ICPAK

Credibility . Professionalism . AccountAbility

ANNUAL REPORT & FINANCIAL STATEMENTS 2013

THE 2ND ANNUAL FINANCIAL SERVICES CONFERENCE AND EXHIBITION

9TH – 11TH JULY 2014, KENYATTA INTERNATIONAL CONFERENCE CENTER, NAIROBI
THEME: BEYOND REGIONAL ECONOMIC COMPETITIVENESS

The Financial Services Sector is the largest in the world in terms of earnings, comprised of a wide range of businesses including merchant banks, credit card companies, stock brokerages, Saccos, Insurance Companies among others. Despite their potential, to date the impact of the sector in expanding economic opportunity has remained limited in the developing world where a vicious cycle of insufficient information, inappropriate products, inadequate infrastructure and inflexible regulatory environments have kept costs and therefore prices high, limiting companies' markets to clients within the top tiers of the economic pyramid. It is in this recognition that ICPAK has organized the Annual Financial Services Conference and Exhibition to dwell on:

- **Financial Sector and the Realization of the Monetary Union**
- **Growth in the Financial Services Sector: Focus on the Unbanked Population & Informal Sector**
- **ICT Risk in the Integrated Economy**
- **Domestic vs. External Borrowing**
- **Consolidation of Financial Services Regulators: Necessity vs. Challenges**
- **Retirement Benefits Management: Current Challenges**
- **Anti Money laundering: Tips and Traps in the Sector**

Target Audience: Accountants, Professionals working in Saccos, Banking Sector, Insurance sector, Financial Services Regulators, Academia and all stakeholders in the Financial Services Sector

	Early Bird Registration (Bookings & payment received by Friday 13th June 2014)	Normal Registration (Bookings & payment received after Friday 13th June 2014)
Member	Kshs. 29, 950	Kshs. 34, 950
Non-Member	Kshs. 39, 950	Kshs. 44, 950

Bookings and Deadline
Please book online on www.icpak.com/registration. Payment by MasterCard, Senator and Visa Card is acceptable. Bookings will close on Friday, 4th July 2014.

CPD Hours
Delegates attending the Financial Services Conference & Exhibition will qualify for award of 20 CPD Hours.

Cancellations & Substitutions
All cancellations must be notified in writing addressed to Dan Mugo. At no time are telephonic cancellations sufficient. Cancellations received on or before 4th July, 2014 shall be eligible for full refund less 15% administrative fee. No refund shall be made for any cancellation received after 4th July, 2014. The Institute's liability in the event of conference cancellation will be limited to a refund of the conference fee less administrative fee.

National Industrial Training Authority (NITA) Reimbursement
The Institute is registered as a trainer with National Industrial Training Authority (formerly Department of Industrial Training -DIT). The Institute's registration number is NITA/TRN/47. Participants who are registered levy contributors should apply to NITA for reimbursement of their fees. Please note that this is applicable for Kenyan citizens only and subject to NITA regulations. Remember that to qualify you should apply to NITA for approval prior to the date of the conference. Further details can be obtained from their website (www.nita.go.ke).

For more information or enquiries please call +254(20)8562011; +254(20)8562016 or + (254) 733856262/727531006 and talk to Philemon, email to memberservices@icpak.com or visit www.icpak.com For Exhibitions and Sponsorships, please talk to Linda on the above lines or email.

ICPAK New Office
(artistic front impression)

ICPAK New Office
(artistic back impression)

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FiRe Award 2013.

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 No 15, 2008 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 the 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 for the performance of any of the preceding functions.

Today, with membership and a network of 9,968 accountancy professionals, the Institute is the recognised national organization dedicated to advancing the interest of accountants and professionals in the finance and accounting sector in Kenya through the promotion of internationally acceptable standards and best practices, thought leadership, research and continuing professional development.

Through its flagship events such as the Annual Seminar and the Economic Symposium, ICPAK provides forums for accountants in the region to exchange ideas for their mutual and fraternal benefits.

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

Governance Structure

ICPAK is led by an 11 member Governing Council comprising of:

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

In carrying out its responsibilities, Council establishes Committees and assigns specific mandates to them. Council committees are supported by members of staff in executing their annual work plans. Council monitors and evaluates performance of committees.

Administrative Structure

Day to day operations of the Institute are handled by a Secretariat comprising of the CEO, directors, managers and staff.

ICPAK Mission Statement

Our Vision

To be a globally recognized Professional Accountancy Institute

Our Mission

To develop and regulate the accountancy profession in Kenya through;

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

Our Core Credo

Credibility
Professionalism
Accountability

Our Core Values

- Respect
- Integrity
- Professionalism
- Team work
- Innovation

Message from the Chairman

CPA Benson O. Okundi

It is my privilege and pleasure to present my first Chairman's Report. It has been my honour to serve as Chairman of this noble Institute during the past 6 months following my election to office in June 2013. I thank you all for the confidence entrusted in me and unwavering support which contributed to our many successes. Indeed through our collaborative efforts, we were able to execute the Institute's programmes with much success.

In reflecting on the past year, it is true to say that 2013 proved to be an unsettling period dogged by global uncertainties, political transition which ushered in the first government under the new constitution, the implementation of devolved governments as well as the establishment of new independent and constitutional offices.

During the past year, we celebrated our 35th Anniversary as our nation celebrated its Golden Jubilee of Independence, inspiring our members to continue the work of our founders who taught us that, despite adverse circumstances, we should be catalysts of change, advancing the objectives of the Institute and the profession.

ICPAK Complex Building Project

In May 2012, construction for the ICPAK Complex commenced with ground breaking ceremony held on Wednesday June 6, 2012 during the 34th ICPAK AGM. Construction has been ongoing since then with minor interruptions. On the overall the project is on course and is expected to be completed in September 2014. The Kshs 950 million project comprises an ultra modern 12- storey office block. The Institute will reserve for its use two floors and lease out the rest in order to generate more revenue.

Corporate Governance

As a member of the International Federation of Accountants (IFAC), ICPAK is mandated to promote the adoption of international standards and best practices. As such, the Institute continued its call for the adoption of proper governance and the establishment of effective risk management and internal control systems within organisations, in both the public and private sectors. Towards this end ICPAK engaged with the National Treasury and advocated for the establishment of Public Sector Accounting Standards Board. I am pleased that much progress has been made in Kenya and that, in 2013, Government received the names of nominees to be members of this Board.

Ensuring Public Trust and Confidence in the Profession

At the core of the accounting profession, is our commitment to protecting the public interest. Over the years, ICPAK has established strong self regulatory processes and continues to work with the other professional Institutes to achieve greater consistency in those processes. One area that received considerable attention this past year is ongoing review of the Accountant Act of 2008.

As a member of IFAC, ICPAK monitors IFAC developments to facilitate the convergence of national and international standards. Beyond the consideration to date, these matters will continue to receive attention over the next year or so, as possible further changes to the Kenyan requirements are contemplated and considered through an Exposure Draft. Meanwhile, our disciplinary and professional standards review processes continue to develop through statutory Disciplinary Committee.

Membership

On behalf of Council, I take this opportunity to acknowledge and commend ICPAK members who have been contributing to national development through outstanding service at various levels of the society. Congratulations are also extended to those members who were appointed to the Boards of various corporate entities and who, through their contribution, will continue to enhance the influence of the Accountancy profession. We are also proud of those who excelled academically.

Our heartiest congratulations go to His Excellencies CPA Wycliffe Oparanya (Kakamega County), CPA Jack Raguma (Kisumu County), CPA Ahmed Abdullahi Mohamed (Wajir County) and CPA Abdihafid Yarow (Deputy Governor Wajir) for being elected governors in 2013 General Elections.

We also extend congratulations to CPA Adan Billlow Kerrow (Mandera), CPA Thomas Mwandeghu (MP Wundanyi), CPA Charles Nyamai (MP kitui West), CPA Francis Kigo (MP Gatundu North), CPA Stephen Kirwa (MP Mosop) and CPA John Mbadi (MP Suba), on their election as members of the Senate and the National Assembly respectively.

Communication

During the year, the Institute enhanced communication to its members through the introduction of the monthly Chairman's newsletter and a technical bulletin. These avenues of communication will be sustained into the future in order to desseminate useful information and key developments in the accountancy profession.

Stakeholder Engagement

In the year under review, the Institute had a number of high profile engagements with the government and other stakeholders all aimed at amplifying the Institute's voice and role in promoting financial accountability and good corporate governance. As noted elsewhere in this report, we had interactions with the Auditor General, Controller of Budget, Governors and a number of MPs.

Continuous Professional Development

In 2013, the Institute successfully implemented its CPD calendar thereby offering members a rich menu of trainings, seminars, workshops, conferences and symposiums.

In addition, the Institute continues to provide value added services to our members through our flagship initiatives such as ICPAK Smart card, Benevolent Fund, and a preferential motor insurance scheme for members.

Message from the Chairman *(continued)*

Enhance, Promote and Protect CPA
In 2013, Council continued to champion the use of CPA designation among its members. I am convinced that these efforts will result in better and more recognition of the professional accountant.

Further, in the year, Council approved a guideline on signing assurance engagements which require disclosure of the engagement partner for audit assignments.

Going forward, I am confident that ICPAK will maintain its commitment to providing exceptional member services and preserve the integrity of our profession. Our connections within the profession across the country through the branch network remain strong and this, combined with a dedicated Council, committed committee members and a strong and supportive staff, ICPAK has a solid foundation from which to guide the profession now and in the days to come.

Finally, I would also like to give special thanks to my predecessor FCPA Patrick Mtange and the immediate former CEO FCPA Caroline J. Kigen for their excellent work. I would like also to pass my gratitude to our dedicated staff of ICPAK who make it easy for council members, like me, to move the ICPAK agenda forward, it's been an honor and pleasure to serve.

CPA Benson O. Okundi
Chairman,
Institute of Certified Public Accountants of Kenya

FCPA Patrick Mtange (left) congratulates CPA Benson Okundi (right) after taking over the mantle of leadership.

Message from the Ag. Chief Executive

CPA Edwin N. Makori

It is with great pleasure that the Institute releases the annual report for year 2013. As you recall the year started rather slow due to the upcoming elections that were held on 4th of March 2013. The situation culminated into a slack first quarter of the year and with prolonged uncertainty in the business environment. The financial year ended 31 December 2013 was an exceptionally busy period for the Institute as it continued to strive to achieve its strategic objectives of building competency and capacity to meet market demands, advancing the status of members and the profession consistent with the goals of global best practices.

The following are some the key highlights of the Institutes operations for year ended 31st December 2013:

Member Development
Annually the Institute invests significant resources to advance the development of its members in line with its strategic objectives of ensuring quality and building a sustainable talent pipeline to support industry demands.

Much of these resources enhance the professional development and continuing professional education programmes thus ensuring that they are relevant and fit-for-purpose in the market. During the year under review, the Institute held regular engagement sessions to keep members in public practice informed of the latest developments. These included the Tax Compliance and Management Seminar, Accounting for employee Benefits and Revenues (IAS 18,19 & 21) and IPSASs Workshop,

Annual IFRSs week. In addition other seminar were held on topical and relevant matters to the accountancy profession in Kenya and members were also kept up-to-date with recent developments through our dedicated e-connect, Chairman's updates and Accountant Journal.

Enhancing International and Regional recognition
The Institute continued to focus on international engagement so as to influence and heighten global recognition of the Kenyan accountancy profession. At the International Federation of Accountants (IFAC) level, the Institute is represented by the Abdulwahid Aboo who sits on the IFAC SMP Committee, FCPA Caroline J. Kigen who chairs the Professional Accountancy Organization Development Committee (PAODC) and CPA Isaac Njuguna sits on the International Accounting Education Standards Board (IAESB). As an IFAC member, ICPAK has consistently complied with IFAC standards and recommended best practices. This includes complying with the Statements of Membership Obligation (SMO) issued by IFAC, which among others, includes obligations to adopt and implement the IFAC Code of Ethics for Professional Accountants and other standards and pronouncements issued by IFAC.

At the regional African level, ICPAK is privileged to have been appointed to sit in the Board of PAFA. We will continue to do our best to promote accounting professional in Kenya, the East African region, Africa and the Worldat large.
Monitoring and Contributing to Legislative Agenda

Following the promulgation of 2010 Constitution Kenya is in throes of enacting various laws, statues, regulations and compliance matters which require close scrutiny and monitoring by the Institute to ascertain the impact on members. During the year under review, the Institute identified and reviewed significant pieces of legislation which subsequent application and enforcement are anticipated to have a direct impact on members and the profession.

The Institute engaged with Parliament (Parliamentary Investment Committee and Public Accounts Committee), the Commission for Implementation of Constitution, the National Treasury, Ministry of Planning and Devolution, the Auditor General, Kenya Revenue Authority, Capital Markets Authority, Public Procurement Oversight Authority and Commission on Revenue Allocation on a regular basis to discuss the practical issues arising from bills and the subsequent implementation of various statues in the last one year.

