

Strengthening Accountability, Rising with Africa



Annual Report 2014



Foreword

The theme of the Institute of Certified Public Accountants of Kenya annual report this year is “Strengthening Accountability, Rising with Africa”, a topic of growing interest to governments, companies and investors the world over. As a champion of the continent’s financial system, the Accountancy profession is committed to rising with Africa by ensuring sustainable development that balances National economic progress with the people’s financial and social inclusivity.

The pictorial and photo essay on the following pages illustrates how different people are sacrificing their time and acumen to make the country and in deed the continent more sustainable, while short stories explain our diverse membership’s connection to the pursuit of a sustainable future for Kenya and East Africa, Africa and the world.

Simply put, the Institute is in the business of regulating and developing the much coveted Accountancy Profession in Kenya. However the technical nitty gritty and operationalization of the simply put phrase is a paradox of complicated functional business of the Institute that is apparently governed by the Accountants Act No. 15 of 2008 with the statutory guidance of the National Treasury. We bring Credibility, Professionalism and Accountability as defined by our credo to tens of thousands of members of the Institute, stakeholders and employers globally who strongly believe in our noble core existence of “being in good standing”. We do business in a manner that acts as a role model in respect to the rule of law, embrace and enhance integrity, build the country sectors and economy, improve livelihoods and bring sociability in communities through branch, regional, Diaspora and International networks of Accountancy in the Universe. We are very passionate about transformative leadership and governance, and have a long tradition of corporate and public policy and governance. Besides being a National Accountancy Institute, we are an expert Institution blended with other professional experts driving the governance and operational capability of the Institute.

Lastly but important, our Corporate Social Responsibility report is written based on the Kenya’s corporate, public and stakeholders engagement landscape, which goes into the efforts of the Institute in this area. More than just a growing regional financial hub and centre, Nairobi the Institute’s head office is also in a cosmopolitan city with a diverse population endowed with areas of great scenic beauty, adjacent national park with wildlife, great favourable weather throughout the year, a surprise to many international tourists.

Contents

	Page
Foreword	(i)
QUICK OVERVIEW	2 - 5
1. KEY HIGHLIGHTS	6
What We Do	8
Vision and Mission	8
Functions of the Institute	8
Notice of the 37th Annual General Meeting	9
Messages from the National Chairman and the Chief Executive	10
Management Discussions and Analysis on the 2014 Financial Report	20
Africa Rising	22
A New Frontier for Kenya and Africa	25
Kenya’s Economy Continues to Grow in a Challenging Environment	28
2. OPERATIONAL REVIEW	32
Corporate Governance Structure	34
Council Members Profile 2014	38
Good Corporate Governance	42
Administrative Structure of the Institute	55
3. STRATEGIC PATHWAYS AND REVIEWS	58
Forward Looking	60
Enhanced Focus on Members	64
Positioning ICPAK as an Influential Voice of the Accounting Profession Globally	70
Promote the Regulation of the Accountancy Profession	74
Institutional Strengthening	77
Rejuvenating Knowledge in Accountability	80
Major Event Highlights	82
Safeguarding Public Interest	86
Stakeholder Engagement	88
Giving Back Benevolently	90
Reaching Out	98
Communication and Publicity	100
4. FINANCIAL REVIEW	106
Audited Financial Statements for the Financial Year Ended 31st December 2014	115

Quick Overview

1. Growing Professional Membership

One of our mandates arising from our recognition by International Federation of Accountants (IFAC) as an Acknowledged Accountancy Profession is to seek to expand the membership of the ICPAK. The Institute has continued to witness rapid growth in its membership. In the year under review, the Institute had one induction ceremony

where a total of 1250 full members and 227 associate candidates were admitted into membership of the Institute. Overall, the active members registered closed at 11,671 in the year under review.



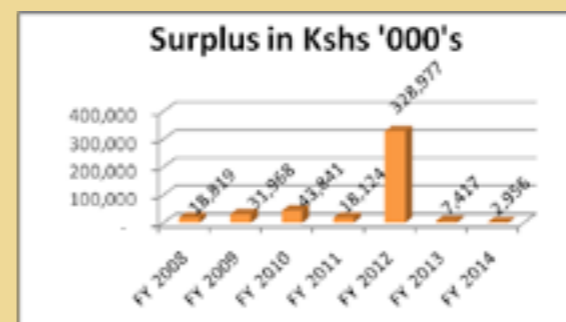
2. Total Revenue Trend

During the year under review, the Institute achieved a revenue of Kshs 397.6 million representing a growth of 25.7% from the previous year of Kshs 316.4 million. This was a modest growth of 0.6% on the budgeted Kshs 395.1 million. Our revenue streams remained the same in the year; that is member subscriptions and CPD trainings. These streams contributed 37% and 62% respectively of the total revenue. The streams also accounted for 99% of the total revenue.



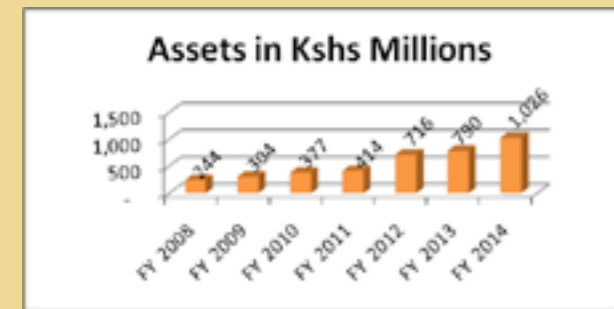
3. Surplus Perspective

Consistent membership growth and thrift financial management have enabled us to continue with our reinvestment strategy while maintaining a healthy financial position. We recorded a surplus of Kshs 2.956 million in 2014 and anticipate the surplus growth to be sustained upon the completion of ICPAK Complex.



4. Total Assets Base

The Institute made a milestone achievement by passing the One Billion psychological barrier in its Total Asset Base. This was highly contributed by the ongoing Work In Progress of ICPAK Complex which is expected to be complete by 2015.



5. CPD Trainings

The Institute organizes and mounts several CPD trainings all year round. The CPD trainings are necessary to maintain the already high reputation of the profession, and to protect the public trust.



6. Global Presence

We enjoy a strong working relationship with leading accounting bodies across the globe. ICPAK is a respected member of the International Federation of Accountants (IFAC) and Pan-African Federation of Accountants (PAFA). Our qualifications are also recognized by leading international accounting bodies and as testament to this, the Institute of Certified Public Accountants of Kenya today enjoys mutual recognition agreements with the Institute of Chartered Accountants of England and Wales (ICAEW) and South African Institute of Chartered Accountants (SAICA).



7. Accountancy Professional Regulation

As the governing body, the Institute has a responsibility to promote, review and enforce high standards of service and performance. We assist members in attaining professional credentials and meeting their compliance obligations, including training and CPD hours.



8. Institutional Strengthening

The Institute has implemented a strategy of reinvestment and capacity-building to ensure the organisation is fit for the future. We are achieving this within appropriate business and financial parameters. This Annual Report outlines our progress in the key projects being undertaken in collaboration with the World Bank, in particular the joint Institution Development Fund grant which seek to strengthening ICPAK's institutional capacity.

9. People

The profession aims to have a positive social impact through its commitment to serving the people's interest. As giving back to the community is a time-honoured tradition of the profession, we felt it was important to include a new measure in 2014 around Corporate Social Responsibility. Promoting corporate social investment is important to the Institute and its stakeholders.



Key Highlights





What We Do

Vision and Mission

The Institute of Certified Public Accountants of Kenya (ICPAK) is the professional organization that regulates the activities of all Certified Public Accountants in Kenya. It was 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 in Kenya, and globally.

Our Vision

To be a globally recognized Accountancy Institute.

Our Mission

To develop and regulate the accountancy profession in Kenya through supporting the Certified Public Accounts in Kenya to be recognized globally as competent professionals who add value whilst serving and protecting the public interest and building sustainable institutional capacity to provide that support.

Our Credo

Credibility, Professionalism and Accountability.

Our Core Values

Our core values are our guiding principles on business engagements. They define what we stand for, what drives

us, what we believe in, and what directs our decisions, actions and relationships. Our core values are;

- Respect
- Integrity
- Professionalism
- Team work and
- Innovation

Functions of the Institute

Section 8 of the Accountants' Act of 2008, Laws of Kenya, prescribes the following functions for the Institute:-

1. To promote standards of professional competence and practice amongst members of the Institute;
2. To promote research into the subject of accountancy and finance and related matters, and the publication of books, periodicals, journals and the connection therewith;
3. To promote the international recognition of the Institute and the CPA (K) brand;
4. To advise the Examination Board on matters relating to examination standards and policies;
5. To advise the Minister on matters relating to financial accountability in all sectors of the economy;
6. To carry out any other functions prescribed for it under any of the other positions of this Act or any other written law; and
7. To do anything incidental or conducive to the performance of any of the prescribing function.

ICPAK's Strategic Priorities

1. Enhanced focus on members.
2. Positioning ICPAK as an influential voice of the accounting profession globally.
3. Promote the regulation of the accountancy profession.
4. Institutional strengthening.

NOTICE OF THE 37TH ANNUAL GENERAL MEETING

NOTICE AND AGENDA OF THE 37TH ANNUAL GENERAL MEETING OF THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

DATE OF ISSUE: Monday, 11th May, 2015

TIME: 11:00am

VENUE: CPA Centre, Thika Road, Nairobi

NOTICE IS HEREBY given that in accordance with paragraph 5 (1) and (2) of the First Schedule of the Accountant's Act, No 15, 2008, that the 37th Annual General Meeting of the Institute of Certified Public Accountants of Kenya will be held on **Friday, 5th June, 2015** from 11.00 a.m. at the CPA Centre, Thika Road, Nairobi to transact the following business.

Ordinary Business

1. To note the proxies received and establish a quorum.
2. To note Apologies.
3. To confirm minutes of the 36th Annual General Meeting and to consider matters arising there from.
4. To receive the Council report for the year 2014.
5. To receive, consider and if found appropriate, adopt the Annual Report of the Council and the Accounts of the Institute for the year ended 31st December 2014 together with the Auditor's Report thereon.
6. To appoint the Independent Auditor of the Accounts of the Institute for the year ending 31st December 2015 and authorize the Council to fix the remuneration of the auditor.
7. To witness the presentation of Commendation and Fellowship Certificates, if any.
8. To confirm the election of the Chairman and the Council Members in accordance with the Institute's election regulations.

CPA Dr. Patrick Ngumi
Chief Executive and Secretary to Council

NOTE: The First Schedule to the Accountants Act, No 15, 2008, Section 11, (3 & 4) provides that a member entitled to attend and vote at the Annual General Meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. To be valid, a form of proxy must be duly completed by the member and must be deposited with the Secretary so as to be received not less than forty eight hours before the Annual General Meeting i.e. not later than 11.00 am on Wednesday, 3rd June 2015.

Messages from the National Chairman and the Chief Executive



CPA Dr. Patrick Ngumi (PhD)
Chief Executive



CPA Benson O. Okundi
National Chairman



“

We continue to strengthen our ties with strategic stakeholders namely the National Treasury, the Parliament, the Auditor-General, the Controller of Budget, Business Advocacy Fund, Kenya Revenue Authority and other stakeholders.

As Chairman, I am pleased to report that the Institute has strong fundamentals as we consider the future of our profession locally, regionally and globally. As the saying goes, *'coming together is a beginning; keeping together is progress; working together is success'*. This has been the exact spirit which has enabled me to humbly take over the baton of Kenya's Accountancy Leadership with folded hands and modest address as the 20th Chairman of the illustrious Institute of Certified Public Accountants of Kenya. I heartily thank the Members for bestowing this honour on me and for reposing their trust upon me.

When I began my term as the Institute's Chairman on 6th June 2013, my priority was – and still is – to continue pursuing the following goals set by the Institute to elevate the profession: My five point agenda when I took over chairmanship in 2013 were and still remains:

1. Enhanced member services
2. Public Policy and Governance
3. Regulation of the profession
4. Visibility and recognition of ICPAK brand
5. Institutional Strengthening

I am delighted to note that ICPAK Council members worked hard to implement these agenda as outlined in 2014 Annual Report.

Legislative Reforms

In line with a changing and more complex business and

regulatory landscape, the Institute has proposed to make several legislative reforms that will enable the profession to function more efficiently and discharge its duties more effectively. One of the key initiatives undertaken by the Institute is to draft a set of proposed amendments to the Accountants Act 2008; we must seize this window of opportunity to lobby for reforms in the accounting legislative framework.

The new Act for example, will assist in ensuring that there is a consistent expectation of Certified Public Accountants across Kenya. Preliminary work has started with the other stakeholders to model the legislation for professional accountants on the Accountants Act of 2008. We recognize that this will be a lengthy process, but the goal of protecting the public is important.

Institute Development Fund (IDF) Grant

The Institute is grateful to the World Bank for extending an institutional grant which sought to contribute to enhancing financial transparency, accountability, and governance in Kenya's public and private sectors, through capacity strengthening of the Institute of Certified Accountants of Kenya (ICPAK). I am pleased to note that the Institute has since February 2014 been utilizing this grant as per the agreement with the World Bank.

The Project components seeks to among others, enhance Capacity at the ICPAK Secretariat to Meet International Standards; set-up a quality review and assurance program based on international good practice to enhance ICPAK's monitoring capacity; and developing a searchable web-based e-learning knowledge center and database accessible to ICPAK members, accounting students and members of the public.

Additionally, the project aims at Strengthening Accounting Profession in Private and Public Sectors in Devolved Environment by developing and piloting a training program on quality of audit for small and medium-size audit firms (SMPs) for public sector audit and for audit of donor-financed projects; developing and piloting a training program for practical experience for accounting students and trainee accountants; and developing a budgeting and financial reporting framework for devolved environment on the basis of IPSAS.

Growth in Membership

The Institute has continued to witness rapid growth in its membership. In the year under review, the Institute had one induction ceremony where a total of 1250 full members and 227 associate candidates were admitted into membership of the Institute. Total membership apparently stood at 14000.

Member Services

The Council's focus aimed to satisfy members with products which is consistent with our focus on improving the quality of member offerings and providing greater flexibility in the way members can utilize the Institute. In 2014, we offered more than 97 training sessions, workshops, seminars, forums and conferences.

At the same time the Institute organized a forum for our members serving in the public sector in June 2014. The objective of this forum was among others to share knowledge and discuss latest industry trends. The forum saw active participation by the audience, who provided many useful ideas and feedback on how public sector accountants can be involved in developing accountancy profession in Kenya. The enriching discussion and rare networking opportunities provided and made the joint forum a fruitful session for all participants.

Stakeholder Engagement

Stakeholder engagement with key influential stakeholders is a prime strategy for ICPAK in its efforts to develop the profession in alignment with the nation's progress and development. Our advocacy and thought leadership helps define the business environment in which our members operate, and enables them to advance their careers and build a respected circle of influence that encompasses business and regulatory leaders.

We continue to strengthen our ties with strategic stakeholders namely the National Treasury, the Parliament, the Auditor-General, the Controller of Budget, Business Advocacy Fund, Kenya Revenue Authority and other stakeholders.

We have been working on various issues with all these

relevant and strategic stakeholders, on capacity building initiatives to explore the possible ways of enhancing the quality of the profession. This is in the hope of beefing up the standing of the profession as a strategic partner to the government in its commitment towards nation building.

Notwithstanding the increased engagement efforts with external stakeholders, the Institute has also heightened members' engagement efforts to enable better understanding of the needs of members as important stakeholders; and for members to appreciate the efforts of the Institute.

Leadership

The Institute has capitalized on the expertise and experience within the organisation to make changes to senior management in line with our business priorities. In January 2014, FCPA Caroline Kigen stepped down as Chief Executive. Under CPA Caroline's leadership the Institute maintained its strong financial management, while focusing on ensuring we remain fit for the future, including developing our collaboration with other institutes in Africa and beyond and overseeing the upgrade of our business infrastructure. Following her departure in January, the Council appointed CPA Edwin Makori to hold the post of Chief Executive in an acting capacity. After a rigorous, comprehensive recruitment and due diligence process, the Council appointed CPA Dr. Patrick Ngumi as a substantive CEO in July 2014. I would like to take this opportunity to thank the Council, FCPA Caroline, CPA Ngumi and the Institute's employees for their commitment to the Institute and the profession.

It is noteworthy to highlight that in April 2014 the Cabinet Secretary for the National Treasury appointed Ms. Damaris Kimosop as a Council member to represent a profession other than accountancy in the ICPAK Council, while CPA Rose Mwaura and CPA Susan Oyatsi were elected as Council members in June 2014. I cannot forget to appreciate the contribution by our immediate former Council members namely CPA Rosemary Kinanu, who served as the Vice Chair and FCPA Abdulwahid Aboo, who had served the ICPAK Council for the last ten years.

Being a Global Player

As a member body of IFAC, ICPAK has participated in various committees within the organization and currently ICPAK is represented in IFAC Council by ICPAK Chairman. The Institute is also represented in the following IFAC Committees/Board: Professional Accountancy Organization Development Committee (PAODC) FCPA Caroline J Kigen who serves as the Chairperson; Small and Medium Practices (SMP) Committee FCPA Abdulwahid Aboo who serves as Member and in the International Accounting Education Standards (IAES) Board where CPA Isaac Njuguna is a Member.

ICPAK is also a member of Pan African Federation of Accountants. The Institute is one of the five permanent of PAFA Board alongside SAICA – South Africa; ICAN – Nigeria; ANAN – Nigeria and SAIPA – South Africa.

The contributions of ICPAK in developing the accountancy profession in Eastern African region is further strengthened by our involvement in close collaboration with regional institutes. The Institute continues to seek strategic partnership with like minded institutes all over the world. In June 2014 the Institute signed an MoU with SAICA. As per the MoU, ICPAK members residing in South Africa will be able to; attend CPD events and access materials at local member rates, access to SAICA networking events on the same basis as made available to local members, Access to SAICA affinity programmes at local member among many other benefits.

Institute's Image

The Institute has continued to maintain very cordial relationship with members of the press. In order to sustain the established tradition, I granted a series of press interviews, paid scheduled visits to both the electronic and print media. Also, gentlemen of the press were invited to cover the Institute's various events. During my official engagements, I also held press conferences and press statements were issued to articulate the Institute's positions on national, economic and professional issues. These measures accounted for the publicity blitz enjoyed by the Institute throughout the year.

Embracing Power of Social Media to Empower Our Profession

Kenya's digital landscape is evolving fast. Our country has 21,273,738 Internet users on Dec 31, 2013, which account for 47.3% of the population, says a latest report by Communications Authority of Kenya (CAK). And a very big section of these social media users are the members of Kenya's emerging knowledge society, including the Certified Accountants. These professionals are not using the social media just to connect and network, but are also using it to generate ideas, map the trends and evolve strategies for organizational and competitive advantage.

I feel that we at ICPAK cannot afford to lag behind in reaping the immense benefits of social media, which has a big potential to serve our professional fraternity. With this perception and vision, ICPAK has recently embraced social media platforms.

I am happy to inform you that at the moment, our links to Face book and Twitter are available on the ICPAK website for all of you. We have decided to use them to establish our credibility, trust and identity primarily by sharing our views and perspectives with our stakeholders. We have also endeavored to engage thought leaders to interact with our online community, which is emerging as an exclusive

facilitating force in the coming days.

Baseline Survey on Devolution

ICPAK released findings of a Baseline Research Report on the Implementation of Devolution in Kenya With respect To Public Finance Systems– One Year On in March 2014. The baseline survey focused itself on the public finance management and other functional control systems adopted by the county governments since their inception in March 2013. The report comes at a time when the country is setting its budgetary priorities geared to economic growth and full realization of Vision 2030. The Institute prides itself as a key stakeholder in this process and hence seeks to make an informed contribution through continuous research and development.

We trust that the recommendations proposed by this research would go a long way in enhancing the development of the financial systems at the county level and position the devolved units as agents of prudent financial management in an increasingly competitive global financial environment.

ICPAK Participation in the Budget Making Process

Mr. Henry Rotich Cabinet Secretary for the National Treasury said this when delivering his 2014/2015 Budget speech- "I congratulate the Institute of Certified Public Accountants for its positive role in budget making process," These words of appreciation by the man at the helm of country's affairs speak a lot as far as our role in shaping our country's destiny is concerned.

Indeed, the Institute played a role in shaping 2014/2015 Budget through Pre-Budget Memorandum which was submitted to the Government. This Memorandum comprised our suggestions based on the concerns of membership on one hand and Institute on the other. I am extremely overjoyed to share with you that our significant suggestions were incorporated in the Cabinet Secretary's Budget speech.

ICPAK-KCA-Maarifa Partnership

ICPAK, KCA University, Emerging Capital Partners (ECP) and Maarifa Edu Holdings Limited plan to enter into a long-term strategic partnership with the aim of providing significant financial, strategic and operational support to KCA University.

In this partnership, ECP and Maarifa will bring a combination of financial and strategic/human capacity to KCAU through a long-term strategic partnership with ICPAK and KCAU, Maarifa is seeking to invest a minimum of US\$17.5m with a possibility to extend to US\$30m to benefit KCAU. This investment will help KCAU to make substantial improvements to its programs, campuses, and

service offerings to compete more effectively within the growing Kenyan higher-education market and to attract a greater number of students. Maarifa's investment will address near-term capital requirements and provide KCAU with expansion capital to enable it to invest in core infrastructure, systems, faculty training and development, and student facilities. In addition, Maarifa's investment will also establish a scholarship foundation, with initial seed funding of US\$1m, to enable increased student access to KCAU.

We believe the partnership will be well-positioned to achieve strong and reputable institution of higher learning and increase KCAU value through its balanced business mix, greater scale and enhanced efficiencies and competitiveness.

ICPAK Complex

ICPAK Complex is a billion shillings project under construction at CPA Centre, Ruaraka and is being developed by the Institute of Certified Public Accountants of Kenya (ICPAK). The first phase of this project comprises an ultra modern 12- storey office block and is expected to be commissioned in 2015. The proposed project when complete will largely be used for income generation and partly accommodate the ICPAK secretariat. This will ensure sustainable long term development and sustainability of service delivery to ICPAK members, and thereby enable the Institute achieves its mandate of developing and regulating the accountancy profession in Kenya.

The project will further help the Institute to build capacity and be in a better position to achieve its mandate as laid down in the Accountants Act of 2008. Currently, the trainings have always been undertaken in hotels that charge exorbitant prices making it unaffordable to most members. This project will enable the Institute have its own premises for the purpose of training that will and thus be able to offer trainings at affordable rates. This will increase the number of members trained hence improvement in the service delivery by Accountants in the Country.

Opening of the First ICPAK Branch Physical Office

In line with my Council manifesto, the Institute commissioned our first ever, physical branch office in Mombasa on 8th October, 2014. The new branch heralds a new chapter in Kenya's accounting history. With the new Mombasa Branch office, the branch leadership is now empowered to mount CPD events; provide advice to members as well as to other entities operating within the branch jurisdiction. In addition to its contribution in the Coast region, the new branch is expected to promote and provide for the future of accounting professionals, in a way that professionals can engage with ICPAK seamlessly without having to refer to our main office in Nairobi. In order to improve the

efficiency and to expand the reach of the Institute to serve its valued members scattered throughout the country and in line with the devolved system of governance, we continue to reach-out to members operating far away from our Nairobi headquarters. We intend to further increase our branch presence in strategically important areas of the country in the immediate future.

ICPAK-SAICA MoU

The Institute of Certified Public Accountants of Kenya (ICPAK) and the South African Institute of Chartered Accountants (SAICA) on Thursday 15th June, 2014 signed a Memorandum of Understanding (MoU) with the purpose of enhancing opportunities for members of the two institutions to pursue Continuous Professional Development (CPD) requirements, access programmes at local rates and enhance exchange of information. The MoU also seeks to enhance and cement good relations and fruitful cooperation between the two institutes and to accelerate the development of the accountancy profession.

Conclusion

Towards this end, we trust that all our stakeholders will be able to contribute and support ICPAK in our quest to further enhance the accountancy profession in the country in line with stakeholders' expectations. On behalf of ICPAK, I thank all our stakeholders – namely the Government and its relevant agencies; regulatory and developmental bodies; professional accounting bodies; Institutions of Higher Learning and Universities; and not forgetting the individual members of the Institute.

