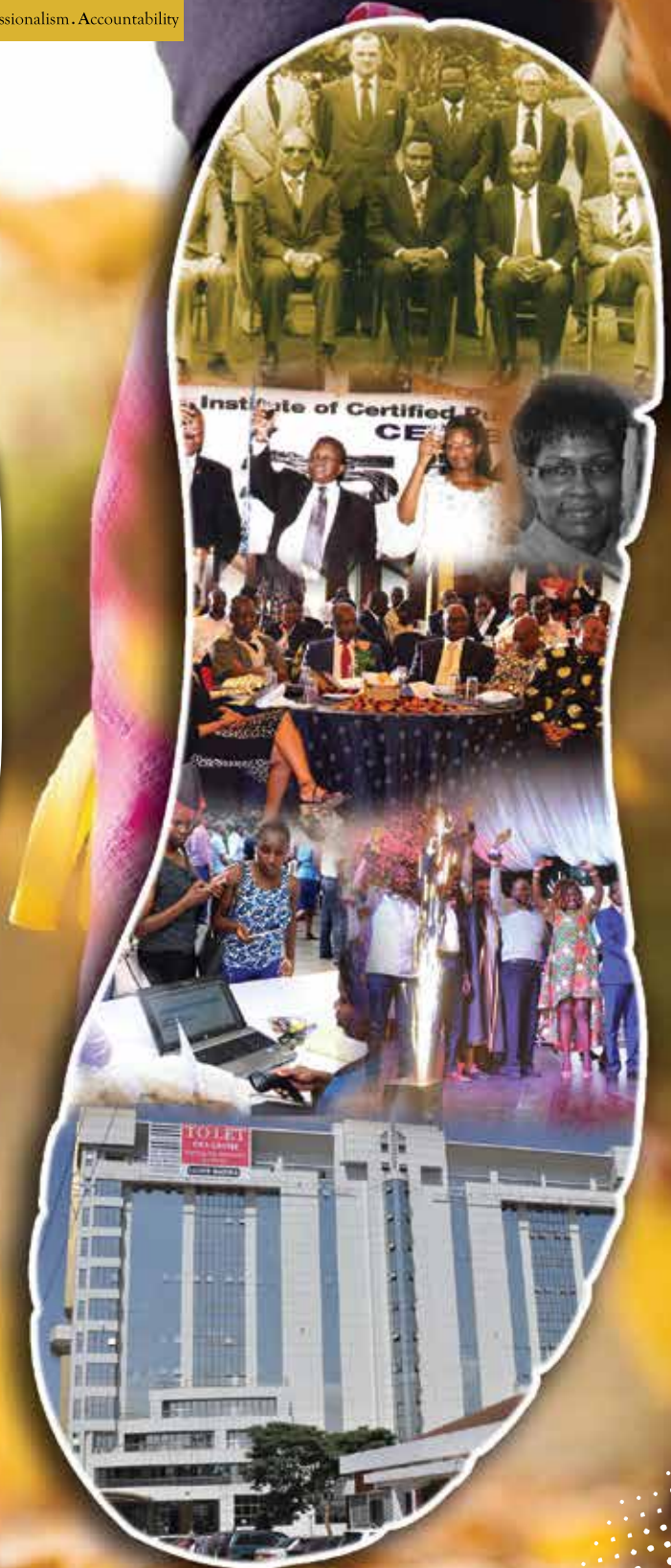




A NEW DAWN AT

40

Annual Report 2018



Foreword

Since it is often said that *"life begins at 40"*, the Institute marked its 40th anniversary in 2018 by reflecting on its past and renewing its promise to members and stakeholders. The 40th anniversary gala dinner coincided with the 5th Chairman's Ball which recognised contributions made by past and present leaders to the profession.

2018 was also one of the most memorable years that the Institute has experienced over its 4 decades journey. The year witnessed review and amendments to the Accountants Act, 2018. The amendments were contained in the Finance Bill, 2018 which was passed by Parliament and assented to law by the President in September 2018. The amendments enhanced accountancy regulatory framework through expanding definition of 'an accountant', introducing trainee category, enhancing penalties and fines for non-compliance and provision of a remuneration order. These amendments heralds a new dawn to the accountancy profession to the users of accountancy services and the public.

The year also witnessed the end of 2016-2018 strategic planning cycle. During implementation, the Institute recorded major milestones across the four pillars of the Strategic Plan namely: Customer focus; Regulating the accountancy profession; Thought leadership and Institutional sustainability. In the same year, the Institute formulated and adopted a new Strategic Plan (2019-2021) that is expected to reposition the Institute as influential voice on the accountancy profession and public interest matters. The strategy has been recalibrated to address issues of regulation, positioning, sustainability and enhanced customer experience focus in the next three years.

From a financial front, the Institute continues to exhibit resilience in its growth trajectory amid tough economic times. In 2018, the Institute recorded commendable growth in net surplus, from KSh 18.3 Million in 2017 to KSh 28.3 Million in 2018. There was also growth in new members, among other key performance parameters.



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Quick Overview





1.

Growing Professional Membership

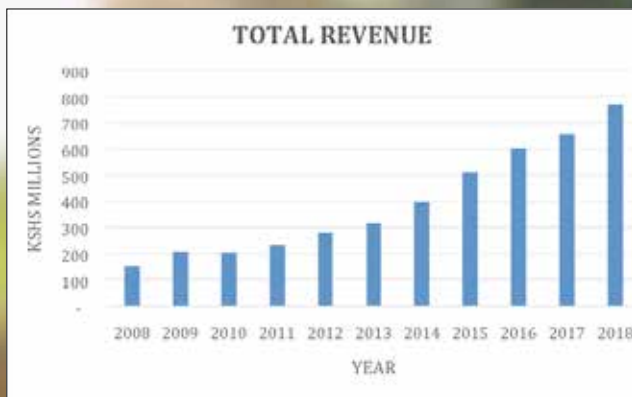
During the year, the Institute registered 2,891 members. Full membership increased to 18,780 while associate membership increased to 1,830. Overall, the total active membership increased to 20,610.