The Institute engaged these institutions to determine the application and implications of these laws, which are in various stages of enactment and implementation. The Institute has also been involved in furthering the proposed amendments to the Accountants Act 2008, for the purpose ensuring this law confirms to 2010 Constitution.

Appreciation
I wish to express my appreciation to the Council for their guidance and support. I would also like to thank management and staff for their support.

On behalf of the management, I would also like to extend our gratitude to all our stakeholders for working together with ICPAK to further develop the accountancy profession in Kenya. Thanks to all our members for your support and continued professionalism in all you areas of work.

It is our vision to become a more robust and influential body by delivering the best of services to meet members' needs and safeguard public interest.

CPA Edwin N. Makori
Ag. Chief Executive,
Institute of Certified Public Accountants of Kenya

Management Discussions and Analysis - 2013

Economic Outlook

All sectors of Kenya's economy expanded considerably in 2013 with notable growth registered in the Agricultural sector at 3.8% and Manufacturing at 3.1%. Much of the growth is attributed to Kenya's increasing dominance as a business hub for the wider East African Community.

Following the peaceful national elections in March 2013, the International Monetary Fund of World Bank forecasted a 5.8% GDP growth, spurred by the growth in the agricultural sector and a decline in fuel prices. The economy was expected to accelerate on account of reduced political activities. As is the case with economic growth, it did not follow that the benefits of econimc growth in 2013 were evenly distributed to the citizens. Even in this challenging economic environment, the Institute put in place mitigating strategies to ensure that changes in the economy did not impact on its business.

Financial Results and review of operations

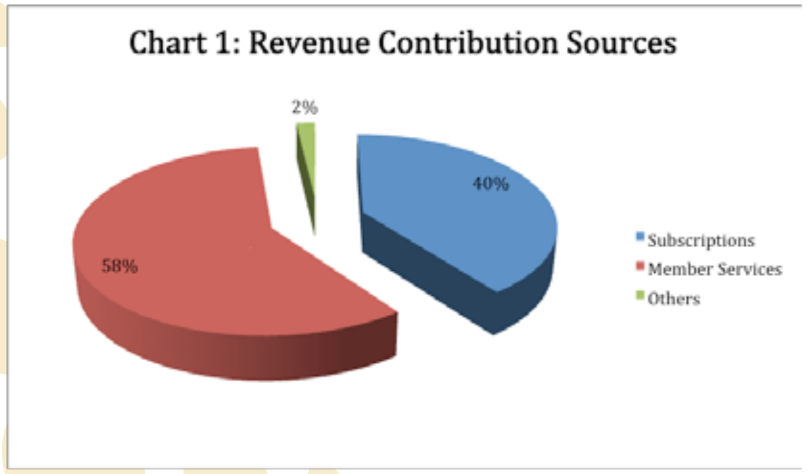
The Institute achieved revenue of Kshs 316 million representing a growth of 13% from the previous year of Kshs 280 million. Our main revenue streams of member subscriptions and training (member services) contributed 98% of the total revenue. The growth in revenue is attributable to increase new members and popularity of ICPAK trainings.

Surplus for the year dipped due to liquidation of investments in fixed and call deposits, proceeds of which paid obligations of the ICPAK building. This is a temporary setback, management is confident that it will reverse the decline in surplus when the project is completed and optimal occupancy achieved.

Contribution to revenue from each of the main sources was as depicted below;

Table 1: Comparative contribution to revenues from various sources

	2013		2012	
Revenue Source	Amount in Kshs '000'	Percentage	Amount in Kshs '000'	Percentage
Subscriptions	125,477	39%	115,228	41%
Member services	183,701	58%	152,273	54%
Others	7,228	2%	12631	5%
Total	**316,406**	**100%**	**280,135**	**100%**



Revenue from other sources includes rent from the property investment leased to Standered Charterd Bank and returns on fixed deposits.

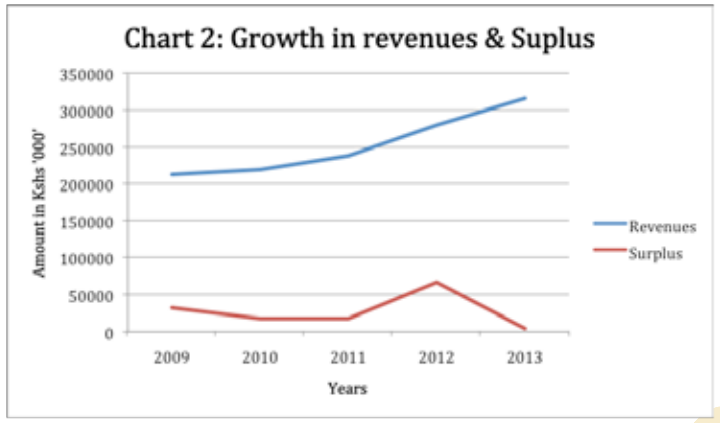
Contributions for CSR from members during the annual seminar, funds from ICPAK as well as money raised during the Annual Golf Tournament are the initiatives used by the Institute to raise money towards the Institute's Corporate Social Responsibility activities. The Institute supported *Nyumba ya Wazee* and a number of resource challenged educational institutions at the coast.

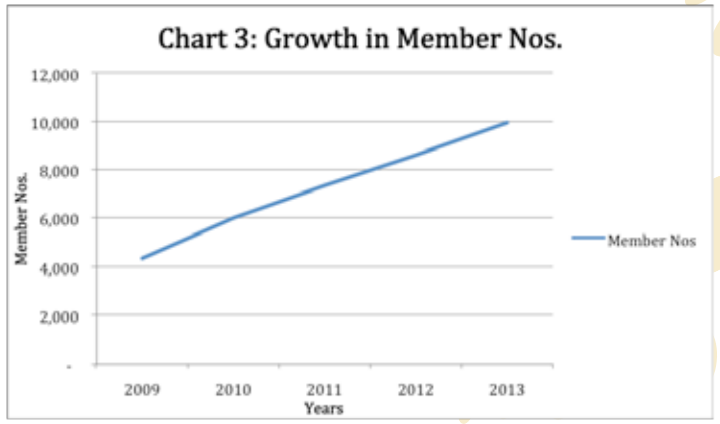
Positive performance recorded in the revenue streams is as a result of the enhanced member recruitment and retention strategies and heavy profiling of our training events to attract larger numbers. Member involvement in the development of the CPD Calender through surveys after trainings has helped in closing gaps on content and choice of speakers.

With the on going development of the ICPAK's Complex and the associated cash flows, management is confident that the Institute will achieve sustained growth in the coming years.

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

Year/Description	2009	2010	2011	2012	2013
Revenues (Kshs 000)	213,325	221,216	239,493	280,135	316,406
Operating Surplus (Kshs 000)	31,967	18,138	18,123	67,150	7,417
Member Nos.	4,361	6,041	7,363	8,621	9,968





Council members from left;
FCPA Pius Nduatih, FCPA Fernandes Barasa, CPA Edwin Makori (Ag. CEO),
CPA Benson Okundi (Chairman), CPA Rosemary Gituma (Vice Chair), FCPA Julius Mwatu
FCPA Abdulwahid Aboo and CPA Rashid Khamis, MBS

Institute Governance

Council Profiles

Management Team

Corporate Governance Statement

Council Committees

Schedule Of Attendance At Council Meetings In 2013

22nd Economic Symposium 2013.

ICPAK Council Members 2013

CPA Benson Okundi
Chairman
CPA Okundi has over 19 years professional experience and is currently the PricewaterhouseCoopers (PwC) Africa, Government and Public Services Industry Group leader and a highly respected and regarded Public Sector Practitioner with a wide breadth of experience in assurance, governance, financial management, and institutional development. In Kenya, he is the PwC Partner responsible for the Public Sector Assurance. He holds an MBA (Project Management) from the University of Ghana, and a B.Com (Accounting Option) from the University of Nairobi. He is also a Certified Public Secretary. He is also the Convener, Public Policy and Governance Committee of ICPAK.

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

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

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

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

ICPAK Council Members 2013 *(continued)*

CPA Obare Nyaega
Member
CPA Obare is currently working with MTN Business as the chief accountant He holds A senior level finance professional advisor and researcher, with over 12 years of experience. He previously worked with UUNET and Strathmore University. He is currently pursuing a Ph.D in Business Administration at the University of Nairobi. He is also holder of a Master of Science in Finance, (Finance and Investments) from the University of Nairobi and a Bachelor of Commerce, (Double Major - Accounting & Finance) 1st Class Honours from Strathmore University. He is a member of the Research and Development, Audit Risk and Compliance Committe of ICPAK.

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

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

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

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

Management Team

CPA Edwin N. Makori
Ag. Chief Executive Officer

CPA Fredrick Riaga
Ag. Director, Professional Services

MANAGERS
Member Services – Tom Nyagare
Standard & Compliance - CPA Nebart Avutswa
Standards - CPA Nixon Omindi
Marketing - Elsie Nyambura

Internal Audit - CPA Francis Kitonyi

CPA Michael W. Makokha
Ag. Director, Finance Adminstration & Strategy

MANAGERS
Strategy & Finance – CPA Alice Onono
H R & Administration - Everlyne Maingi
Procurement - Enock Orina
ICT - Dennis Milgo
Finance - CPA Dan Mugo
Customer Care – Linda Wambua

MANAGERS
Communications - Stanley Mbugua
Advocacy, Governance and International Relations – CPA Georgina Malombe
Legal Services - Salome Mukabana

The management team

From right (Back Row)
Dennis Milgo, Patricia Koske, CPA Dan Mugo, CPA Elizabeth Kalunda, CPA Francis Kitonyi, Edith Owiso, Linda Wambua, Stanley Njoroge

From left (Front Row)
CPA Michael W. Makokha, CPA Fred Riaga, Tom Nyagare, CPA Edwin Makori, CPA Nebert Avutswa

Corporate Governance Statement

At ICPAK the Council and the Senior Management are committed to the highest level of corporate governance. This we consider is paramount for business integrity and maintaining our stakeholders trust in the Institute. Our business principles set out in our core values and in turn the standards we set ourselves ensures that we operate lawfully, with integrity and respect, observing and respecting the culture of the people of Kenya and particularly those of our members.
We believe that our sphere of influence with regards to good corporate governance should be extended to our stakeholders and business relationships. We engage with our stakeholders in a mutually beneficial and sustainable manner in an environment of equity, mutual respect and honesty. It is our corporate policy that our corporate engagements are in observance of the highest standards of professional ethics that promotes Credibility, Professionalism and Account Ability.

Council's Organisation and Structure

The Role of the Council

The Council is the 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 the Institute's membership. In addition, two members of the Council are nominated by the Minister of Finance of whom one is drawn from the Ministry of Finance and the other from a profession other than the Accountancy and represents users of accounting services. One Council member represents the Capital Markets Authority, a body charged with the regulation and development of the Capital Markets in Kenya. One other member of the Council is nominated by the Kenya Accountants and Secretaries National Examination Board (KASNEB) a boy charged with overseeing and administering the professional accountancy examinations in Kenya.

The roles of the Council as stipulated in the Accountants' Act include:

a. Issuing standards of professional practice, including accounting and auditing standards which shall form the basis of accountancy practice for members in the preparations, verifications and auditing of the financial statements.
b) Issuing by-laws, regulations and guidelines to govern matters affecting the operations of the Institute
Other functions and roles of the Council include:
c) Strategic Leadership: Approving and monitoring and guiding the implementation of the Institute's Strategic plan.
d) Performance Evaluation: Setting performance targets and reviewing of the Institute's results so as to ensure the achievement of the operational plans.
e) Integrity of Financial Reporting: Reviewing and monitoring controls, policies and procedures put in place to ensure integrity in the Institute's accounting records and the financial statements.
f) Risk Management and Compliance: Monitoring and reviewing the policies and procedures put in place by the management to ensure that the various risks facing the Institute are effectively mitigated and various regulatory and legislative requirements are complied with.
g) Stakeholders' Interest: Guiding the Institute so as to ensure the fulfilment of the interests of various stakeholders besides reviewing and monitoring corporate governance and corporate social responsibility practices at the Institute.
h) Executive Review: Approving appointment and remuneration of the Chief Executive and other key staff as well as monitoring and reviewing their performance.

Activities of the Council

It is the responsibility of the Chairman and the Chief Executive to work closely together in planning the annual program and agendas for meetings. The meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers which are circulated earlier in advance before the meetings.
In addition to regular Council meetings, there are a number of other meetings to deal with specific matters. When Council members are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to discuss their views with the Chairman.

Division of responsibilities

The roles of the Chairman and the Chief Executive officer are separate and there is a division of responsibilities that is clearly established and agreed by the Council to ensure that no one person has unrestrained powers of decision.