Before I conclude, let us give a thought to our dear profession. Let us celebrate it with the desired sense of national pride as well as responsibility. I believe in what Eleanor Roosevelt, a former first lady of USA, wife to former President Franklin D. Roosevelt had observed once: "In the long run, we shape our lives, and we shape ourselves. The process never ends until we die. And the choices we make are ultimately our own responsibility." Our profession is founded on **TRUST** and **INTEGRITY**. We can only remain relevant and strong and retain the public trust if we behave impeccably at all times. So we must be mindful of how we conduct ourselves so as not to lose that all important **TRUST**.



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



“

Moving forward, the Institute will continue to undertake and invest in initiatives that can improve our quality and performance, build our sphere of influence and position the accountancy profession as a source of value for business and the economy.



accountancy profession.

As the leading provider in the governance and financial reporting value chain, the accounting profession clearly has an important role to play in assisting the nation's efforts to build credible, reputable and internationally competitive capital markets. The accounting profession wields considerable influence in the capital markets through their many roles – whether as accountants, auditors, advisors, consultants or as members of the corporate sector.

ICPAK's efforts to regulate and develop the accountancy profession are thus vital in order to inspire confidence among stakeholders. It therefore gives me great pleasure to be able to share with you the Institute's recent initiatives in building a robust, ethical and forward-looking profession while striving to provide value-added services to all members.

ICPAK Financials

The Institute continued to experience growth in its operations leading to the positive results posted on its financials. During the year under review, the Institute achieved revenue of Kshs 397.6 million representing a growth of 25.7% from the previous year of Kshs 316.4 million. This was a

modest growth of 0.6% on the budgeted Kshs 395.1 million. Our revenue streams remained the same in the year; that is member subscriptions and CPD trainings. These streams contributed 37% and 62% respectively of the total revenue. The streams also accounted for 99% of the total revenue. This improved performance was impacted mainly by the growth in member numbers, introduction of targeted CPD events resulting from the previous participant surveys and heavy profiling of the Institute events.

Overreliance on the mainstream Institute revenue streams whose pricing have fairly remained the same has constrained operations of the Institute in the past. This has necessitated the management rethinking of securing alternative revenue sources to strengthen its ability to deliver effectively on expected objectives. During the year under review, the Institute received USD 698,000 from the World Bank Institutional Development Fund (IDF) to enable improve on its ICT infrastructure. The Institute commenced the procurement under the fund which is expected to be completed in the year 2015. Additionally the Institute secured Kshs 936,000 from the Business Advocacy Fund (BAF) to facilitate stakeholder engagements on the discussion and analysis of the various Business Laws in the Country.

Construction of the ICPAK Complex is expected to be completed in the year 2015 and revenues from this building are expected to heavily boost the revenue base of the Institute when full occupancy of the lettable area is realized.

Enhanced Focus on Members

The Institute remained focused on identifying priority service areas to enable deliver the greatest benefit and value to its members. In this regard, we continued to provide a

range of focused services to cater for the members' common and specific needs of different segments while developing value propositions to meet any new and emerging needs. In view of this, the Institute carried out a member baseline and satisfaction survey to understand the needs and expectations of our members, the extent to which the Institute has delivered on these expectations and the demographics in terms of age, geographical distribution and sectors of employment.

On the basis of the results, the Institute engaged in forums with members in two of the sectors profiled (Public Sector and Practitioners) in order to understand their unique needs. We are happy to report that the following proposals were received: developing non-practicing allowance for members working in the public sector; discount pricing for the registration fees and remuneration structure for accountants which are currently being looked into and positive progress will be felt in the year 2015.

Feedback received during the trainings offer insight into the gaps that need to be addressed and thereby informing the Institute in developing its training calendar. We are happy to report that the Institute carried out all the trainings that were lined up in its training calendar. Among those trainings were two (2) new trainings of NSSF and I-tax trainings and the C-Suite seminar. The changing business landscape in the wake of competition has necessitated the need by senior business leaders to rethink their business strategies. The C-Suite seminar was intended to interrogate and invoke the rethinking of the business models adopted by the senior business executives on whether it encourages and supports innovation. I-tax and NSSF workshop was intended to acquaint members with the proposed regulatory legislations under these subjects.

Supporting Small and Medium Practitioners (SMPs)

To further build capacity and enhance quality, the Institute works closely with selected stakeholders on key initiatives that can develop and progress all quarters of the business community, particularly the small and medium practitioners. We recognize that SMPs are a key engine of the economy and we are actively engaging with the SMP community to help them raise their accounting and financial reporting standards in line with global benchmarks.

Notably, the Institute has received a World Bank grant for Strengthening Accounting Profession in Private and Public Sectors in Devolved Environment by developing and piloting a training program on quality of audit for small and medium-size audit firms (SMPs) for public sector audit and for audit of donor-financed projects; developing and piloting a training program for practical experience for accounting students and trainee accountants; and developing a budgeting and financial reporting framework for devolved

environment on the basis of International Public Sector Accounting Standards (IPSAS).

Leveraging Technology

Leveraging technology to the maximum benefit of our profession is high on Institute's agenda. The Institute took a big leap in that direction after receiving an IDF grant part of which will be used to develop an online continuous professional development & registration software; develop of a customer relationship management, integrated enterprise resource planning & cloud hosted mail with workflow management system; and the development of E-Learning system.

This initiative would herald a knowledge revolution by providing online resources to the Institute members. This important technology initiative will provide access to all our e-resources (24/7) at the comfort of your home or office.

I am sure this initiative will prove to be immensely useful to our future Certified Accountants. To facilitate members spread across the country to order publications online, the Institute will soon launch Publications Online store.

Future Outlook

Moving forward, the Institute will continue to undertake and invest in initiatives that can improve our quality and performance, build our sphere of influence and position the accountancy profession as a source of value for business and the economy.

To achieve our vision of excellence, we must focus on building capacity, enhancing quality and upholding the integrity in order to inspire and retain stakeholder confidence. All of us must realise that the profession is under close scrutiny by the public and other stakeholders. We have to be mindful of the public interest and equip ourselves with the necessary skills, knowledge and integrity to meet the expectations of the public and other stakeholders and inspire their trust.

Conclusion

As the regulator of the accountancy profession and the Nation's professional membership body for accountants, the Institute plays a key role in shaping the profession to become a high-quality sector whose members and services are highly sought-after and valued within the nation and across borders. In order to achieve this, we will continue to emphasise on membership development and lifelong education to meet the desired quality and standards.

In terms of operations and revenue generation, the Institute will continue to emphasise on member services and recruitment in order to sustain our revenues while building up robust numbers of qualified accountants to

meet anticipated demand. Programmes such as CARE will be further developed and enhanced to ensure quality and competency in the new generation of accountants. We will also focus on the provision of specialised training and development programmes that can strengthen and diversify our revenues while fulfilling our objective to enhance the quality and skills of our members.

In conclusion, on behalf of the management and the Secretariat, I wish to thank the Council, our members and other stakeholders for their support and encouragement as we strive to achieve the Institute's vision and objectives.

CPA Dr. Patrick Ngumi (PhD)
Chief Executive,
Institute of Certified Public Accountants of Kenya



Management Discussions and Analysis on the 2014 Financial Report

Financial Results and review of operations

The Institute continued to experience growth in its operations leading to the positive results posted on its financials. During the year under review, the Institute generated a revenue of Kshs 397.6 million representing a growth of 25.7% from the previous year of Kshs 316.4 million. This was a modest growth of 0.6% on the budgeted Kshs 395.1 million. Our revenue streams remained the same in the year; that is member subscriptions and CPD trainings. These streams contributed 37% and 62% respectively of the total revenue. The streams also accounted for 99% of the total revenue. This improved performance was impacted mainly by the growth in member numbers, introduction of targeted CPD events resulting from the previous participant surveys and heavy profiling of the Institute events.

The Institute overallly achieved a surplus of Kshs 3 million for the year from a surplus of Kshs 7.4 million in the previous year representing 60.1% decline. This performance was affected by the full liquidation of the only investments in fixed and call deposits to enable meet the cash flows requirements for the Institute's construction project. However, the operating deficit of Kshs 0.3 million indicate improved performance of 97.6% from a deficit of Kshs 14.2 million in the previous year. With the improved operating results realized, the management is confident that the Institute will continue to post positive results in future years when the construction project is completed and optimal occupancy achieved.

Overreliance on the mainstream Institute revenue streams whose pricing have fairly remained the same has constrained operations of the Institute in the past. This has necessitated the management rethinking of securing alternative revenue sources to strengthen its ability to deliver effectively on expected objectives. During the year under review, the Institute received USD 698,000 from the World Bank Institutional Development Fund (IDF) to enable improve on its ICT infrastructure. The Institute commenced the procurement under the fund which is expected to be completed in the year 2015. Additionally, the

Institute secured Kshs 936,000 from the Business Advocacy Fund (BAF) to facilitate stakeholder engagements on the discussion and analysis of the various Business Laws in the Country.

Construction of the ICPAK Complex is expected to be completed in the year 2015 and revenues from this building are expected to heavily boost the revenue base of the Institute when full occupancy of the lettable area is realized.

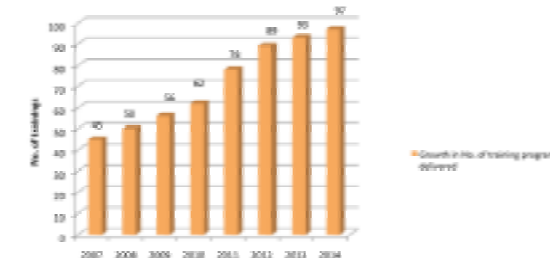
Performance Highlights at a Glance



CPD No. of events growth

The growth in trainings revenue is as a result of the increased number of trainings or events that have increased over the years as represented in the graph below.

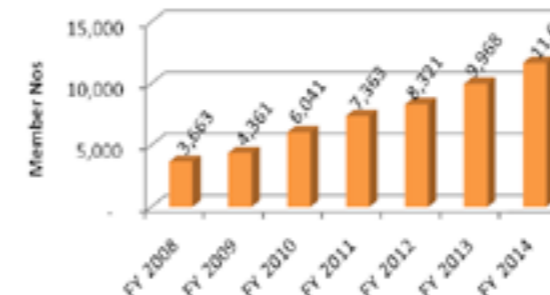
No. of Training Programs Delivered



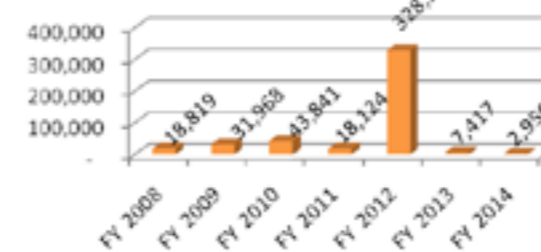
Subscription Revenue



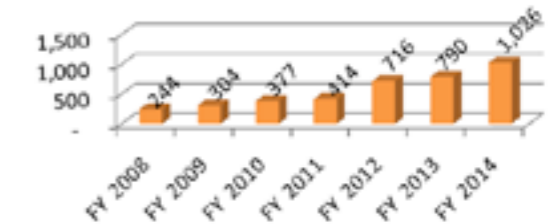
Active Member Nos.



Surplus in Kshs '000's



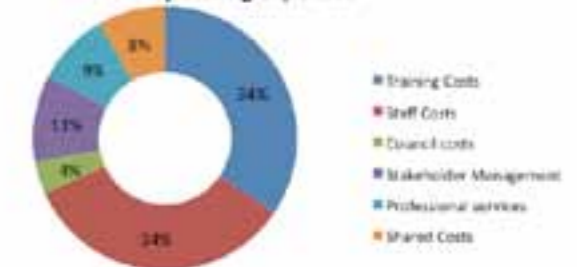
Assets in Kshs Millions



Appropriation of funds year 2014

Details	Amounts in Kshs '000'
Training costs	137,363
Staff Costs	133,885
Council Costs	15,808
Stakeholder Management	42,239
Professional Services	35,744
Shared Costs(Administrative)	32,906
Total	397,945

Operating expenses



Africa Economic Outlook

International Monetary Fund's (IMF's) "Africa Rising" Conference

By Addison B. Thompson on June 9th, 2014 Posted in Current Events



Left to right: IMF chief Christine Lagarde, Mozambican Finance Minister Manuel Chang, IMF Resident Representative Alex Segura-Ubiergo (photo: Stephen Jaffe/IMF)

At the end of May 2014 in Mozambique's capital city of Maputo, the International Monetary Fund (IMF) and government of Mozambique hosted a two-day conference involving leaders from a broad spectrum of government, non-governmental organizations, and the private sector, with attendees hailing from across the continent and globe. The theme of the conference — "Africa Rising" — sought to highlight The Continent's Economic Growth since a similar Conference occurred five years ago in Tanzania during the shadow of the Global Financial Crisis. The issues discussed during the Africa Rising Conference provide insights into how Global Leaders particularly at the IMF view the Continent's Economic Strengths and

Weaknesses, as well as the Key Data Points that help to inform their perspective.

In her key note address at the Conference, the IMF's Managing Director, Christine Lagarde, observed that more than two-thirds of Sub-Saharan African Countries had achieved a decade or more of interrupted growth, a noteworthy feat given the backdrop of the 2008 Global Financial Crisis. Ms. Lagarde also emphasized the continent's increasing appeal as an "Investment Destination," adding that in 2014, Africa expected to benefit from more than \$80 billion in investment across its emerging and developed economies. Playing off the "Asian Tiger" theme that emerged in the 1990s to describe the rapidly expanding economies in South Korea, Singapore, Hong Kong, and Taiwan, Ms. Lagarde characterized Kenya, Uganda, and Botswana as "Africa's Lions."

Ms. Lagarde contrasted this core evidence of growth with potential hurdles, both short and long-term. After noting

that The Continent still has an "unacceptably high" poverty rate of 45%, Ms. Lagarde identified three short-term hurdles to continued economic growth in Africa: "[1] slower growth in advanced economies; [2] lower prices for some commodity prices; and (3) tightening external financial conditions and potentially increased market volatility as monetary policy is normalized." These three areas confirm that Africa is inextricably linked to the broader, global economy, and to issues such as Europe's continued slow economic growth and the Federal Reserve's treatment of interest rates.

With respect to the longer-term challenges to economic growth, Ms. Lagarde pointed to three core areas: Demographic, Technological, and Environmental. Of these, the data underlying Africa's demography are most striking. By 2040, Africa is projected to have the world's largest labor force (one billion), which will be "more than India and China combined." This enormous pool of human capital has the potential to serve as an engine for economic growth said Ms. Lagarde later citing a study that a one percentage point increase in the working age population can boost GDP growth by 0.5 percentage points — or civil unrest.

Finally, Ms. Lagarde identified three opportunities for maintaining and creating economic growth. First, she pointed to the need to build Africa's infrastructure, and particularly its "energy, roads, and technology grids." The following examples illustrated her point: Africa's economy has grown significantly over the past decade (an overall rate of 5.5% since 2009), but its per capita output of energy has failed to keep pace (remaining flat); and less than 20% of the continent's roads are paved, as compared to almost 60% in Asia. Ms. Lagarde identified a number of countries that are devoting resources to infrastructure — including energy investments in Mozambique and Ethiopia but noted that the region required total yearly infrastructure investment of \$93 billion. Second, Ms. Lagarde called for a continued commitment to building Africa's institutions — namely, "governance, transparency, and sound economic frameworks." She framed her discussion on this point around the mining sector and the fact that Africa is home to 30% of the world's mineral reserve. Ms. Lagarde sounded a

familiar theme when she observed that this natural wealth offered an "unparalleled opportunity for economic growth and development," but too often had been captured by the few instead of benefitting the many. And third, Ms. Lagarde reframed the long-term demographic challenges by stressing the need to build the continent's people, and particularly its women. Here, the intersection of data and broader trends in development was noteworthy — Ms. Lagarde explained that less than one-fifth of Africans work in the "formal sector," but that technological advances were improving opportunities to do so. In Kenya, for example, more than 75% of the population currently has access to financial services due to the prevalence of mobile banking using the country's broad cell phone network.

IMF Managing Director Christine Lagarde, noting that Africa is rising in terms of its economic growth, added that the continent's challenge now is to make that growth more sustainable and more inclusive. She told a news briefing after the conference that:-

- **Arising Africa** should ensure that everyone benefits from growth, particularly those in the rural economy;
- **Watching Africa** should maintain sound macroeconomic policies to guard against internal and external risks; and
- **A partnering Africa** can benefit from working together with development partners such as the IMF to strive jointly toward development goals.

Key Highlights

"Strengthening Accountability, Rising with Africa"

Three Thematic Priorities

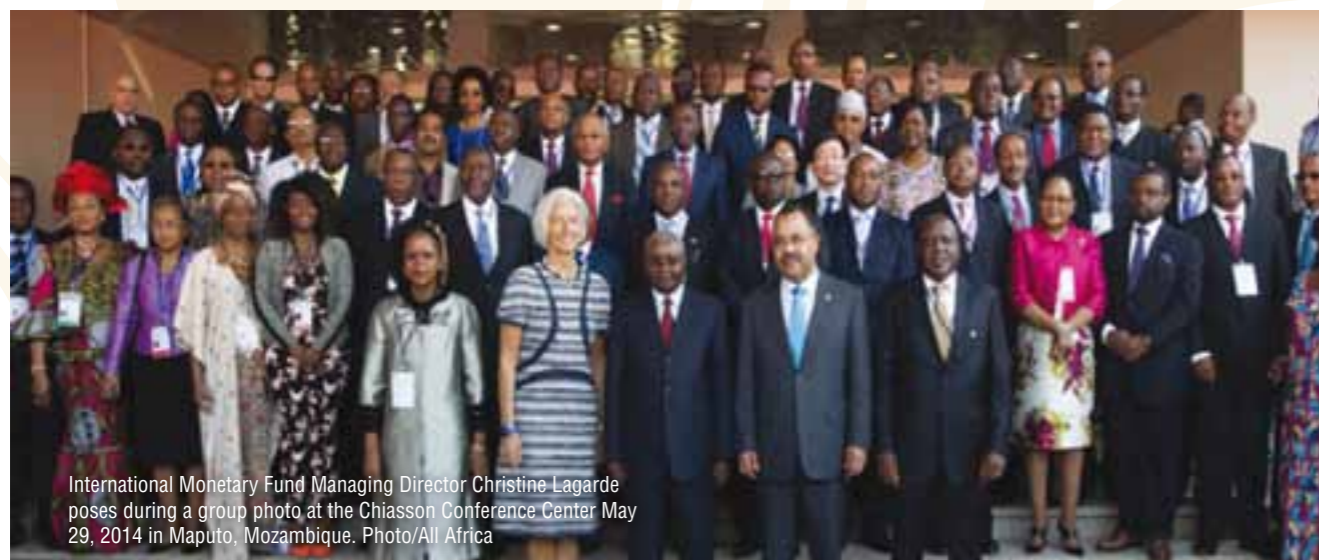
The thematic priorities ensure that Africa can turn challenges to real opportunities.

Build infrastructure

This is in form of business hubs, energy, roads, and technology grids. These are the foundations of any strong and durable edifice.



Olkaria II Power Station is Africa's largest Geothermal Power Station



International Monetary Fund Managing Director Christine Lagarde poses during a group photo at the Chiasson Conference Center May 29, 2014 in Maputo, Mozambique. Photo/All Africa

What does this mean in practice? Closing Africa's infrastructure gap. Many countries in the region are taking encouraging steps to close this infrastructure gap. These investments are critical for growth to be sustained and broadened. High quality infrastructure can be a magnet for foreign investment. It accelerates diversification and employment creation, and support further regional integration. Yet the costs of closing this infrastructure gap can be daunting. In most cases, the investments are large and upfront. They need to be carefully selected, managed and implemented within a medium to long term budget perspective.

Build institutions

This means governance, transparency, and sound economic frameworks. The previous priority was about the foundations for the building; now think of institutions as the systems that ensure that the building functions properly and lasts a long time like the heating, cooling and water systems.

We all know that Africa has tremendous potential; it is home to more than 30 percent of the world's mineral reserves. Properly managed, these endowments offer unparalleled opportunity for economic growth and development. Moreover, these resources can be instrumental in relieving the large constraints in infrastructure.

What can be done? Strengthening the institutional and governance frameworks that manage these resources is a good place to start. Transparency can help increase accountability and help ensure that these resources are harnessed for the benefit of all.

Many countries have taken steps in

this direction. For example, Sierra Leone and Uganda are setting new fiscal rules in anticipation of large resource flows. Côte d'Ivoire has also implemented a new legal framework for the mining sector that would help attract higher foreign direct investment.

Build people

We have the foundations of our building (infrastructure); we have set up the systems to ensure that it functions effectively and efficiently (institutions); now we need to let the people in.

For this to happen, however, "good" jobs need to be created in the private sector. With wider access to quality education, healthcare and infrastructure services, it can change.

Similarly, technology can be tapped to extend the reach and access of financial services to millions of people. Here, Kenya's experience offers valuable lessons to the rest of the world on how to empower the poor through financial access. By combining mobile banking with financial services provision, 75 percent of Kenya's population now has access to financial services. Crucially, it is the poor that have benefited the most from this expansion.



President Museveni with his East African counterparts launching the Standard Gauge Railway in October 2014

A New Frontier for Kenya and Africa

By Christine Lagarde



IMF Managing Director Christine Lagarde

crisis of the advanced economies, Africa has quietly forged ahead with strong growth led by a vibrant private sector and surging foreign investment. Over the past decade Sub-Saharan Africa has posted growth averaging 5.6 percent a year. The countries of East Africa have done especially well. So what better place to begin my travels this year than in Kenya, which has emerged as one of the region's "frontier economies"—countries whose recent performance, is propelling them toward middle-income status."

Kenya is a remarkable economic story. It is now one of the top five destinations for foreign direct investment in Africa and boasts a dynamic business community led by a service sector that is helping the country to develop into a regional hub. Kenya's successful development of mobile communications has spurred the rapid expansion of online banking. It has the highest share of the population with access to financial services—more than 70 percent—in all of Sub-Saharan Africa. This dynamism is evident in the bustling streets of Nairobi. I was struck by the vitality and entrepreneurial spirit of the people in the markets. This is a country on the move.

Meeting with Kenya's leaders, including President Uhuru Kenyatta, its Business Community, Parliamentarians,

For the passion that Ms. Lagarde has had for Africa, this is what she said at the beginning of 2014. "For yet a third year I have kept my tradition of starting the New Year with a visit to Sub-Saharan Africa—a region that truly offers great promise! As the world economy has remained focused on the



International Monetary Fund Managing Director Christine Lagarde walks with some children after she visited the Nest Home, an orphanage and halfway house for children January 7, 2014 in Nairobi, Kenya. Lagarde was on a two country visit to Africa. IMF Photograph/Stephen Jaffe.



International Monetary Fund Managing Director Christine Lagarde speaks in the chamber to Parliamentarians January 7, 2014 in Nairobi, Kenya. Lagarde was on a two country visit to Africa. IMF Photograph/Stephen Jaffe

Prominent Women, and Civil Society figures, I was also struck by the deep commitment to the policies that can ensure the country's recent achievements form the foundation for future success.

There is wide recognition that the economic reform process that has already brought low inflation, strengthened buffers, and increased capital flows must continue; and indeed, be further strengthened. This is important to make growth more sustainable—especially in creating opportunities and jobs for Kenya's young population; and to make growth more inclusive—with the benefits flowing to all Kenyans. In my meeting with some of Kenya's young entrepreneurs in Nairobi, we discussed the keys to building on the country's momentum and what I called the necessary "Three Cs".

- The first "C": completing fiscal devolution. As part of the new constitution, Kenya is transitioning to a new form of devolved government. This process carries significant risks, and careful implementation is crucial to enable all

parts of Kenya to gain access to fiscal resources and ensure that the benefits of growth are spread more equitably.