2.

Total Revenue Trend

2018 saw the Institute's revenue grow to KShs. 791.7 million up from KShs. 679.9 million in 2017. Subscription and CPD events remain the main revenue streams contributing 28% and 65% respectively of the total revenue.



3.

Surplus Perspective

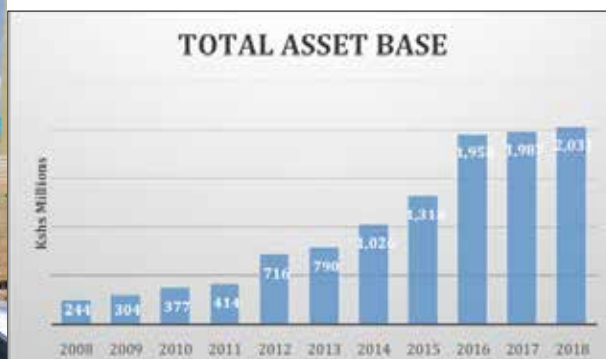
In 2018, the Institute achieved a surplus of KShs. 28.3 million translating to 54% growth from the previous year. The continued growth in surplus is attributed to the good stewardship, consistent membership growth, growth in revenue from CPD events and thrift financial management.



4.

Total Assets

The Institute continued to realize growth in its total assets. The CPA Centre building remains the major asset of the Institute.



CPA Centre building

5.

CPD Trainings

ICPAK conducts CPD trainings to promote and develop professional competence and to uphold public interest. During the year, the Institute conducted over 185 trainings in 2018. The events centered on various issues including accountancy professional standards, corporate governance and ethics, taxation among others.



Delegates at the Premier Public Finance and Tax Conference in Mombasa, November 2018.

6.



National Presence

ICPAK remained vigilant and true to its mandate of advising on financial accountability. Through thought leadership, the Institute engaged with the County and National Government, Parliament, accountability institutions and the media on matters of public interest.

ICPAK paid a courtesy call to the Leader of Majority's office. From left: ICPAK CEO CPA Edwin Makori, Leader of Majority in the National Assembly Hon. Aden Duale, CPA Rose Mwaura a council member, ICPAK Chairman FCPA Julius Mwat, CPA Hussein Hassan and CPA Abdalla Abdi who serve the North Eastern Branch.

7.

Global Leadership

ICPAK is a member of International Federation of Accountants (IFAC) and Pan-African Federation of Accountants (PAFA). As such, it prides itself as a key contributor to events and activities of IFAC and PAFA. The Institute has representatives in the IFAC board and Committees namely; International Accounting Education Standards Board (IAESB), Small and Medium Practices (SMP) Committee and IFAC Nominating Committee. The Institute also has representatives in the PAFA board. As a confirmation of the Institute's leadership role within the region, IFAC granted ICPAK and ACCA a consultancy to help other Professional Accountancy Organizations (PAOs) in Africa to improve their ICT infrastructure. In its endeavor to maintain its global leadership and in line with its vision to be a World Class Professional Accountancy Institute, ICPAK continued to engage other global institutions for MRA and MoUs.



ICPAK Chairman FCPA Julius Mwatu (second from left), Cabinet Secretary for Sports, Culture & Heritage (Then CS for Education) - Amina Mohamed (third from left), ICPAK CEO CPA Edwin Makori (fifth from left), CMA CEO Paul Muthaura together with other IAESB delegates during the IAESB meeting in 2018.

8.

Accountancy Professional Regulation

As the regulatory governing body, ICPAK has the responsibility to promote, review and enforce high standard of service and performance. The Institute assists members to attain professional requirements and meet their compliance obligation, through training on Professional Development, Audit Quality Assurance (AQA) and Disciplinary Process.



9.

People

The profession endeavours to have a positive social impact through its commitment to serving people's interest. This is driven by ICPAK appreciation of the surrounding communities. In 2018, the Institute continued to support various CSR activities such as scholarships to needy students, participating in environmental conservation efforts and donation to institutions.



ICPAK staff addresses students at the Star of the Sea High School during a mentorship session.

10.

Institutional Strengthening

ICPAK continues to invest in its human capital through capacity building. This has been achieved through training programs to the secretariat. This has enabled the Institute to effectively and efficiently serve its members and other stakeholders.



ICPAK risk champions pose for a photo during a retreat in Machakos in 2018.





Key Highlights





About Us

Institute of Certified Public Accountants of Kenya (ICPAK)

The Institute of Certified Public Accountants of Kenya (ICPAK) is the statutory body of Accountants established in 1978 and draws its mandate from the Accountants Act No. 15 of 2008. The Institute is mandated to develop and regulate the Accountancy Profession in Kenya. It is also a member of the International Federation of Accountants (IFAC), the global Accountancy umbrella body and Pan African Federation of Accountants (PAFA).

ICPAK STRATEGIC DIRECTION

ICPAK STRATEGIC PLAN - 2019-2021

Vision Statement

A world class Professional Accountancy Institute.

Mission Statement

Develop, promote and regulate the accountancy profession to meet international standards and safeguard public interest

Credo

Credibility Professionalism Accountability

Core Values

Credibility: We resolve to promote high ethical standards in accounting practice and reinforce our mandate of championing public interest.

Professionalism: We maintain a high level of knowledge, skills and standards as we provide excellent services to our members and stakeholders.

Accountability: We are obliged to account for our activities, accept responsibility for our actions and conduct our operations in a transparent manner.

Inclusivity: We recognize and honour the fundamental value and dignity of all individuals, through forming and maintaining an environment that respects diverse traditions, heritages, and experiences.