Council's Meetings and attendance

Members	28/1/2013	24/4/2013	22/5/2013	28/6/2013	23/7/2013	5/8/2013	4/11/2013
FCPA Patrick Mtange	P	P	AP	R	R	R	R
CPA Benson Okundi	P	P	P	P	P	P	P
FCPA Abdulwahid Aboo	P	P	P	P	P	P	P
FCPA Pius Nduatih	P	P	P	P	P		P
CPA Rosemary Gituma	P	AP	AP	P	AP	P	P
FCPA Julius Mwatu	P	AP	P	P	P		P
CPA Wycliffe Shamiah	P	P	P	P	AP	AP	P
CPA Geoffrey Malombe	AP	AP	P	P	AP		P
FCPA Fernandes Barasa	P	AP	P	P	P	P	P
CPA Rashid Khamis, MBS	P	AP	AP	P	AP	AP	AP
CPA Obare Nyaega	N/A	N/A	N/A	P	P	P	P

Special Council's Meetings and attendance

Members	28/5/2013	23/10/2013	9/12/2013
FCPA Patrick Mtange	P	R	R
CPA Benson Okundi	P	P	P
FCPA Abdulwahid Aboo	P	P	P
FCPA Pius Nduatih	AP	AP	AP
CPA Rosemary Gituma	AP	P	AP
FCPA Julius Mwatu	P	AP	AP
CPA Wycliffe Shamiah	P	P	P
CPA Geoffrey Malombe	AP	AP	AP
FCPA Fernandes Barasa	P	AP	P
CPA Rashid Khamis, MBS	AP	AP	AP
CPA Obare Nyaega	N/A	P	P

KEY	Description
P	Present
AP	Absent with apology
N/A	Not Applicable- Appointed after June 2013
R	Retired

Council's Effectiveness

Appointment to the Council
There is a formal, rigorous and transparent elections based on objective criteria, for the appointment of new members of the Council.

Council's Committees
The Council has established various Committees which have formal Terms of Reference approved by the Council and reviewed occasionally and internally on an ongoing basis by the Council. The Senior Management with the delegated authority of the Chief Executive Officer prepare the agenda papers and provide Secretarial Services for the Committees. The various Committees, their functions and the meetings attendance in the year are as below:

Disciplinary Committee
The committee is responsible for disciplining members in accordance with the procedure and rules stipulated in the Accountants Act. The term in office of the disciplinary Committee members expired in April 2013 as was provided for in the Gazette Notice for Appointment. A new Committee had not appointed by the Cabinet Secretary Finance at year end.

The members of the Disciplinary Committee during the year, together with a record of their attendance at the scheduled meetings which they were eligible to attend, are as set out below:

Member	29/1/2013	19/2/2013	26/3/2013	23/4/2013
FCPA Jonathan Ciano	P	P	P	P
CPA Waigi Kamau	P	P	P	P
FCPA Charity Muya	P	P	P	p
CPA John Mudany	P	P	P	P
CPA Joshua Okumbe	P	AP	P	AP
CPA Eric Odongo	P	P	AP	AP

Public Policy and Governance Committee
This Committee is charged with the stewardship of the Institute's Public Interest Role including the Advisory Role to the Minister for Finance, Public Financial Management, Professionalism in the Public Sector, Devolved Funds such as the CDF and Local Authorities, Parliamentary Oversight Role and Public Governance. The committee also looks at Taxation and Budgeting including laws and regulations pertaining to taxation and leading the Institute's participation in both the national and county budgeting process.

During the first half of the year, the work of this committee was overseen by the Public Finance Committee which was tasked with developing annual budget submissions to the National Treasury and responding to the Budget Policy Statement and consequent to the Finance Bill and to facilitate a well researched post-budget review paper within the week the Finance Bill is issued. The other committee prior to the reconstitution of Committees in August 2013 was the Accountability, Governance and Advisory Committee which was established to lobby or advocate on behalf of Council and members of the Institute on matters that create and add value professionally.

Public Finance Committee Meetings and attendance

Members	17/1/2013	20/2/2013	27/2/2013	3/7/2013
FCPA Erastus K. Omolo	P	P	P	P
CPA Philip Muema	P	P	AP	AP
CPA Joash Kosiba	P	P	P	P
CPA Margaret Maina	AP	AP	AP	P
CPA Francis Kamau	P	P	P	P
CPA Priscilla Mathenge	P	P	AP	P
CPA Maurice Wangutusi	AP	AP	AP	P
CPA Maurice Oray	P	AP	AP	AP
CPA Michael Koome Mburugu	P	P	P	P

Accountability, Governance and Advisory Committee Meetings and attendance

Members	14/4/2013
FCPA Patrick Mtange	P
CPA Tom Omariba	P
CPA Ismail Garo Guyo	P
CPA Shilpa Haria	P
CPA Benjamin Kamanga	P
CPA Chris Kisire	AP
CPA Josphat Mwaura	AP

Public Policy and Governance Committee Meetings and attendance

Members	22/9/2013
CPA Benson Okundi	P
FCPA Abdulwahid Aboo	P
CPA Abdihafid Yarrow	AP
CPA Constastine Mghenyi	P
CPA Ashif Kassam	AP
CPA Andrew Tanui	AP
CPA Kellen Kariuki	AP
CPA Simon Ole Nkeri	AP
CPA Geoffrey Malombe	AP
FCPA Julius Mwatu	AP
CPA Rashid Khamis, MBS	AP

Finance and Strategy Committee

This Committee oversee the Strategy Implementation on behalf of the Council, Reviews operations and make recommendations regarding policies and Reviewing of Financial Performance including the Institute's budget. The scope also includes reviewing of the Financial Statements, Ratio Analysis, Management Accounting, Debt Management and management of Investments.

During the first half of year under review, this Committee operated as two committees; Shared Services Committee which was overseeing the review of the Institute's operations including Financial planning and performance and Strategy Committee which was overseeing the development, review and implementation of the Institute's long term business plans. The Finance and Strategy Committee was constituted in August 2013.

Shared Services Committee Meetings and attendance

Members	21/1/2013	15/4/2013	17/7/2013
FCPA Fernandes Barasa	P	P	P
CPA Wilson K. Chirchir	P	P	P
CPA Jackson Ndula	P	AP	AP
CPA Samuel Okello	P	P	P
CPA Rashid Khamis, MBS	AP	AP	AP

Strategy Committee Meetings and attendance

Members	22/03/2013
CPA Rashid Khamis, MBS	AP
CPA Nicholas Letting	AP
CPA Rosemary Wanyeki	AP
CPA Bernard Siero	P
CPA Elly Osewe	P
CPA Charles Ghathuto	P
CPA Julius Mwangi	P

Finance and Strategy Committee Meetings and attendance

Members	16/8/2013	30/9/2013	28/11/2013
FCPA Fernandes Barasa	P	P	P
CPA Rosemary Gituma	AP	AP	AP
CPA Joshua Kamwere	P	P	P
CPA Michael Nzule	P	P	P
CPA Elly Osewe	AP	AP	AP
CPA Leah Samoei	P	P	P
CPA Isabella Namodi	P	P	AP
CPA Vivian Kotikash	P	P	AP
CPA Kang'e Saiti	AP	AP	P
CPA Samuel Okello	AP	P	P

Audit, Risk and Compliance Committee

This Committee oversees Governance on matters regarding the Council, Committees and Branches as well as Review Secretariat Effectiveness and act as the recipient of any Confidential Reports regarding the Council, Committee and the Secretariat. In addition the Committee continuously assesses the risks facing the Institute and ensures that there are adequate risk management strategies being implemented. The Committee also oversee the internal audit function and works closely with external auditors so as to provide assurance to the Council on the use of the Institute resources.

Audit, Risk and Compliance Committee Meetings and attendance

Members	31/1/2013	31/2/2013	23/4/2013	24/9/2013
FCPA Pius Nduatih	P	P	P	P
CPA Wycliffe Shamiah	N/A	N/A	N/A	P
CPA Obare Nyaega	N/A	N/A	N/A	P
CPA Lucy Thuo	N/A	N/A	N/A	P
CPA Fred Aloo	N/A	N/A	N/A	P
CPA George Rutto	P	P	P	P
CPA Pariken Sanken	N/A	N/A	N/A	AP
CPA Rosebella Owuor	N/A	N/A	N/A	AP
CPA Fridah Nkirote	N/A	N/A	N/A	P
CPA Bharadva Kunal	N/A	N/A	N/A	AP
CPA Renson Mwangola	P	P	P	R
CPA Agnes Ogada	P	P	P	R
CPA Patrick Kimani	AP	P	P	R

Professional Standards Committee

This committee is responsible for the Institute's Standard Setting Role and the Implementation of Standards as promulgated by the Council. It works together with the management team in participating in setting and ensuring implementation of the respective standards in; Financial Reporting Standards; Public Sector Accounting Standards; Auditing and Assurance Standards; Accounting Education Standards; Ethics Standards and Financial Services Sector including laws and regulations impacting this sector.

Professional Standards Committee Meetings and attendance

Members	18/2/2013	8/4/2013	10/6/2013	12/9/2013	2/10/2013	28/11/2013
CPA Anne Muraya	N/A	N/A	N/A	P	P	P
CPA Asif Chaudhry	N/A	N/A	N/A	P	P	P
CPA David Mwindi	AP	P	AP	P	AP	P
CPA Fred Aloo	AP	P	AP	R	R	R
CPA Geoffrey Malombe	AP	AP	AP	AP	AP	AP
CPA Hellen Thulasi	P	P	P	R	R	R
CPA Jacob Gathecha	AP	P	P	R	R	R
CPA Jonathan Agunda	AP	P	P	R	R	R
CPA Joseph Gichuki	P	P	P	R	R	R
CPA Michael Mugasa	N/A	N/A	N/A	P	P	P
CPA Nancy Muhoya	P	P	AP	AP	AP	AP
CPA Nelly Konya	N/A	N/A	N/A	AP	P	P
CPA Richard Njoroge	P	AP	P	P	P	P
CPA Simon Fisher	P	P	P	P	AP	P
CPA Victor Sabila	N/A	N/A	N/A	P	P	AP
CPA Vincent Onjala	N/A	N/A	N/A	N/A	P	P

Member Services Committee

This committee is tasked to understand member needs and develop recommendations for Council consideration on how to address the needs so identified. This Committee oversees the implementation of Continuing Professional Development (CPD) policies and guidelines, adoption and implementation of the International Education Standards (IESs), development and implementation of CPD calendar. The Committee is also tasked to oversee production and distribution of the Accountant Journal, develop marketing and member recruitment and retention plans and strategies, develop sector specific products and services for members such as those in Public Sector, Non Government, Not for Profit Sectors and develop products for various categories of members such as the young associates (under 35s) and the coordination of continuous improvement in quality service provision to members including evaluation of member satisfaction levels.

During first half of the year 2013, Training and development committee which was expanded and renamed member services Committee after reconstitution of the Committees in August 2013 was handing issues of the development and the implementation of the Continuous Professional Development.

Training and Development Committee Meetings and attendance

Members	16/4/2013	15/7/2013
CPA Benson Okundi	P	P
CPA George Onyango	AP	P
CPA Janet Mabwa	P	AP
CPA Isaac Njuguna	P	P
CPA Margaret Ngatia	P	P
CPA Agnes Odhiambo	P	AP
CPA Wycliffe Temesi	AP	AP

Member Services Committee Meetings and attendance

Members	26/8/2013	25/9/2013	3/11/2013
CPA Rashid Khamis, MBS	AP	AP	AP
FCPA Fernandes Barasa	P	P	P
CPA Elizabeth Matimu	P	P	P
CPA Reena Shah	P	P	P
CPA Daniel Etyang'	P	P	P
CPA William Kommo	P	P	P
CPA Rose Mwaura	P	P	P
CPA Charles Tirok	P	P	P
CPA Isaak Shabir	P	P	P
CPA Tom Omariba	P	AP	P
CPA June Kavinda	P	P	P

Research and Development Committee (RDC)

This is a new committee and was constituted in August 2013. The Committee's terms of reference are derived from the mandate of the Institute as provided in the accountants act at section 8b "To promote research in the subject of accountancy and finance and related matters and the publication of books, periodicals, journals and articles in connection therewith". Specifically the RDC is tasked to receive, review and recommend ICPAK's research policy for approval by Council and provide oversight on the implementation of the annual research plan. The Committee is also tasked to encourage pursuit of research interests among members of the Institute, identify and collaborate with research institutions for mutual benefit, receive, review and recommend research proposals, and requests for funding for councils consideration and to support members pursing research that is beneficial to ICPAK, its members and the accountancy profession.