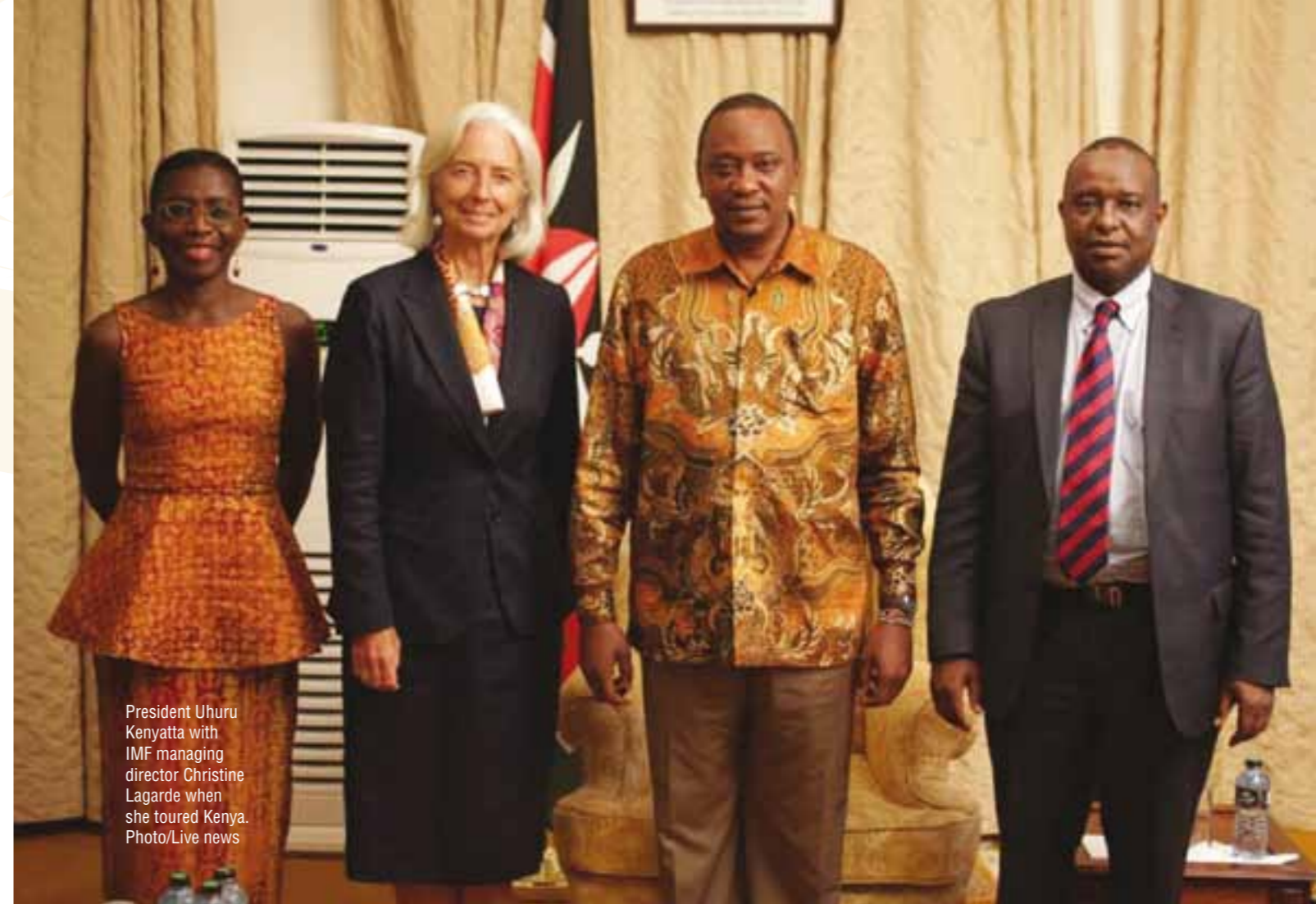
- The second "C": closing infrastructure gaps. Kenya still has large infrastructure needs. Investment in roads, railways, power generation, and all of the other sinews of a modern economy is all the more important for the country to take-off. The country's new-found natural resources wealth—properly and transparently used—offers an opportunity to invest for growth and job creation.

- The third "C": continuing regional integration. Regional integration can offer East Africa the prospect of new markets and new opportunities. Kenya has led the way in this effort; it is now the second-largest investor in the region. Last November, the heads of state of the East African Community (Burundi, Kenya, Rwanda, Tanzania, and Uganda) signed the Monetary Union Protocol, which sets in motion the process toward a common currency. This is an opportunity but also a major challenge. Drawing upon the experience and the lessons learned from other regions can be instructive in successfully managing this process.

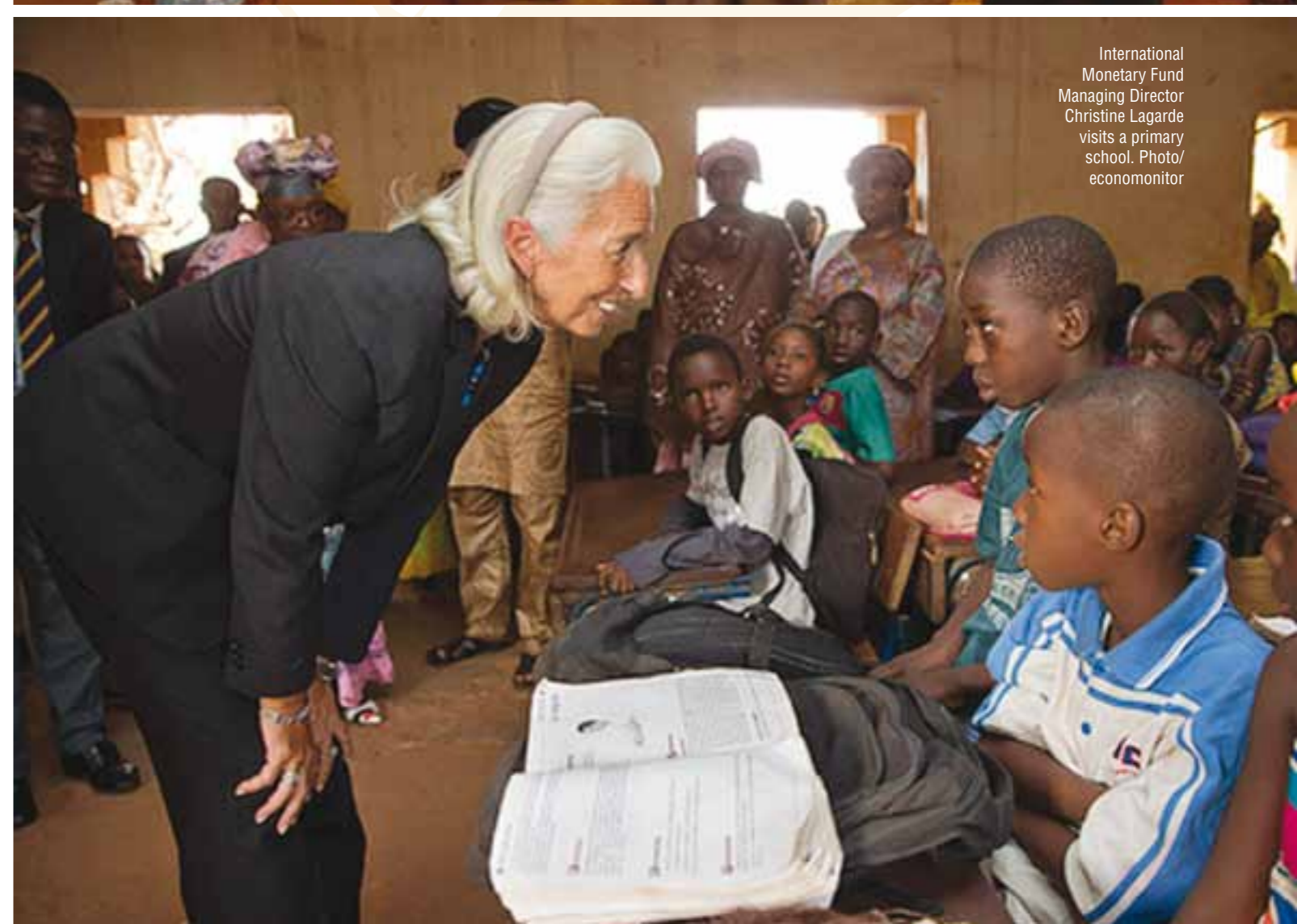
All of this gives me great hope for Kenya's future. This is a country that has faced extraordinarily difficult challenges in recent years—the impact of the global crisis, drought in the Horn of Africa, and the terrible attack on the Westgate Mall in September. Throughout these difficulties, the Kenyan people have demonstrated great fortitude and courage. The IMF has stood with Kenya—providing financial backing and policy advice. We will continue to support the Kenyan people as they stand on the threshold of a new future for their country, and for Africa.



International Monetary Fund Managing Director Christine Lagarde speaks at the Kenya Private Sector Alliance in "Mindspeak", a forum for young entrepreneurs January 6, 2014 in Nairobi, Kenya. Lagarde was on a two country visit to Africa. IMF Photograph/Stephen Jaffe



President Uhuru Kenyatta with IMF managing director Christine Lagarde when she toured Kenya. Photo/Live news



International Monetary Fund Managing Director Christine Lagarde visits a primary school. Photo/economonitor

Kenya's Economy Continues to Grow in a Challenging Environment

According to the Annual Report of the Central Bank of Kenya for the fiscal year ended June 30, 2014, the following economic and financial developments were summarized. The growth of the world economy rose marginally to 3.4 percent in 2014 from 3.2 percent in 2013 which was a decline from 3.5 percent in 2012 with a further growth expectation of 4.0 percent in 2015. The improvement is driven largely by moderation of fiscal consolidation and accommodative monetary policies in most advanced economies. The dismal growth was attributed to subdued growth in advanced economies and reflected the recessionary conditions in the Euro area, stagnation in the US and Japan and slowdown in emerging and other developing economies, which more than offset the sustained strong growth performance in Sub-Saharan Africa (SSA).

On the domestic scene the Kenyan economy remained resilient posting real Gross Domestic Product (GDP) rate

of 5.4% in 2014 compared to 5.7 percent in 2013 and is projected to grow by 6% in 2015. The resilience is likely to continue with the economy expanding at 6.6% in 2016 and 6.5% in 2017 according to the latest World Bank Group's economic analysis. Additionally, Kenya is emerging as one of Africa's key growth centers and is also poised to become one of the fastest growing economies in East Africa, supported by lower energy costs, investment in infrastructure, agriculture, manufacturing and other industries.

Monetary policy focused on achieving and maintaining stability in the general level of prices in the economy. In that regard, the monetary policy aimed to confine inflation within the +/- 250 basis points from 5 percent medium term target set by government. Twelve month overall inflation remained within the target bound and rose from 4.91 percent in June 2013 to 7.39 percent in June 2014. The rise was largely on account of food and fuel inflation. Net of the two components, inflation rose minimally from 3.9 percent in June 2013 to 4.5 percent. Besides setting the 5 percent inflation target, the National Treasury also projected real GDP growth of 5.5 percent for the fiscal year 2013/14. Consistent with these targets the Central Bank achieved the monetary programme targets on its Net Domestic

Assets (NDA) and Net International Reserves (NIR) during 2013, the final year of the economic programme supported by the IMF's Extended Credit Facility (ECF) 2011-13.

Commercial banks' lending rates remained fairly stable in the year to June 2014. The average lending rate fell from 16.97 percent in June 2013 to 16.36 percent in June 2014. The marginal decrease in the overall lending rate was reflected in all loan categories (overdraft, 1-5 years and over 5 years loans) for both the corporate and business loans. The stability of commercial bank lending rates was consistent with the prudent monetary policy stance as reflected in stable CBR. Average commercial banks' deposit rate decreased marginally to 6.56 percent in June 2014 from 6.65 percent in June 2013. The decrease in the average deposit rate was reflected in the 0- 3 months and 'savings' categories which decreased by 65 basis points and 22 basis points from 8.77 percent and 1.73 percent in June 2013 to 8.12 percent and 1.50 percent in June 2014 respectively. The change in the overall lending rate and overall deposits rate in the year to June 2014 was minimal, thus the interest rate spread narrowed from 10.32 percent in June 2013 to 9.80 percent in June 2014.

The Central Bank of Kenya continued to support interest rate stability and effective from July 8, 2014, the Central Bank introduced the Kenya Bank's reference rate (KBRR) to enhance transparency in the pricing of credit by commercial banks. The KBRR rate is based on Central Bank rate and treasury bills rate and all banks and mortgage finance companies are expected to disclose the premium above the base rate. This is expected to increase transparency in bank lending and to enhance transmission between the Central Bank Rate and bank's lending rate and ultimately enhance the supply of private sector credit.

In order to continue anchoring inflationary expectations and price stability, the Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at the 8.5 percent level set at its May 2013 meeting. Consistent with this stance, the average interbank rate decreased from 7.14 percent in June 2013 to 6.60 percent in June 2014. Similarly, the repo rate decreased from 7.93 percent to 6.46 percent over the same period. But the 91-day Treasury bill rate increased from 6.21 percent in June 2013 to 9.81 percent in June 2014 on account of higher Government domestic borrowing requirement. Commercial banks' average lending rate remained fairly stable during the year, falling marginally



from 16.97 percent in June 2013 to 16.36 percent in June 2014. Similarly, average commercial banks' deposit rate decreased marginally to 6.56 percent in June 2014 from 6.65 percent. As a result, the spread on commercial bank lending rates narrowed marginally by 52 basis points to 9.80 percent during the year to June 2014.

Government budgetary operations in the year to June 2014 resulted in a budget deficit, on commitment basis, of 6.2 percent of GDP, which was well within the revised budget target of 8.2 percent. The deficit was, however, higher than the 5.7 percent recorded in the year to June 2013. Both the Government revenues and expenditures increased less rapidly than had been projected for the year. The shortfall in revenue was in Appropriation in Aid, which more than offset tax receipt in excess of the budget target. The increase in expenditure was all in the development vote and county transfers as recurrent expenditure fell short of the budget target by 7 percent due to the lag between spending at the county level and reporting at the headquarters.

Kenya's public and publicly guaranteed debt increased from 44.5 percent of GDP in June 2013 to 49.8 percent in June 2014. The increase was attributed to issuance of Treasury securities to finance the budget deficit, the issuance of Euro Bond of US\$ 2 billion in June 2014 to fund infrastructure projects and the depreciation of the Kenya shilling against the major world currencies.

The Kenya shilling remained stable against major world currencies during the year to June 2014. During the period under review, the Kenya shilling exchange rate strengthened

by 12.65 percent to the Japanese Yen but weakened marginally by 1.65 percent to the US Dollar, 5.3 percent to the Pound Sterling and 6.58 percent to the Euro to trade at an average of 86.68 per USD, 140.89 per Pound Sterling, 117.56 per Euro and 85.88 per 100 Japanese Yen. Against the US\$, the shilling weakened marginally to exchange at an average of Ksh 86.68 in June 2014 compared to Ksh 85.27 in June 2013. The weakening of the Kenya shilling against the Euro and the Pound Sterling reflects the weakening of the US dollar against those currencies. The exchange rate stability was supported by increased remittance from the diaspora, IMF disbursements under the Extended Credit Facility (ECF) supported economic programme and Central Bank of Kenya activities in the foreign exchange market. Against the regional currencies, the shilling depicted mixed performance, strengthening to the Rwanda and Burundi francs as well as the South African Rand but weakening marginally to the Uganda and Tanzania shillings. The weakening of the South African Rand was mainly attributed to the news of US tapering of the bond purchases early in the year, labour unrests in the platinum mining sector and concerns about sustainability unrests.

Kenya's overall balance of payments position increased to a surplus of US\$ 2,397 million in the year to June 2014 from a surplus of US\$ 627 million in the year to June 2013. The increase reflected growth in the financial account surplus attributed to US\$ 2 billion proceeds from the debut sale of the Eurobond. The deficit in the current account improved marginally (by 0.4 percent) to US\$4,674 million from US\$ 4,693 million during the review period.



The Banking sector recorded improved performance during the year under review with total assets 18 percent higher in June 2014 compared to June 2013. The major components of the statement of financial position were loans and advances, government securities and placements which accounted for 58 percent, 21.3 percent and 5.1 percent of total assets, respectively. The stock of gross non-performing loans (NPLs) increased by 31.6 percent from Ksh 77.3 million in June 2013 to Ksh 101.7 million in June 2014. As a result, the ratio of gross NPLs to gross loans increased to 5.7 percent in June 2014 from 5.3 percent in June 2013. The increase in NPLs is a carry-over of the high lending rates in 2012 and challenges in the business environment.

Kenya's economy has continued to expand in a challenging economic environment. Credit to the manufacturing sector picking up and foreign investor interest growth, notably in the extractive industries. The economy's growth rate in 2013/14 was driven by higher domestic and external investment. Inflation remained moderate, but rising food prices and rapid credit growth was expected to fuel inflation expectations. The relatively high external current account deficit (around 8 percent of Gross Domestic Product (GDP) in 2013/14) reflected a strong capital imports and a decline in agricultural exports. Following a successful first-time Eurobond issue (US\$2 billion) in June 2014, international reserves reached some four and a half months of prospective import coverage. Kenya's financial sector remained robust, the process of financial inclusion ongoing and efforts to develop Nairobi into a regional hub.

The 2013/14 central government deficit remained broadly

unchanged compared to the previous year at about 5¾ percent of GDP. A stronger revenue performance was accompanied by a higher wage bill, rising security spending and the implementation of devolution, which was rolled out at a fast pace. A new quarterly reporting framework for budget execution by counties helped to address transitional challenges for public financial management posed by devolution while Kenya's debt remains broadly stable and sustainable. The authorities planned a gradual fiscal consolidation with a view to meeting the medium-term convergence criteria specified in the East African Community Monetary Union Protocol.

Kenya's medium-term growth prospects remained favourable, supported by rising infrastructure investment in energy and transportation; the expansion of the East African Community market; deepening financial inclusion, which fostered a more dynamic small and medium-sized enterprise sector; and the positive impact of large-size irrigation projects on agricultural productivity. Nonetheless, Kenya remained vulnerable to weather-related shocks, a further deterioration of security conditions, protracted slow growth in advanced and emerging economies, and difficulties in implementing devolution that complicate public financial management. Deepening healthcare reforms and devolution are expected to raise prospects for better access and equity in health services. This indicates that a higher growth rate will depend on macroeconomic stability and credible policies, which have underpinned Kenya's growth in the past. The June 2014 report, the tenth in a bi-annual series, said current growth is powered by aggregate demand, fuelled by strong consumption and investment.





Operational Review

Corporate Governance Structure

REPORT OF THE COUNCIL

Governance: Council and its Committees

ICPAK is led by an 11 member Council comprising of:

- A Chairman and six Council members elected from the members of the Institute.
- One member to represent the Cabinet Secretary responsible for matters relating to finance.

- One member appointed by the Cabinet Secretary responsible matters relating to finance to represent a profession other than accountancy;
- One Member to represent Kenya Accountants and Secretaries National Examinations Board.
- One Member to represent Capital Markets Authority.

The Governance framework with various committees is as shown in the chart below;



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 in charge of Finance of whom one is drawn from the National Treasury 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) charged with overseeing and administering the professional accountancy examinations in Kenya.

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

- Issuing standards of professional practice, including accounting and auditing standards which shall form the basis of accountancy practice for members in the preparations, verifications and auditing of the financial statements.
- Issuing by-laws, regulations and guidelines to govern matters affecting the operations of the Institute.

Other functions and roles of the Council include:

- Strategic Leadership: Approving and monitoring and guiding the implementation of the Institute's Strategic plan.
- Performance Evaluation: Setting performance targets and reviewing of the Institute's results so as to ensure the achievement of the operational plans.
- Integrity of Financial Reporting: Reviewing and monitoring controls, policies and procedures put in place

to ensure integrity in the Institute's accounting records and the financial statements.

- 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.
- Stakeholders' Interest: Guiding the Institute so as to ensure the fulfillment of the interests of various stakeholders besides reviewing and monitoring corporate governance and corporate social responsibility practices at the Institute.
- Executive Review: Approving appointment 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 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.



ICPAK Council Members: *Seated from left* - CPA Susan Oyatsi; CPA Obare Nyaega; CPA Rose Mwaura; CPA Benson Okundi (Chairman); FCPA Fernandes Barasa (Vice-Chairman); FCPA Pius Nduatih; CPA Dr. Patrick Ngumi (CE)
Standing from left - CPA Geoffrey Malombe; FCPA Julius Mwatu; Ms. Damaris Kimosop; CPA Mohamed Rashid; CPA Wycliffe Shamiah

Council Members Profile 2014

CPA Benson Okundi

CPA Benson Okundi is currently serving his last term as the Chairman of ICPAK. He was elected as the 20th Chairman of the Institute of Certified Public Accountants of Kenya in June 2013. He has been a member of ICPAK for the last seventeen years and has served as the ICPAK Vice Chairman prior to the assumption of Chairman's office.

Besides, CPA Okundi is also a Partner and Director at Price Waterhouse Coopers with the responsibility for Africa, Government and Public Services Business. Price Waterhouse Coopers is a leading professional firm that offers advisory services, assurance and tax to private and public companies. They are proud to have partnered with the Government to help them deliver their services better to their citizens. They are also glad to be assisting private companies to meet the demands of their shareholders. CPA Okundi attained a Bachelor of Commerce (Bcom) degree with accounting option from the University of Nairobi, Lower Kabete in 1995 and qualified as a Certified Public Accountant (CPA) in the same year and as a Certified Public Secretary (CPS) in 1997. He gained a Masters degree in Business Administration -Project Management in 2002 from the University of Ghana.

CPA Okundi points out, that opportunities exist. We just need to inculcate positive attitudes. More often than not, we see negative people with negative attitudes. But the most important thing is to be focused. Not surprisingly, people are already trying to find out if he would like to join Politics as Governor.

His philosophy is; always think positively and begin with the end in mind.

CPA Dr. Patrick Ngumi

CPA Dr. Patrick Ngumi is the Chief Executive, Institute of Certified Public Accountants of Kenya (ICPAK). Prior to joining ICPAK, CPA Dr. Patrick Ngumi served at National Economic & Social Council (NESC) as Director Private Sector, Enablers & Competitiveness. He previously served at the Kenya Post Office Savings Bank as Finance and Procurement Director and as the Finance and Administration Manager at Housing Finance.

Dr. Ngumi is a Certified Public Accountant (CPA), a Certified Public Secretary (CPS) and a Chartered Purchasing and Supplies Professional (CIPS). He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Secretaries of Kenya (ICPSK), Kenya Institute of Management (KIM), Institute of Economic Affairs (IEA), the Kenya Institute of Supplies Management (KISM). He holds a PhD in Business Administration (Finance) from JKUAT.

He is also a PhD candidate in Economics at the Open University of Tanzania. He is a holder of an MA (Economics) from University of Nairobi; an MBA (Strategic Management) from University of Nairobi; B. Ed (Hons) from Moi University and a Postgraduate Certificate in Environment Impact Assessment and Environmental Audit from Africa Nazarene.



FCPA Fernandes Barasa

FCPA Fernandes Barasa is currently the Vice Chairman, Institute of Certified Public Accountants of Kenya (ICPAK). He is also the Chief Manager (Finance & Accounts) of Kenya Electricity Transmission Company (KETRACO). Prior to joining KETRACO, FCPA Barasa worked as Accounts Manager, Treasury Manager and later Head of Factories Accounts at Kenya Tea Development Agency Limited. He also worked for Kenya Airways and East Africa Re in senior management positions. He is the Convenor of the Finance & Strategy Committee of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also the Chairman of the ICPAK Complex sub-committee and a member of the Accountants Act and KCA/ECP sub-committees of ICPAK. He has wealth of experience in Accounting, Risk and Financial Management.

FCPA Barasa holds a Bachelor of Commerce (Accounting) and MBA-Finance Degrees from Kenyatta University.



CPA Mohamed Rashid

CPA Rashid 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, and 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 Co-convenes the Member Services Committee of ICPAK.



FCPA Julius Mwatu

FCPA Julius Mwatu, a fellow of the Institute, has over sixteen years' professional experience in the broader accounting profession. He is currently the Group Chief Finance Officer – Indigo Telecom in charge of Strategy, Finance & Risk, and Vice Chairman of the Board of St. Austin Group of Schools.

He is a renowned trainer for ICPAK in the area of Taxation. He has been ICPAK Council Member for the last four years, and has been the Convenor of the Practitioners Development Committee (PDC).

FCPA Mwatu holds a Masters in Business Administration (MBA) – Finance, Bachelor of Science, (BSc.) – Statistics, Certified Public Accountant of Kenya - CPA (K), Certified Public Secretary (CPS) Finalist and is also a Certified Financial Analyst of East Africa - CFA (EA) Finalist.