Functions of the Institute

Appended here-below are the functions of the Institute:

- (a) Promote standards of professional competence and practice amongst members of the Institute;
- (b) Promote research into the subjects of accountancy and finance and related matters, and the publication of books, periodicals, journals and articles in connection therewith;

- (c) Promote the international recognition of the Institute;
- (d) Advise the Examinations Board on matters relating to examinations standards and policies;
- (e) Advise the Minister on matters relating to financial accountability in all sectors of the economy;
- (f) Carry out any other functions prescribed for it under any of the other provisions of this Act or any other written law; and;
- (g) Do anything incidental or conducive to the performance of any of the preceding functions.

The Role of the Council

The Council is the governing body of ICPAK and is responsible for the overall governance of the Institute. 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 for Finance of whom one is drawn from the Ministry for Finance and the other from a profession other than the Accountancy and represents users of accounting services. One Council member represents the Capital Markets Authority, a body charged with the regulation and development of the Capital Markets in Kenya. One other member of the Council is nominated by the Kenya Accountants and Secretaries National Examination Board (kasneb) a body charged with overseeing and administering professional accountancy examinations in Kenya.

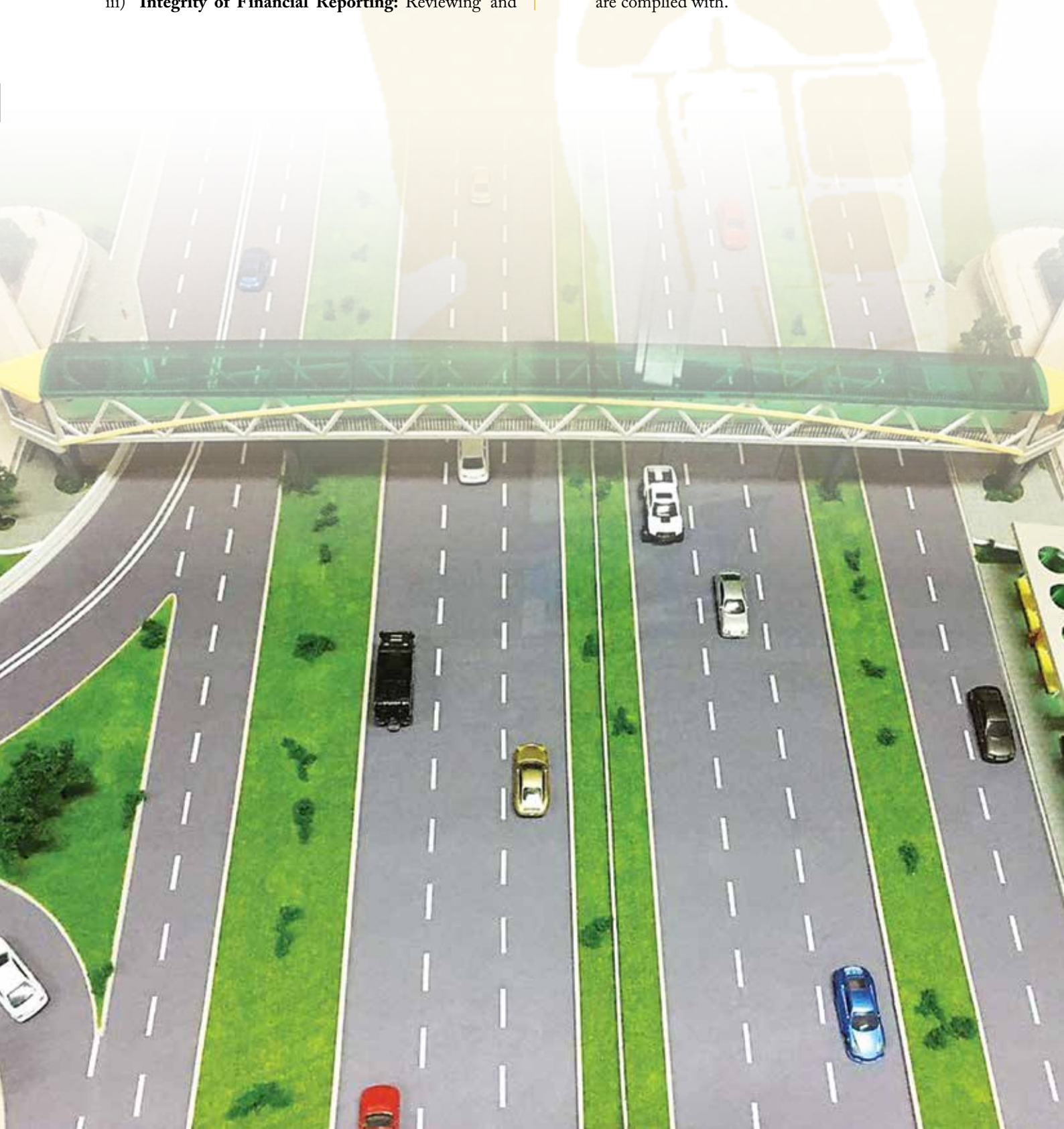
Roles of Council as stipulated in the Accountants

Act include:

- i) 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;
- ii) Issuing by-laws, regulations and guidelines to govern matters affecting the operations of the Institute.

Other functions and roles of the Council include:

- i) **Strategic Leadership:** Approving, monitoring and guiding the implementation of the Institute's Strategic plan;
- ii) **Performance Evaluation:** Setting performance targets and reviewing of the Institute's results so as to ensure the achievement of the operational plans;
- iii) **Integrity of Financial Reporting:** Reviewing and monitoring controls, policies and procedures put in place to ensure integrity in the Institute's accounting records and financial statements.
- iv) **Risk Management and Compliance:** Monitoring and reviewing the policies and procedures put in place by the management to ensure that various risks facing the Institute are effectively mitigated and various regulatory and legislative requirements are complied with.