Members	26/8/2013	25/9/2013	27/11/2013
CPA Rosemary Kinanu	p	p	p
CPA Obare Nyaega	p	p	AP
CPA Dr. Letting Nicholas	p	p	p
CPA Dr. Josephat Lishenga	p	p	p
CPA Geoffrey Injeni	p	p	p
CPA Agnes Ogada	p	p	AP
CPA George Onyango	p	p	p
CPA Kalunda Elizabeth	p	p	p
CPA Julius Opala	p	p	p
CPA Dominic Murage	p	p	p
CPA Lydia Momanyi	p	p	p

Registration & Quality Assurance Committee (RQAC)

The committee shall receive, consider and approve applications for registration as an accountant and grant of practising certificates and annual licences in accordance with the provisions of his Act and monitor compliance with professional quality assurance and other standards published by the Council for observance by the members of the Institute.

RQAC Meetings and attendance

Members	27/2/2013	24/4/2013	3/7/2013	28/8/2013	13/11/2013
FCPA James McFie, PhD	P	P	P	P	P
FCPA Daniel Ndonye	P	P	P	P	P
CPA Humprey Wanyama	P	P	AP	P	P
CPA Isaac Njuguna	P	P	P	AP	P
CPA Beatrice Gathirwa	AP	P	P	AP	AP
CPA Yusuf Omar	P	P	P	AP	AP
Lewis Kamau	P	AP	P	P	P

Practitioners Development Committee

This Committee is tasked to research on, develop, plan, organize and monitor the implementation of various initiatives and programmes aimed at developing the capacity of those of the Institute's members who are in public practice, with a specific focus on the Small and Medium-sized Practices(SMPs).

Practitioner's Development Committee Meetings and attendance

Members	23/1/2013	16/4/2013	20/8/2013	16/9/2013	26/11/2013
FCPA Julius Mwatu	P	P	P	P	P
FCPA Abdulwahid Aboo	P	P	P	P	P
CPA Jacinta Mwendwa	P	P	P	P	P
CPA Mike Mbaya	P	P	P	P	P
CPA James Kidzugane	AP	P	R	R	R
CPA Julius Mathenge	AP	P	R	R	R
CPA Kajal Dhall	P	AP	R	R	R
Ms Carol Mbuvi	P	AP	R	R	R
CPA Kili Rop	N/A	N/A	P	P	P
CPA Willis Nyandieka	N/A	N/A	P	P	P
CPA Ranpara Ashvin	N/A	N/A	P	P	P
CPA Bernadette Wahogo	N/A	N/A	AP	P	AP
CPA Bernard Amukah	N/A	N/A	AP	P	P
CPA Evanson Ng'ang'a	N/A	N/A	P	P	P
CPA Ann Sadira Tobiko	N/A	N/A	AP	AP	P

Corporate Governance Statement *(continued)*

Risk Management

The Council and Management take cognisance of opportunities that result from a risk based operations. It is our desire and conscious effort that Risk Management continues to be embedded in our operations. This encompasses the scrutiny and proactive oversight of a number of key elements, including revenue assurance and fraud, enterprise risk and security. The thrust of the risk management activities is to anticipate and take advantage of opportunities and risks as they emerge.

The Institute's risk management policies are designed to identify and analyze operations risks, to set appropriate risk limits, controls, and to monitor the risks and at the same time ensuring adherence to laid down limits. This is achieved by means of reliable and up-to-date information systems. ICPAK regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices.

During the year under review, the management through the Council's Committee of Audit, Risk and Compliance (ARC) embarked on the development of the Enterprise Risk Management Framework that shall enable management appreciate and anticipate risks in operations and ensure adequate measures are available to eliminate occurrence and or mitigate the impact of risks should they occur. A consultant is already on board to undertake the exercise that is expected to be completed in the second quarter of the year 2014. Operationalisation will begin in quarter three of the year.

The Institute has an internal audit function whose mandate is to provide independent and objective assurance and consulting activities on adding value to the operations of the Institute. The annual internal audit plans are approved by the Audit, Risk and Compliance and are implemented in full during the year. The Internal Audit department carries out risk based audits and presents audit reports to management and the ARC.

National Treasury Cabinet Secretary Mr. Henry Rotich admires ICPAK Complex model at KICC grounds.

ICPAK team building at Mt Longonot National Park.

ICPAK appoints new Committee members in 2013.

Chairman gives his key note address during the inauguration of new committee members at Serena Hotel.

Overview 2013

"It is part of our responsibility to provide an Account in order to be Accountable."

- Strategic Reviews
- Our Strides In 2013
- Enhanced Focus On Members
- Amplifying ICPAK's Voice Globally
- Promote The Regulation Of The Accountancy Profession
- Institutional Strengthening

Strategic Reviews:
Strides on Strategic Priorities

The Institute prides itself in the satisfaction of its members and during the year 2013, our efforts were directed foremost towards the development of our members and sustainability of the Institute. We believe that a sustainable organization is critical for the delivery of services underpinned in its mission statement. In the year 2013 after the election of the new Council, ICPAK reviewed its strategic priorities that necessitated the revision of the 2010-2014 Strategic Plan. The Council also resolved to adopt a rolling strategic plan and thus the 2010-2014 Strategic Plan was rolled to 2015 so as to take care of the changes and coincide with the tenure of the new council which ends in 2015.

Priority	Target/ Goals	2013 Performance
Enhanced Focus on member services	Achieve a member retention of 95% Develop & Implement a demand driven and effective CPD Program	• Retention rate was 97% at year end • 5 New seminars were developed and implemented to address the gaps that were identified in the year
	Enhance customer satisfaction	• Member complaints significantly reduced due to enhanced service deliver. A Customer service charter was developed that spells out customer expectations and our promises. The document will be approved and launched in the year 2014.
	Increase awareness and participation in ICPAK activities	• Increased profiling of our events led to increased participation thereby increased contribution margins in our CPD events
	Enhance value addition to members	• Lifestyle benefit introduced and increased uptake realized in the year. Additionally the Institute launched a member debit card with KCB bank for discounted services
Positioning ICPAK as an influential voice of the accounting profession globally	Promote the development of the accountancy profession in the region Enhance contribution to public policy Proactive stakeholder engagement	• ICPAK continued to participate in the activities of the regional Institute's and PAFA activities. • The Institute continued to develop policy papers and policy proposals for guidelines in various policies in the year. • The Institute continued to engage with various stakeholders in the government, public organs and county levels to lobby for enhanced good corporate governance practices

Strategic Reviews: Strides on Strategic Priorities *(continued)*

Priority	Target/ Goals	2013 Performance
	Promote good governance & Accountability in Kenya Contribute to the implementation of devolution in Kenya	• Hosting forums and participation to voice for good governance practices. • Appointing of members to various boards to provide guidance on good corporate practices • Capacity building at various counties and development on financial management.
Promote the regulation of the accountancy profession	Develop & implement quality standards in financial reporting Enforce overall compliance to professional standards, codes, rules & regulations Protect the public by ensuring non accountants do not offer the accounting services Comprehensive review of the Accountant's Act	• The Institute provided templates for financial reporting and technical advice on implementation of IFRS. • FiRe award to compliment best Financial reporting practices was also carried out in the year • Audit, Quality and Assurance activities continued in the year and disciplinary measures taken on illegal practitioners • Irregular practice raids were carried out in the year and disciplinary measures taken against the culprits including arraigning in courts • Accountant's Act review is currently underway and may be concluded in the coming year
Institutional strengthening	Grow overall revenues by 20% Increase membership by 30% Review and enhance financial planning and control systems Mainstream ICT in Institute's operations to enhance service delivery	• Overall growth in revenue was at 13%. Member subscriptions grew by 8% and Training income by 21% • Membership grew by 17% (9,968, at 2013 compared to 8,621 at end of 2012) • A Risk Management Framework development was contracted in the year. Completion expected in June 2014 • ICT Platforms for operations continued to be enhanced and member election processes improved

Enhanced Focus On Members' Services

What are we looking at?

a. Achieve a member retention of 95% of active members annually

b. Develop and implement a demand driven and effective CPD program

c. Increase member participation in ICPAK activities

d. Enhance value addition to members

e. Enhance customer satisfaction

Our members are critical for the sustainability and strength of the Institute. Therefore every effort is geared towards increasing our member numbers and enhancing our services to them so that greater retention is realized. Our focus to deliver unrivalled member satisfaction and experience remains key for our existence. We recognize factors in the environment where we operate that may occasionally lead to loss of members like natural attrition, loss of employment thereby leading to inactive membership, international migration among others. Our customer Satisfaction efforts are geared towards ensuring that the experiences received by our members continue to be enhanced and identified gaps addressed. Additionally with the larger numbers of our members we realize that we have the negotiating power for services that provide value to our members.

The Institute's CPD programs are intended to keep members up to date with the developments in both the national and International Accountancy business environment. Members are kept abreast with changes in legislations that could impact on the works of Accountants, changes in International Financial Reporting Standards and auditing Standards. Our trainings are also tailored to address gaps identified in various sectors as provided for by feedback from member surveys.

Participation by members in Institute's activities indicates to us the value and confidence members have in their Institute. ICPAK activities are designed for members to be able to share their experiences, network and also be able to give back to the society, the reason for our existence. ICPAK management ensures that such activities are communicated to members earlier for planning so that greater numbers are realized.

Our efforts are to continuously enhance our member engagements and relationships through creating diverse channels to reach us. Through telephones, walk-ins, emails and social platform, we have seen increased improvement in the way our members have been able to reach us. Members provide us with feedback on our services through direct interactions and periodic surveys undertaken during our member seminars. These have helped us improve our services over the years.

Our achievements in the year 2013

During the year 2013, our additional recruitments were 13% (1,636 new members) above the previous year's recruitment of 1,446 members. Our retention efforts stood at 96.4%. Active membership at the end of the year was 9,968 compared to 8,621 during the previous year. Our members continue to rate us highly on the various parameters that we measure as highlighted below.

1. Demand driven CPD programs

During the year we introduced 5 new trainings; Financial reporting for corporative societies, Financial Reporting for Agricultural Sector, Forensic Audit workshop, Public Financial Reporting Conference and Financial Reporting for Counties in order to fill gaps identified during member surveys and to take care of opportunities presented by the devolved government with regards to financial management and reporting. Our seminars received a good rating on speakers, content, and venue choice. As a result of this, we realized 48.6% increased participation in our CPD events. Consequently our CPD compliance increased by 52.90% compared to last year.

Summary of the trainings held is as below;

During the year, the Institute held 15 major events, 16 regular and 34 branches all totaling to 65. 10 other events namely 3 video sessions, 3 evening talks and 4 professional forums were held. The percentage composition is as shown

in the chart below. By topics focus 10 centered on Management and leadership training of which 8 were in Nairobi and 2 in Mombasa. 43 were on Standards and Auditing of which 20 were in Nairobi and 23 at the Branches. 10 events on tax were held of which 5 were at the branches and 5 in Nairobi. Budget seminars were 5 in total of which 4 were at the branches. 7 current issues seminars were held all in Nairobi.

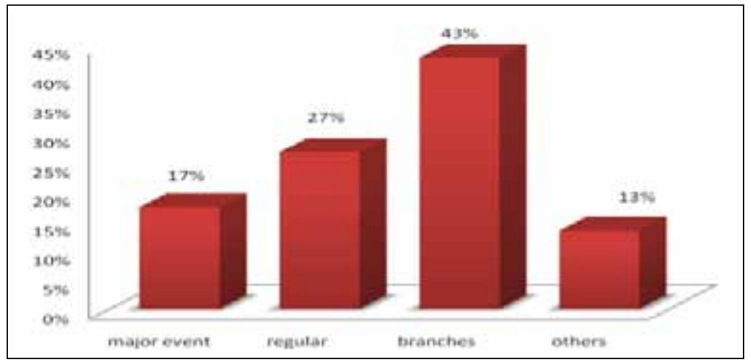


Figure 1CPD Events by Catergory

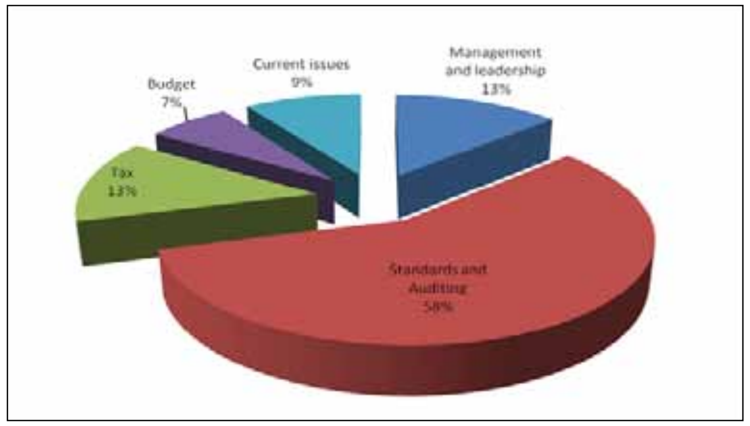


Figure 2 CPD Events Topic Focus

2. Enhanced Value added Services

Greater member numbers give us the advantage to negotiate for pooled services at more discounted rates. ICPAK introduced a member lifestyle benefit in the year 2012 that saw 484 members sign for. These numbers increased in the year 2013 to 985 members representing a 104% increase. The year also saw the launch of the ICPAK smart card, a member debit card through which members are able to enjoy discounted rates for various negotiated services including payments for purchase of goods and services at various retail outlets both locally and internationally. The smart card facility is in partnership with KCB Bank. Lastly, the long awaited MOU between ICPAK and KCA University was officially signed. Members, their spouses and immediate dependants can now enjoy the 10% reduced fees on tuition facility with the academic Institution.

It is our hope that more members will sign up for these benefits as they remain our commitments to you.

3. Increased participation in ICPAK activities

Participation in member trainings has continued to improve. In the year under review, we realized 7% increase in contribution margin (surplus of Kshs 75 million compared to Kshs 70 million last year) from our training events a testament to increased member participation. Our annual member Golf tournament continues to attract increased participation. This event is designed for networking and proceeds are utilized to meet our CSR outreach services to Mama Fatuma Children Home and Nyumba ya Wazee. During last year Annual seminar, we visited Pwani School for the mentally challenged and Hope Centre for the destitute children. Member participation was commendable and we were able to donate various items of foodstuff. These two centers which were visited during the annual seminar say 'A Big Thank You' to the Kenya Accountant's fraternity.

4. Enhanced Customer Satisfaction

During the year 2012, the Institute established a Customer Service Department, the first point of contact with the Institute. Since then, the Institute has recorded significant improvements on feedback processes resulting in significant reduction in member complaints. In the year 2013, the Institute developed a draft services charter, a document that spells out our commitments to our stakeholders. Discussions are at advanced stages to ensure the approvals and communications with regards to this document. We believe that through this, our services to members will be enhanced once the services level agreements are agreed on. We shall share this document with you in due course.

Amplifying ICPAK's Voice Globally

In the year 2013, ICPAK continued to exert its influence in profiling the profession and its contributions both on the national and international landscape. The following are the key achievements:

1. Promote the development of the accountancy profession in the region
2. Enhance participation in IFAC activities
3. Enhance contribution to public policy
4. Proactive stakeholder engagement
5. Promote good governance & Accountability in Kenya
6. Contribute to the implementation of devolution in Kenya

1. Promotion of the development of the accountancy profession in the region

ICPAK continued to participate in the activities of the regional accountancy Institutes during the year under review, these include:

- The bi-annual African Congress of Accountants (ACOA) was held in Ghana in May 2013 during which ICPAK was represented by its Council members alongside the Management team. Our Chairman was one of the session chairs during the event themed 'Africa's Economic Growth, Accountability;
- The SMP Forum hosted by Institute of Certified Public Accountants of Uganda (ICPAU), Annual seminar of Institute of Certified Public Accountants of Rwanda (ICPAR).
- ICPAK was also well represented in the PAFA Boards and during the year our representations attended all the meetings that were called for. Our activeness and visibility saw the PAFA President attend our 35th Anniversary organized late in the year.

2. Enhance participation in IFAC activities

In order to participate as a voice at the global level, it is incumbent on ICPAK to seek and present its views on boards and organizations that represent the convergence of the accountancy profession from a global context. During the year under review, ICPAK was represented in the International Federation of Accountants – IFAC as seen below:

ICPAK REPRESENTATIVES TO IFAC	
CPA Benson Okundi	Member IFAC COUNCIL
CPA Isaac Njuguna	Member IFAC - IAESB
FCPA Caroline J. Kigen	Chairperson - PAODC
	Member CAP*
FCPA Abdulwahid Aboo	Member IFAC - SMP COMMITTEE
FCPA Steve Lugalia*	Member PAIB
CPA Anne Elizabeth Owuor*	Member IPSASB

* Retired in November 2013

3. Board Representation

In the local context, ICPAK continues to champion good corporate governance and effective use resources such as those owned by shareholders or citizens. This task is handled through seeking representation at board levels, during the year under review, ICPAK representatives to various organs are listed in the table below:

NAME	ORGANISATION
CPA Rosalia Nyalle	CDF Board
FCPA Caroline Kigen	PPP Steering Committee
	Insurance Tribunal
FCPA Erastus Omollo	Nairobi City Water & Sewerage Co.
CPA Kepha N M Oyaro	Kenya National Highways Authority
CPA Osman H/ Ibrahim	Kenya Roads Board
FCPA Patrick Mtange	Public Procurement Oversight Board
	KASNEB
FCPA Sammy Onyango	States Corporation Appeals Tribunal
CPA Sella Ogalo Ouma	Kenya National Audit Office
CPA Joan W Riitho	APSEA
CPA Buphendre Shah	Kisumu County Budget and Economic Forum
CPA Daniel Ndonye	Capital Markets Tribunal
CPA Grace Mabishi	CIC Insurance Group
CPA Murgor W Chemtai	Insurance Regulatory Authority
CPA Charles Tirok	Kenya School of Government
CPA Simon Ole Nkeri	PPP Steering Committee
CPA Dr. Nicholas Letting	CMA-Corporate Governance
CPA Dr. Millicent Omukaga	Commission on University Education
CPA William Nyagaka	Nairobi City County - Pending Bills Task Force
CPA Fredrick Riaga	Tax Agents Committee
CPA Rosemary Gituma	Public Procurement Administrative Review Board
CPA Merab J. Oloo	Ethics Commission for Cooperative Societies
CPA Dr. William O. Ogara	Central Bank of Kenya Board
CPA Jacinta Wangove	Kitui County Budget and Economic Forum
CPA June Mawia	Kitui County Budget and Economic Forum
CPANicholas Kimanzi	Kitui County Budget and Economic Forum
CPA Rosemary Njogu	Kimisitu Sacco nominating Committee

4. Enhance contribution to public policy

During the year under review, ICPAK set to develop at least 10 position papers / policy proposals annually and to publish at least another 10 articles in the National media.

The following Position papers were developed and submitted to the relevant government institutions, Paper on proposed remuneration structure for state offices in Kenya to Salaries and Remuneration Commission; Position paper on the Tax Agents Regulations to KRA committee. Other papers touched on the Draft Public Audit Bill 2013, Election Campaign Financing Bill 2013; Parastatal Sector Reforms submitted to the Presidential Taskforce on Parastatal Reforms; two Policy Papers on Public Participation in Public Procurement; and Public Finance Management; Paper on Public Finance (Administration &Management) Regulations 2013 and on the VAT Act 2013.

The Institute also issued a number of press statements and facilitated publication of opinion pieces on the report by the Salaries and Remuneration Commission on Salaries of State Officer; an advisory letter on the need for appointment of professional accountants for the top two positions submitted to the President and Deputy President, County Budgeting, the Constitution (Amendment) Bill 2013 to exempt MPs as State Officers and public procurement among others.

5. Proactive stakeholder engagement

During the year, ICPAK held various meetings with key stakeholders including the Governor of Nairobi City County; the Auditor General on support for qualified accountants to register with the Institute; CPA Governors CPA Ahmed of Wajir County and CPA Oparanya of Kakamega; the Controller of Budget (CoB) on budget execution and monitoring; CPA Hon. Thomas Mwadeghu, MP, Wundanyi Constituency to form the CPA Parliamentarians caucus; and Kenya Revenue Authority to discuss memorandum of issues raised by Tax practitioners;

The Institute further participated in various forums such as the Focus group meeting on the Companies Bill 2012; Meeting with the Finance, Planning and Trade Committee of Parliament on VAT Bill 2013, Finance Bill 2013 and Tax Appeals Tribunal Bill 2013; Consultative meeting with the Auditor General on support for qualified accountants to register with the Institute and joint lobbying for adoption of IPSAS among other items; a CIC Meeting on public participation in Kenya; joint meeting with the Kenya School of Government and Office of the Auditor General to plan for a National Governance Conference.

The Institute was also represented at the 2nd meeting of the Technical Committee of East African Community Institutes of Accountants to discuss the progress report on Implementation of the EACIA MRA. In addition, The Institute's Chairman and CEO facilitated a session at an induction workshop for members of PIC and PAC.

6. Promote good governance & Accountability in Kenya

Hosting of forums

The Institute develops forums/ hosts forums intended to discuss with a view to enhancing good governance and accountability. Some of these forums held in the year included; a focus group meeting to deliberate on the Companies Bill 2012, a meeting with CPA Parliamentarians and a Private-sector led Nairobi City County Governors Round Table to develop action points followed between Private sectors and Nairobi City County.

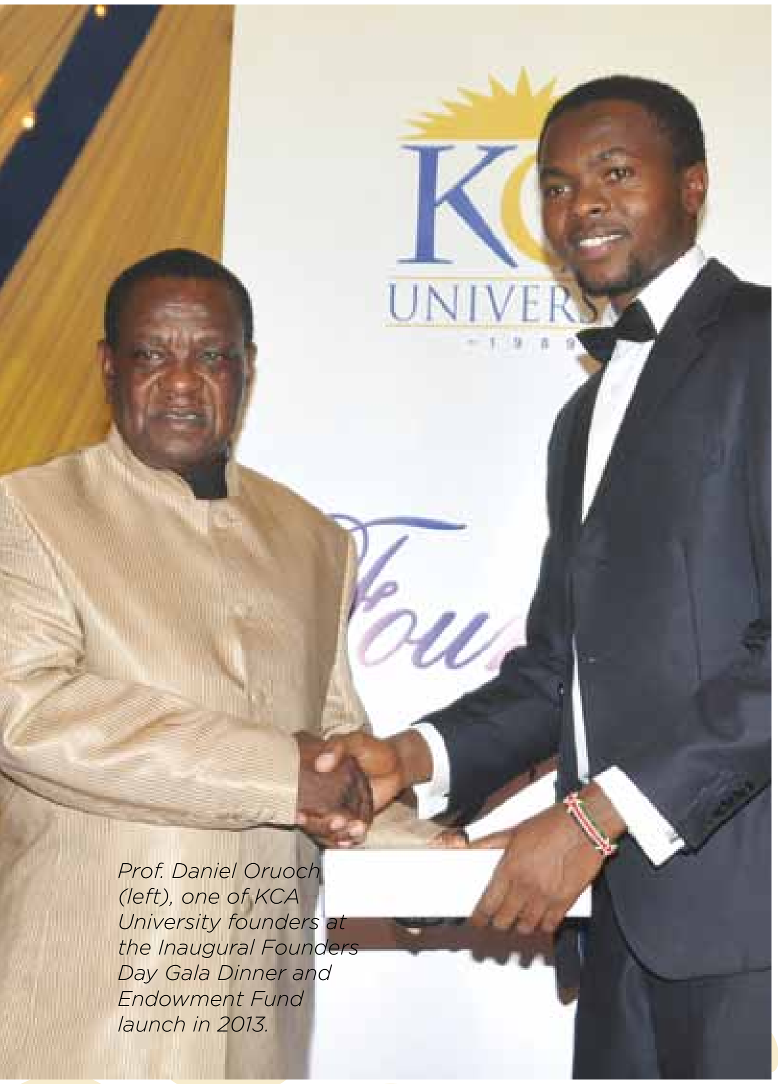
Contribute to the National Budget making process

During the year the Institute prepared and submitted a well researched comprehensive set of 2013/2014 Budget submissions to the National Treasury and also facilitated the Chairman's participation in pre and post budget analysis in the various media houses.

Amplifying ICPAK's Voice Globally *(continued)*

Adoption of IPSAS based financial reporting framework for the public sector

During the year under review, the Institute sought the partnership with the Public Sector Accounting Sector Board, Auditor General and the Controller of Budget for development of financial reporting frame work for the National and County Governments. The consultative meeting with the Auditor General yielded a renewed collaboration and formation of joint teams to look into matters of mutual concern. Further, the Institute lobbied for the adoption of IPSAS; and the need to fast track establishment of the Public Sector Accounting Standards Board (IPSAB).



Prof. Daniel Oruoch (left), one of KCA University founders at the Inaugural Founders Day Gala Dinner and Endowment Fund launch in 2013.

7. Contribute to the implementation of devolution in Kenya

Engagement with key national and county governments

During the year under review, the Institute held consultative meetings with the Governor of Nairobi City County, CPAs Ahmed of Wajir County and Oparanya of Kakamega; and Controller of Budget (CoB) to understand challenges facing devolution.

Capacity building at the various counties through our branch networks

The Institute conducted various trainings at the branches among them a County Governance Seminar in the Western Branch (Kakamega) during which County planning, budgeting and financial management was covered. Additionally the Institute developed the branch governance policy which was approved by the Council in the year. This document is intended to improve the branch network to enable them support operational excellence at the county levels.

8. Representation to KCA University

As members of ICPAK may well know, ICPAK is the founder and sponsor of KCA University and hence its direct representation at Board and Governing Council levels of the Univeristy. The Board of Trustees that is appointed by ICPAK Council is shown in the table below:

	KCA University Board of Trustees
1	CPA John Kabiru
2	FCPA Joe Muchekehu
3	CPA Benson Okundi
	KCA University Governing Council
4	CPA Charles Ringera
5	CPA Evelyne M. Muriuki

Promote The Regulation Of The Accountancy Profession

What are we looking at?

1. Develop and implement of quality standards in financial reporting, audit and in other areas relevant to the accountancy profession
2. Enforce overall compliance to professional standards ,codes, rules and regulations
3. Protect the public by ensuring that non accountants do not offer accounting services

This strategic objective is geared towards the safeguarding of public interest. The Institute's mandate to regulate the accountancy profession is critical for compliance by members to the prescribed standards, rules and regulations. The Institute undertakes this through increased awareness, effective practice monitoring and disciplinary mechanisms.

Our achievements during the year

1. Development and implementation of quality standards of reporting

Response to exposure drafts

The Institute participates in the standard setting process by monitoring and commenting on all exposure drafts, consultation papers of IFAC Boards and Committees. During the year, IFAC issued 22 exposure drafts and the Institute responded to 19 of those exposure drafts and consultation papers. Among these were;

i. A Framework for Audit Quality - Consultation Paper

ii. The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon. International Standard on Auditing (ISA) 720 (Revised)

iii. Equity Method: Share of Other Net Assets Changes

iv. Classification and Measurement: Limited Amendments to IFRS 9 Proposed amendments to IFRS 9 (2010)

v. Conceptual Framework Exposure Draft (ED) 2, Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements

vi. Conceptual Framework Exposure Draft (ED) 3, Measurement of Assets and Liabilities in Financial Statements,

vii. Amendments to IAS 19 Employee Contributions

viii. IASB - Exposure Draft ED20136 Leases Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing

ix. Agriculture: Bearer plants (Proposed amendments to IAS 16 and IAS 41)

Sensitize members on the need to adhere to standards

The sensitization of members on the various standards, rules and regulations for professional practice is undertaken through our training programmes, we develop handbooks that are given to every new member to acquaint them to the standards of practice and rules and regulations. The Institute also developed the 2013 FiRe Award handbook which was handed to participants during the event last year. Additionally, we undertook several trainings in the year for ISAs, IFRSs and IPSAS.

Development of financial reporting templates

Financial reporting templates are developed by the Institute to ensure uniformity and consistency in financial reporting for the various sectors in the economy. During the year 2013, the Institute developed and issued the Kenya Limited 2013 and Kenya SME Limited 2013. Additionally, we revised and issued the Insurance Illustrative Financial Statements (ABC Financial Statements).

The Institute also developed a guideline on signing assurance engagement which was approved by our Council for implementation.

Promote The Regulation Of The Accountancy Profession *(continued)*

2. Enforcing compliance to professional standards, codes, rules and regulations

The Institute undertakes to ensure that the IFAC Member Body compliance program is upheld through on time filing of the SMO compliance report. We also ensure compliance to IFRSs in preparing financial statements and reports and in this regard individual reports on gaps and deficiencies on Financial Statements of the participants in the FiRe award was released to them. We also reviewed the eligibility criteria for membership and granting of a practicing license. These new guidelines were considered and approved by the Registration and Quality Assurance Committee (RQC) and Practitioner Development Committee (PDC) awaiting Councils approvals in the subsequent year.

3. Eradication non professionals in practice

The Institute conducts training on the code of ethics compliance for the professional practice. During the year 6 training sessions in various parts of the country on ethics in which the need for compliance was highlighted with the code of ethics in Nairobi, Thika, Nakuru, Mombasa, Kakamega and Nyeri. The Institute also held 9 forums to sensitize the business community on who an accountant is so that they are aware of whom to engage with for professional practice. The Institute also conducted raids in various parts of the country during which illegal practitioners were arrested and arraigned in various courts. The court proceedings are ongoing.

Delegates follow proceedings at a past Financial Conference.

Institutional Strengthening

What are we looking at?

1. Grow our overall revenue base by 20%
2. Review and enhance financial planning and control systems
3. Institute a strong corporate governance structure
4. Enhance ICT Infrastructure

To effectively deliver our promises to members and other stakeholders the Institute must put in place effective structures and ensure adequate resources for long term sustainability.

Our achievements in 2013

1. Grow our overall revenue base by 20%

The Institute's focus is to grow the existing revenue lines by 20% every year. In the year 2013, overall revenue growth stood at 13%. Subscription income increased by 8% from Kshs 116 million in year 2012 to Kshs 125 million in the year under review. On the other hand, training revenue increased by 21% from Kshs 152 million in the year 2012 to Kshs 184 million in 2013.

In order to sustain this expected revenue increase, the Institute has embarked on the construction of the ICPAK complex whose completion is expected in June 2014. We are also in the process on the developing an online seminar module to diversify the revenue streams. Discussions with World Bank for an IDF grant to fund some projects like the revision of the Accountants' Act and other projects for capacity buildings was also completed in the year and the funding received for the year 2014.

2. Review and enhance financial planning and control systems

The Institute embarked on the development of a Risk Management Framework in order to fully understand the nature of risks facing the operations of the Institute, their magnitude and the level of impact. A risk consultant was engaged to work on the project which is expected to be completed in quarter 2, 2014. Trainings on the same will be undertaken once the project is complete. The Institute also during the year through its internal audit function undertook operational audits in the on planned areas of operations and where weaknesses were identified, the same was communicated to the respective staff for improvements.

In order to ensure value for money procurement, the Institute undertook the prequalification of suppliers for services and goods for the years 2013 and 2014. This ensures that the Institute gets quality for the services required from capable and reliable pool of suppliers.

3. Institute a strong corporate governance structure

The Institute is governed by the Council elected by members of the profession and representation of various stakeholders in Kenya (KASNEB, treasury and Capital Markets Authority). The Council ensures effective stewardship by issuing policy guidelines for operations at the Institute. The activities of the Council is guided by the approved Council's Charter and where Council has delegated its authority to the various committees, annual evaluations are done to ensure effectiveness of these committees. An evaluation toll is in place to guide on the objective evaluation of committee performance and that of the Council.

The Council has also ensured that operations policies and procedures are duly approved and that proper controls are in place to mitigate on risks that may occur. Assurances on the same are given by the Audit, Risk and Compliance Committee of the Council through the functions of the internal audit department.

Institutional Strengthening *(continued)*

4. Enhance ICT Infrastructure

The Institute continued to leverage on the use of ICT to support its operations and improve efficiency. Some of the developments carried out in the year include the establishment of an online feedback tool on our website where members can log queries for the attention of the secretariat. Online seminar registration and booking equally enhanced to include participant check in features. This has improved management of seminar bookings, tracking of participation and assignment of CPD to members. The Institute also reviewed the electronic voting system to address the issues raised in the 2012 Council voting. This enabled an efficient voting in the year 2013. We look forward to having among others on-line seminar platforms so as to enhance flexibility in our trainings while ensuring that members keep up to date with the CPD requirements.

CPA Rashid, FCPA Mwatu and CPA Otsola follow proceedings during 2nd ACOA Congress 2013 in Ghana.

New ICPAK office.

ICPAK 35th Anniversary Gala Dinner held on Friday 6th December 2013 at Safari Park Hotel.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Contents

Members of the Council

Chairperson	:	CPA Benson O. Okundi	*- elected, June 2013*
	:	FCPA Patrick M. Mtange	*- retired, June 2013*
Vice-chairperson	:	CPA Rosemary K. Gituma	
Members	:	FCPA Abdulwahid M. Aboo	
		FCPA Julius W. Mwatu	
		FCPA Fernandes O. Barasa	
		CPA Rashid M. Khamis, MBS	
		CPA Obare Nyaega	*- elected, June 2013*
		CPA Geoffrey Malombe	*- representing Treasury*
		FCPA Pius Nduatih	*- representing KASNEB*
		CPA Wycliffe Shamiah	*- representing CMA*
Chief executive & Secretary to the council	:	FCPA Caroline J. Kigen	*- retired, December 2013*
		CPA Edwin N. Makori	*- appointed, January 2014 (in acting capacity)*

Council committees

Committee:	Chairperson/Convenor:
Audit Risk and Compliance	FCPA Pius Nduatih
Disciplinary	FCPA Jonathan Ciano
Finance and Strategy	FCPA Fernandes O. Barasa
Member Services	CPA Rashid M. Khamis, MBS
Practitioners Development	FCPA Julius W. Mwatu
Professional Standards	CPA Michael Mugasa
Public Policy and Governance	CPA Benson O. Okundi
Registration and Quality Assurance	FCPA Dr. Jim McFie
Research and Development	CPA Rosemary K. Gituma

ICPAK representatives to KCA University

Board of Trustees	CPA Benson O. Okundi
Finance Committee	CPA Everlyne M. Muriuki
Audit Risk and Governance Committee	CPA Charles Ringera

Ag. Secretary to the council
CPA Edwin N. Makori
P. O. Box 59963 - 00200
NAIROBI.

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NAIROBI.

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Mobile	: +254 727 531006 / 733 856262 / 721 469796 / 721 469169
E-mail	: icpak@icpak.com
Website	: www.icpak.com

Independent Auditor
MAZARS
Certified Public Accountants of Kenya,
Green House, Ngong Road,
P. O. Box 61120 - 00200,
NAIROBI.
E-mail : contact@mazars.co.ke
Website : www.mazars.co.ke

Principal bankers
Barclays Bank of Kenya Limited,
Moi Avenue Branch,
P. O. Box 30116 - 00100,
NAIROBI.

Standard Chartered Bank of Kenya Limited,
Ruaraka Branch,
P. O. Box 32886 - 00600,
NAIROBI.

The Council submit their report and the audited financial statements for the year ended 31st December 2013, 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 53.

2. Principal activities

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

3. Membership

	2013 No.	2012 No.
Active members at end of year	9,968	8,621
Existing members at beginning of the year		
Practicing	991	889
Non practicing	6,683	5,622
Overseas	478	475
Retired	374	377
Associates	95	-
New members in the year	1,636	1,446
Deceased and change of status	(44)	-
	10,213	8,809
Members in default - written off	(426)	(403)
- recovered	181	215
Active members at end of year	9,968	8,621
Full members	9,776	8,526
Associate members	192	95
	9,968	8,621

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

4. Results for the Year

	2013 Kshs. '000'	2012 Kshs. '000'
Total comprehensive income for the year	7,417	328,977

5. Financial Statements

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

6. Auditor

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

By order of the Council

20th May 2014

CPA Edwin N. Makori
Ag. Secretary to the Council

Statement of council's responsibilities
On the financial statements
For the year ended 31 December 2013

The Accountants Act No. 15 of 2008 requires the Council to prepare financial statements for each financial year that give a true and fair view of the state of 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 safeguarding the assets of the Institute.

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

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

The Council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Accountants Act No. 15 of 2008.

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

Approved by the Council on 20th May 2014 and signed on its behalf by:-

CPA Benson O. Okundi
Chairman

FCPA Fernandes O. Barasa
Council Member

Report of the Independent Auditor
To the members of the Institute of Certified Public Accountants of Kenya
For the year ended 31 December 2013

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute of Certified Public Accountants of Kenya, set out on pages 58 to 86 which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial position of the Institute as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Accountants Act No. 15 of 2008.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Alphonse Karungu - P/No 856

Certified Public Accountants (K)
Nairobi.

20th May 2014

Statement of comprehensive income

	Note		2013 Kshs. '000'	2012 Kshs. '000'
Income				
Subscriptions	4		125,477	115,228
Member services	5	(a)	183,701	152,276
CPA Centre	6	(a)	5,718	8,884
Discontinued operations (net income)	6	(c)	-	2,979
Social responsibility	7	(a)	1,510	768
			316,406	280,135
Expenses				
Member services	5	(b)	108,486	81,906
CPA Centre	6	(b)	-	4,191
Social responsibility	7	(b)	907	996
Operating expenses	8		221,252	178,005
			330,645	265,098
Operating (deficit)/surplus			(14,239)	15,037
Other income	9		21,656	52,113
Surplus before gain on sale of non current assets held for sale			7,417	67,150
Gain on sale of non-current assets held for sale	10		-	254,493
Surplus before other comprehensive income			7,417	321,643
Other comprehensive income				
Revaluation surplus			-	7,334
Total comprehensive income for the year			7,417	328,977

Statement of financial position as at 31 December 2013

	Note	2013 Kshs. '000'	2012 Kshs. '000'
ASSETS			
Non current assets			
Property and equipment	11	478,171	237,693
Investment property	12	21,000	21,000
Prepaid operating lease rental	13	3,653	3,783
Intangible asset	14	1,459	2,292
Investment in CPA Centre Limited	15	50	50
		504,333	264,818
Current assets			
Inventories	16	1,762	938
Trade and other receivables	17	145,094	141,955
Cash and cash equivalents	18	139,047	308,001
		285,903	450,894
Total assets		790,236	715,712
EQUITY AND LIABILITIES			
Equity			
General fund		598,945	589,873
Revaluation reserve	19	58,868	61,126
Designated fund	20	5,688	5,085
		663,501	656,084
Non current liabilities			
Retention on construction	21	34,371	9,793
Due to CPA Centre Limited	24	50	50
		34,421	9,843
Current liabilities			
Trade and other payables	22	58,494	31,580
Advance subscriptions	23	33,820	18,205
		92,314	49,785
Total equity and liabilities		790,236	715,712

The financial statements on pages 58 to 86 were authorised for issue by the Council on 20th May 2014 and were signed on its behalf by:

CPA Benson O. Okundi
Chairman

FCPA Fernandes O. Barasa
Council Member

Statement of changes in equity

	Note	General fund Kshs. '000'	Revaluation reserve Kshs. '000'	Designated fund Kshs. '000'	Total Kshs. '000'
At 1 January 2012		255,971	65,823	5,313	327,107
Changes in equity in 2012					
Total comprehensive income for the year		328,977	-	-	328,977
Transfer of excess depreciation		2,064	(2,064)	-	-
Revaluation surplus		(7,334)	7,334	-	-
Revaluation surplus transfer to/(from)*		9,967	(9,967)	-	-
Deficit from social responsibilty	7	228	-	(228)	-
At 31 December 2012		589,873	61,126	5,085	656,084
At 1 January 2013		589,873	61,126	5,085	656,084
Changes in equity in 2013					
Total comprehensive income for the year		7,417	-	-	7,417
Transfer of excess depreciation to/from	19	2,258	(2,258)	-	-
Surplus from social responsibilty	7	(603)	-	603	-
At 31 December 2013		598,845	58,868	5,688	663,501

2012: Revaluation surplus transfer to/(from)*: relates to revaluation surplus recognised on non-current assets held for sale.

Financial statements For the year ended 31 December 2013 *(continued)*

Statement of cash flows

	Note	2013 Kshs. '000'	2012 Kshs. '000'
Cash flows from operating activities:			
Total comprehensive income for the year		7,417	328,977
Adjustments for:			
Depreciation on property and equipment	11	5,041	5,098
Amortisation of prepaid operating lease rental	13	130	130
Amortisation of intangible assets	14	833	208
Fair value gain on investment property	12	-	(5,000)
Revaluation surplus	11	-	(7,334)
Loss on disposal of equipment	8	5	75
Gain on sale of non-current assets held for sale	10	-	(254,493)
Interest income	9	(21,439)	(46,374)
(Deficit)/Surplus before working capital changes		(8,013)	21,287
Increase in inventories	16	(824)	(111)
Increase in trade and other receivables	17	(3,139)	(61,871)
Increase in trade and other payables	22	26,914	2,803
Increase/(decrease) in advance subscriptions		15,615	(6,677)
		30,553	(44,569)
Interest income	9	21,439	46,374
Net cash generated from operating activities		51,992	1,805
Cash flows from investing activities:			
Purchase of property and equipment	11	(1,345)	(2,644)
Proceeds from sale of property and equipment		107	-
Retention on construction for work certified		24,578	9,793
Proceeds from sale of non current assets held for sale		-	306,000
Purchase of intangible assets		-	(2,500)
Insurance compensation on computers		-	108
Work in progress	11	(244,286)	(125,610)
Net cash (used in)/from investing activities		(220,946)	185,147
(Decrease)/Increase in cash and cash equivalents		(168,954)	186,952
At the start of the year		308,001	121,049
At end of the year	18	139,047	308,001

1. Summary of significant accounting policies

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

a) Basis of preparation

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

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

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

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Institute uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Institute using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Institute at the end of the reporting period during which the change occurred.

1. Summary of significant accounting policies *(continued)*

b) New and revised standards

i) Adoption of new and revised standards

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

- Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income (issued in June 2011): These amendments, that are effective retrospectively, enhance the presentation of the components of other comprehensive income. Entities are required to group items presented in OCI based on whether or not they will be reclassified to profit or loss subsequently. The title 'Statement of comprehensive income' was changed to 'Statement of profit or loss and other comprehensive income' although use of this title is not mandatory.

- Amendments to IAS 1 Presentation of Financial Statements (Annual Improvements to IFRSs 2009–2011 Cycle, issued in May 2012): The amendments clarify that additional comparative information is not necessary for periods beyond the minimum required by IAS 1. However, if voluntarily presented, it should be in accordance with IFRS, without triggering a requirement to provide a complete set of financial statements. They also clarify that, in the case of changes in accounting policies retrospectively or a retrospective restatement or reclassification which has a material effect on the information in the statement of financial position at the beginning of the preceding period, entities should present the statement of financial position at the end of the current period and the beginning and end of the preceding period. However, other than disclosure of certain specified information, related notes are not required to accompany the opening statement of financial position as at the beginning of the preceding period.

- Amendment to IAS 16 Property, Plant and Equipment (Annual Improvements to IFRSs 2009–2011 Cycle, issued in May 2012): The amendment clarifies that items such as spare parts, stand-by equipment and servicing equipment should be recognised as PPE when they meet the definition in IAS 16 and as inventory otherwise.

- Revised IAS 27 Separate Financial Statements (issued in May 2011): The revised and re-titled standard now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. The standard mainly requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and joint ventures are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. It also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

- Revised IAS 28 Investments in Associates and Joint Ventures (issued in May 2011): The revised and re-titled standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It defines "significant influence", provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases) and prescribes how investments in associates and joint ventures should be tested for impairment.

1. Summary of significant accounting policies *(continued)*

b) New and revised standards *(continued)*

i) Adoption of new and revised standards (continued)

- Amendment to IAS 32 Financial instruments: Presentation (Annual Improvements to IFRSs 2009–2011 Cycle, issued in May 2012): The amendment clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12.

- Amendments to IFRS 7 titled Disclosures - Offsetting Financial Assets and Financial Liabilities (issued in December 2011): The amendments allow investors to bridge differences in the offsetting reporting requirements of IFRS and US GAAP and introduce new disclosures that provide better information on how companies mitigate credit risk, including on related collateral pledged or received.

- IFRS 10 Consolidated Financial Statements (issued in May 2011 and amended in June 2012 for its transitional provisions): The new standard replaces all of the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation— Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the consolidation procedures. IFRS 10 introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The new standard also includes guidance on participating and protective rights and on agent/principal relationships.

- IFRS 11 Joint Arrangements (issued in May 2011 and amended in June 2012 for its transitional provisions): The new standard (that replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations, and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures:
  - In a joint operation, parties have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation.
  - In a joint venture, parties have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike under IAS 31, the use of "proportionate consolidation" is not permitted.

- IFRS 12 Disclosure of Interests in Other Entities (issued in May 2011 and amended in June 2012 for its transitional provisions): The new standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows.

1. Summary of significant accounting policies *(continued)*

b) New and revised standards *(continued)*

i) Adoption of new and revised standards (continued)

- IFRS 13 Fair Value Measurement (issued in May 2011): The new standard defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. Specific transitional provisions have been given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011): The interpretation provides guidance on the accounting for waste removal (stripping) costs in the production phase of a mine. Such stripping costs should be recognised as an asset if they generate a benefit of improved access to an identifiable component of the ore body, it is probable that the benefits will flow to the entity and the costs can be measured reliably. Capitalised stripping costs are amortised over the useful life of the identified component. On transition, existing production stripping costs must be written off to retained earnings, unless they can be attributed to an identifiable.

- Revised IAS 19 Employee Benefits (issued in June 2011): The key amendments include elimination of the "corridor approach", modification of accounting for termination benefits and improvement of the recognition, presentation and disclosure requirements for defined benefit plans. The amendments have to be applied retrospectively in accordance with IAS 8 (except for changes to the carrying value of assets that include employee benefit costs in the carrying amount).

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

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

At the date of authorisation of these financial statement, the following revised standards and interpretations were in issue but are not yet effective for the year beginning 1st January 2013 had not been adopted. The Institute has not adopted of these revised standards, amendments and interpretations in advance of the effective date0:

- Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities (issued in December 2011) – The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. They are effective for annual periods beginning on or after 1 January 2014, with retrospective application.

1. Summary of significant accounting policies *(continued)*

b) New and revised standards *(continued)*

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

- Amendments to IAS 36 titled Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013) – The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. They are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013) – The amendments permit the continuation of hedge accounting in a situation where the counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met. They are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IFRS 10, IFRS 12 and IAS 27 titled Investment Entities (issued in October 2012) – The amendments define "investment entities" and provide them an exemption from the consolidation of subsidiaries; instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 / IAS 39 (the exception does not apply to subsidiaries that provide services relating to the investment entity's investment activities). An investment entity is required to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements, and additional disclosures are introduced. The amendments are effective for annual periods beginning on or after 1 January 2014, retrospectively with some transitional provisions.

- IFRIC 21 Levies (issued in May 2013) – The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold. The interpretation is effective for annual periods beginning on or after 1 January 2014.

- IFRS 9 - Financial Instruments will eventually replace IAS 39 - Financial Instruments, Recognition and Measurement. The effective date is not currently determined. The chapters published to date cover recognition, derecognition, classification and measurement of financial assets and financial liabilities, and hedge accounting. Most gains or losses on financial assets measured at fair value will then be recognised in profit or loss, but the company will be able to make an irrevocable election to present changes in fair value of investments in equity instruments in other comprehensive income.

The Council has assessed the potential impact of the above and expect that they will not have a significant impact on the Institute's financial statements for 2014.

1. Summary of significant accounting policies *(continued)*

c) Foreign currency transactions

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

d) Revenue recognition

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

i) Subscription income from active members is recognised in the year in which it is due.
Active members are considered to be those members:
- who are up to date with their subscription; and/or
- owing less than two years.

(ii) Subscription income from other members is recognised when it is received and is treated as recovery.
(iii) Registration fee is recognised on member application.
(iv) Training and development services income is recognised upon service delivery.
v) Rental income is recognised on a straight-line basis over the period of the lease.
vi) Interest income is recognised on a time proportion basis using the effective interest method.
vii) Hostel income is recognised upon service delivery, net of VAT and discounts.

1. Summary of significant accounting policies *(continued)*

e) Property, equipment and depreciation

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

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

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

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the statement of comprehensive income. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to the general fund.

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

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

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

1. Summary of significant accounting policies *(continued)*

f) Intangible assets

Computer software

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

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

g) Investment property

Investment property is property held to earn rentals. It is a long-term investment in buildings that are not occupied substantially for own use. Investment property is initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date as determined by independent registered valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment property being valued. Changes in fair value are recorded in the 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 indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of it's 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.

1. Summary of significant accounting policies *(continued)*

i) Financial instruments

Classification

The Institute classifies its financial instruments into the following categories:

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

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

Recognition and measurement

Financial assets

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

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

Receivables: Receivables are carried at original invoiced amount less an estimate made for 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.

Financial liabilities

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

j) Employee benefits

Post-employment benefit obligations

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

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

1. Summary of significant accounting policies *(continued)*

j) Employee benefits *(continued)*

Employees entitlements

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

k) Inventories

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

l) Leases

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

Amortisation of prepaid operating lease rentals is charged to the statement of comprehensive income on a straight line basis over the 42 year term of the leasehold land.

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

Non-current assets are classified as held for sale when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition.

Operations are classified as discontinued when cessation of such operations is highly probable. Management must be committed to the sale or 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.

n) Advance subscriptions

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

o) Cash and cash equivalents

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

2. Significant judgements and key sources of estimation uncertainty

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

Significant judgements in applying the entity's accounting policies

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

- Whether assets are impaired
- The classification of financial assets

3. Risk management objectives and policies

a) Financial risk management

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

i) Credit risk

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

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

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

3. Risk management objectives and policies *(continued)*

i) Credit risk *(continued)*

31 December 2013	Fully performing Kshs. '000'	Past due but not impaired Kshs. '000'	Past due and impaired Kshs. '000'	Total Kshs. '000'
Financial assets				
Subscription receivables	-	8,093	8,456	16,549
Other receivables	6,950	125,032	-	131,982
Prepayment for construction	5,019	-	-	5,019
Cash at bank	139,047	-	-	139,047
Gross financial assets	151,016	133,125	8,456	292,597
31 December 2012				
Financial assets				
Subscription receivables	-	11,299	9,021	20,320
Other receivables	19,238	66,332	-	85,570
Prepayment for construction	45,086	-	-	45,086
Cash and cash equivalents	308,001	-	-	308,001
Gross financial assets	372,325	77,631	9,021	458,977

The past due debtors are not impaired and continue to be paid. The Institute does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

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

The current ratio during the year was 3:1 (2012: 9:1).

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

31 December 2013	Between 1 - 3 months Kshs. '000'	Between 3 - 12 months Kshs. '000'	Over 12 months Kshs. '000'
Trade and other payables	29,176	28,610	708
31 December 2012			
Trade and other payables	15,605	15,516	459

3. Risk management objectives and policies *(continued)*

i) Financial risk management *(continued)*

iii) Market risk

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

Interest rate risk

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

If the interest rates on the Institute's short term bank deposits at the year-end were to increase/decrease by 5%, with all other factors remaining constant, the surplus for the year would be lower/higher by Kshs. 368,175.

Currency risk

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

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

b) Capital management

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

Notes *(continued)*

4. Subscriptions income

	2013 Kshs. '000'	2012 Kshs. '000'
Active members at beginning of year	19,820	18,460
Practising	68,420	60,833
Non practising	3,705	3,681
Overseas	1,403	1,414
Retired	10,695	10,371
Registration and licence fees	25,484	24,355
New members in the year	129,527	119,114
Subscription debtors written off	(8,456)	(9,021)
Subscription debtors recovered	4,406	5,135
Active members at end of year	125,477	115,228

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

5. Member services

	2013 Kshs. '000'	2012 Kshs. '000'
(a) Income		
Monthly seminars/video sessions	72,686	51,975
Annual seminar	62,591	56,343
Internal audit conference	15,014	11,129
Executive retreat	11,275	12,564
Managerial seminar	10,144	11,039
Sale of publications	6,676	2,477
Economic symposium	5,315	6,749
	183,701	152,276
(b) Expenses		
Monthly seminars/video sessions	53,711	35,204
Annual seminar	29,983	22,220
Internal audit conference	5,021	4,759
Executive retreat	11,573	10,125
Managerial seminar	4,476	4,765
Sale of publications	1,034	1,439
Economic symposium	2,688	3,394
	108,486	81,906
Surplus from training and development services	75,215	70,370

The expenses exclude direct staff salaries and other related expenses.

Notes *(continued)*

6. CPA Centre

	2013 Kshs. '000'	2012 Kshs. '000'
(a) Income		
Rent	5,159	4,933
Hostel occupancy	559	3,951
	5,718	8,884
(b) Expenses		
Hostel occupancy	-	4,191
Surplus from CPA Centre	5,718	4,693

(c) Discontinued operations

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

	2013 Kshs. '000'	2012 Kshs. '000'
Income		
Rent	-	2,979

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

7. Social responsibility

	2013 Kshs. '000'	2012 Kshs. '000'
(a) Income		
Golf tournament	1,510	768
(b) Expenses		
Golf tournament	907	996
Gain/(loss) from social responsibility activities	603	(228)

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

Notes For the year ended 31 December 2013 *(continued)*

8. Operating expenses

	2013 Kshs. '000'	2012 Kshs. '000'
Staff costs (Note 25)	132,498	107,082
International relations	28,348	15,019
Accountancy journal	9,014	9,114
Depreciation on property and equipment	5,041	5,098
Council and committee	6,518	7,752
Member recruitment and marketing	6,255	3,003
Staff meetings and welfare	3,818	3,540
Telephones and postages	3,701	2,992
Staff training	2,785	1,136
Printing and stationery	2,615	2,874
Practitioners development	2,592	1,794
Shared services	2,430	2,876
Computer and website	2,233	3,631
Disciplinary measures	2,041	1,529
Utilities	1,617	1,554
Fire Award	1,500	1,500
Audit quality review	1,453	2,087
Governance and advocacy	1,301	1,908
Bank charges	1,206	671
Equipment maintenance	1,144	1,254
Audit fees	1,074	786
Financial services	888	-
Amortisation of intangible assets	833	208
Insurance	135	392
Amortisation of prepaid operating lease rental	130	130
Customer service	77	-
Loss on disposal of assets	5	75
	221,252	178,005

9. Other income

	2013 Kshs. '000'	2012 Kshs. '000'
Interest	21,439	46,374
Misceleneous income	217	739
Fair value gain on investment property	-	5,000
	21,656	52,113

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

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

	2013 Kshs. '000'	2012 Kshs. '000'
Proceeds from sale	-	340,000
Non current assets held for sale	-	(85,507)
	-	254,493

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

11. Property and equipment

	Buildings Kshs. '000'	Work-in progress Kshs. '000'	Equipment Kshs. '000'	Computers Kshs. '000'	Furniture and fittings Kshs. '000'	Total Kshs. '000'
Cost and valuation						
At 1 January 2012	80,000	22,925	10,876	7,261	6,612	127,674
Depreciation write back	(5,334)	-	-	-	-	(5,334)
Additions	-	125,610	930	687	1,027	128,254
Revaluation surplus (note 19)	7,334	-	-	-	-	7,334
Disposals	-	-	-	(430)	-	(430)
At 31 December 2012	82,000	148,535	11,806	7,518	7,639	257,498
At 1 January 2013	82,000	148,535	11,806	7,518	7,639	257,498
Additions	-	244,286	324	880	141	245,631
Disposals	-	-	-	(235)	(35)	(270)
At 31 December 2013	82,000	392,821	12,130	8,163	7,745	502,859
Depreciation						
At 1 January 2012	2,667	-	9,729	5,118	2,774	20,288
Disposals	-	-	-	(247)	-	(247)
Charge for the year	2,667	-	618	1,095	718	5,098
Depreciation write back	(5,334)	-	-	-	-	(5,334)
At 31 December 2012	-	-	10,347	5,966	3,492	19,805
At 1 January 2013	-	-	10,347	5,966	3,492	19,805
Disposals	-	-	-	(155)	(3)	(158)
Charge for the year	2,929	-	550	798	764	5,041
At 31 December 2013	2,929	-	10,897	6,609	4,253	24,688
Net book value						
At 31 December 2013						
- Cost and valuation	79,071	392,821	1,233	1,554	3,492	478,171
- Cost	21,254	392,821	1,233	1,554	2,441	419,303
At 31 December 2012						
- Cost and valuation	82,000	148,535	1,459	1,552	4,147	237,693
- Cost	21,260	148,535	1,459	1,552	2,979	175,785

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

In the opinion of the Council, there has been no significant changes in the market and results of the valuation carried out on 18th December 2012 by Paragon Property Valuers Limited fairly reflect the open market value of the building as at 31 December 2013.

WIP relates to the construction of the ICPAK Complex.

Notes For the year ended 31 December 2013 *(continued)*

12. Investment property	2013 Kshs. '000'	2012 Kshs. '000'
At January	21,000	16,000
Fair value gain	-	5,000
At December	21,000	21,000
Rental income from investment property	5,159	4,933

Investment property generated a rental income of Kshs. 5,159,195 (2012: Kshs. 4,933,114). There were no direct operating expenses (2012: Nil).

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

13. Prepaid operating lease rental		2013 Kshs. '000'	2012 Kshs. '000'
Leasehold land:			
Cost	At January	5,478	5,478
	At December	5,478	5,478
Amortization	At January	1,695	1,565
	Charge for the year	130	130
	At December	1,825	1,695
Net book value		3,653	3,783

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

In the opinion of the Council, there has been no significant changes in the market and results of the valuation carried out on 18th December 2012 by Paragon Property Valuers Limited fairly reflect the open market value of the prepaid operating lease rentals as at 31st December 2013.

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

14. Intangible assets

		2013 Kshs. '000'	2012 Kshs. '000'
Software costs:			
Cost	At January	6,020	3,520
	Additions	-	2,500
	At December	6,020	6,020
Amortisation	At January	3,728	3,520
	Charge for the year	833	208
	At December	4,561	3,728
Net book value		1,459	2,292

15. Investment in CPA Centre Limited

	2013 Kshs. '000'	2012 Kshs. '000'
Investment in CPA Centre Limited	50	50

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

16. Inventories

	2013 Kshs. '000'	2012 Kshs. '000'
IFRS Books	1,762	938

17. Trade and other receivables

	2013 Kshs. '000'	2012 Kshs. '000'
Subscription receivables	16,549	20,320
Less: Transfer to non-active category	(8,456)	(9,021)
Net subscription receivables	8,093	11,299
Other receivables	21,212	19,044
VAT recoverable on construction	51,538	8,504
Deposits and prepayments	2,045	3,380
Prepayments for construction	5,019	45,086
Staff receivables	1,522	1,031
Related party receivables (Note 24)	55,665	53,078
FiRe Award fund	-	533
	145,094	141,955

18. Cash and cash equivalents

	2013 Kshs. '000'	2012 Kshs. '000'
Cash at bank and in hand	4,548	16,884
Short term bank deposits	134,499	291,117
	139,047	308,001

The weighted average effective interest rate on short term bank deposits at the year-end was 7.0% (2012: 15.7%).

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

	2013 Kshs. '000'	2012 Kshs. '000'
Cash and bank balances as above	139,047	308,001

19. Revaluation reserve

	2013 Kshs. '000'	2012 Kshs. '000'
Property and equipment		
Buildings	57,817	59,958
Furniture, fittings and equipment	1,051	1,168
	61,126	61,126

The movement of the reserve is as follows:

	Buildings Kshs. '000'	Furniture, fittings and equipment Kshs. '000'	Total Kshs. '000'
At 1 January 2013	59,958	1,168	61,126
Transfer of excess depreciation	(2,141)	(117)	(2,258)
At 31 December 2013	57,817	1,051	58,868

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

20. Designated fund

	Bursary funds Kshs. '000'	Charity funds Kshs. '000'	Total funds Kshs. '000'
Year 2013:			
At start of year	5,000	85	5,085
Transfers from the general fund	-	603	603
At end of year	5,000	688	5,688
Year 2012:			
At start of year	5,000	313	5,313
Transfers from the general fund	-	(228)	(228)
At end of year	5,000	85	5,085

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

21. Retention on construction

	2013 Kshs. '000'	2012 Kshs. '000'
Retention in construction on work certified	34,371	9,793

Retention relates to the construction work of the ultra modern multi-storey office park at the CPA Centre that is payable 6 months after the project is completed.

22. Trade and other payables

	2013 Kshs. '000'	2012 Kshs. '000'
Trade payables	20,029	15,099
Payables for construction	13,413	-
Rental deposit	841	841
Rent received in advance	2,719	-
Advance receipts	3,683	2,972
Other accruals	17,257	12,209
Related party payable (Note 24)	459	459
Fire award fund	93	-
	58,494	31,580

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

Notes For the year ended 31 December 2013 *(continued)*

23. Advance subscriptions

	2013 Kshs. '000'	2012 Kshs. '000'
Advance subscriptions	33,820	18,205

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

24. Related party transactions

The Institute is the sponsor/founder of KCA University. In accordance with the Universities Act the assets and liabilities are held through a Board of Trustees for the benefit of University Education. The Institute is a beneficial owner of CPA Centre Limited with a direct shareholding of 50.02% of the issued share capital. The balance is held indirectly through KCA University. This company did not trade during the year. The investment comprises 10,004 shares of KShs. 5 each.

i) Related party receivables

	2013 Kshs. '000'	2012 Kshs. '000'
Receivable from KCA University (Note 17)	55,665	53,078

The increase during the year 2013 is attributed to shared services paid for by the Institute which costs had not been fully recovered as at year end.

ii) Related party payables

	2013 Kshs. '000'	2012 Kshs. '000'
Payable to KCA University (Note 22)	459	459
Due to CPA Centre Limited	50	50
	509	509

There are no impairment provisions held against any related party balances (2012: Nil).

No interest has been charged against any related party balances (2012: Nil).

iii) Key management compensation

	2013 Kshs. '000'	2012 Kshs. '000'
Salaries and other short term benefits	12,579	16,403
Post employment benefits	814	997
	13,393	17,400

25. Staff costs

	2013 Kshs. '000'	2012 Kshs. '000'
Salaries and wages	116,986	93,140
Pension costs	5,144	4,915
Medical expenses	5,833	4,388
Group life	1,398	1,149
Other staff costs	1,695	2,100
Leave allowances	712	599
Subscriptions	570	368
Recruitment costs	160	423
	132,498	107,082

26. Tax

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

27. Commitments

Capital commitments

The Institute has contractual obligations for the construction of an ultra modern multi-storey office park at the CPA Centre whose construction commenced in May 2012 and expected to be complete in April 2014. The project architect have reviewed progress on work and pegged the revised completion date to September 2014.

	2013 Kshs. '000'	2012 Kshs. '000'
Total commitments	950,000	950,000
Paid towards the construction and included in work-in-progress	(392,800)	(148,535)
	557,200	801,465

All the payments to date have been out of internal sources. ICPAK expects to fund another Kshs 132 million of the outstanding from internal sources and the balance financed through borrowing.

28. Contingent liabilities

A suit has been filed in court against the Institute by a former staff alleging wrongful dismissal. This matter arose in the year 2014. The Institute has instructed its lawyers to respond and as the matter is in its preliminary stages the likely outcome cannot be determined as at the date of signing these financial statements.

29. Comparatives

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

Notes

Notes

ICPAK
Credibility . Professionalism . AccountAbility

Registered office and
Principal place of business

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