CPA Rose Mwaura

CPA Rose is a Partner at Deloitte East Africa. She has over 18 years' experience providing accounting, auditing, and advisory services to a variety of clients in her professional career with Deloitte in East Africa, the United States, and India. She provides audit and risk advisory services to companies across the East African region. She has served in the ICPAK Council since June 2014. She is a Convener of the Member Services Committee.

CPA Susan Oyatsi

CPA Susan is the Ag. Director of Finance in the Judiciary. She has over 15 year's professional experience in Finance, Accounts and ICT in both the Public and Private Sector. Previously she was a Chief Accountant of Energy Regulatory Commission a state corporation in the Energy Sector.

She is a trained Director on Corporate Governance by Centre for Corporate Governance (CCG). She also a member of Information Systems Audit and Control Association (ISACA) - an international professional association that deals with IT governance issues. Previously she served as a Council Member of the Association of Women Accountants of Kenya (AWAK), where she chaired the subcommittee in charge of recruitment, mentorship, monitoring of academic performance and fundraising for the Needy Girl Child Programme.

She holds a Master of Business Administration (MBA) degree from the University of Nairobi and a Bachelors degree in Business Education from Kenyatta University.

CPA Geoffrey Malombe

CPA Malombe is a Council member representing the Ministry responsible for Finance at the ICPAK Council. He joined the Government in 1997 and rose through the ranks to his current position of Senior Assistant Accountant General. 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. In addition, he is currently serving as an Alternate Council Member for Leather Development Council of Kenya, a Board member at St. Monica Muluu Girls Secondary School and has served in various National Task Forces as Secretary and as a Member.

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. He is an alumni of the Harvard Kennedy School Executive Education, 2014.



CPA Nyaega Obare

CPA Obare Nyaega currently works at MTN Business as a team leader in finance. Prior to this, he worked at Strathmore University. He has over fifteen years of work experience and training with expertise in financial investment, corporate governance and strategy, with a passion for research, having published papers. Obare lectures/ lectured various institutions including KCA University, Mt. Kenya University, Maseno University & Management University of Africa among others.

He is a Certified Public Accountant (CPA), a Certified Public Secretary (CS) and a Certified Information Systems Auditor (CISA) and memberships in ICPAK, ICPSK and Information Systems Audit & Control Association (ISACA). Currently, he convenes the Research & Development Committee, he is a member of Audit, Risk & Compliance and served in the Training and Development Committee.

He is currently pursuing a PhD in Business Administration at the UoN. He holds a Master of Science (MSC) in Finance from the UoN and a Bachelor of Commerce from Strathmore University.



FCPA Pius Nduatih

FCPA Nduatih is the Chief Executive Officer/Secretary to the Board of KASNEB, a position he has held since January 2008. He previously served as the Chief Officer, Finance at KASNEB. Prior to joining KASNEB, he served as Head of Finance, Commission for Higher Education and Kenya Science Teachers College. He is also a Fellow of ICPSK (FCPS). FCPA Nduatih convenes the Audit Risk and Compliance Committee of ICPAK.

He holds a Master of Business Administration degree from the University of Leeds, UK and a B.Com (Accounting) (Hons) from the University of Nairobi.



CPA Wycliffe Shamiah

CPA Shamiah is a council representing the Capital Markets Authority (CMA) in the Council. He has worked at the Capital Markets Authority, Kenya for over 15 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 an MBA (Finance) from University of Nairobi.



Ms. Damaris Kimosop

Ms. Damaris Kimosop is ICPAK's Council member representing other profession other than accountancy in the Council. She was appointed on 1st March 2014 by Cabinet secretary for the National Treasury for a period of three (3) years. Ms. Kimosop is currently the HR Country Head - Bayer East Africa region.

She holds an MBA from the University of Nairobi.



Good Corporate Governance

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 with 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 Effectiveness

Appointment to the Council

There is a formal, rigorous and transparent elections based on objective criteria, as set out in the Institute By-laws for the appointment of new members of the Council. The various Council members, their functions and the meetings attendance in the year are set out as below:

COUNCIL MEETING ATTENDANCE		
NAME	WHEN APPOINTED	ATTENDANCE
CPA Benson Okundi (Chairman)	Elected June 2013	14/14
FCPA Abdulwahid Aboo	Retired June 2014	5/7
FCPA Fernandes Barasa	Elected June 2012	14/14
CPA Rosemary Gituma	Retired June 2014	7/7
FCPA Pius Nduatih	Representing KASNEB	11/14 (Appointed 2011)
CPA Obare Nyaega	Elected June 2013	8/14
CPA Rashid Mohamed (MBS)	Elected June 2012	13/14
CPA Geoffrey Malombe	Representing National Treasury	5/14 (Appointed 2011)
CPA Wycliffe Shamiah	Representing CMA	9/14 (Appointed 2009)
FCPA Julius Mwatu	Re-elected June 2014	12/14
CPA Rose Mwaura	Elected June 2014	5/9
CPA Susan Oyatsi	Elected June 2014	6/9
Ms Damaris Kimosop	Represent other professions	9/9 (Appointed 2014)

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 prepares the agenda papers and provides 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 were appointed in January 2014.

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:

DISCIPLINARY COMMITTEE

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
FCPA Dr. Jonathan Ciano	Convenor	January 2014	6/6
FCPA Charity Muya	Member	January 2014	5/6
Ms Susan Muthune	Member	January 2014	5/6
Adv. Scholastica Mbilo	Member	January 2014	5/6
FCPA John Mudany	Member	January 2014	6/6
Adv. CPA Geoffrey Odongo	Member	January 2014	5/6
Adv. Hannah Wendot	Member	January 2014	5/6

Registration & Quality Assurance Committee (RQAC)

The committee 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.

REGISTRATION AND QUALITY ASSURANCE COMMITTEE

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
FCPA Dr. James McFie	Convenor	1st January 2012	5/5
FCPA Daniel Ndonge	Member	1st January 2012	5/5
CPA Lewis Kamau	Member	1st January 2012	1/5
CPA Humphrey Wanyama	Member	1st January 2012	5/5
CPA Beatrice Gathirwa	Member	1st January 2012	4/5
CPA Yusuf Omar	Member	1st January 2012	1/5
CPA Isaac M. Njuguna	Member	1st January 2012	4/5



Registration and Quality Assurance Committee members: CPA Humfrey Wanyama (Outgoing); Chritabel Otsango (member); DR FCPA Jim McFie (member); CPA Nebart Avutswa (Secretariat); CPA Dr. Patrick Ngumi (CE); CPA Susan Oyatsi (council member); FCPA Julius Mwatu (Council member); CPA Edwin Makori (secretariat); CPA Joyce Mabbambu (member); CPA Beatrice Gathiru (member); CPA Yusuf Omar (member); CPA Mary Maalu (member)

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.

FINANCE AND STRATEGY COMMITTEE			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
FCPA Fernandes Barasa	Convenor	August 2013	4/4
CPA Vivian Korikash	Member	August 2013	2/4
CPA Joshua Kamwere	Member	July 2014	3/4
CPA Michael Nzule	Member	August 2013	2/4
CPA Leah Samoei	Member	August 2013	4/4
CPA Isabella Namodi	Member	August 2013	0/4
CPA Kang'e Saiti	Member	August 2013	2/4
CPA Samuel Okello	Member	August 2013	3/4
CPA Elly Osewe	Member	June 2014	Retired (1)

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.

MEMBER SERVICES COMMITTEE			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Rose Mwaura	Convenor	July 2014	2/3
FCPA Fernandes Barasa	Co-Convenor	August 2013	3/3
CPA Tom Omariba	Member	August 2013	2/3
CPA June Kivinda	Member	August 2013	3/3
CPA Reena Shah	Member	August 2013	2/3
CPA Daniel Gordon Etyang	Member	August 2013	3/3
CPA WiliamKomo Njuguna	Member	August 2013	3/3
CPA Charles Tirok	Member	August 2013	1/3
CPA Shabir Isaak	Member	August 2013	1/3
CPA Elizabeth Kerrets	Member	August 2013	3/3
CPA Rashis Mohamed	Member	August 2013	Retired 1/3

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			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
FCPA Pius Nduatih	Convenor	August 2013	4/5
CPA Obare Nyaega	Member	August 2013	3/5
CPA Fred Aloo	Member	August 2013	3/5
CPA Pariken Sankei	Member	August 2013	5/5
CPA Lucy Thuo	Member	August 2013	4/5
CPA George Rutto	Member	August 2013	5/5
CPA Patrick Mwirigi	Member	August 2013	2/2
CPA Tecla Makau	Member	August 2013	2/2
CPA Fridah Nkirete	Member	August 2013	5/5
CPA Kunal Bharadva	Member	August 2013	Retired 0/5
CPA Wycliffe Shamiah	Member	August 2013	Retired 1/5
CPA Rosebella Owuor	Member	August 2013	Retired 0/5

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.

PUBLIC POLICY & ADVOCACY COMMITTEE			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Benson Okundi	Convenor	August 2013	4/5
CPA Rashid Mohammed	Member	August 2013	1/5
CPA Kellen Kariuki	Member	August 2013	3/5
CPA Joash Kosiba	Member	August 2013	5/5
FCPA Ashif Kassam	Member	August 2013	1/5
CPA Andrew Tanui	Member	August 2013	5/5
CPA Costantine Mwikamba Mgenyi	Member	August 2013	3/5
CPA Janet Mambwa	Member	August 2014	2/2
CPA Stephen Masha	Member	August 2014	2/2
CPA Ahmed Farah	Member	August 2014	2/2
CPA Susan Oyatsi	Member	August 2014	1/2
CPA Simon Peter Ole Nkeri	Member	August 2013	4/5
CPA Sylvester Kiini	Member	August 2014	2/2

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 pursuing research that is beneficial to ICPAK, its members and the accountancy profession.

RESEARCH AND DEVELOPMENT COMMITTEE			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Obare Nyaega	Convenor	August 2013	3/3
CPA Wycliffe Shamiah	Member	August 2013	2/3
CPA Dr. Letting Nicholas	Member	August 2013	2/3
CPA Josephat Lishenga	Member	August 2013	2/3
CPA Geoffrey Injeni	Member	August 2013	3/3
CPA Agnes Ogada	Member	August 2013	3/3
CPA George Onyango	Member	August 2013	2/3
CPA Julius Opala	Member	August 2013	2/3
CPA Lydia Momanyi	Member	August 2013	2/3
CPA Dominic Murage	Member	August 2013	2/3

During the year 2014, the committee had a number of achievements. The necessary policies and procedures that are required to undertake research activities were established. The policies and procedures were fundamental to the foundation and operationalization research.

The following were the achievements in the year:

Development of research policies as follows:

- Institute's Research Policy
- Institute's Research Guidelines
- Institute's Research Ethical Guidelines
- Institute's Consultancy Policy
- Institute's Research Quality Statement
- Institute's Internal Research Review and peer review policy
- Institute's Research Framework for Funding and Consideration of research proposals
- The conceptualization of various research topics and concepts for actual research in year 2015

The development of the policies marks the beginning of various research work in the coming year aimed at informing the Institute on various matters relating to the accountancy profession and information pieces that will inform public policy.



ICPAK Chairman and Council members pose for a group photo with 2014 Fellows

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			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Michael Mugasa	Convenor	August 2013	3/3
CPA Anne Muraya	Member	August 2013	2/3
CPA Asif Chaudhry	Member	August 2013	3/3
CPA David Mwindi	Member	August 2013	2/3
CPA Geoffrey Malombe	Member	August 2013	0/3
CPA Nancy Muhoya	Member	August 2013	0/3
CPA Nelly Konya	Member	August 2013	3/3
CPA Richard Njoroge	Member	August 2013	1/3
CPA Simon Fisher	Member	August 2013	3/3
CPA Victor Sabila	Member	August 2013	1/3
CPA Vincent Onjala	Member	August 2013 left in July 2014	1/3
CPA Joseph Kariuki	Member	August 2014	0/1
CPA Susan Oyatsi	Member	August 2014	0/1
Sophie Moturi	Member	January 2015	Retired

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			
NAME	ROLE	WHEN APPOINTED	ATTENDANCE
FCPA Julius Mwatu	Convenor	August 2013	3/3
FCPA Abdulwahid Aboo	Member	August 2013	3/3
CPA Jacinta Mwendwa	Member	August 2013	2/3
CPA Mike Mbaya	Member	August 2013	2/3
CPA James Kidzugane	Member	August 2013	Retired
CPA Julius Mathenge	Member	August 2013	0/3
CPA Carol Mbuvi	Member	August 2013	Retired
CPA Kili Rop	Member	August 2013	3/3
CPA Willis Nyandieka	Member	August 2013	1/3
CPA Ranpara Ashvin	Member	August 2013 left in July 2014	3/3
CPA Bernadette Wahogo	Member	August 2013	2/3
CPA Bernard Amukah	Member	August 2013	2/3
CPA Evanson Ng'ang'a	Member	July 2014	1/2
CPA Ann Sadira Tobiko	Member	August 2013	Retired

Work Streams

PUBLIC SECTOR WORK STREAM

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Nancy Muhoya	Convenor	August 2013	1/1
CPA David Gichana	Member	August 2013	1/1
CPA Samuel Kirenge	Member	August 2013	1/1
CPA Stephen Ochieng	Member	August 2013	1/1
CPA Victor Sabila	Member	August 2013	1/1
CPA Vincent Onjala	Member	August 2013	1/1

DEVOLUTION WORK STREAM

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Farah Ahmed	Convenor	15th August 2014	2/2
CPA James Katule	Member	15th August 2014	1/2
CPA Stephen Masha	Member	15th August 2014	1/2
CPA Margaret Rukwaro	Member	28th October 2013	1/2
CPA Nancy Gathungu	Member	15th August 2014	1/2
CPA Samson Obwanga	Member	28th October 2013	1/2
CPA Andrew Rori	Member	14th August 2014	1/1
CPA Isaac Githui	Member	15th August 2014	1/1

LEGISLATIVE AFFAIRS WORK GROUP

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Andrew Tanui	Convenor	28th October 2013	2/3
CPA Joash Kosiba	Member	28th October 2013	1/3
CPA Kenneth Nyamolo	Member	28th October 2013	2/3
CPA Victor Majani	Member	28th October 2013	1/3
CPA Martin Kisuu	Member	28th October 2013	2/3
CPA Stella Wanjiku	Member	28th October 2013	3/3
CPA Catherine Munyao	Member	15th August 2014	1/2
Ms Marion Wanjiku	Member	29th August 2014	1/2



PUBLIC FINANCE AND TAXATION WORK STREAM

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Ahif Kassam	Convenor	28th October 2013	6/7
CPA Michael Koome	Member	28th October 2013	3/7
CPA Constatine Mghenyi	Member	28th October 2013	1/7
CPA Francis Kamau	Member	28th October 2013	5/7
CPA Philip Muema	Member	15th August 2014	3/4
CPA Wycliff Kibisu	Member	28th October 2013	3/7
CPA Robert Waruiru	Member	28th October 2013	3/7
CPA Rajesh Shah	Member	28th October 2013	2/7
CPA Maurice Oray	Member	15th August 2014	3/4

FINANCIAL SERVICES WORKGROUP

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Richard Njoroge	Convenor	August 2013	3/3
CPA Anne Muraya	Member	August 2013	3/3
CPA Nelly Konya	Member	August 2013	3/3
CPA Michael Mugasa	Member	August 2013	3/3
CPA David Mwindi	Member	August 2013	2/3
CPA Ali Mohamed	Member	August 2013	2/3
CPA Ken Odhiambo	Member	August 2013	2/3
CPA Jesse Kiptim	Member	August 2013	1/3
CPA Gerald Kago	Member	August 2013	0/3

AUDIT WORKGROUP

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Asif Chaudhry	Convenor	August 2013	3/3
CPA Simon Fisher	Member	August 2013	2/3
CPA Jonathan Agunda	Member	August 2013	3/3
CPA Leona Chepkorir	Member	August 2013	1/3
CPA Darshan Shah	Member	August 2013	1/3
CPA Sylvester Kiini	Member	August 2013	2/3
CPA Lucy Thuo	Member	August 2013	2/3

STRATEGY WORKGROUP

NAME	ROLE	WHEN APPOINTED	ATTENDANCE
CPA Kang'e Saiti	Convenor	July 2014	1/1
CPA Samuel Okello	Member	July 2014	0/1





ICPAK Team members displaying their Esprit de Corps



CPA Patrick Kabuya (left) Chairman, ICPAK's -South Africa Chapter; CPA Mohamed Rashid, Council member and FCPA Fernandes Barasa, Vice Chairman follow proceedings during ICPAK's Executive Retreat that took place in Cape Town, SA in November 2014



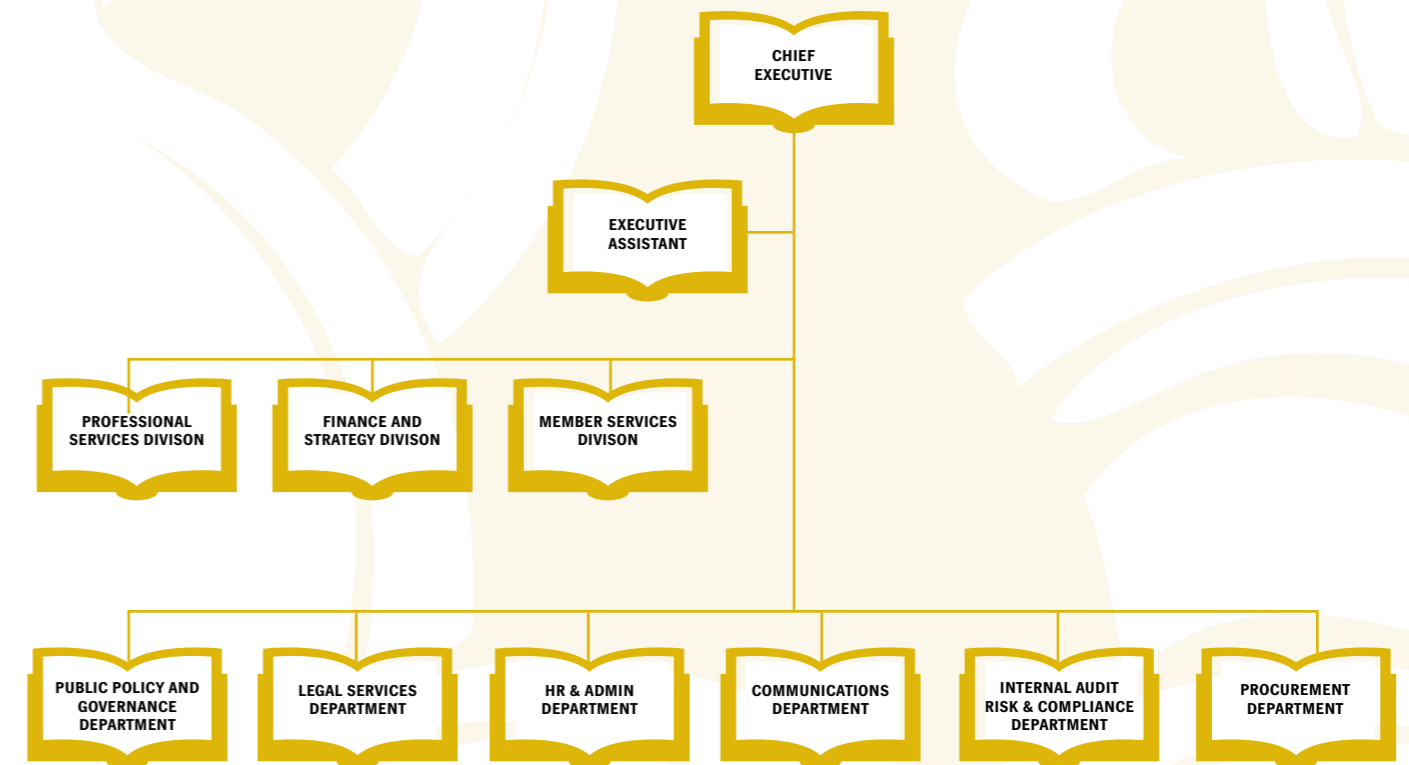
ICPAK Chairman CPA Benson Okundi opens the Coast Branch office as Wundanyi MP, CPA Mwandegu looks on



ADMINISTRATIVE STRUCTURE OF THE INSTITUTE

The day to day operations of the Institute are undertaken by the Chief Executive together with his Senior Management team.

Corporate Structure



The ICPAK Organizational Structure provides guidance to all employees as it lays out the official reporting relationships that govern the workflow of the Institute. The Structure facilitates clear functions, responsibilities and roles for the execution of its mandate as outlined in the Accountants Act. The resultant feature of this is discipline and order, ensuring harmony across the levels as it facilitates distribution of assignments. Most importantly, the ICPAK structure enables the Institute to attain the following principle aims:

1. Be responsive to member services delivery.

2. Drive the Institute's strategic agenda.
3. Facilitate faster decision making.
4. Provide for specialization of functions thereby nurturing talents and growth of the Secretariat.

Hence, above all, the structure enables the Secretariat to drive the Institute's objectives to attain its mission, vision and goals.

The Institute has a staff pool of 71 staff members represented in the ratios of 55% and 45% for male and female respectively.



ICPAK Management Team members; (From left front row) Esther Mwangi, CPA Georgina Malombe, Tom Nyagare, CPA Dr. Patrick Ngumi, CPA Edwin Makori, CPA Nebart Avutswa, Mercy Wahome, Elsie Nyambura; (From left back row) CPA Alice Onono, Stanley Mbugua, Mohamed Doo, CPA Francis Ngari, CPA Patrick Obura, Sally Mukabana, Dennis Milgo, CPA Fredrick Riaga, Linda Wambua, CPA Michael Makokha, CPA Dan Mugo, Anne Njagi and CPA Nixon Omini



Strategic Pathways And Reviews

Forward Looking

The Institute has continued to look for ways of ensuring that it delivers on its mandate underpinned in the Accountant's Act No 15, 2008 while also addressing the emerging needs of its members. The Institute has a Strategic Plan covering the years 2010-2014 which continued to provide the framework on which operations and decisions were guided. During the year under review, the Institute remained committed to ensuring delivery of the somewhat ambitious strides captioned in the rolled over Strategic plan that sought to align it to the term of the Council year 2015 and changes affecting the profession. A summary of the Institute strategic priorities and performance for the year under review is highlighted below with their details discussed in the succeeding chapters.

Strategic Priority	Targets/ Goals	Achievements year 2014
<i>Enhanced focus on member services</i>	Baseline survey to profile members and understand their needs.	Member baseline and satisfaction survey carried out and members profiled into various categories to enable understand their needs.
	Member inclusion in the CPD Calendar development.	ICPAK continued to get feedback on its trainings and the year 2013 feedback formed the basis for the development of the 2014 CPD calendar.
	Development and launching of the customer service charter.	The customer service charter was approved and launched in September 2014. Enhanced service delivery is expected with the clarity of commitments and expectations.
	Increased communication of the ICPAK activities.	Increased communication and profiling of our events led to increased participation thereby better performance in our events. (Training revenue increased by 34% (from Kshs 184 million in 2013 to Kshs 246 million in year 2014).
<i>Position ICPAK as an influential voice of the accountancy profession globally</i>	Contribution to public policy issues.	ICPAK developed and disseminated to relevant offices the following position papers among others; <ul style="list-style-type: none"> • Role of Accountants in Governance. • Effectiveness if Internal Audit Committees in Governance.



Strategic Priority	Targets/ Goals	Achievements year 2014
		<ul style="list-style-type: none"> The need for participation of the public in the Public Finance Management and public Procurement. Other issues commented on include: Extravagant foreign trips by the MCAs. NSSF Saga. County Tax levies. <p>Provision of substantive input in the 2014/2015 National budget policy statement with a critical analysis of the micro and macro economic situation in the Country that requires government priority in the medium term.</p>
	Proactive stakeholder engagement.	<ul style="list-style-type: none"> Consensus on the need for performance evaluation of ICPAK representatives on various Boards. Feedback reporting mechanism and performance evaluation tool shared with the representatives for action.
	Promotion of good governance and accountability in Kenya.	<ul style="list-style-type: none"> Baseline survey on the status of implementation of devolution conducted. Report shared with the relevant government organs Monitoring of the uptake of the Institute recommendations to be carried out to ensure effective implementation of devolution.
	Contribution to the implementation of devolution in Kenya.	<ul style="list-style-type: none"> Capacity building of branch leaders to ensure they effectively engage with the county government officers.
Promote the regulation of the Accountancy profession	Promotion of professional standards and practice in the profession.	<ul style="list-style-type: none"> Illustrative financial statements (IFRS) for banks and SMEs developed and issued. 3 issues of the ICPAK technical newsletter disseminated for information to members. Guidance on the deferred tax for life assurance business issued.