NOTICE OF THE 41ST ANNUAL GENERAL MEETING

NOTICE AND AGENDA OF THE 41ST ANNUAL GENERAL MEETING OF THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA TO BE HELD ON FRIDAY THE 7TH JUNE 2019

NOTICE IS HEREBY given that in accordance with paragraph 5 (1) and (2) of the First Schedule of the Accountants Act, No. 15, 2008, that the 41st Annual General Meeting of the Institute of Certified Public Accountants of Kenya will be held on Friday, 7th June 2019 from 10.30 a.m. at the Safari Park Hotel, 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 40th Annual General Meeting and to consider matters arising there from.
4. To receive and adopt the Council Report for the year 2018.
5. To receive, consider and approve the Annual Report and Financial Statements of the Institute for the year ended 31st December 2018 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 2019 and authorize the Council to fix the remuneration of the Auditor.
7. To confirm the election of Council Members in accordance with the Institute's Election Regulations.
8. A.O.B (To be received not later than Friday 24th May 2019).

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 which is attached to this notice must be duly completed by the member and must be deposited with the Secretary to be received not later than 10.30am on Friday 31st May 2019.



CPA Edwin Makori - ICPAK
Chief Executive Officer and Secretary to Council





Messages from Chairman and CEO

A full-length portrait of two men standing side-by-side against a grey, textured studio backdrop. The man on the left, FCPA Julius Mwatu, is wearing a light grey suit, a white shirt, a dark tie, and glasses. He has his hands clasped in front of him. The man on the right, CPA Edwin Makori, is wearing a dark grey suit, a white shirt, and a patterned tie. He has his hands in his pockets. A director's chair is partially visible on the left side of the frame.

FCPA Julius Mwatu
Chairman

CPA Edwin Makori
Chief Executive Officer



As the Institute enters its 41st year of operations, it has been my privilege to have been at the helm of the Institute's leadership at this crucial point of its history.

My sincere thanks to ICPAK founders, successive leadership and distinguished members for engineering the Institute from a nondescript entity in 1978 to a prominent professional titan in 2018, and for giving me an opportunity to serve as the 22nd Chairman.

It is my great pleasure to present my second and final Chairman's Statement to you the members of the Institute. On behalf of the Council, I also present the Annual Report and Audited Financial Statements for the Financial Year ended 31st December 2018.

Institute's Council Affairs

Following competitive elections in June 2018, the Council welcomed on board, CPA Anne Wangeci upon her successful election. At the same time CPA Samuel Okello was re-elected for a second and final term as a Council Member. This process confirmed our democratic legacy which is deeply entrenched in our professional philosophy, observances, practices and traditions. I am greatly indebted to my Council Members who continue to provide support and insights in a collegial and communal environment full of trust, forbearance, fortitude and contentment. I keep deriving my satisfaction through their acumen, judgement, intelligence, magnanimity and team work. The planning period also heralded a major milestone that was achieved through the amendments to the Accountants Act No. 15 of 2008.

2018 FiRe Award Edition

The 17th edition of Financial Reporting (FiRe) Award 2018 was successfully concluded with the FiRe Award Conference on 15th November 2018 and the Gala Dinner and Award Ceremony on 16th November 2018 respectively. A total of 96 private sector entries and 506 public sector entities were received and evaluated. The total number of 612 entries represents a 25% increase from the previous year where 456 entries were reviewed and evaluated. The overall winner of the 17th edition of FiRe Award was Sameer Africa; winners of the award for the second time running. The prestigious award is chaperoned by Capital Markets Authority (CMA), Nairobi Securities Exchange (NSE), Public-Sector Accounting Standards Board (PSASB) and ICPAK.

ICPAK Fellowships

In accordance with Section 4 of the Accountants Act No. 15 of 2008, ICPAK awarded three Fellowships and 16 Commendations during the 5th edition of Chairman's Ball held on 7th December 2018. The event was graced by ICPAK Chairman FCPA Julius Mwatu, and ICPAK past Chairmen among other dignitaries.

High Level-Engagements

During the reporting period, ICPAK carried out high level-engagements with several entities that climaxed with the execution of the following activities: the International Accounting Education Standards Board (IEASB) meeting held in Kenya and jointly hosted by ICPAK and kasneb. This was the first time that such a meeting was being held

in Kenya. The Institute held consultative meetings with the National Assembly, Kenya Revenue Authority (KRA), Office of the Controller of Budget, Office of the Auditor General and the Senate.

During the same period, ICPAK held meetings with the following county governments; Busia, Vihiga, Taita Taveta, Laikipia, Nakuru, Kisumu, Nyeri, Meru among others. During these visits, issues of mutual concern ranging from legislation, regulation of the profession and collaboration to strengthen systems of internal controls to achieve greater accountability were discussed.

Membership Focus

Membership focus remains key element in the Institute and through the years, we have put in place mechanisms geared towards making membership to ICPAK a rewarding experience. The Institute is cognizant of the role of young accountants and hence continue to encourage them join the profession.

The increased customer focus has resulted in recruitment of additional new members as follows: 2,423 full members and 468 associate members. This brings the total number of registered active members to 20,610. At the same time, 79 members were issued with practicing certificates bringing a total number of practicing members in Kenya to 1,220.

Branch Network

During the year, the Institute opened six physical branches that are expected to serve our members in the following regions: Kisumu office serves Nyanza region; Kakamega office serves Western region; Machakos office serves Eastern region; Eldoret office serves North Rift region, Nyeri branch serves Mt. Kenya region; and Nakuru office serves Central Rift region.

Partnerships

kasneb

The Institute of Certified Public Accountants of Kenya signed a memorandum of understanding with kasneb that paved way for the roll out of Trainee Accountants Practical Experience Framework (TAPEF). This programme will help aspiring accountants to fulfill the practical experience required for all aspiring trainee accountants. It will enable them to seamlessly know practical aspects of the profession the moment they register for CPA exams. This development is in line with the International Education Standards, IES 5 issued by International Federation of Accountants (IFAC), which obligates PAOs to ensure practical aspects are ingrained within the Accountancy syllabus.

Safaricom

The Institute of Certified Public Accountants of Kenya (ICPAK) signed an MoU with Safaricom to establish a framework for collaboration aimed at growing the Small and Medium Practitioners (SMP) market segment providing access to services designed for the SMP sector by Safaricom.

CSR Activities

As a corporate citizen, ICPAK undertook several CSR activities during the year. Donations were made to needy institutions creating a positive impact. These institutions included among others; children of Mama Fatuma Children's Home and the boys of Wana Wa Mola Rescue Centre. Charity golf tournaments to raise funds for the ICPAK Accounting & Finance Scholarship program were held in Mombasa and Nairobi. By year end, the Scholarship had supported 7 students of whom 2 graduated and 5 are in their 3rd year of university.

Amendments to the Accountants Act

The Finance Act, 2018 introduced significant amendments to the Accountants Act No 15 of 2008. Accountancy is now defined to include practice in accounting, financial reporting, control systems, systems auditing, auditing, assurance, forensic accounting and auditing, finance, financial management, public finance management, taxation, financial risk management, management accounting and advisory services related thereto. This revised definition recognizes the growth in Accountancy over the years and extends the regulation of the profession to emerging areas.

Students intending to pursue Accountancy examinations administered by kasneb will be required to register with the Institute prior to sitting the examinations. The Examinations Board will now, prior to registering a person to undertake any Accountancy examinations, require that the person be registered as a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

The person, after registering with the Institute and the Examinations Board will then be referred to as a trainee accountant. The amended Act defines a trainee accountant as a person registered by the Examinations Board and who has commenced professional accountancy education or training or is practicing accountancy as part of initial professional development required for qualification as an accountant. The trainee accountant will also be subjected to practical training by the Institute before completing their examinations. The new requirement is in tandem with IAESB standards issued last year. The standards prescribe the pre-qualification and post-qualification requirements for aspiring and qualified accountants.

Cabinet Secretary to Prescribe Remuneration Order

The amended Act now empowers the Treasury Cabinet Secretary, on the advice of ICPAK Council, to prescribe a remuneration order. The Law provides that the Council shall, “prescribe the remuneration order for the accountancy profession with the approval of the Cabinet Secretary responsible for finance.” The Institute is confident that this provision will not only provide consistency and predictability among the practicing professionals but will insulate users of accountancy services from vagaries of unregulated fee regime.

Protecting Whistle Blowers

Accountants have been on the receiving end in the wake of never-ending graft related cases. They have been accused of being complacent and passive participants in these heinous economic crimes. To address this problem, the amendment provides a new section that protects Accountants from retaliation from employers and clients in case they detect and inform authorities on such malpractices.

Section 30 introduces several sub sections that give effect to this requirement. Subsection (2A) requires and obligates an accountant to observe the ethical guidelines and applicable standards in the discharge of duty. Subsection (2B) states that the ethical guidelines and applicable standards of the

accountancy profession shall take precedence over any instructions from a client or other person. While subsection (2C) insulates an accountant from any form of harassment, civil suit or being subjected to a disciplinary action for taking such actions or decisions or rejecting instructions from a client if such action, decision or rejection is in pursuance of the provisions of subsections (2A) and (2B).

Fines and Remedies

The amendments have enhanced fines to a new threshold. The Amendments enhanced these fines up to a maximum of KShs 2 million depending on the severity of professional misconduct.

Conclusion

The leadership of the Institute of Certified Public Accountants of Kenya believes these amendments present a new dawn for the Accountancy profession in Kenya. Following these amendments, Kenyan people can expect a more responsive, professional and expansive accountancy services from its members.



FCPA Julius Mwatu
ICPAK Chairman



CPA CENTRE

TO LET
CPA CENTRE
LLOYD MABIRA

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The Institute continues to progress the future of the accountancy profession through stability and growth. There is a widely held view that accountancy profession play an essential role in economic development of a country. Accounting is important in everyday life since investments, and profitability are key concepts in financial planning. Indeed, when professional accountancy institutions function in the proper manner, they possess the power to support in generation of high-quality financial information for decision making while contributing not only to public sector but also to the private sector as well as the national economic growth. Integrity is an important and fundamental element of the accounting profession and requires accountants to live beyond reproach.

Despite the hard-economic times, 2018 was an eventful year for the Institute with several significant milestones.

ICPAK@40

The Institute marked her 40th birthday whose theme was **ICPAK@40: Renewing the Promise**. The journey began way back in 1978 when our founding fathers recognized the need to have an accounting body that would regulate the profession as well as bring practitioners together for professional development. Today, ICPAK is a recognized voice beyond the regional borders. The celebrations started with a Members Open Day on 1st December 2018 with culmination of the 5th Chairman's Ball which was held on 7th December 2018. Chairman's Ball is an event where the Institute celebrates excellence and recognises individuals and organizations that have supported the profession in the year.

2019-2021 Strategic Plan

During the year, the Council approved the new Strategic Plan to guide 2019 – 2021 planning period. This was necessitated by the coming to an end of the previous 2016-2018 Strategic Plan. The Current Strategic Plan endeavors to ride on the achievements gained and lessons learnt during the previous strategic planning period. This planning cycle coincided with Institute's 40th Year anniversary which was marked in 2018 with pomp, renewed commitment and renewed enthusiasm. The new Strategic Plan will not only be challenging but also exciting given that it is being developed at a time of yet another milestone where Amendments to the Accountants Act were assented to law by the President in September 2018. The new Plan is largely informed by four pillars namely; Accountancy Development and Regulation, Positioning for Influence, Institutional Sustainability and Enhanced Customer Experience.

Human Resource

ICPAK has continued to recruit top-talent and has a robust team of staff with diverse skills which is key to achieving objectives. The year started on a high note where the Institute organized team-building activities for staff in February 2018. This was a moment of reflection and forward planning whereby the team learned strategies of working together effectively as well as appreciating each other's strengths and weaknesses.

CPD Events

In a rapidly changing environment, Continuous Professional Development (CPD) is the mechanism to ensure that accounting professionals are up to date in their field. At ICPAK, central to our current strategy is our commitment to ensuring the relevance and competitiveness of skill sets in the accounting workforce in Kenya. In 2018, the Institute delivered over 185 CPD training events with thousands of accountants attending. ICPAK diversified courses and seminars significantly in 2018 in response to the outcomes of members feedback.

The expansion of our training programme has seen the introduction of a number of well received topics and courses. Supported by the Training Department, the CPD programme continues to meet the needs of our diverse membership. The Institute has also developed a framework that allows members to update their CPD records and made the entire recording process as user friendly as possible. Our CPD monitoring system is currently providing a printable certificate to all seminars and courses attendees. This system also attaches certificates electronically to members' profiles as verifiable CPD records.

Technical Updates

The Institute started the year with the dawn of implementation of International Financial Reporting Standard (IFRS) 9. The implementation of this standard brought in far reaching implications on the classification, impairment and disclosures of financial instruments within organisations. The standard replaces the previously used IAS 39 with major effects to financial institutions having enormous financial assets due to their operations. IFRS 9 came with a new approach towards accounting for financial instruments, by ushering in the expected credit loss model as opposed to the incurred loss model as applied under IAS 39.

Due to the complexity of the new standard, a lot of effort was expended in creating awareness and sensitizing both members and institutions on the impact of the standard. Several sessions on IFRS 9 were held during CPD events especially the financial reporting seminars and workshops. In addition, IFRS 9 specific trainings for various sectors including the banking industry, the insurance sector, SACCOs, listed firms and the corporate sector were conducted.

Further to building capacity on IFRS 9, the Institute conducted trainings for other new standards recently released by the IFRS Foundation, including IFRS 15 on Revenue Recognition and IFRS 17 on Insurance

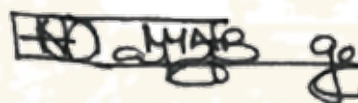
Contracts. IFRS 15 was effective 1 January 2018 while IFRS 17 is set for implementation effective 1 January 2022. The Institute also took part in the standard setting process through the presence of representatives to the annual standard setting conference in London in September 2018. This is addition to contribution to the new standards and review of existing ones by commenting on exposure drafts, discussion papers and consultation papers.

Technical guidance

To ensure uniform interpretation of the new IFRS 9 standard across the Kenyan market, the Institute released the IFRS 9 implementation guideline at the beginning of January 2018 which was well received across all sectors. This was followed by another guidance on the treatment of suspended interest vis-à-vis the Central Bank of Kenya Prudential guidelines in line with IFRS 9 adoption and implementation within the Kenyan market. The latter guidance was published in December 2018 and has been helpful to the financial services sector.

Conclusion

I would like to sincerely thank the Institute's Secretariat for their hard work and dedication, often above and beyond their limit. Their passion for the accounting profession is to be admired and it has been my distinct pleasure to serve with them. Our sponsors are crucial to the successful delivery of our services while they richly deserve the gratitude of the whole accounting community. I further express my gratitude to our volunteer members for freely giving up their time to serve on Council, committees, branches and chapters. I would like to sincerely thank you all on behalf of ICPAK and the accounting profession. I have no doubt that we will be able to steer ICPAK to greater heights as we endeavor to be a world class professional accountancy Institute.



CPA Edwin Makori
ICPAK Chief Executive Officer

Management Discussion and Analysis

Membership

The journey to the current membership has been a very interesting one stretching from the year 1978. On its inauguration, there were only 70 graduates who had completed the CPA exam awaiting to be registered by the Institute. However, four decades later, we celebrate having registered a total of 23,593 members by 2018. The exponential growth in membership is highly attributed to the retention strategies adopted by the Institute. They range from continuous monitoring and evaluation of customer satisfaction to engagement with members on service delivery. In the customer satisfaction survey conducted in 2018, the Institute attained 71%-member satisfaction index. Further, the average rating for the CPD events, held in the year was above 3.22.

On the other hand, the Institute initiated the process of creating a profile database for members in the last quarter of 2017. As at 2018, 16,776 members had updated their profiles representing 81% of the membership. The profiling of membership will go along way in enhancing the service delivery to members.

Revenue Growth

The year saw a 17% growth in membership compared to the previous year. In the year 2018, total revenue was KSh 792 million up from KSh 680 million in the year 2017. This growth was contributed by rigorous recruitment process,

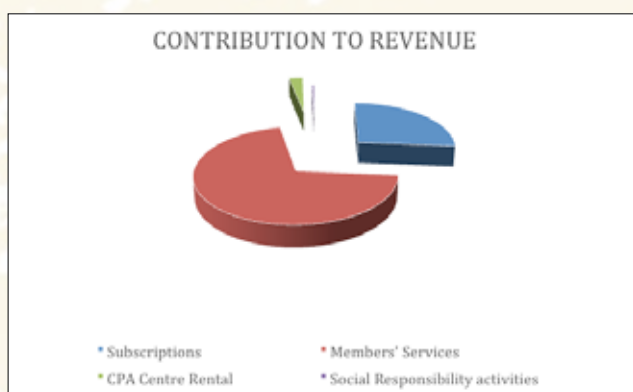
comprehensive and well researched CPD events and improved growth under business development. CPD events revenue grew from KSh 392 million in the year 2017 to KSh 514 million in the year 2018. Subscription income increased from KSh 218 million in 2017 to KSh 232 million while business development revenue grew from KSh 18 million in 2017 to KSh 34 million in 2018. Overall, member services income grew to KSh 548 million up from KSh 410 million. in 2017.

Through out the year, balance was maintained between cost, obligation and members needs. This contributed to the revenue growth. Further, the Institute continued to play its active role as a corporate citizen with increased CSR activities. This was made possible by marginal increase in revenue from KSh 1.9 million in the year 2017 to KSh 2.9 million in the year 2018.

On the other hand, gross rental income decreased from KSh 62 million to KSh 31 million in 2018. The decrease in rental revenue was highly impacted by exit of a key tenant and the slow space uptake of the CPA Centre. This is expected to change in future as the Institute embark on a rigorous marketing of the CPA Centre. So far, several organizations including government ministries, state department and agencies have expressed interest in taking up space at the Centre. With this, the Institute is optimistic that the rental revenue is bound to improve in the near future.

Operating Cost

Meeting the demands of increased membership has been one of the challenges faced by the Institute. In response, the Institute has come up with cost optimization strategies. Despite scaling up of the Institute operations, operating expenses grew marginally by 7%, to KShs 405 million, due to implementation of cost optimization measures. The year under review also saw a 23% increase in governance cost. This was attributed to increased meetings by the Council and its committees while discharging their duties. In the new Strategic Plan, the Institute continues to emphasize on cost effective ways of providing better services to customers.

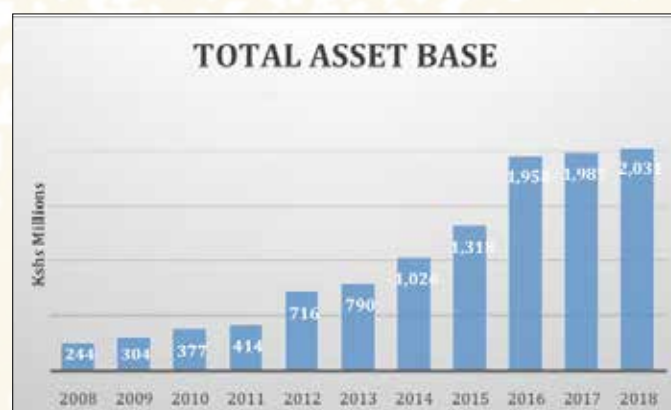
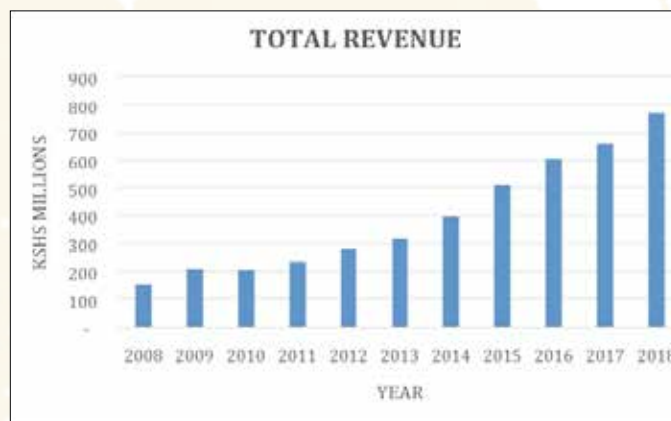
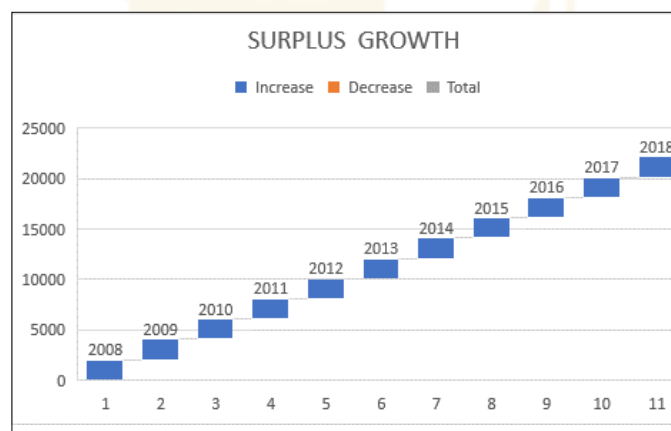


Surplus Enhancement

Surpluses are prerequisites for better service delivery to the membership and the future stability of the Institute. It is for this reason that the Institute endeavors to continually grow its surplus. In the year 2018, a surplus of KSh 28 million was realized compared to KSh 18 million in 2017. The implementation of the new Strategic Plan 2019-2021 is expected to propel the Institute to greater height.

Stakeholder Engagement

The Institute remained active in upholding public interest on matters governance and devolution. It continued to have collegial and productive dialogue with Parliament, National Treasury, Auditor-General's office, County Governments and the Office of Controller of Budget on a raft of issues touching on public finance, integrity and accountability.



Kenya Economic Outlook 2018

Sources: Kenya economic survey 2018; Oxford business group; World Bank resource; Kenya National Bureau of Statistics



Kenya's economy is market-based with a few state-owned enterprises. The country is generally perceived as Eastern Africa's hub for Financial, Communication and Transportation services. Major industries include: agriculture, forestry and fishing, mining and minerals, manufacturing, energy, tourism and financial services. According to the Economic Survey 2019, Real Gross Domestic Product (GDP) is estimated to have expanded by 6.3 per cent in 2018 compared to 4.9 per cent in 2017. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities.

Kenya's diverse economy forms a solid foundation from which the government generates economic growth. The continued political stability, improved business confidence and strong private consumption that are likely to support GDP expansion in 2019. However, a structural fiscal deficit and an increasing public debt continue to pose significant challenges.

The growth in economy is attributable to the recovery in agriculture, steady pick-up in industrial activity and continued robust performance of the services sector. Consequently, a sense of urgency surrounds the process of economic reform by which Kenya hopes to position as a globally competitive and prosperous nation by 2030.

Enhanced domestic purchasing power is supported by strong remittance inflows and improved rains which led to better harvests and lower food prices. Similarly, private sector investment is buoyed by improved investor confidence. Further, with low inflationary conditions, a stable exchange rate, healthy accumulation of reserves and a stable macroeconomic environment has been broadly supportive of the economic recovery. Nevertheless, with private sector credit growth remaining subdued at 4.3% this pick-up is being curtailed by limited access to credit, as well as headwinds from fiscal consolidation.

Global

For the first time since the global financial crisis, a broad-based rebound in the global economy is underway. Global economic activity continues to firm up with output strengthening expected to reach 3.9% in 2018 and 2019. This reflects improved domestic demand in advanced economies and China, accommodative financial conditions and improved performance in other emerging economies.

Political

In 2018, Kenya experienced relatively calm political environment. This provided a platform for growth in all sectors of economy particularly those that had been affected by political uncertainty. These includes Foreign Direct Investment (FDI), tourism industry, real estate and financial services. In addition, the country initiated political reforms that included strengthening constitutional offices, governance, fight against corruption, conducive business environment for entrepreneurs and financial sector reforms among others.

Devolution remains the biggest gain from the 2010 constitution, which ushered in a new political and economic governance system. It is transformative and has strengthened accountability and public service delivery at local levels.

Social

To address social issues facing the country, the government formulated the Big Four agenda focusing on manufacturing, universal health care, food security and affordable housing.

Towards attainment of Universal Health Coverage, social health protection schemes were expanded in 2018. This was to ensure Kenyans will have access to health insurance mainly through NHIF by 2022.

The government also targeted to deliver 500,000 low cost affordable housing units through budgetary allocations and partnerships with financial institutions, private developers, cooperatives and manufacturers of building materials.

National Housing Development Fund regulation was also formulated to guide the establishment of financing strategies for creating low cost housing units and associated social and physical infrastructure.

Manufacturing

Manufacturing sector plays a pivotal role in driving economic growth and development, job creation and poverty alleviation. This sector is poised to be a key driver in the realization of the Big Four Agenda. It is envisioned that a revamped manufacturing sector will contribute 15% to the Gross Domestic Product (GDP) by 2022 from 8.4% in 2017.

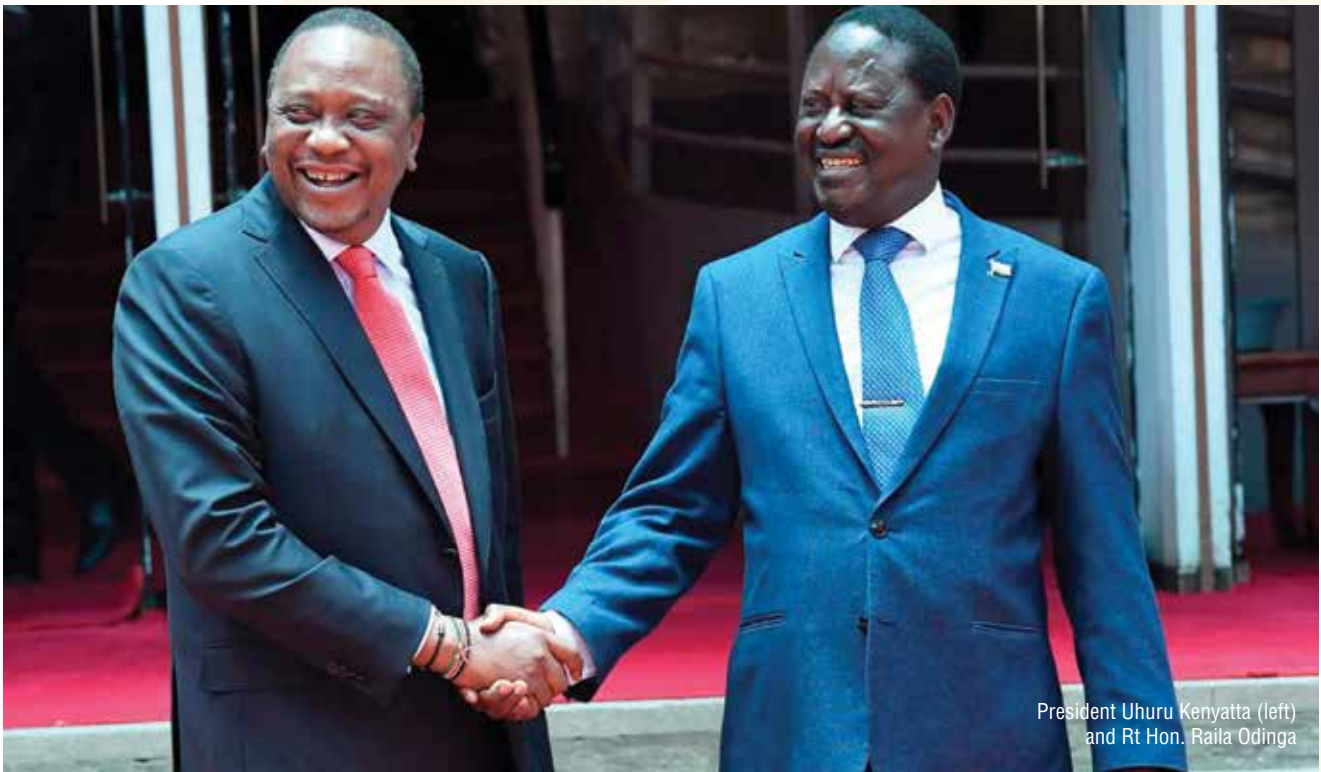
Food Security

The definition provided by the World Health Organization (WHO) states that Food Security is achieved “when all people, at all times have physical and economic access to adequate/sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” In Kenya, