beverage

Operating Expenses - Appendix (a)

Surplus from CPA Centre

	2010 Kshs.	2009 Kshs.
24,317,288	27,754,332	
4,969,114	4,698,204	
29,029	472,600	
14,317,359	17,175,088	
3,220,052	4,425,364	
8,996,056	11,225,653	
55,848,898	65,751,241	
2,578,968	2,525,200	
9,746,509	10,390,079	
27,539,400	34,333,700	
39,864,877	47,248,979	
15,984,021	18,502,262	

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

6 OPERATING EXPENSES - Appendix (a)

Institute expenses

7 OTHER INCOME

Interest

Fair value gain on investment property

Interest Income - Income received from short term bank deposits held in various banks.

Fair value gain on investment property - Revaluation surplus on Investment property (Note 12).

8 CORPORATE BRANDING

Relate to development, advertisement and launch of the new ICPAK logo.

	2010 Kshs.	2009 Kshs.
122,622,840	87,972,374	
7,980,363	4,840,339	
7,400,000	-	
15,380,363	4,840,339	

Discontinued Operations:

The following net income will form part of discontinued operations upon the finalisation of the sale of part of the CPA Centre:

	2010 Kshs.	2009 Kshs.
Income:		
Rental	24,317,288	27,754,332
Food and beverage	12,216,108	15,651,017
Hire of grounds	29,029	472,600
Expenses:		
Food and beverage	(9,746,509)	(10,390,079)
CPA Centre - Operating Expenses	(24,785,460)	(30,900,330)
Net/Income forgone from operations to be discontinued	2,030,456	2,587,540
Surplus after discontinued operations	13,953,565	15,914,722

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

9 PROPERTY AND EQUIPMENT

	Buildings KShs.	Land improvements KShs.	Equipment KShs.	Computers KShs.	Furniture and fittings KShs.	Total KShs.
COST AND VALUATION						
At 1 January 2009	69,210,000	1,392,130	9,971,911	3,401,012	8,661,683	92,636,736
Additions	-	223,350	322,130	2,340,337	1,232,321	4,118,138
Non Current Assets Held for Sale (Note 18)	(14,310,000)	(1,615,480)	-	-	-	(15,925,480)
At 31 December 2009	54,900,000	-	10,294,041	5,741,349	9,894,004	80,829,394
Comprising						
Cost	-	-	10,294,041	5,741,349	9,894,004	25,929,394
Valuation	54,900,000	-	-	-	-	54,900,000
	54,900,000	-	10,294,041	5,741,349	9,894,004	80,829,394
At 1 January 2010	54,900,000	-	10,294,041	5,741,349	9,894,004	80,829,394
Additions	-	-	160,800	1,321,200	520,833	2,002,833
Work in progress	3,240,068	-	-	-	-	3,240,068
Revaluation	25,100,000	-	-	-	-	25,100,000
Impairment	-	-	(315,478)	-	(4,123,428)	(4,438,906)
Disposals	-	-	-	(442,519)	-	(442,519)
At 31 December 2010	83,240,068	-	10,139,363	6,620,030	6,291,409	106,290,870
Comprising						
Cost	3,240,068	-	10,139,363	6,620,030	6,291,409	26,290,870
Valuation	80,000,000	-	-	-	-	80,000,000
	83,240,068	-	10,139,363	6,620,030	6,291,409	106,290,870
DEPRECIATION						
At 1 January 2009	1,647,857	69,607	6,224,928	2,559,083	1,394,355	11,895,830
Charge for the Year	1,307,143	-	1,910,088	706,995	959,743	4,883,969
Non Current Assets Held for Sale (Note 18)	(340,714)	(69,607)	-	-	-	(410,321)
At 31 December 2009	2,614,286	-	8,135,016	3,266,078	2,354,098	16,369,478
At 1 January 2010	2,614,286	-	8,135,016	3,266,078	2,354,098	16,369,478
Disposals	-	-	-	(263,998)	-	(263,998)
Impairment	-	-	(295,841)	-	(824,686)	(1,120,527)
Charge for the Year	1,307,143	-	1,614,802	940,536	613,821	4,476,302
At 31 December 2010	3,921,429	-	9,453,977	3,942,616	2,143,233	19,461,255
NET BOOK VALUE						
At 31 December 2010	79,318,639	-	685,386	2,677,414	4,148,176	86,829,615
At 31 December 2009	52,285,714	-	2,159,025	2,475,271	7,539,906	64,459,916

In the opinion of the Council the recoverable amount of certain capital items in the class of Equipment and Furniture & fittings were found to be lower than the carrying amounts and were impaired (2009: There was no impairment in the value of property, plant and equipment).

Value of buildings as at 31 December 2010 is per valuation carried out by Realmast Limited based on an open market value on 17 December 2010.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

10 SURPLUS FOR THE YEAR

The surplus for the year is stated after charging:

Allowance for credit losses subscriptions	-	1,795,700
Amortisation of intangible assets	879,949	1,173,264
Amortisation of prepaid operating lease rentals	130,421	130,421
Audit fees - Current year	762,833	637,598
Under provision in prior year	-	208,560
Corporate branding	6,535,363	-
CPA Centre redundancy costs	9,246,573	-
Depreciation on property and equipment	4,476,302	4,883,969
FiRe Award	1,000,000	1,000,000
Staff costs	76,046,655	53,773,006

And after crediting:

Interest income	7,980,363	4,840,339
Fair value gain on property	25,100,000	-

11 INTANGIBLE ASSETS

Software costs:

Cost	At January	At December	2010 Kshs.	2009 Kshs.
			3,519,793	3,519,793
			3,519,793	3,519,793
Amortisation	At January		2,639,844	1,466,580
	Charge for the year		879,949	1,173,264
	At December		3,519,793	2,639,844
Net book value			-	879,949

12 INVESTMENT PROPERTY

At January	8,600,000	41,384,870
Revaluation	7,400,000	-
Non Current Assets Held for Sale (Note 18)	-	(32,784,870)
At December	16,000,000	8,600,000
Rental income from investment property	4,933,114	4,662,204

2010: Value of investment property is per valuation carried out during the year by Realmast Limited based on an open market value on 17 December 2010.

2009: Non current assets held for sale - disposal of investment property to KCA University. The disposal was charged at no profit or loss.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

13 PREPAID OPERATING LEASE RENTALS

		2010 Kshs.	2009 Kshs.
Leasehold land:			
Cost	At January	5,477,689	37,910,700
	Non Current Assets Held for Sale (Note 18)	-	(32,433,011)
	At December	5,477,689	5,477,689
Amortization	At January	1,304,449	8,125,362
	Charge for the year	130,421	130,421
	Non Current Assets Held for Sale (Note 18)	-	(6,951,334)
	At December	1,434,870	1,304,449
Net book value		4,042,819	4,173,240

Value as per valuation carried out on 17 December 2010 by Realmast Limited based on an open market value is KShs. 105,000,000.

14 INVESTMENT IN CPA CENTRE LIMITED

	2010 Kshs.	2009 Kshs.
Investment in CPA Centre Limited	50,020	50,020

54

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.

15 INVENTORIES

	2010 Kshs.	2009 Kshs.
Food items	13,833	199,403
Beverage	9,948	81,957
Cleaning and other materials	333,477	183,451
Other inventories	556,132	536,749
Books	228,150	362,722
	1,141,540	1,364,282

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

16 TRADE AND OTHER RECEIVABLES

	2010 Kshs.	2009 Kshs.
Subscription receivables	20,314,959	11,474,887
Less: Transfer to non-active category (Note 3)	(13,690,384)	(7,974,887)
Net subscription receivables	6,624,575	3,500,000
Other Institute receivables	13,117,226	7,031,925
CPA Centre receivables	8,777,665	10,011,302
Deposits and prepayments	1,511,240	744,664
Staff receivables	-	14,243
Related party receivables (Note 24)	35,573,410	20,409,953
FiRe award fund	796,531	722,818
African Congress of Accountants fund	4,655,874	-
	71,056,521	42,434,905

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Institute does not hold any collateral as security.

The age analysis of trade and other receivables is as follows:

	0 - 3 months KShs.	3 - 12 months KShs.	over 12 months KShs.	TOTAL KShs.
Net subscription receivables	-	6,624,575	-	6,624,575
Other Institute receivables	6,497,854	6,619,372	-	13,117,226
CPA Centre receivables	2,359,164	3,154,775	3,263,726	8,777,665
Deposits and prepayments	909,530	-	601,710	1,511,240
Related party receivables	10,833,312	4,330,145	20,409,953	35,573,410
FiRe award fund	796,531	-	-	796,531
African Congress of Accountants fund	4,655,874	-	-	4,655,874
	26,052,265	20,728,867	24,275,389	71,056,521

55

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

17 CASH AND CASH EQUIVALENTS

	2010 Kshs.	2009 Kshs.
Cash at bank and in hand	8,299,954	9,062,881
Short term bank deposits	106,122,475	90,142,112
	<u>114,422,429</u>	<u>99,204,993</u>

The weighted average effective interest rate on short term bank deposits at the year-end was 6.2% (2009: 8%)
The Institute is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the Institute's cash and cash equivalents are denominated in Kenya Shillings. 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. In the Statement of Financial Position, bank overdrafts are included in borrowings in current liabilities. The year-end cash and cash equivalents comprise the following:

	2010 Kshs.	2009 Kshs.
Cash and bank balances as above	<u>114,422,429</u>	<u>99,204,993</u>

18 NON CURRENT ASSETS HELD FOR SALE

	2010 Kshs.	2009 Kshs.
Property and Equipments (Note 10)	15,515,159	15,515,159
Investment Property (Note 12)	32,784,870	32,784,870
Prepaid Operating Lease Rentals (Note 13)	26,220,655	25,481,677
Value of Property disposed	9,135,670	9,135,670
	<u>83,656,354</u>	<u>82,917,376</u>

During the year ended 31st December, 2009 assets amounting to KShs. 82,917,376 were presented as Non Current Assets Held for Sale based on a purchase commitment received from the KCA University. The increase of KShs. 738,978 under prepaid operating lease rentals in the year 2010 relates to property transfer costs.

IFRS 5, Non Current Assets Held for Sale and Discontinued Operations, gives a one year timeline for an entity to conclude on the disposal of non current assets held for sale. However, circumstances and events beyond the control of management of the Institute have necessitated the extension of the period required to complete the sale of these assets.

This being the case, assets amounting to KShs. 83,656,354/- have again been classified as Non Current

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

SALE COMPLETION

On 18 February 2010, the Institute entered into a sale agreement with KCA University for sale of part of CPA Center. As at the balance sheet date the sale had not been concluded by way of excision and transfer of the sold land.

The sale agreement provided the completion date to be conditional to presentation of the title for the property and duly executed transfer documents in favour of KCA University. This required subdivision, change of user and issue of two new titles. This process has taken longer than envisaged. As at the reporting date both the Ministry of Lands and Nairobi City Council had given all the required approvals and had commenced processing the titles. KCA University financiers and management have indicated their commitment to conclude this transaction.

The Council expects this transaction to be completed within the next three months from the date of this report.

19 REVALUATION SURPLUS

	2010 KShs.	2009 KShs.
Property and Equipment		
Buildings	63,741,774	38,641,774
Land improvements	464,521	464,521
Furniture and fittings & Equipment	1,167,964	4,486,343
	<u>65,374,259</u>	<u>43,592,638</u>

Valuation carried out on 17 December 2010 by Realmax Limited based on an open market value.

20 DESIGNATED FUNDS

	Bursary funds Kshs.	Charity funds Kshs.	Prizes funds Kshs.	Total funds Kshs.
Year 2010:				
At start of year	5,000,000	201,917	-	5,201,917
Received during the year	-	1,141,334	-	1,141,334
Utilised during the year	-	(1,011,227)	-	(1,011,227)
At end of year	<u>5,000,000</u>	<u>332,024</u>	<u>-</u>	<u>5,332,024</u>
Year 2009:				
At start of year	1,500,000	190,605	154,686	1,845,291
Received during the year	-	385,061	-	385,061
Utilised during the year	-	(373,749)	-	(373,749)
Transfers from the general fund	3,345,314	-	-	3,345,314
Inter fund transfers from / (to)	154,686	-	(154,686)	-
At end of year	<u>5,000,000</u>	<u>201,917</u>	<u>-</u>	<u>5,201,917</u>

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

Charity fund 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.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

21 TRADE AND OTHER PAYABLES

	2010 KShs.	2009 KShs.
Institute payables	11,480,563	8,381,667
CPA Centre payables	416,171	1,873,207
Rental deposit	600,000	600,000
Accrual for leave pay	1,877,243	1,668,035
Advance payments by client	1,232,811	4,100,859
Accrual for staff bonus	-	5,831,823
Other accruals	3,510,359	809,531
Related party payable (Note 24)	458,790	458,790
	19,575,937	23,723,912

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

The maturity analysis of trade and other payables is as follows:

	0 to 3 months KShs.	3 to 12 months KShs.	TOTAL KShs.
Institute payables	7,362,340	4,118,223	11,480,563
CPA Centre payables	142,893	273,278	416,171
Rental Deposit	600,000	-	600,000
Accrual for leave pay	-	1,877,243	1,877,243
Advance payments by clients	1,196,890	35,921	1,232,811
Other accruals	3,510,359	-	3,510,359
Payable to related party	-	458,790	458,790
	12,812,482	6,763,455	19,575,937

22 DEPOSITS

	2010 KShs.	2009 KShs.
CPA Centre sale deposit	34,000,000	-

Sale deposit obtained from KCA University towards the sale of part of the CPA Centre.

23 DEFERRED SUBSCRIPTIONS

	2010 KShs.	2009 KShs.
Deferred subscriptions	18,511,814	15,169,000

Deferred subscriptions represent amounts received in the current year for the subscriptions of the following year.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

24 RELATED PARTY TRANSACTIONS

The Institute is also 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 of 10,004 shares of KShs. 5 each.

	2010 KShs.	2009 KShs.
i) Amount due from related parties		
Receivable from KCA University (Note 16)	35,573,410	20,409,953
ii) Amount due to related parties		
Payable to KCA University (Note 21)	458,790	458,790
Due to CPA Centre Limited	50,020	50,020
	508,810	508,810
iii) Key management compensation		
Salaries and other short term benefits	16,403,180	10,237,539
Post employment benefits	996,754	510,515
	17,399,934	10,748,054

No provision is necessary in 2010 and 2009 in respect of related party balances.

25 STAFF COSTS

	2010 KShs.	2009 KShs.
Salaries and wages	66,725,484	45,825,271
Medical expenses	3,597,381	2,038,096
Pension costs	3,256,060	1,932,577
Leave allowances	691,975	451,450
Recruitment costs	233,071	1,315,967
Staff travelling allowance	653,000	1,971,000
Subscriptions	605,460	172,460
Other staff costs	284,224	66,186
	76,046,655	53,773,006

26 TAX

The Institute is exempted from income tax under Section 13(2) of the Income Tax Act (Cap. 470) and Legal Notice No. 168 of 22 October 1980.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

27 REGISTRATION OF ACCOUNTANTS BOARD (RAB)

Prior to 30th December 2008, the RAB was a distinct entity preparing its own financial statements. With the enactment of the Accountants Act 2008, RAB ceased its operations as a distinct entity and was merged with the Institute and currently operates as a department within the Institute.

Therefore, RAB transactions for the period starting 30th December 2008 to 31st December 2009 form part of the financial statements presented.

28 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Institute’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Institute’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Institute’s financial performance.

Risk management is carried out by the Finance and Administration Committee under policies approved by the Council. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

a) Foreign exchange risk:

The table below summarises the effect on surplus for the year and components of equity had the Kenya Shilling weakened by 10% against each currency, with all other variables held constant. If the Kenya Shilling strengthened against each currency, the effect would have been the opposite.

	2010 KShs.	2009 KShs.
Effect on surplus - Increase/(Decrease)		
UK pound (£)	-	(101,495)
	-	(101,495)

b) Credit risk:

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

c) 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 and 6 months.

The current ratio during the year was 2.59 (2009: 3.67).

3

4

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

29 INTERNATIONAL RELATIONS

The Institute is affiliated to the Eastern, Central and Southern African Federation of Accountants (ECSAFA) and International Federation of Accountants (IFAC).

30 CONTINGENCIES

The Institute has guaranteed facilities with Barclays Bank of Kenya Limited for use by the KCA University comprising of: a loan facility secured under a first legal charge over LR No. 8874 in the name of ICPAK, registered and stamped to cover KShs. 66,000,000 (outstanding amount as at 31st December 2010 = KShs. 49,824,993); and an overdraft facility upto KShs. 25,000,000 unsecured (fully utilised as at 31 December 2010).

31 COMPARATIVES

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

32 INCORPORATION

The Institute is domiciled and established in Kenya under the Accountants Act.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

Appendix (a)

DETAILED OPERATING EXPENSES	Institute		CPA Centre		Total expenses	
	2010 Kshs.	2009 Kshs.	2010 Kshs.	2009 Kshs.	2010 Kshs.	2009 Kshs.
Salaries and other related expenses (Note 25)	67,239,105	39,914,670	8,807,550	13,858,336	76,046,655	53,773,006
Council and committee expenses	7,269,002	4,060,912	-	-	7,269,002	4,060,912
International relations	10,644,543	9,805,644	-	-	10,644,543	9,805,644
Accountancy journal (net of cost recoveries)	5,054,583	3,091,925	-	-	5,054,583	3,091,925
Advertising	495,192	928,416	251,823	273,534	747,015	1,201,950
Allowance for credit losses subscriptions	-	1,795,700	-	-	-	1,795,700
Amortisation of intangible assets	879,949	1,173,264	-	-	879,949	1,173,264
Amortisation of prepaid operating lease rentals	-	-	130,421	130,421	130,421	130,421
Audit fees						
Current year	762,833	637,598	-	-	762,833	637,598
Under provision in prior year	-	208,560	-	-	-	208,560
Audit quality review (net of cost recoveries)	922,108	1,037,630	-	-	922,108	1,037,630
Bank charges	769,558	672,350	59,351	125,964	828,909	798,314
Cleaning and refuse services	-	-	2,155,730	2,289,217	2,155,730	2,289,217
Computer and website expenses	3,507,974	1,781,032	-	-	3,507,974	1,781,032
Depreciation on property and equipment	613,821	959,743	3,862,481	3,924,226	4,476,302	4,883,969
Disciplinary measures	737,286	196,100	-	-	737,286	196,100
Electricity and water	-	-	8,347,802	6,850,502	8,347,802	6,850,502
Equipment maintenance	80,007	226,316	1,502,608	2,947,531	1,582,615	3,173,847
FiRe Award	1,000,000	1,000,000	-	-	1,000,000	1,000,000
General office expenses	89,648	156,176	25,695	46,620	115,343	202,796
Insurance	181,012	167,868	563,743	589,351	744,755	757,219
Internal audit review	49,528	808,613	-	-	49,528	808,613
Loss on disposal	7,246	21,797	-	-	7,246	21,797
Member recruitment and marketing	2,451,206	2,356,256	-	-	2,451,206	2,356,256
PR and communication	546,288	771,729	-	-	546,288	771,729
Practitioners development	1,020,766	448,489	-	-	1,020,766	448,489
Printing and stationery	4,185,591	3,194,203	31,961	70,644	4,217,552	3,264,847
Professional services	1,215,029	1,348,703	-	25,000	1,215,029	1,373,703
Rent and rates	-	-	50,664	50,664	50,664	50,664
Security expenses	-	-	1,620,140	1,960,058	1,620,140	1,960,058
Staff tea and meetings	2,975,082	1,918,656	7,717	1,007,747	2,982,799	2,926,403
Staff training	1,270,691	2,496,969	-	-	1,270,691	2,496,969
Subscriptions	3,754,489	3,272,805	-	-	3,754,489	3,272,805
Telephones and postages	3,309,861	1,802,754	76,274	101,140	3,386,135	1,903,894
Travelling	1,590,442	1,717,496	45,440	82,745	1,635,882	1,800,241
	122,622,840	87,972,374	27,539,400	34,333,700	150,162,240	122,306,074

2009: Allowance for credit losses subscription - relates to members who have been deregistered



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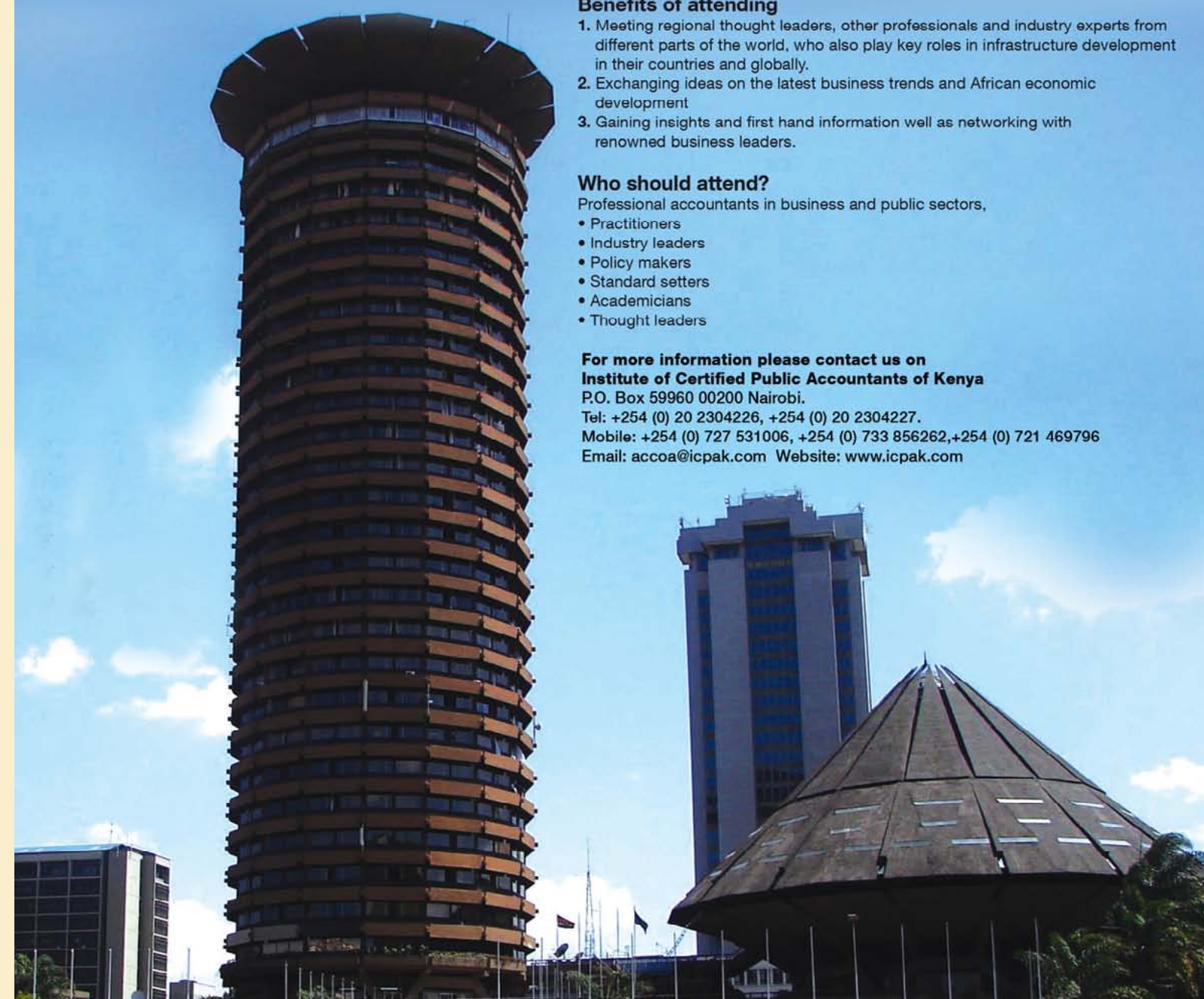
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