Strategic Priority	Targets/ Goals	Achievements year 2014
	Quality Assurance.	<ul style="list-style-type: none"> Responded to 21 exposure drafts of the IFAC. Increased stringent measures on the registration of ordinary members and practitioners to ensure quality of registered members. Undertook the review of 85 audit firms to ensure compliance to prescribed standards of practice. Undertook the enhancement of the FiRe Award evaluation tool to make it robust in the assessment on Financial reporting. 2014 publication of practicing members and online publication of all licensed firms. Issuance of letters of good standing to members seeking public engagements.
	Eradication of Quack Accountants.	
Institutional Strengthening	Embracing Risk- Based operations approach.	<ul style="list-style-type: none"> Completion of the development and approval of the Enterprise Risk Management Framework (ERM). Trainings for staff and Council on the ERM. Establishment of the Institute's Risk Champions.
	New and Refreshed Organization structure.	Establishment of a new-look organization structure that is responsive to member needs and alignment to ICPAK's strategy.
	Enhancing ICT infrastructure for effective service delivery.	<ul style="list-style-type: none"> Completed the procurements of the various consultants and or goods under the World Bank Institutional Development Fund (IDF). Contracts development and signing by the various consultants underway to jumpstart engagement for various service delivery.

Enhanced Focus on Members

The Institute remained focused on identifying priority service areas to enable deliver the greatest benefit and value to its members. In this regard, we continued to provide a range of focused services to cater for the members' common and specific needs of different segments while developing value propositions to meet any new and emerging needs. During the year under review, achievements under this Strategic Objective were as below;

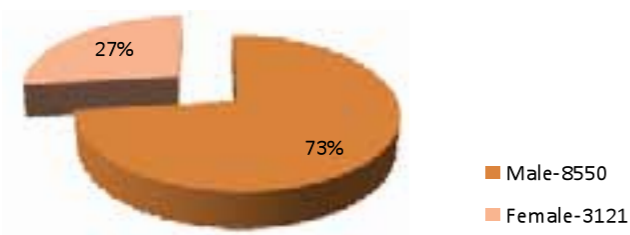
Sustaining growth in membership

The Institute undertook a member baseline and satisfaction survey during the year to understand the needs and expectations of our members, the extent to which the

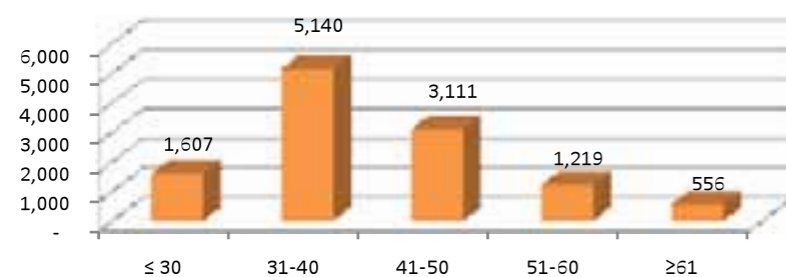
Institute has delivered on these expectations and the demographics in terms of age, geographical distribution and sectors of employment. On the basis of the results, the Institute engaged in forums with members in two of sectors profiled (Public Sector and Practitioners) in order to understand their unique needs. We are happy to report that among the proposals received: developing non-practicing allowance for members working in the public sector; discount pricing for the registration fees and remuneration structure for accountants are being looked into and positive progress will be felt in the year 2015.

Member Profiling

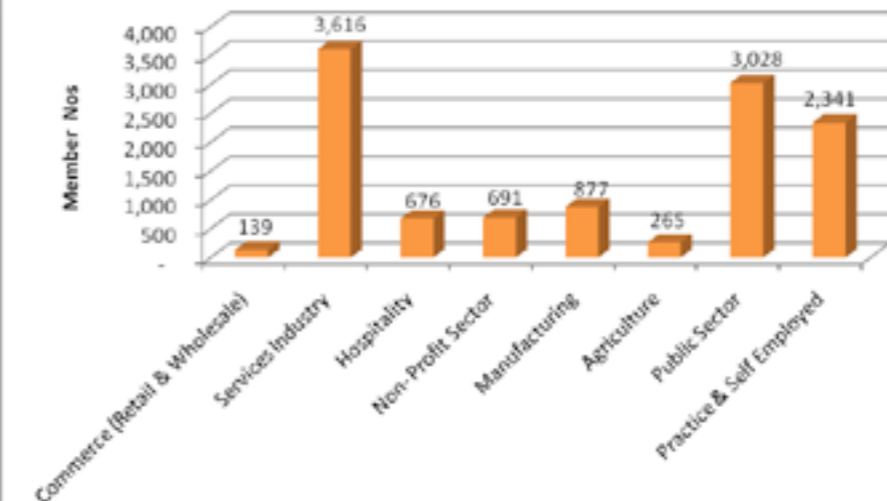
Active members analysis by gender



Member analysis by age



Members sectors of employment

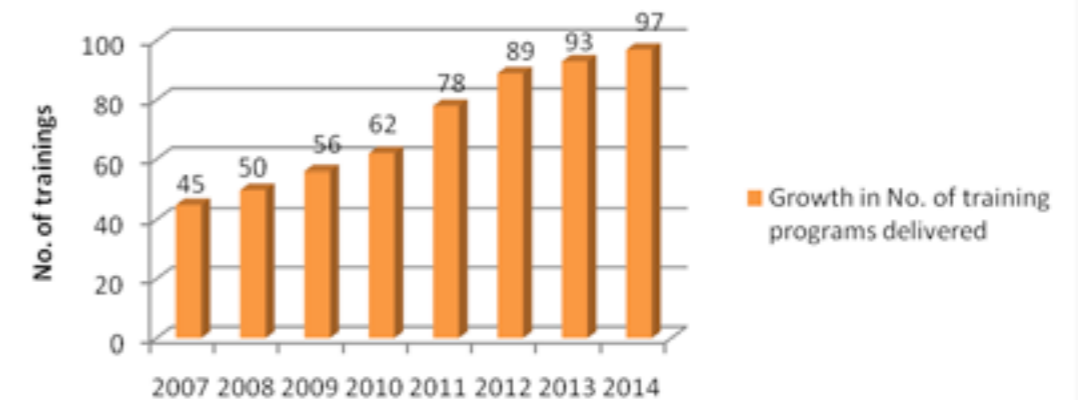


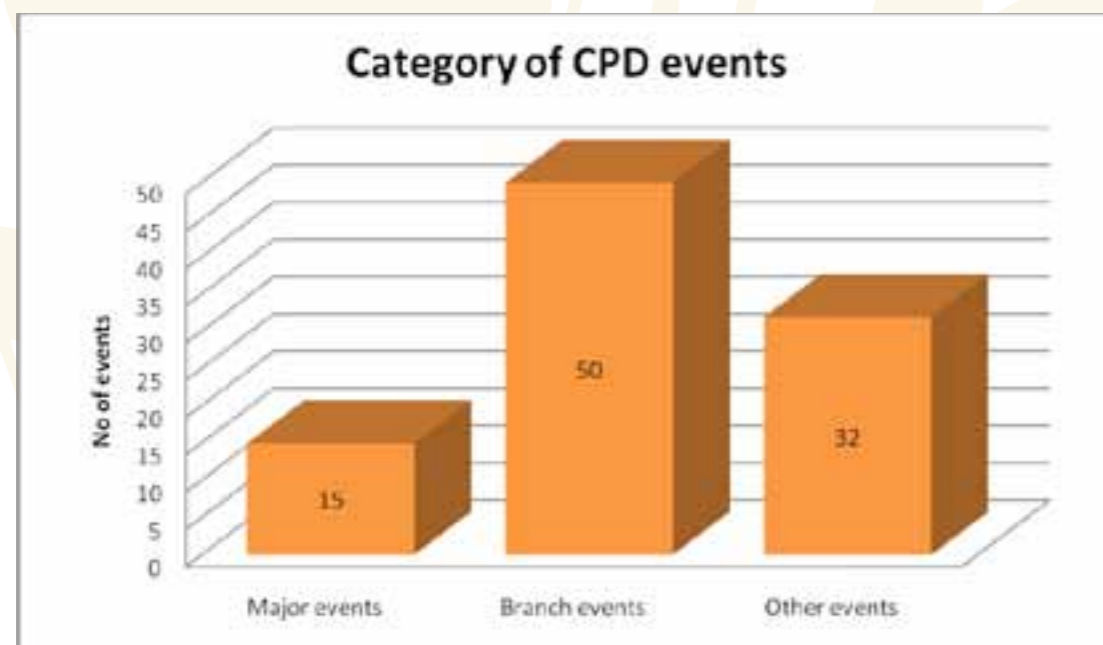
Inclusion of members in the development of the CPD Calendar

The Institute continued to seek member feedback on the trainings carried out to enhance member compliance with the Continuous Professional Development (CPD). CPD being one of the requirements under the Statement of Member Obligations for International Federation of Accountants (IFAC). Member institutes therefore seeks to ensure that the skills of their members in their respective accountancy profession remains relevant and up to date in addressing the emerging issues affecting the profession. This also ensures that members keep abreast with the developments that affect their current and future professional work.

The Institute's events were tailored for discussion and training on a myriad of topics: taxation; standards and auditing; Financial reporting and leadership and management. The Institute also held several forums to review the national budget and an annual seminar that discussed the issues affecting the economy and the profession. Additionally, there were events tailored to provide networking opportunities like the annual golf tournament; an event that also provides revenues to enable ICPAK undertakes its CSR objectives. During the year under review, the Institute carried a total of 97 trainings as analyzed and represented below.

No. of training programs delivered





Feedback received during the trainings offer insight into the gaps that need to be addressed and thereby informing the Institute in developing its training calendar. We are happy to report that the Institute carried out all the trainings that were lined up in its training calendar. Among those trainings were two (2) new trainings of NSSF and I-tax trainings and the C-Suite seminar. The changing business landscape in the wake of competition has necessitated the need by senior business leaders to rethink their business strategies. The C-Suite seminar was intended to interrogate and invoke the rethinking of the business models adopted by the senior business executives on whether it encourages and supports innovation. I-tax and NSSF workshop was intended to acquaint members with the proposed regulatory legislations under these subjects.

The Institute also recognizes that several organizations have challenges that are unique to the enterprises that the Institute may not address in its mainstream trainings. Such organizations requests for the Institute to facilitate in-house trainings tailor made to suite their context. During the year under review, the Institute carried out seven (7) in-house trainings in various organizations among them the Kenya Industrial Estate, Controller of Budget, Safaricom Limited, Teachers Service Commission and Kenya National Highways Authority.

Our Service Charter, Our promise to our stakeholders

The Institute being a learning organization advocates for an open system where expectations and feedback processes are clearly spelt. We believe that with such an open system, responsiveness to issues affecting the Institute and the profession are enhanced thereby enhancing our business relationships. The Institute developed a Service Charter

that clearly spells our commitments and expectations from our stakeholders. This Service Charter was launched in a colorful ceremony in September 2014. The Institute developed an online feedback page, on line member profile update page and dedicated email address to address member issues. Additionally, the Institute developed a Complaint Management and Resolution Policy that will provide a framework for any complaint received by the Institute. We hope that with the clarity the Charter envisages and aligning our business process to this charter will improve our relationships with stakeholders.

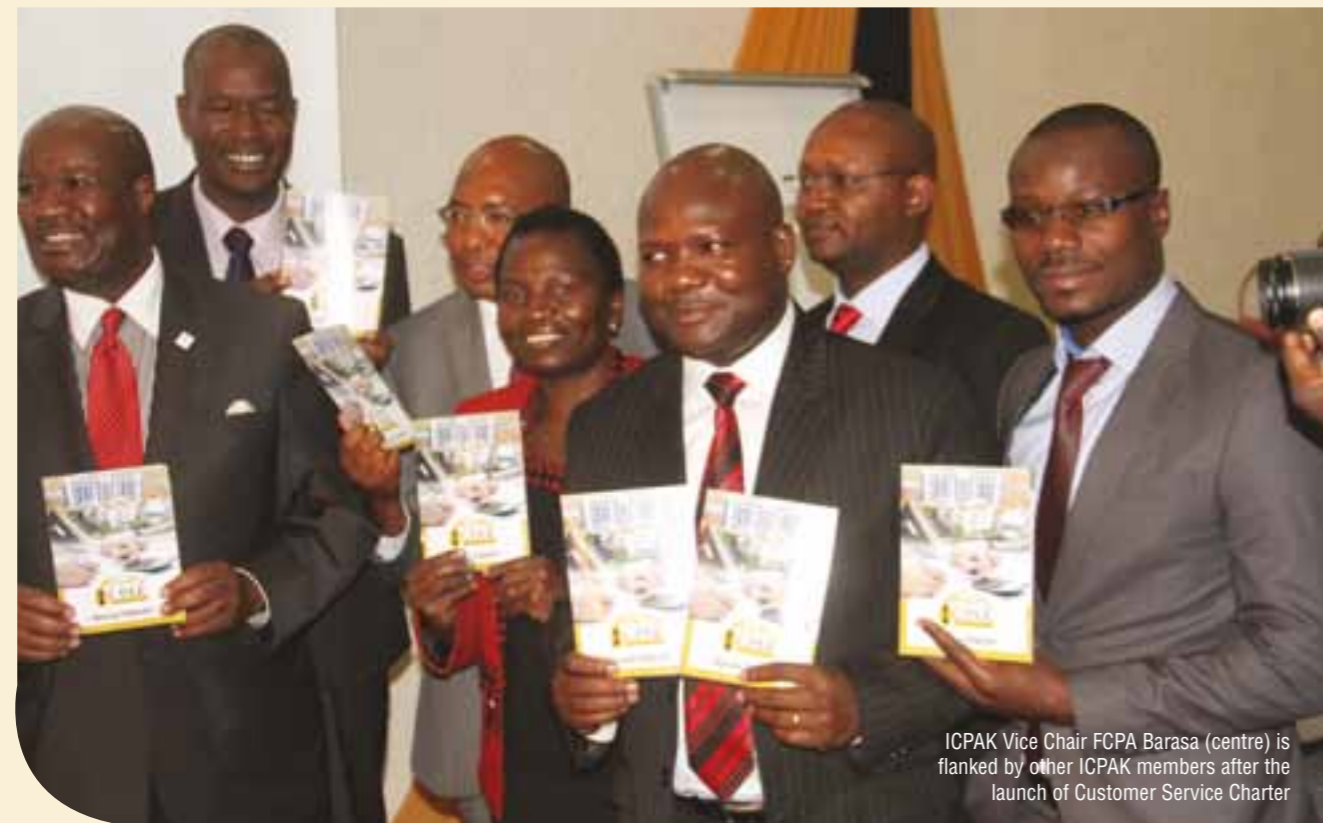
In order to take Customer Service Levels to a greater height, the Institute is seeking to develop a Customer Relationship Management System (CRM) and this is one of the components that are being funded by the World Bank Institute Development Fund (IDF) grant. A consultant to drive the process has been identified and we hope to enhance our efficiency when the project is completed.



Participants pose for a group photo during the inaugural C-Suite Seminar in Dar es Salaam



CPA Alfred Matheka Kenya Railways Head of Finance listens during ICPAK's inaugural C-Suite seminar held in Dar es Salaam on 7th August 2014



ICPAK Vice Chair FCPA Barasa (centre) is flanked by other ICPAK members after the launch of Customer Service Charter



Former KASNEB CEO, FCPA Erastus Gitau (centre) with other members during the 36th AGM held at CPA Centre on 5th June 2014



FCPA Pascal Dennis (Second right) who was the first Registrar of the Registration of Accountants with other members during the 36th AGM



ICPAK members attending 36th AGM

Communications about our activities and achievements

The Institute is committed to increasing awareness of its activities to the various stakeholders. We continued to enhance our communications through the bi-monthly issue of the Accountant Journal and the Chairman's newsletter. We also increased awareness of our activities through the print and electronic media, e-connect, our website and social media platforms.



Positioning ICPAK as an Influential Voice of the Accounting Profession Globally

The Institute plays a pivotal role on matters of accountancy and governance in the economy. It has continued to amplify its voice on areas of its expertise and competence through thought leadership with the aim of producing better public policies and enhance effective implementation of the same to the benefit of the citizenry. On the international front, the Institute has continued to exemplify its participation in the development of the accountancy professional at the regional, continent and international levels.

This critical objective requires active and enhanced stakeholder engagement as a critical success factor. Our notable achievements in the year include:

Contribution to public policy issues

The Institute has continued to develop and publish articles in the media about its position on some of the policy issues affecting the economy. Some of the position articles published related to governance issues like the NSSF Saga, County tax levies and the extravagant foreign trips by the MCAs. The

Institute also continued to develop and disseminate position papers on the various policies to relevant government agencies: role of accountants in governance; effectiveness of Audit Committees in governance; compensation of accountants in public sector; the need for public participation in Public Finance Management and public procurement; and fiscal discipline policy papers among others.

Proactive stakeholder engagement

Among the several stakeholders that shapes the accountancy profession in the economy include; the National Treasury, the office of the Auditor General, CPA Parliamentarians, Parliamentary Committees, Controller of Budget, KASNEB, County Government, Kenya School of Government, Parliamentary Initiative Network and other civil societies.

The table below provides a summary of the major issues of discussion during the reporting period.

Table 1: Summary of ICPAK Stakeholder Engagement Report

Stakeholder	Issue of Discussion	Milestone(s)
1. Public Sector Accounting Standards Board (PSASB).	Partnership between the Institute and the Board.	The discussion agreed on a collaborative framework between the two Institutions.
2. CPA Parliamentarians.	Driving the Institute's agenda through the legislative Framework.	The engagement formed a basis for a tripartite discussion involving the Institute, CPA Parliamentarians and Office of the Auditor General on Public Audit Bill 2014 The meeting further developed a partnership to enhance the Accountancy profession and CPA Agenda in Parliament.
3. Office of the Auditor General.	Partnership between the Institute and the Office of the Auditor General on accountability and Institute's areas of expertise.	Submitted ICPAK's practical experience framework to the Auditor General for implementation. Discussions are ongoing on its implementation.
4. Public Service Commission.	Remuneration of the accountants in the Public sector.	The Institute submitted two papers to Public Service Commission on the review of the scheme of service and the remuneration of the Accountants in the public sector.
5. Accountability Kenya(AK).	Jointly with other accountability and oversight Institutions, namely, National Assembly Public Accounts Committee (PAC), Public Accounts Committees in 47 County Assemblies, established Accountability Kenya, an umbrella body of legislative and non-legislative institutions working on accountability and oversight.	ICPAK was elected as the National Treasurer for Accountability Kenya. With other Founder Members organized the Official launch of Accountability Kenya officiated by H.E Hon. William Ruto, Deputy President.

Table 1: Summary of ICPAK Stakeholder Engagement Report

Stakeholder	Issue of Discussion	Milestone(s)
6. Kenya Association of Manufacturers and the Private Sector.	Teamed-up with Kenya Association of Manufacturers (KAM) and other Business Membership Organizations (BMOs) to organize for a Devolution Conference taking stock of the devolved system of government, One Year Down”.	The forum provided a platform for the participants to take stock of the impact of devolved system of government to businesses and economic growth at large.
7. East African Community Institutes of Accountants.	East African integration and growth of the accountancy profession in the region.	Successfully organized and hosted the 4th meeting of the Technical Committee of East African Community Institutes of Accountants.
8. Parliamentary Initiatives Network(PIN).	Strengthening accountability and oversight in the management and utilization of public resources.	Within Parliamentary Initiatives Network (PIN) organized a public forum with the Office of the Auditor General on Financial Accountability. The Forum laid a platform for developing proposals to the Public Audit Bill 2014.

The Institute continued to engage effectively with the relevant offices in a bid to communicate our position on the various areas of common interest that could profile the profession.

Promotion of good governance and accountability in Kenya

In delivery of this objective, the Institute provided substantive inputs to the Budget Policy Statement, the document that outlines the macro-and micro economic situation of the country and provides the government's priority areas for the medium term. We further analyzed and made submissions on the 2014/15 budget estimates with special focus on customs and tax provisions, efforts of which were recognized by the Cabinet Secretary National Treasury in his annual budget speech.

The Institute also recommended for the appointment of its members in various governing boards of the various public organs. The recommended members are required to ensure

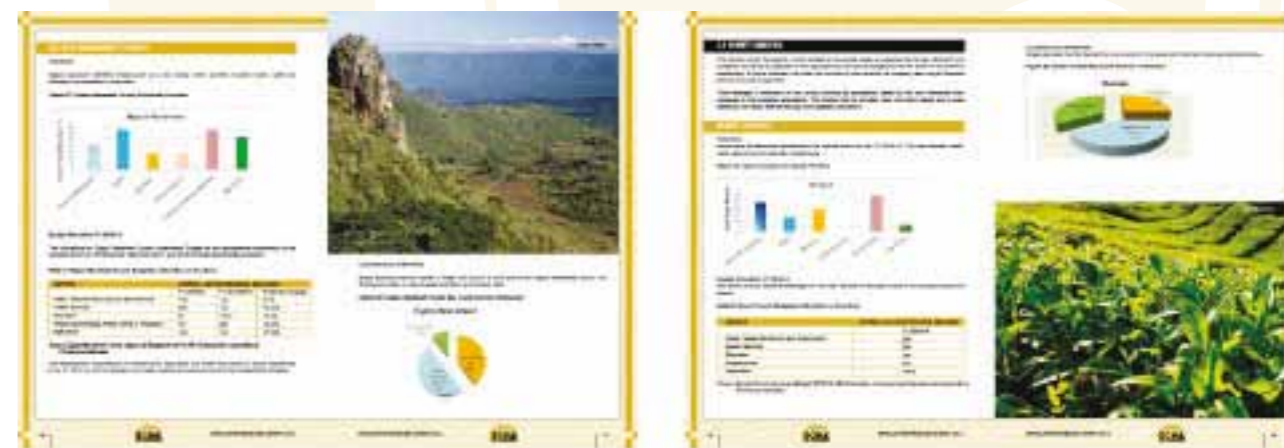
good corporate governance and accountability is entrenched in the operations of the various boards they represent. During the year under review, the Institute realized the need to hold these members accountable for any matter that may arise in the various institutions they represent. On this front the Institute held a meeting with ICPAK representations on the various boards and agreed on the need for a feedback reporting mechanism and annual performance assessments. Reporting templates to guide the needed reporting were shared with the representatives for action.

Contribute to the implementation of devolution in Kenya

In the year 2010, the new Constitution of Kenya was promulgated. The new constitution created a devolved government in the various 47 counties. Devolution being a new concept brought with itself several challenges and opportunities in equal measure. Over the years the Institute has been at the fore front in advocating for the development of effective governance structures with appropriate delivery

mechanisms at the county government level. During the year under review, the Institute conducted a baseline survey on the status of devolution in Kenya themed **'Public Finance Building Blocks for Devolution: A baseline survey on Devolution in Kenya with respect to Public Financial Management Systems-one year on'**. This survey helped to inform the Institute's response to the issues of Public Finance and accountability in the County governments and devolution at large. The baseline report was disseminated to the various relevant public organs, Constitutional offices and the County Governments. We commit to continuously monitor the uptake of the Institute's recommendations towards effective implementation of devolution.

The Institute also organized and conducted capacity building session for Controller of Budget officers. This training was intended to equip the targeted officers with the relevant skills for effective budget analysis and monitoring, prudent public finance management and effective service delivery. Additionally, the Institute conducted a capacity building session with its branch leaders to proactively engage with the County Government leaders in ensuring the delivery on devolution. The Institute will continue to engage with the various relevant stakeholders in ensuring continuous improvements to ensure effective service delivery.



ICPAK Mwatu addresses press at the launch of Devolution Baseline Survey in June 2014

Promote the Regulation of the Accountancy Profession

The Institute is responsible for promoting adherence to the highest professional standards and practices among members. This ensures members' conduct will not only maintain but further strengthen public confidence and trust towards the profession. The Institute has also developed a disciplinary mechanism to deal with circumstances where its members have breached the professional trust bestowed on them by members of the public. During the year under review, notable achievements on this regard are discussed below.

Promotion of professional standards and practices

The Institute is responsible for promoting adherence to the highest professional standards and practices among members. This enable strengthening of the public confidence and trust towards the profession. The Institute continued to promote adherence to professional standards through the following;

- i. Provision of member handbooks to newly registered members to acquaint them on the adopted standards for financial reporting.

- ii. Issuance of technical Releases, Technical Guidance & Revisions to existing Guides on the following;

- ISA 610 – Using work of internal auditor to provide direct assistance under the supervision of the external auditor.
- Illustrative financial statements – general Purpose, IFRS for SMEs and Banks Financial Year 2013.
- Illustrative financial statements – General Purpose and IFRS for SMEs Financial Year 2014.
- Statement of directors responsibility accompanying audited financial statements.
- Members and practitioners update forms – approved and issued through Professional Development Committee.
- ICPAK technical e-newsletter 3 issues were made during the year.
- Deferred Income Tax on life assurance business.

Additionally, the Institute provides input to IFAC Boards by reviewing and providing comments on the consultation documents and exposure drafts issued by the Boards. During the year under review, the Institute responded to the following exposure 21 exposure drafts.



IFAC BOARD Members by region: Americas, Africa, Europe and Asia-Pacific 2014

NO	DESCRIPTION	CATEGORY
1	IFRS for SMEs: Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities	IFRS
2	IPSASB-Exposure-Draft-48-Separate-Financial-Statements	IPSAS
3	IPSASB-Exposure-Draft-49-Consolidated-Financial-Statements	IPSAS
4	IPSASB-Exposure-Draft-50-Investments-in-Associates-and-Joint-Ventures	IPSAS
5	IPSASB-Exposure-Draft-51-Joint-Arrangements	IPSAS
6	IPSASB-Exposure-Draft-52-Disclosure-of-Interests-in-Other-Entities	IPSAS
7	IPSASB-ED-53-First-time-Adoption-of-Accrual-Basis-IPSASs_0-1	IPSAS
8	Exposure Draft: Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)	IFRS
9	Annual Improvements to IFRSs 2012–2014 Cycle	IFRS
10	IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Proposed Revision)	IAESB
11	Exposure Draft (ED) 54, Reporting Service Performance Information	IPSAS
12	Request for Information: Post-implementation Review: IFRS 3 Business Combinations [PDF]	IFRS
13	Developing and Reporting Supplementary Financial Measures	PAIB
14	IPSASB Strategy Consultation 2015 Forward	IPSAS
15	Exposure Draft ED/2014/1-Disclosure Initiative-(Proposed amendments to IAS 1)	IFRS
16	International Standard on Auditing 720 (Revised), The Auditor's Responsibilities Relating to Other Information	IAASB
17	Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	IFRS
18	Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients	IESBA
19	Exposure Draft Investment Entities–Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)	IFRS
20	IPSASB Publishes Consultation Paper on the Applicability of IPSASs to GBEs and Other Public Sector Entities	IPSASB
21	Association in Ethics Code	IESBA

Members are also sensitized on the need for compliance to codes of professional standards, ethics, rules and regulations through regular trainings at branches and academic institutions during student forums.

iii) FiRe Award evaluation

ICPAK has partnered with the Capital Markets Authority (CMA) and Nairobi Stock Exchange (NSE) and established a Financial Reporting Award (FiRe Award) which seeks to promote financial reporting excellence in the Country. Since the inception of the Award, improved participation has been

registered with continued enhancement of the evaluation framework. Participants' evaluation is done by a committee of persons with expertise on IFRSs and other disclosure requirements which ensures that the process is independent and thorough. FiRe Award 2014 was graced by the Head of Institute of Chartered Accountants of England and Wales (Middle East and Africa) and saw participation of 125 firms. Of the participating firms, 25% had received feedback of their reviews by the end of the year. We shall endeavor to provide complete feedback by the first quarter year 2015.

The Institute is extending the horizons of this Award and

is looking to having Public Sector entities participate in the year 2015. The draft framework for the incorporation of these entities has been concluded for discussion with the office of the Accountant General. The move will ensure increased participation in the process as the Institute seeks to enhance the reporting excellence.

Quality Assurance

The Institute is committed to ensuring that works produced by its members meet the minimum threshold expected of its members and in compliance with international standards, regulatory legislations in the country and best practices. ICPAK has put in place various mechanisms to ensure quality assurance is entrenched in the work of members as discussed below;

i) Enhanced Registration process

The Institute is committed to ensuring that members of the profession are high caliber professionals that are able to carry out their work in a professional manner demanded of the profession. In this regard the Institute has continued to enhance the registration eligibility requirements for its new members alongside those for granting of practicing license. During the year under review, the Institute developed a policy framework that will ensure that members seeking for the granting of practicing license must have been members of the Institute for a minimum of two years as ordinary members alongside the three years of relevant audit practical experience. Additionally, ordinary membership registration will be granted for members who have three (3) years of accounting related experience. Prospective members who do not meet the 3 years minimum accounting experience required for the registration as ordinary members may however register as associate members while they pursue the relevant experience needed for ordinary membership.

The Institute has partnered with the other stakeholders in the accountancy profession to develop a Trainee Accountant experience for young accountants that will be rolled over in the year 2015. This project is funded by the World Bank Institutional Development Fund and is intended to enable young accountants gain the necessary work experience needed for the high caliber professionals expected of our registered members.

ii) Practice Monitoring

The practice review programme is an important means by which the Institute fulfills its regulatory role as a regulator of auditors. Our practice review follows the International Standards on Quality Control 1 (ISQC 1) which ensures holistic reviews on IFRS compliance, ISAs compliance among other quality checks. During the year under review, 85 firms were reviewed. Where deficiencies were identified, the Institute directed the firms to take remedial action which would then require further site visits and where the

recommended actions are not taken and implemented by the affected firms, disciplinary actions are recommended.

Eradication of Quack Accountants

The Institute is committed to ensuring that non accountants do not offer accounting and assurance services to the public. During the year under review, we published a list of licensed practitioners whom the public could engage with to offer assurance services. Letters of Good Standing are also issued to members pursuing public engagements. The pending review of the Accountant's Act has put stringent measures that will ensure non-accountants do not offer accountancy services. ICPAK remain committed to the review process which is ongoing.

The Institute reviewed the Accountant's Act Cap 531 of 1978 and a new law Accountants Act no. 15 of 2008 enacted. In the new Act, research was incorporated under section 8b. The Council in August 2013 then formed the first Research and Development Committee of the Institute, with the terms of reference derived from the mandate of the Institute as provided in the Accountants Act, Section 8b; that is "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" The key objectives for the research committee are:

- Receive, review and recommend ICPAK research policy for approval by Council.
- Provide oversight on the implementation of the annual research plan.
- 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
- Support members pursuing research beneficial to ICPAK, its members and the accountancy profession.

Institutional Strengthening

To effectively deliver value to members and other stakeholders the Institute has put in place effective structures, systems, and processes and provided other resources for long term sustainability. The year under review saw several structural changes and processes at the institute in a bid to appropriately align to ICPAK long term strategy. Some of the notable changes and improvements at the Institute are as below;

Embracing Risk Based Approaches in Operations

Enterprise risk management provides a plan-based business strategy that aims to identify, assess and prepare for any risks that may interfere with an institution's goals and objectives. It has become a critical component for any corporate growth and development, especially in today's constantly changing business environment, and an influential detail among shareholders and potential investors. The goal of enterprise risk management is to identify all those business risks and address their combined impacts and outcomes to maximize a company's whole potential. Planning plays a key role in the success of this holistic strategy. During the year under review, the Institute successfully completed the development of its Enterprise Risk Management Framework which was approved by the Council. Over the coming year, ICPAK shall establish risk registers for its various departments and develop plans to mitigate impact on the occurrence of the risks.

New and Refreshed Organization Structure

The year 2014 saw the Institute embark on the development of a new organization structure that is responsive to delivering the Council's Strategic agenda and also responsive to members' needs. This structure was successfully developed after the intensive recruitment of the Chief Executive (CE), an office that fell vacant in January 2014 after the resignation of the former CE. At the end of the year, the various key positions that were vacant on the refreshed structure had been filled. Key among this was the Chief Manager Member Services, Chief Manager Finance and Strategy, Manager Internal Audit, Manager Human Resources and Manager Procurement. Additionally, staff alignment to the

refreshed structure had been completed at the end of the year with minor reviews of ongoing as some positions have not been completely filled and the process is expected to be completed in the year 2015. The Chief Executive is committed to ensure effective delivery of the secretariat for the common good of all ICPAK members.

A job evaluation survey has been planned for the year 2015 that will evaluate and critique the structure and recommend the appropriate skill mix necessary to ensure effective delivery on the Institute mission and objectives. Process and policy reviews are also underway for alignment to the ultimate goal of the Institute.

Enhancing the ICT Infrastructure for Effective Service Delivery

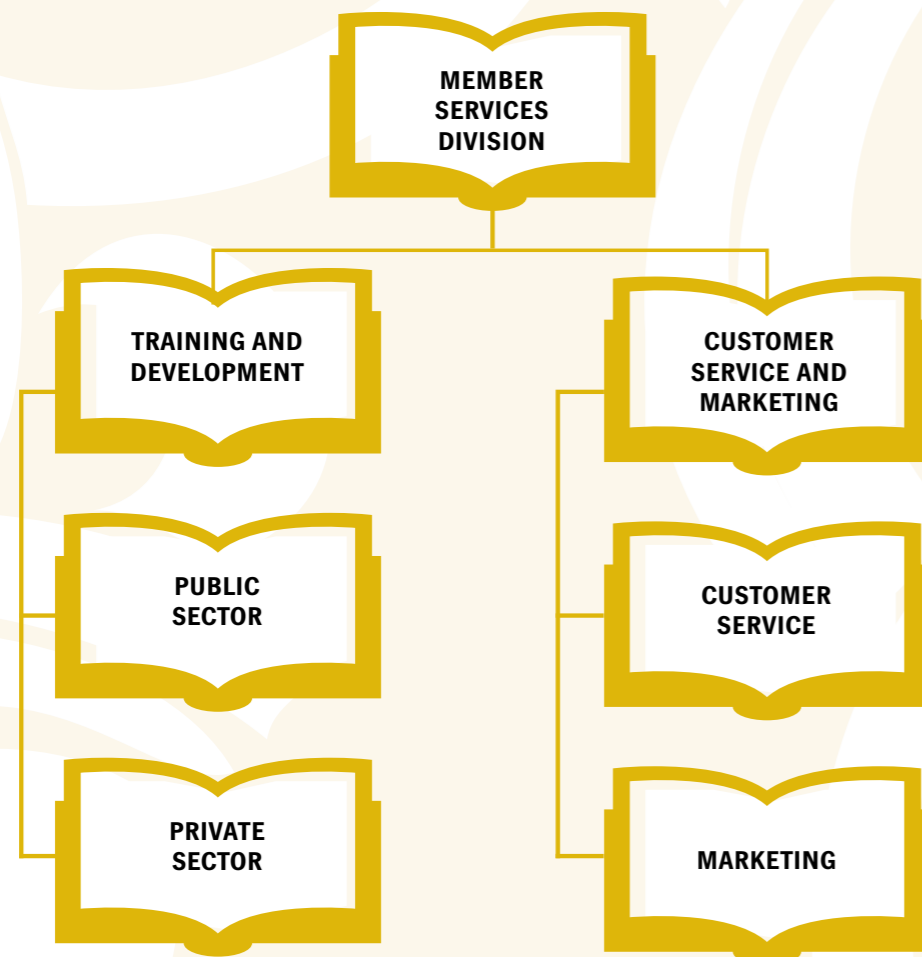
In order to efficiently and effectively deliver on the promises the Institute has aligned for members, we have embarked on the enhancement of our ICT platform that would offer real time information and service deliver to members. During the year under review, the Institute received a grant from the World Bank IDf majorly to enable improve on its ICT infrastructure. Part of the platforms earmarked for reengineering are the Customer Relationship Management (CRM) - Enterprise Resource Planning (ERP) integrated and workflow Management, E-learning, CPD monitoring and online Registration platforms among others. Consultants for the various components for this major project had been identified in the year and the Institute expects that the projects will be delivered in the coming year. The delivery of this project would significantly improve on the processes leading to enhanced service delivery.



World Bank country director Diarietou Gaye (right) and ICPAK Chairman Benson Okundi sign a Sh60m grant deal at the bank's offices in Upperhill, Nairobi



Rejuvenating knowledge in Accountability



The Division is responsible for:

- Training and Development Services for Members.
- Customer Service and Marketing.

The key functions of the Division of Member services are:

- Revenue generation through training programs to members.
- Ensure provision of value addition services to our members.
- Advising the Chief Executive on the needs of the Professional Accountants in business and developing projects to assist the Institute meet these needs.
- Advising on training needs resulting from new standards and from assessment of the needs of non-practitioners and ensuring these are incorporated in the Institute's Annual CPD Calendar.

- Provide leadership in business development programs and activities to ensure that the Institute expands its horizon in Kenya and increase its revenues.
- Provide leadership in the Institute's Corporate Social Responsibilities.
- Provide leadership in matters of marketing and branding of the Institute, its products and services.
- Provide leadership in marketing of the institute's members.

Enriching knowledge and competency through continuous professional development (CPD)

ICPAK continues to embed quality and integrity among our members through continuing professional development

and education and members' service initiatives that aim to enhance Members' Knowledge & elevate their Professional Accountability. The end-result will be to build the reputation of the professional accountancy profession as one synonymous with quality and integrity.

The ICPAK Continuous Professional Development (CPD) complements ICPAK's aim of maintaining the credibility of the accountancy profession in upholding public interest by providing a platform for continuous education for members and stakeholders of the accounting profession.

The ultimate goal is to ensure that a sufficient pool of competent and skilled accounting and finance professionals are created to maintain the integrity of the financial reporting chain, which will in turn deliver high-quality financial information to stakeholders and build market confidence. CPD programmes are open to both professional accountants and non-members who support the profession.

As a strategic business arm of ICPAK, the specific functions of CPD programmes are to offer continuing professional development (CPD) training programmes, seminars, courses, forums and conferences to its members and other

as well as to generate income for ICPAK to provide funding for its other core support functions, namely the professional standard & practices and surveillance & enforcement which are carried out to protect public interest.

ICPAK currently offers a broad range of CPD programmes throughout the country. CPD participants consists of approximately 95% ICPAK members and 5% non members.

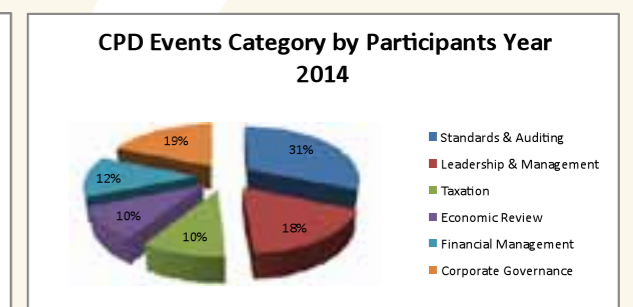
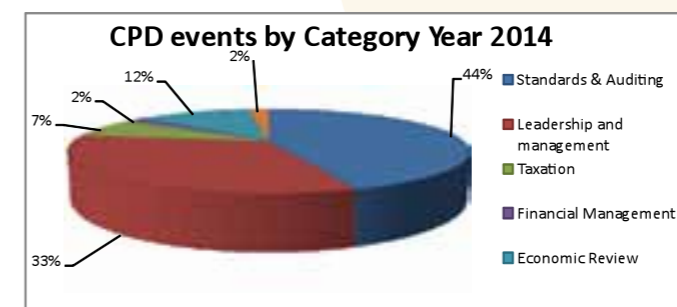
ICPAK Training & Development department core operation is to carry out research work on training needs and topics for the accountancy profession, formulate CPD programmes, source facilitators/speakers or subject matter experts or secure partners, handle marketing and promotions, and present CPD programmes in various locations within the country.

In addition to regular training programmes and seminars, Training & Development also organises flagship events for the Institute such as the ICPAK Annual seminar, industry-focused educational and market intelligence events that are relevant to the accountancy profession. The Institute will in due course introduce e-learning platform, courtesy of the World Bank IDF grant.

Membership professional development fact sheet

Category of CPD events held in 2014

S/No	Category	No of events Held	% No. of events	No. of Participants	% No. of Participants
1	Standards and auditing	43	44%	2,353	31%
2	Leadership and Management	32	33%	1,343	18%
3	Taxation	7	7%	764	10%
4	Economic Review	11	12%	744	10%
5	Financial Management	2	2%	932	12%
6	Corporate Governance	2	2%	1,414	19%
	Total	97	100%	7,550	100%



Major Event Highlights



CPA Benson Okundi hands over a token of appreciation to Nairobi Governor Dr. Evans Kidero during 2014 Economic Symposium



Governor Dr. Nairobi City County Dr. Evans is welcomed by ICPAK Council members at Safari Park Hotel



Amb. Jane Waikenda (centre) Deputy High Commissioner to South Africa and ICPAK CE CPA Dr. Patrick Ngumi follows proceedings during Institute's Executive Seminar in Cape Town



Edwin Makori (left) then acting CEO between January-June 2014 confers with a facilitator during 2014 Annual Seminar



Delegates follow proceedings at the World Congress of Accountants in Rome in November 2014



ICPAK Members during the 30th Annual Seminar which was held at Whitesands, Mombasa in May 2014



FCPA Abdulwahid Aboo, a long serving Council member, displays a token of appreciation from the Institute. He was given this token for his contributions to the accountancy profession in Kenya



ICPAK Chairman CPA Benson Okundi sharing a light moment with the National Treasury Principal Secretary Dr. Kamau Thugge during 2014 FiRe Award ceremony in Nairobi

Safeguarding Public Interest

Professional Conduct and Review

As a regulator and professional membership body for the accountancy profession in Kenya, the Institute is charged with oversight and governance of its members and their conduct in order to inspire public trust and comfort. To achieve this, the Institute regularly carries out surveillance, review and assurance exercises to ensure that members are adhering to our professional regulations and ethical codes of conduct to uphold the public interest.

Continuous Professional Development (CPD)

A professional accountant is required to participate in CPD learning activities that are relevant to his current and future work and professional responsibilities to maintain professional competence and to ensure the exercise of due care at all times. ICPAK through its CPD function continues to ensure that members adhere to basic tenets of ethical and professional conduct.

CPD being one of the requirements under the Statement of Member Obligations for International Federation of Accountants (IFAC) for member institutes seeks to ensure that skills of members of the Accountancy Profession remain relevant and up to date in addressing the emerging issues affecting the profession. This also ensures that members keep abreast with the developments that affect their current and future professional work.

Practice Review

ICPAK carries out the practice review of audit firms engaged in public practice in Kenya to ensure that all members in public practice maintain, observe and apply applicable professional standards. Primarily, the practice review of audit firms is to determine compliance, promote quality assurance and to help members in public practice improve and raise their professional standards. Engagement file reviews are carried out on audit firms which have been selected for review based on a random basis. This selection method is based on the principle that a firm has a fair chance of being selected for review as any other firm and therefore eliminates any alleged bias in the firm selection process.

Financial Reporting

Under this function, ICPAK serves to ensure that the quality of financial information presented within financial reporting meets the required standards.

The Institute monitors compliance with statutory and other requirements, approved accounting standards and approved auditing standards in Kenya in relation to financial reporting, and shares financial reporting best practices based on common findings identified during the review process with members of ICPAK.

ICPAK also monitors the media as part of a proactive surveillance approach on possible accounting irregularities and reporting deficiencies in public-listed companies and public-interest entities and will take action, where necessary, should a member be found to have breached any By-laws in the preparation of their financial statements.

In supporting ICPAK to regulate accountancy practices in Kenya and to strengthen the credibility of the accountancy profession, the Institute Review carried out the following activities during the period under review:

- To promote higher standards of financial reporting in Kenya, ICPAK jointly organised the Financial Reporting (FiRe) Award with Capital Markets Authority (CMA) and Nairobi Securities exchange (NSE). FiRe is aimed at promoting greater and more effective communication of financial and business information through the publication of timely, informative, factual and reader-friendly annual reports.
- The Institute nominated CPA Anne. Elizabeth Owuor to represent the Institute in the newly formed Public Sector Accounting Standards Board of Kenya which was gazetted via Kenya Gazette Notice No 1199 dated 28th February 2014. The Board is expected to provide frameworks and set generally accepted standards for the development and management of accounting and financial state organs and public entities.

Disciplinary Committee



FCPA Dr. Jonathan Ciano
Chairman
Disciplinary
Committee

The disciplinary committee of the Institute is a Statutory Committee established under section 31(1) of the Accountants Act 2008.

The committee is under the stewardship of FCPA Dr. Jonathan Ciano who is the chairman of the committee and a renown Chief Executive who has a rich history of turning around failing institutions and currently the CEO of Uchumi. The committee has six other members namely, FCPA Charity Muya, FCPA John Mudany, Adv. CPA Geoffrey Odongo, Adv. Hannah Wendot, Susan Mudhune and Adv. Scolastica Mbilo.

Mandate

The committee is an independent committee whose decisions are binding and any party aggrieved by the decision of the committee can either appeal to Council for the review of the committee's decision or one can seek legal redress in the High Court of Kenya. The committee derives its mandate

from the Accountant's Act 2008 with the major objective being to streamline the conduct of members through a disciplinary process.

The committee has set precedence in a number of issues affecting the accountancy profession that have appeared before the committee and has further drawn a common occurrence in many cases presented before the committee which have completely nothing to do with the finance officers but the management of the affected companies. It is therefore the committees plea that there is need to sensitize members and non members on the role of finance officers vis a vis the role of the management.

The committee has also taken note that there is an influx of general professional misconduct especially in developing towns, and as a result there is need to raise awareness to the business community, to ensure they engage the services of professional and registered members of the Institute.



Members of ICPAK's Disciplinary Committee pose for a group photo during Committee's inauguration ceremony in March 2014

Stakeholder Engagement

Robust stakeholder engagement is vital in order to enlist the support and collaboration of government, regulators, industry, academia and our members, among others, to develop and shape a mature, effective and relevant profession. During the year under review, ICPAK organised a series of key events to engage strategically with our stakeholders, strengthen our relationships and create awareness of and solutions to the current and future concerns and issues affecting the accountancy profession.

Among the several stakeholders that shapes the accountancy

profession in the economy include; the National Treasury, the office of the Auditor General, CPA Parliamentarians, Parliamentary Committees, Controller of Budget, KASNEB, County Government, Kenya School of Government, Parliamentary Initiative Network and other civil societies. Major issues of discussion include discussions around the critical regulatory legislations, fiscal discipline on budgetary allocations and capacity building for the public officers. The Institute continued to engage effectively with the relevant offices in a bid to communicate our position on the various areas of common interest that could profile the profession.



FCPA Pascal Dennis (Second right) who was the first Registrar of the Registration of Accountants with other members during the 36th AGM held at CPA Centre on 5th June 2014



ICPAK Chairman CPA Benson Okundi and the World Bank Country Director for Kenya Ms. Diariétou Gaye sign IDF agreement at the World Bank offices in Nairobi



Council members and Secretariat team with Kenyan Ambassador to Italy H.E. Amb Josephine W. Gaita after a courtesy visit to Kenyan Embassy in Rome. From left CPA Dr. Patrick Ngumi (Chief Executive); FCPA Fernandes Barasa (Vice Chairman); CPA Rashid Mohamed (council member); Amb. Josephine Gaita (Kenyan Ambassador to Italy); CPA Benson Okundi (Chairman); CPA Edwin Makori (Secretariat); CPA Fredrick Riaga (Secretariat) and Mr. Stanley Mbugua (Secretariat)



GIVING BACK
BENEVOLENTLY

Corporate Social Responsibility

ICPAK stays true to its objective to be a strategic business partner committed to nation building. As a testimony to ICPAK's commitment in this endeavor, ICPAK together with other stakeholders initiated major activities that advocate excellence in business reporting and practices.

The profession aims to have a positive social impact through its commitment to serving the public interest. As giving back to the community is a time-honoured tradition of the profession.

Promoting corporate social responsibility is important to the Council and management. They encourage volunteering and workplace giving among employees. In 2014 the Institute organized a Charity Golf tournament so as to raise funds for various charity activities and as well as to provide networking opportunities to our members and stakeholders.

The plan is to raise some money that will enable Institute establish ICPAK Educational Scholarship for Accounting and Finance students in 2015. This flagship project of the

Institute will allow 3 students to benefit from a full 4-year university education scholarship.

In an initiative to support environmental conservation, the Institute participated in Ndakai-ini half marathon in 2014. The Marathon seeks to raise funds for conserving Thika dam catchment area. The dam supplies about 80% of water consumed in Nairobi and hence the need to conserve its catchment in order to guarantee uninterrupted water supply to the city of Nairobi.

Investing in communities

We invest in our community based on the integrity with which the Institute governs itself, fulfills its mission, lives by its values, engages with its stakeholders, measures its impact and reports on its activities. In 2014, we aimed on promoting social economic development focusing on the youth, education and empowerment. We achieved this by donating books, food items and sewing machines to two organizations in Mombasa. We also carried out financial clinics educating the public on financial matters and the business community on the value of properly kept books of accounts.



ICPAK members donating sewing machines and foodstuffs to Mtwapa Girl Guide Centre for disabled young ladies



ICPAK members listen keenly during presentation of sewing machines and foodstuffs at Mtwapa Girl Guide Centre



ICPAK staff members planting trees in support of Ndakaini half marathon in November 2014



Investing in Businesses and Innovations

The Kenyan economy thrives based on growth in new businesses and entrance of new entrepreneurs. New businesses face challenges of raising capital especially in the SME sector. To improve the competitiveness of a business in raising funds, the Institute is continually educating the business community on the need for maintaining proper books of accounts and applying internationally accepted accounting standards.

The Financial Reporting (FiRe) Award

The Institute together with the Nairobi Securities Exchange and the Capital Market Authority launched the Financial Reporting (FiRe) Award to promote financial reporting standards in Kenya. 2014 FiRe Award ceremony was the 12th event successfully hosted by the three partners and supporting organizations.



Models gracing 2014 FiRe Award ceremony



Safaricom team celebrate after scooping 6 trophies for 2014 FiRe edition at Safaripark Hotel



Principal Secretary Dr. Kamau Thugge (right) with Michael Armstrong (centre) and CPA Bernard Ndung'u, the Accountant General (left)



Michael Armstrong receives a gift from corporate sponsors of FiRe Award ceremony 2014



STIMA SACCO SOCIETY LTD in attendance at the FiRe Award ceremony 2014



UAP staff member receives a FiRe Award trophy

REACHING
OUT



Communication and Publicity

ICPAK continues to emphasise the regulatory role that ICPAK plays in ensuring that credibility in the profession is maintained in ensuring that public interest is protected in its various communications and public relations initiatives.

ICPAK works toward sending out messages to our stakeholders—both internal and external—that is in line with its strategy which entails:

1. Enhanced focus on members.
2. Positioning ICPAK as an influential voice of the accounting profession globally.
3. Promote the regulation of the accountancy profession
4. Institutional strengthening.

The objective is to convey a single, consistent and recurring theme—that is ‘credibility’—to all its target audiences. ICPAK’s communication with stakeholders aims to ensure that the credibility theme is reflected through ICPAK’s overall branding and visibility strategy, its corporate identity, and its various communication channels with both internal and external stakeholders.

Media and visibility

Effective media relations and engagements are essential to communicate ICPAK’s public brand and its vision to champion the Kenyan accountancy profession as a key facilitator and partner for business and the nation. Throughout the year under review, ICPAK communicated its stance on key issues such as public policy, integrity, devolution, IFRS and accounting standards, audit quality and oversight, regulatory and legal reform, good corporate governance through enhancing Board audit committees and external audit, and inculcating integrity and ethics among accountants, to name a few priorities on ICPAK’s agenda.

In supporting ICPAK to ensure clear and consistent messages are conceptualized and communicated, the Communications Department facilitated media engagement that resulted in coverage of ICPAK issues in leading broadcast and print Medias such as *Citizen TV, KTN, K24, KBC, Daily Nation, the Standard, the Star* and *the People* as highlighted in the table below. ICPAK Chairman CPA Benson Okundi was also sought-after for interviews by both print and broadcast prayer whereby he used these opportunities to explain ICPAK’s stance on key issues and its vision for a sustainable, mature and relevant profession.

No	Date	Coverage Topic	Media Outlet
1	27th January 2014	World Bank Granted ICPAK 60 million dollars(Pg 31)	-Daily Nation newspaper -KTN prime time news, -NTV prime time news
2	8th February 2014	Op-ed article titled ‘Counties need to observe prudence in financial management’(pg18)	The Standard
3	14th February 2014	Interview -Ag.CEO CPA Edwin Makori on county expenditure.	KBC
4	14th February 2014	Op-ed article titled ‘County governments should adopt fair simple, pro-growth tax’(page 45)	The Star newspaper
5	20th February 2014	Op-ed article titled ‘How taxman is holding Kenya’s economy, investors at ransom’(pg 36)	The Standard

Op-ed: Opposite editorial page

No	Date	Coverage Topic	Media Outlet
6	20th February 2014	News titled ‘Accountants raise red flag on spending of public finances’. (pg 34)	Daily Nation
7	20th February 2014	News titled ‘World Bank warns investors may flee over high taxes’. (pg 6)	Business Daily
8	20th February 2014	Op-ed article titled ‘Counties spending a threat to public wage bill’. (Pg39)	The Star Newspaper
9	21st February 2014	News article titled ‘Wrangles could stall economic growth, warns the World Bank’(page34)	Daily Nation
10	24th February 2014	News article titled ‘Accountants want errant procurement officers punished’.(pg 30)	The Standard
11	27th February 2014	Article titled ‘ICPAK’S regulatory role’. (pg 23)	Daily Nation
12	27th February 2014	No Compromise on Good Governance vows ICPAK Chairman; pg VII	Standard
13	6th March 2014	News article ‘Accountants seek more time for watchdog set-up’(pg 34)	Daily Nation
14	18th March 2014	News article titled ‘New Accounting Standards Board Timely’. (pg 13)	Daily Nation
15	20th March, 2014	News article titled ‘Accountants propose lay -off of civil servants.’(pg 16)	Standard Newspaper
16	20th March 2014	Op-ed article titled ‘Treasury’s move to form public sector Accounting Standard Board Timely’.(pg 8)	People Newspaper
17	21st March 2014	News article titled ‘Bloated staff cause of huge Wage Bill’.	People Newspaper
18	21st March 2014	News article titled ‘ Experts ask state to dismiss some staff’ (pg6)	The Star Newspaper
19	24th March 2014	News article titled ‘World Bank seeks of merger of small auditing firms’(pg 6)	Business Daily
20	14th May, 2014	ICPAK on county governments	KTN

Samples of press cuttings generated in 2014



Samples of press cuttings generated in 2014



Communication and Publicity *(continued)*

No	Date	Coverage Topic	Media Outlet
21	19th May 2014	News article titled 'ICPAK Annual seminar with spotlight on governance' (pg 2)	Business Daily
22	20th May 2014	Interview with CPA Rosemary Gituma 'Corporate interview'	Standard Newspaper
23	22nd May 2014	Pictorial-Annual seminar titled 'Accountants meeting' (pg 32)	Daily nation
24	23rd May 2014	News article titled 'Accountants seek review of their law'.	Daily Nation edition
25	23rd May 2014	News article titled 'New Tax System a big hit says KRA'. (pg 35)	The Star Newspaper
26	6th June 2014	Pictorial published in the edition of (pg 2) titled 'Badge of honor'	Business Daily
27	7th June 2014	News article titled 'Experts spread services to boost 'fiscal discipline'(pg 2)	Saturday Nation
28	11th June 2014	CPA Okundi pre budget analysis	K24
29	11th June 2014	New article titled 'ICPAK to build residential houses on Thika road (pg 41)	Star newspaper
30	12th June 2014	Interview CPA Ashif (Pre Budget Analysis)	K24
31	21st June 2014	Op-ed article titled 'After reading the budget, hard part begins for Rotich' (pg 43)	Saturday Nation
32	21st June 2014	News article titled 'Survey finds gaps in asset records at the counties'.(pg 2)	Saturday Nation
33	23rd June 2014	News article titled 'ICPAK tells KRA to resolve VAT refund arrears'. (pg 43)	Star newspaper
34	24th June 2014	News article titled 'Counties have weak revenue bases, says new report.'	Daily Nation
35	25th June 2014	Op-ed article titled 'Economy set to grow by five percent say accountants'. (pg 43)	Daily Nation

Communication and Publicity *(continued)*

No	Date	Coverage Topic	Media Outlet
36	11th August 2014	Pictorial- C suite seminar published pg (36)	The Standard
37	18th August 2014	An op-ed article titled 'Are county development board a barrier? (pg 14)	Business Daily
38	26th August 2014	An op-ed article titled 'Are new county development boards barrier to, or facilitator of, progress?'	Daily Nation
39	9th September 2014	News clip on K24 on the launch of the ICPAK Service Charter	K24
40	10th September 2014	A news article titled 'Treasury told to ignore MCAs and Senate demands for more perks'.	The Standard
41	10th September 2014	ICPAK wants capital gains tax signed into law	KBC
42	7th October 2014	A news article titled 'Ministries to compete for Financial Awards'(44)	Daily Nation
43	10th October 2014	A news article titled 'Accountants Open First Office in Coast Region' (pg 25)	Daily Nation
44	10th October 2014	A news article titled 'Mwadeghu to run for Taveta Governor in 2017.(pg 14)	The Star edition
45	10th October 2014	A news article titled 'Kenya loses sh.69b annually to corruption (Pg 11).	The Standard
46	21st October 2014	A news article titled 'Auditors to be vetted by state agencies under proposed law'(Pg 39)	The Star
47	27th October 2014	A news article titled 'Safaricom bags top prize at FiRe awards'	Business Daily
48	27th October 2014	A news article titled 'ICPAK,-regulatory role. (pg11)	Business Daily
49	28th October 2014	A news article titled 'Accountants ought to review their law, improve regulation'(pg12)	The Standard

Financial Review

AUDITED FINANCIAL
STATEMENTS FOR THE
FINANCIAL YEAR ENDED
31ST DECEMBER 2014



Table of contents

Institute Information	109 - 110
Report of the Council	111 - 112
Statement of the Council Responsibilities	113
Report of the Independent Auditor	114
Financial statements:	
Statement of Comprehensive Income	115
Statement of Financial Position	116
Statement of Changes in Equity	117
Statement of Cash Flows	118
Notes	119 - 148

Page

Institute Information For the Year Ended 31 December 2014

Members of the Council

Chairman	:	CPA Benson O. Okundi	
Vice-chairman	:	FCPA Fernandes O. Barasa	
Members	:	FCPA Abdulwahid M. Aboo	- retired June 2014
		FCPA Julius W. Mwat	- re-elected June 2014
		CPA Obare Nyaega	
		CPA Rashid M. Khamis, MBS	
		CPA Rose Mwaura	- elected June 2014
		CPA Rosemary Gituma	- retired June 2014
		CPA Susan Oyatsi	- elected June 2014
		Ms. Damaris Kimosop	- representing Other Profession
		CPA Geoffrey Malombe	- representing National Treasury
		FCPA Pius Nduatih	- representing KASNEB
		CPA Wycliffe Shamiah	- representing CMA
Chief Executive & Secretary to the Council	:	CPA Dr. Patrick Ngumi (Phd)	- appointed, July 2014
		CPA Edwin Makori	- acting upto July 2014

Council Committees

Committee	Chairperson/Convenor
Audit Risk and Compliance	FCPA Pius Nduatih
Disciplinary	FCPA Dr. Jonathan Ciano
Finance and Strategy	FCPA Fernandes O. Barasa
Member Services	CPA Rose Mwaura
Practitioners Development	FCPA Julius W. Mwat
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 Obare Nyaega

KCA University Representatives

Board of Trustees	CPA Benson O. Okundi
	FCPA Joe Muchekehu
	FCPA Steve Lugalia
	CPA John Kabiru
Finance Committee	CPA Everlyne M. Muriuki
Audit Risk and Governance Committee	CPA Charles Ringera

Secretary to the Council

CPA Dr. Patrick Ngumi (PhD)
P. O. Box 59963 - 00200
NAIROBI.

Institute Information For the Year Ended 31 December 2014 (Continued)

Registered Office and Principal Place of Business

CPA Centre
Ruaraka, Thika Road
P. O. Box 59963 - 00200
NAIROBI.
Telephone : +254 (020) 2304226, 2304227
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 (K) Green House, Ngong Road
P. O. Box 61120 - 00200
NAIROBI.
Telephone : +254-20-3861175/76/79
Cell : 0722-440270
E-mail : contact@mazars.co.ke
Website : www.mazars.co.ke

Principal Bankers

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

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

Legal Advisors

Hamilton Harrison & Mathews
4th floor, ICEA Building
Kenyatta Avenue
P. O. Box 30333 - 00100
NAIROBI.

Report of the Council For The Year Ended 31 December 2014

The Council submit their report and the audited financial statements for the year ended 31st December 2014, 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 110.

2. Principal Activities

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

3. Membership

	2014 No	2013 No
Active members at end of year	<u>11,671</u>	<u>9,968</u>
Active members at beginning of year		
Practising	945	991
Non-practising	7,873	6,683
Overseas	426	478
Retired	532	374
Associates	<u>192</u>	<u>95</u>
	9,968	8,621
New members in the year	1,910	1,636
Deceased and change of status	<u>(30)</u>	<u>(44)</u>
	11,848	10,213
Members in default - written off	(313)	(426)
- recovered	<u>136</u>	<u>181</u>
Active members at end of year	<u>11,671</u>	<u>9,968</u>
Full members	11,279	9,776
Associate members	<u>392</u>	<u>192</u>
Active members at end of year	<u>11,671</u>	<u>9,968</u>

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

Report of the Council For The Year Ended 31 December 2014 (Continued)

4. Results for the Year

	2014 Kshs. '000'	2013 Kshs. '000'
Total comprehensive income for the year	<u>2,956</u>	<u>7,417</u>

5. Members of the Council

The Council members who held office during the year and to the date of this report are listed on page 109.

6. 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.

7. Auditor

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

By order of the Council



CPA Dr. Patrick Ngumi (PhD)
Secretary to the Council

21st April 2015

Statement of the Council Responsibilities on the Financial Statements For the year ended 31 December 2014

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 2014 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 21st April 2015 and signed on its behalf by:-



CPA Benson O. Okundi
Chairman



FCPA Fernandes O. Barasa
Vice-chairman & Covenor Finance
and Strategy Committee

**Report of the Independent Auditor
To the members of the Institute of Certified Public Accountants of Kenya
For the year ended 31 December 2014**

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 115 to 148 which comprise the statement of financial position as at 31 December 2014 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 statements 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.

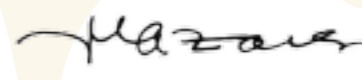
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Institute of Certified Public Accountants of Kenya at 31 December 2014 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

**MAZARS
Certified Public Accountants (K)
Nairobi**

 2015

Financial Statements For the year ended 31 December 2014

Statement of Comprehensive Income

	Note	2014 Kshs. '000'	2013 Kshs. '000'
Income			
Subscriptions	4	145,308	125,477
Member services	5 (a)	246,134	183,701
CPA Centre	6	5,439	5,718
Social responsibility activities	7 (a)	730	1,510
		<u>397,611</u>	<u>316,406</u>
Expenses			
Member services	5 (b)	137,363	108,486
Social responsibility	7 (b)	670	907
Operating expenses	8	259,912	221,252
		<u>397,945</u>	<u>330,645</u>
Operating deficit		(334)	(14,239)
Net Grant income	9	580	-
Other income	10	<u>2,710</u>	<u>21,656</u>
Surplus for the year		2,956	7,417
Other comprehensive income		-	-
Total comprehensive income for the year		<u>2,956</u>	<u>7,417</u>

Financial Statements For the year ended 31 December 2014 (Continued)

Statement of Financial Position as at 31 December 2014

	Note	2014 Kshs. '000'	2013 Kshs. '000'
ASSETS			
Non current assets			
Property and equipment	11	785,602	478,171
Investment property	12	21,000	21,000
Prepaid operating lease	13	3,523	3,653
Intangible assets	14	782	1,459
Other receivables	15	85,471	51,538
Investment in CPA Centre Limited	16	50	50
		<u>896,428</u>	<u>555,871</u>
Current assets			
Inventories	17	3,792	1,762
Trade and other receivables	18	99,089	93,556
Cash and bank balances	19	27,128	139,047
		<u>130,009</u>	<u>234,365</u>
Total assets		<u>1,026,437</u>	<u>790,236</u>
EQUITY AND LIABILITIES			
Equity			
General fund		604,099	598,945
Revaluation reserve		56,610	58,868
Designated fund	20	5,748	5,688
		<u>666,457</u>	<u>663,501</u>
Non current liabilities			
Retention on construction	21	58,981	34,371
Due to CPA Centre Limited	26	50	50
Borrowings	22	139,318	-
		<u>198,349</u>	<u>34,421</u>
Current liabilities			
Borrowings	22	51,982	-
Trade and other payables	23	69,376	58,494
Deferred grant income	9 (b)	14,027	-
Advance subscriptions	24	26,246	33,820
		<u>161,631</u>	<u>92,314</u>
Total equity and liabilities		<u>1,026,437</u>	<u>790,236</u>

The financial statements on pages 115 to 148 were authorised for issue by the Council on

21st April 2015 and were signed on its behalf by:



CPA Benson O. Okundi
Chairman



FCPA Fernandes O. Barasa
Vice-chairman & Covenor Finance
and Strategy Committee

Financial Statements For the year ended 31 December 2014 (Continued)

Statement of Changes in Equity

	Note	General Fund Kshs. '000'	Revaluation Reserve Kshs. '000'	Designated Fund Kshs. '000'	Total Kshs. '000'
At 1 January 2013					
Total comprehensive income for the year		589,873	61,126	5,085	656,084
Transfer of excess depreciation		7,417	-	-	7,417
Transfer of excess depreciation		2,258	(2,258)	-	-
Surplus from social responsibility	7	(603)	-	603	-
At 31 December 2013		<u>598,945</u>	<u>58,868</u>	<u>5,688</u>	<u>663,501</u>
At 1 January 2014					
Total comprehensive income for the year		598,945	58,868	5,688	663,501
Transfer of excess depreciation		2,956	-	-	2,956
Transfer of excess depreciation		2,258	(2,258)	-	-
Surplus from social responsibility	7	(60)	-	60	-
At 31 December 2014		<u>604,099</u>	<u>56,610</u>	<u>5,748</u>	<u>666,457</u>

Financial Statements For the year ended 31 December 2014 (Continued)

Statement of Cash Flows

	Note	2014 Kshs. '000'	2013 Kshs. '000'
Cash flows from operating activities:			
Total comprehensive income for the year		2,956	7,417
Adjustments for:			
Depreciation on property and equipment	8	5,319	5,041
Amortisation of prepaid operating lease rental	8	130	130
Amortisation of intangible assets	8	677	833
Loss on disposal of equipment	8	19	5
Interest income	10	(2,450)	(21,439)
Surplus/(deficit) before working capital changes		6,651	(8,013)
Increase in VAT recoverable on construction	15	(33,933)	(43,034)
Increase in inventories	17	(2,030)	(825)
Increase in trade and other receivables	18	(5,533)	39,894
Increase in trade and other payables	23	10,882	26,916
Proceeds from grants	9	17,908	-
Payments made using grants	9	(3,881)	-
(Decrease)/increase in advance subscriptions	24	(7,574)	15,615
		(17,510)	30,553
Interest income	10	2,450	21,439
Net cash generated from operating activities		(15,060)	51,992
Cash flows from investing activities:			
Purchase of property and equipment	11	(4,917)	(1,345)
Proceeds from sale of property and equipment		33	107
Retention on construction for work certified	21	24,610	24,578
Work in progress	11	(307,885)	(244,286)
Net cash (used in) investing activities		(288,159)	(220,946)
Cash flows from financing activities:			
Proceeds from long term borrowings	22	191,300	-
Net cash from financing activities		191,300	-
Decrease in cash and cash equivalents		(111,919)	(168,954)
At start of year		139,047	308,001
At end of year	19	27,128	139,047

Notes For the year ended 31 December 2014

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 (Kshs. '000'). 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 its judgment in the process of applying the accounting policies adopted by the Institute. Although such estimates and assumptions are based on the Council's best knowledge of the information available, actual results may differ from those estimates. The judgments and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgments of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

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.

Notes For the year ended 31 December 2014 (Continued)

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 in the financial year beginning 1 January 2014 and have been adopted by the Institute where relevant to its operations:

- Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities (issued in December 2011) The amendments, which are effective retrospectively, do not change the existing offsetting model for financial instruments but clarify the meaning of has a legally enforceable right of set off and that some gross settlement systems may be considered equivalent to net settlement.
- 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.
- 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. In the absence of such transactions, the amendments had no effect on the group’s consolidated financial statements.
- Amendment to IFRS 2 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - The amendment clarifies the definitions of vesting condition and market condition and adds definitions for performance condition and service condition. The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.
- Amendment to IFRS 3 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - The amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss.
- 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 (except those which provide services relating to the investment entity’s investment activities); instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IAS 39/IFRS 9, and to account for its investment in the same way in its consolidated and separate financial statements; additional disclosures are introduced. The amendments apply retrospectively with transitional provisions.

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

b) New and revised standards (continued)

i) Adoption of new and revised standards (continued)

- Amendment to IFRS 13 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.
- 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 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 statements, the following revised standards and interpretations were in issue but are not yet effective for the year beginning 1st January 2014. The Institute has not adopted any of these revised standards, amendments and interpretations in advance of the effective date:

- Amendments to IAS 19 titled Defined Benefit Plans: Employee Contributions (issued in November 2013) - The amendments, applicable retrospectively to annual periods beginning on or after 1 July 2014, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).
- Amendment to IAS 16 and IAS 38 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model.
- Amendment to IAS 24 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how payments to entities providing management services are to be disclosed.
- Amendment to IFRS 8 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - The amendment, applicable to annual periods beginning on or after 1 July 2014, requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.

Notes For the year ended 31 December 2014 (Continued)

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)

- Amendment to IAS 40 (Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013) - The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 and IAS 40 are not mutually exclusive: while IAS 40 assists preparers to distinguish between investment property and owner-occupied property, IFRS 3 helps them to determine whether the acquisition of an investment property is a business combination.
- Amendment to IFRS 3 (Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013) - The amendment, applicable prospectively to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.
- Amendment to IFRS 13 (Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013) - The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that the portfolio exception in IFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of IAS 39 / IFRS 9.
- IFRS 14 Regulatory Deferral Accounts (issued in January 2014) - The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.
- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January.
- Amendments to IAS 16 and IAS 41 titled Agriculture: Bearer Plants (issued in June 2014) The amendments, applicable to annual periods beginning on or after 1 January 2016, define bearer plants ie living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (eg grape vines, rubber trees, oil palms) - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41.

Notes For the year ended 31 December 2014 (Continued)

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 IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) - The amendments, applicable prospectively to annual periods beginning on or after 1 July 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).
- Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) - The amendments, applicable to annual periods beginning on or after 1 July 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2017, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
- IFRS 9 Financial Instruments (issued in July 2014) - This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
 - > IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
 - > For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
 - > For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
 - > For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging

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 2015.

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

c) Foreign currency transactions

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Institute operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account 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) Member 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.

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 except for 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 but at least triennial 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.

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

e) Property, equipment and depreciation (continued)

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.

f) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. 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 market value, based on periodic but at least triennial valuations carried out by external independent valuers. Gains or losses arising from 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.

g) 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.

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

h) 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.

i) Impairment of non-current assets

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

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

j) Inventories

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

k) 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.

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

k) Financial instruments (continued)

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.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three 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.

m) 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.

Employees' entitlements

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

Notes For the year ended 31 December 2014 (Continued)

1. Summary of significant accounting policies (Continued)

n) Grants

Grants are not recognised until there is reasonable assurance that the Institute will comply with conditions attaching to them and that grants will be received.

Grants are recognised in statement of comprehensive income on a systematic basis over the periods in which the institute recognises as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the institute should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the institute with no future related costs are recognised in profit or loss in the period in which they become receivable.

o) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings that are attributable to acquisition, construction of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

p) 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.

Notes For the year ended 31 December 2014 (Continued)

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 amounts recognised in the financial statements. 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. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

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
- Whether the investment property valuation fairly reflects current market value.

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 Finance & Strategy Committee 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:

Notes For the year ended 31 December 2014 (Continued)

3. Risk management objectives and policies (continued)

i) Credit risk (continued)

	Fully performing	Past due but not impaired	Total Kshs. '000'
31 December 2014			
<i>Financial assets</i>			
Subscription receivables	-	5,999	5,999
Other receivables	7,838	170,723	178,561
Cash at bank	27,128	-	27,128
Gross financial assets	<u>34,966</u>	<u>176,722</u>	<u>211,688</u>
31 December 2013			
<i>Financial assets</i>			
Subscription receivables	-	8,093	8,093
Other receivables	6,950	125,032	131,982
Prepayment for construction	5,019	-	5,019
Cash and cash equivalents	139,047	-	139,047
Gross financial assets	<u>151,016</u>	<u>133,125</u>	<u>284,141</u>

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.

Notes For the year ended 31 December 2014 (Continued)

3. Risk management objectives and policies (continued)

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 2:1 (2013: 3:1).

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Between 1 - 3 months Kshs. '000'	Between 3 - 12 months Kshs. '000'	Over 12 months Kshs. '000'	Total Kshs. '000'
31 December 2014				
Trade and other payables	57,930	6,542	-	64,472
Borrowings	-	57,440	158,823	216,263
Retention on construction	-	-	58,981	58,981
	<u>57,930</u>	<u>63,982</u>	<u>217,804</u>	<u>339,716</u>
31 December 2013				
Trade and other payables	54,681	130	-	54,811
Retention on construction	-	-	34,371	34,371
	<u>54,681</u>	<u>130</u>	<u>34,371</u>	<u>89,182</u>

Notes For the year ended 31 December 2014 (Continued)

3. Risk management objectives and policies (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 and mortgage loans because of changes in market interest rates.

If the interest rates on the Institute's short term bank deposits at the year-end were to increase/decrease by 5 percentage points, with all other factors remaining constant, the surplus for the year would be lower/higher by Kshs 6,500 (2013: Kshs 6,725,000).

If the interest rates on the Institute's borrowings at the year-end were to increase/decrease by this number of percentage points, with all other factors remaining constant, the surplus and equity would be lower/higher by Kshs 1,338,000 (2013: Kshs Nil) respectively.

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 For the year ended 31 December 2014 (Continued)

4. Subscriptions income

	2014 Kshs. '000'	2013 Kshs. '000'
Practising	18,900	19,820
Non practising	80,278	68,420
Overseas	3,302	3,705
Retired	1,995	1,403
Associate members	384	190
Registration and licence fees	-	10,695
New members in the year	43,023	25,294
	147,882	129,527
Subscription debtors written off	(6,282)	(8,456)
Subscription debtors recovered	3,708	4,406
Active members at end of year	145,308	125,477

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

5. Member services

	2014 Kshs. '000'	2013 Kshs. '000'
(a) Income		
Monthly seminars/video sessions	110,886	72,686
Annual seminar	79,457	62,591
Executive retreat	18,641	11,275
Managerial seminar	12,663	10,144
Internal audit conference	12,657	15,014
Economic symposium	11,296	5,315
Sale of publications	534	6,676
	246,134	183,701
(b) Expenses		
Monthly seminars/video sessions	67,007	53,711
Annual seminar	37,957	29,983
Executive retreat	17,286	11,573
Managerial seminar	5,438	4,476
Internal audit conference	4,961	5,021
Economic symposium	4,154	2,688
Sale of publications	560	1,034
	137,363	108,486
Surplus from members' services	108,771	75,215

The expenses exclude related staff costs.

Notes For the year ended 31 December 2014 (Continued)

6. CPA Centre

	2014 Kshs. '000'	2013 Kshs. '000'
Rent	5,439	5,159
Hostel occupancy	-	559
	5,439	5,718

7. Social responsibility

(a) Income

Golf tournament

(b) Expenses

Golf tournament

Surplus from social responsibility activities

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 2014 (Continued)

8. Operating expenses

	2014 Kshs. '000'	2013 Kshs. '000'
Staff costs (Note 27)	133,885	132,498
International relations	42,239	28,348
Council and committee	15,808	6,518
Accountancy journal	11,812	9,014
Member recruitment and marketing	7,578	6,255
Practitioners development	5,775	2,592
Staff meetings and welfare	5,718	3,818
Depreciation on property and equipment	5,319	5,041
Shared services	3,890	2,430
Audit quality review	3,040	1,453
Telephones and postages	2,970	3,701
Staff training	2,907	2,785
Printing and stationery	2,888	2,615
Governance and advocacy	2,753	1,301
Computer and website	2,424	2,233
FiRe award	2,000	1,500
Utilities	1,301	1,617
Bank charges	1,275	1,206
Equipment maintenance	1,276	1,144
Disciplinary measures	1,159	2,041
Audit fees	1,081	1,074
Research and development	889	-
Amortisation of intangible assets	677	833
Customer service	477	77
Financial services	291	888
Mombasa rent	189	-
Insurance	142	135
Amortisation of prepaid operating lease rental	130	130
Loss on disposal of assets	19	5
	<u>259,912</u>	<u>221,252</u>

9. Grants

World Bank IDF Grant

The Institute signed an Institutional Development Fund (IDF) grant on 27 January 2014 over 18 months period, amounting to US\$ 698,000 to contribute to enhancing financial transparency, accountability and governance in Kenya. The projects include enhancing the capacity of ICPAK secretariat to international standards, automation of ICPAK internal processes and strengthening the accounting profession in both private and public sectors in a devolved environment. The grant is conditional on ICPAK meeting its obligations for each of the projects components and funds are drawn down as per the approved procurement plan.

Notes For the year ended 31 December 2014 (Continued)

9. Grants (continued)

As at 31 December 2014, the Institute had received Kshs. 16,972,000 (US\$195,080) toward the projects of which a total of Kshs. 3,482,000 (US\$40,023) had been used to settle project costs incurred.

Business Advocacy Fund (BAF) Grant

The institute signed an agreement on 11 June 2012 with the Business Advocacy Fund (BAF) to support its advocacy work on the legal framework for business laws that enhances the business environment. The total funding under this grant was Kshs 1,170,000 out of which BAF funded 80% and 20% from the Institute. The grant is conditional on ICPAK meeting its obligations as per the agreement.

As at 31 December 2014, the Institute had received Kshs. 936,000 toward the projects of which a total of Kshs 399,000 had been utilise to settle project costs incurred.

	2014 Kshs. '000'	2013 Kshs. '000'
(a) Grant income		
Grant funds utilised during the year	<u>3,881</u>	<u>-</u>
(b) Grant expenses		
World Bank IDF Grant		
Strengthening accounting profession	1,991	-
Training plan	886	-
Bank charges	25	-
Business Advocacy Fund (BAF) Grant		
Training	339	-
	<u>3,301</u>	<u>-</u>
Net Grant income	<u>580</u>	<u>-</u>

(c) Deferred Grant income

	World Bank IDF Grant Kshs. '000'	Business Advocacy Fund (BAF) Grant Kshs. '000'	2014 Kshs. '000'	2013 Kshs. '000'
At 1 January	-	-	-	-
Receipts	16,972	936	17,908	-
Payments				
- operating expenses	(2,902)	(399)	(3,301)	-
- assets acquisition	(580)	-	(580)	-
At 31 December	<u>13,490</u>	<u>537</u>	<u>14,027</u>	<u>-</u>

Notes For the year ended 31 December 2014 (Continued)

10. Other income

	2014 Kshs. '000'	2013 Kshs. '000'
Interest	2,450	21,439
Miscellaneous income	260	217
	<u>2,710</u>	<u>21,656</u>

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

11. Property and equipment

Cost or valuation	Buildings Kshs. '000'	Work-in-progress Kshs. '000'	Equipment Kshs. '000'	Computers Kshs. '000'	Furniture and fittings Kshs. '000'	Total Kshs. '000'
At 1 January 2013	82,000	148,535	11,806	7,518	7,639	257,498
Additions	-	244,286	324	880	141	245,631
Disposal	-	-	-	(235)	(35)	(270)
At 31 December 2013	<u>82,000</u>	<u>392,821</u>	<u>12,130</u>	<u>8,163</u>	<u>7,745</u>	<u>502,859</u>
At 1 January 2014	82,000	392,821	12,130	8,163	7,745	502,859
Additions	-	307,889	502	3,083	1,332	312,806
Disposals	-	-	-	(110)	-	(110)
At 31 December 2014	<u>82,000</u>	<u>700,710</u>	<u>12,632</u>	<u>11,136</u>	<u>9,077</u>	<u>815,555</u>
Depreciation						
At 1 January 2013	-	-	10,347	5,966	3,492	19,805
Charge for the year	2,929	-	550	798	764	5,041
Eliminated on disposal	-	-	-	(155)	(3)	(158)
At 31 December 2013	<u>2,929</u>	<u>-</u>	<u>10,897</u>	<u>6,609</u>	<u>4,253</u>	<u>24,688</u>
At 1 January 2014	2,929	-	10,897	6,609	4,253	24,688
Charge for the year	2,828	-	631	1,050	810	5,319
Eliminated on disposal	-	-	-	(54)	-	(54)
At 31 December 2014	<u>5,757</u>	<u>-</u>	<u>11,528</u>	<u>7,605</u>	<u>5,063</u>	<u>29,953</u>
Net book value						
At 31 December 2014						
- Cost or valuation	<u>76,243</u>	<u>700,710</u>	<u>1,104</u>	<u>3,531</u>	<u>4,014</u>	<u>785,602</u>
At 31 December 2013						
- Cost or valuation	<u>79,071</u>	<u>392,821</u>	<u>1,233</u>	<u>1,554</u>	<u>3,492</u>	<u>478,171</u>

Notes For the year ended 31 December 2014 (Continued)

11. Property and equipment (continued)

Buildings were valued 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. The carrying amount of the asset was restated to the revalued amount of the asset, and the resulting surplus arising on revaluation was recognised in other comprehensive income and credited to the revaluation surplus in equity.

If the buildings and furniture and fittings were stated on the historical cost basis, the carrying values would be as follows:

Net book value		Buildings	Furniture and fittings
At 31 December 2014		<u>20,567</u>	<u>3,080</u>
At 31 December 2013		<u>21,254</u>	<u>2,441</u>
Revaluation reserve movement			
	Buildings Kshs. '000'	Furniture, fittings and equipment Kshs. '000'	Total Kshs. '000'
At 1 January 2014	57,817	1,051	58,868
Transfer of excess depreciation	<u>(2,141)</u>	<u>(117)</u>	<u>(2,258)</u>
At 31 December 2014	<u>55,676</u>	<u>934</u>	<u>56,610</u>

Work-in-progress:

This relates to the ongoing construction of an ultra modern multi-storey office park at the CPA Centre. The balance includes capitalised borrowing costs of at Kshs. 5,281,559 as at 31 December 2014 arising from specific borrowing for the project.

Notes For the year ended 31 December 2014 (Continued)

12. Investment property

	2014 Kshs. '000'	2013 Kshs. '000'
At January	21,000	16,000
Fair value gain	-	5,000
At December	<u>21,000</u>	<u>21,000</u>
Rental income from investment property	<u>5,439</u>	<u>5,159</u>

There were no direct operating expenses (2013: Nil).

Investment property value is based on the valuation carried out on 18th December 2012 (Level 2) 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.

Investment property is initially recognised at cost and subsequently carried at fair market value, based on periodic but at least triennial valuations carried out by external independent valuers.

13. Prepaid operating lease rental

Leasehold land:

		2014 Kshs. '000'	2013 Kshs. '000'
Cost	At January	5,478	5,478
	At December	<u>5,478</u>	<u>5,478</u>
Amortisation	At January	1,825	1,696
	Charge for the year	<u>130</u>	<u>129</u>
	At December	<u>1,955</u>	<u>1,825</u>
Net book value		<u>3,523</u>	<u>3,653</u>

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) .

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

Notes For the year ended 31 December 2014 (Continued)

14. Intangible assets

Software costs:

		2014 Kshs. '000'	2013 Kshs. '000'
Cost	At January	6,020	6,020
	At December	<u>6,020</u>	<u>6,020</u>
Amortization	At January	4,561	3,728
	Charge for the year	<u>677</u>	<u>833</u>
	At December	<u>5,238</u>	<u>4561</u>
Net book value		<u>782</u>	<u>1,459</u>
VAT recoverable on construction		<u>85,471</u>	<u>51,538</u>

15. Other receivables

The input VAT on construction shall be recovered from the output VAT on rental income. The recovery is expected to commence in the last quarter of 2015 when the ICPAK complex shall be ready to be occupied as per the revised construction completion date.

16. Investment in CPA Centre Limited

	2014 Kshs. '000'	2013 Kshs. '000'
Investment in CPA Centre Limited	<u>50</u>	<u>50</u>

17. Inventories

	2014 Kshs. '000'	2013 Kshs. '000'
IFRS Books	<u>3,792</u>	<u>1,762</u>

Notes For the year ended 31 December 2014 (Continued)

18. Trade and other receivables

	2014 Kshs. '000'	2013 Kshs. '000'
Subscription receivables	12,281	16,549
Less: Transfer to non-active category	(6,282)	(8,456)
Net subscription receivables	5,999	8,093
VAT recoverable on construction	3,132	-
Due from related party (Note 26)	55,916	55,665
Other receivables	24,523	21,212
Deposits and prepayments	5,154	2,045
Staff receivables	4,365	1,522
Prepayments for construction	-	5,019
	<u>99,089</u>	<u>93,556</u>

19. Cash and bank balances

Cash at bank and in hand	26,998	4,548
Short term bank deposits	<u>130</u>	<u>134,499</u>
	<u>27,128</u>	<u>139,047</u>

The weighted average effective interest rate on short term bank deposits at the year-end was 13.0% p.a. (2013: 7.0%).

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

Included in cash at bank balance is Kshs. 14,027,000 which relates to grant funds not yet utilised as at end of year, also classified as deferred grant income (note 9)

Notes For the year ended 31 December 2014 (Continued)

20. Designated fund

	Bursary funds Kshs '000'	Charity funds Kshs '000'	Total funds Kshs '000'
Year 2014:			
At start of year	5,000	688	5,688
Transfer from the general fund	<u>-</u>	<u>60</u>	<u>60</u>
At end of year	<u>5,000</u>	<u>748</u>	<u>5,748</u>
Year 2013:			
At start of year	5,000	85	5,085
Transfer from the general fund	<u>-</u>	<u>603</u>	<u>603</u>
At end of year	<u>5,000</u>	<u>688</u>	<u>5,688</u>

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

Surplus/(deficit) arising from social responsibility activities undertaken are transferred from the general funds to the charity fund.

21. Retention on construction

	2014 Kshs. '000'	2013 Kshs. '000'
Retention in construction on work certified	<u>58,981</u>	<u>34,371</u>

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

Notes For the year ended 31 December 2014 (Continued)

22. Borrowings

	2014 Kshs. '000'	2013 Kshs. '000'
Standard Chartered Bank	191,300	-
The borrowings are analyzed as follows:		
Current portion	51,982	-
Non-current portion	139,318	-
	191,300	-

Borrowings relate to a construction loan from Standard Chartered Bank in September 2014 amounting to Kenya shillings 425 million for part financing of construction of the ICPAK Complex in September 2014. The loan is secured by a fixed charge over the ICPAK complex with tenure of 10 years and interest at 14% on the amounts drawn down as per the contractor's certificates. The facility is repayable quarterly with a moratorium of 1 year for the principal.

As at 31 December 2014, a total of Kenya Shillings 191.3 million had been drawn down and continues to accrue interest at an interest rate of 14%.

23. Trade and other payables

	2014 Kshs. '000'	2013 Kshs. '000'
Trade payables	32,450	20,029
Other accruals	20,440	17,257
Advance receipts	4,904	3,683
Payables for construction	-	13,413
Rental deposit	841	841
Due to related parties (Note 26)	459	459
Rent received in advance	-	2,719
Pan African Federation of Accountants	9,242	-
FiRe award fund	1,040	93
	69,376	58,494

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

24. Advance subscriptions

	2014 Kshs. '000'	2013 Kshs. '000'
Advance subscription	26,246	33,820

Notes For the year ended 31 December 2014 (Continued)

25. Financial assets and liabilities

Fair value hierarchy

The Institute specifies hierarchy of valuation techniques based on whether the inputs to those valuations techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Institute's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets and liabilities. This level includes equity securities and debts instruments on Nairobi Securities Exchange

Level 2 - Inputs other than quoted prices included in within level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debts instruments with significant unobservable components.

This hierarchy requires the use of observable markets data when available. The Institute considers relevant and observable market prices in its valuations where possible.

The table below shows analysis of financial instruments recorded at fair value by level of fair value hierarchy.

	Level 1 Kshs. '000'	Level 2 Kshs. '000'	Level 3 Kshs. '000'
At 31 December 2014			
Financial assets			
Investment property	-	21,000	-
Subscription receivables	-	5,999	-
Other receivables	-	178,561	-
Cash at bank	27,128	-	-
Gross financial assets	27,128	205,560	-
Financial liabilities			
Borrowing	-	191,300	-
Trade and other payables	69,376	-	-
Advance subscriptions	26,246	-	-
Gross financial liabilities	95,622	191,300	-

Notes For the year ended 31 December 2014 (Continued)

25. Financial assets and liabilities (continued)

	Level 1 Kshs. '000'	Level 2 Kshs. '000'	Level 3 Kshs. '000'
At 31 December 2013			
Financial assets			
Investment property	-	21,000	-
Subscription receivables	-	8,093	-
Other receivables	-	131,982	-
Prepayment for construction	5,019	-	-
Cash at bank	139,047	-	-
Gross financial assets	<u>144,066</u>	<u>161,075</u>	<u>-</u>
Financial liabilities			
Borrowing	-	-	-
Trade and other payables	58,494	-	-
Advance subscriptions	33,820	-	-
Gross financial liabilities	<u>92,314</u>	<u>-</u>	<u>-</u>

26. Related party transactions

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

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

i) Due from related parties

	2014 Kshs. '000'	2013 Kshs. '000'
Due from KCA University (Note 18)	<u>55,916</u>	<u>55,665</u>

The increase during the year 2014 is attributed to shared services paid for by the Institute which costs had not been fully recovered as at year end.

ii) Due to related parties

	2014 Kshs. '000'	2013 Kshs. '000'
Due to KCA University (Note 23)	459	459
Due to CPA Centre Limited	50	50
	<u>509</u>	<u>509</u>

Notes For the year ended 31 December 2014 (Continued)

26. Related party transactions (continued)

There are no impairment provisions held against any related party balances (2013: Nil).

No interest has been charged against any related party balances (2013: Nil).

iii) Key management compensation

	2014 Kshs. '000'	2013 Kshs. '000'
Salaries and other short term benefits	17,482	12,579
Post employment benefits	<u>1,461</u>	<u>814</u>
	<u>18,943</u>	<u>13,393</u>

Related party event after the reporting date

ICPAK-KCAU-Maarifa partnership: At the Special General Meeting of ICPAK held on 11 March 2015, ICPAK members approved ICPAK-KCAU-Maarifa partnership. The partnership allows KCA University (KCAU) to enter into a long-term strategic partnership with Emerging Capital Partners (ECP) and Maarifa Education Holdings (Maarifa).

ICPAK and its members are not required to make any financial investment or commitment to KCAU or KCA Education (KCAE). KCAE is the new service company that was created to provide ongoing services to KCAU. ICPAK negotiated to own 25% of the ordinary share capital of KCAE in recognition of its role as Sponsor and its expected ongoing strategic support and input.

ICPAK and Maarifa will control KCAE jointly with a ratio of 25%:75% shareholding respectively. The principal role of KCAE is to undertake all non-academic (non-degree-focused) operations and financial services for KCAU. KCAE will manage non-academic functions such as enrolment management, marketing, accounting and financial management.

27. Staff costs

	2014 Kshs. '000'	2013 Kshs. '000'
Salaries and wages	111,719	116,986
Medical expenses	8,186	5,833
Pension costs	5,596	5,144
Group life	2,767	1,398
Leave allowances	767	712
Other staff costs	705	1,695
Subscriptions	227	570
Recruitment costs	<u>3,918</u>	<u>160</u>
	<u>133,885</u>	<u>132,498</u>

28. 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.

29. 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 was expected to be completed in April 2014. The project architects have reviewed progress on work a pegged the revised completion date to September 2015.

	2014 Kshs. '000'	2013 Kshs. '000'
Total commitments	950,000	950,000
Paid towards the construction and included in work-in-progress	(695,428)	(392,800)
	<u>254,572</u>	<u>557,200</u>

30. Contingent liabilities

Three legal suits have been filed in court against the Institute by former staff alleging wrongful dismissal. These matters arose in the year 2014 and the Institute instructed its lawyers to respond. One matter is at the mention stage while the other two are at the hearing stage. The likely outcome could not be determined as at the date of signing these financial statements as the matters were in the preliminary stage.

31. Comparatives

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

Notes

[illegible]

Notes



**ICPAK
UNIVERSITY
SCHOLARSHIP**

HELP OTHERS REACH THEIR PEAK- ICPAK SCHOLARSHIP SCHEME

The Institute of Certified Public Accountants of Kenya (ICPAK) will award merit based scholarships that would enable bright young students from financially disadvantaged families to pursue their dreams. ICPAK plans to sponsor 3 scholars every year to enjoy a full 4-year university education in the field of Accounting and Finance.

Appeal: You can support the Scholarship Fund by making a donation or adopting a scholar. To donate or adopt a scholar please log on to our website www.icpak.com



ENJOY THE BEST OF TWO CONTINENTS

ICPAK membership requirements for ICAEW members

ICPAK membership will be open to appropriately qualified ICAEW members subject to:

- Passing the Kenya Accountants and Secretaries National Board's (KASNEB) examinations in Advanced Tax and Company Law. To facilitate the above, ICPAK will grant credit to appropriately qualified ICAEW members for the sixteen KASNEB examinations relating to ICPAK membership with the exception of the two papers above.

- On account of well structured practical work framework, ICPAK shall grant ICAEW members credit for experience and skill development requirements for membership.

To facilitate the above, ICAEW will grant credit to appropriately qualified ICPAK members for all papers of ICAEW's Professional Stage examinations but excluding advanced level papers.

The agreed framework under the Memorandum of Understanding provides the platform within which a Kenyan professional accountant can obtain membership in the ICAEW and vice versa. The memorandum of understanding has however precluded granting of audit or practising rights to professionals from either side. Discussions into this area are underway with an expectation to conclude the discussions in the near future.

In specific terms, the memorandum of understanding provides the framework to enable appropriately qualified members of either Institute to join the other institute by receiving appropriate credit for their existing accountancy qualification.

ICAEW membership requirements for ICPAK members

ICAEW has agreed that appropriately qualified ICPAK members will be eligible to apply for ICAEW membership subject to:

- Passing three (3) ICAEW's Advanced Stage examinations on Technical integration Business Change, Technical Integration Reporting and a Case Study based paper;

- Completing a minimum of three years' work experience, including 450 days' of Technical Work Experience (TWE), within a mutually agreed Authorized Training Employer (ATE).

- Verification by the ATE of the completion of Initial Professional Development requirements in accordance with International Education Standards number 2, either through previous development gained at the ATE or through development after the commencement of Chartered Accountant training.

ANNUAL REPORT 2014

Members of the Council

Chairman
CPA Benson Okundi

Vice Chairman
FCPA Fernandes Barasa

Council Members
FCPA Pius Nduatih
FCPA Julius Mwatu
CPA Wycliffe Shamiah
CPA Geoffrey Malombe
CPA Rashid Khamis MBS
CPA Obare Nyaega
CPA Rose Mwaura
CPA Susan Oyatsi
Ms. Damaris Kimosop

Editorial Team
CPA Dr. Patrick Ngumi (PhD)
Chief Executive
(Chief Editor)

Editorial Committee

CPA Francis Ngari
Chief Manager, Finance & Strategy
(Editorial Chairman)

Stanley Njoroge
Manager, Communications
(Review Editor)

CPA Daniel Mugo
Manager, Finance
(Member)

CPA Alice Onono
Manager, Planning
(Member)

Elsie Nyambura
Manager, Facilities
(Member)

Anne Njagi
Executive Assistant
(Member)

Eddie Concepts
Design & Layout



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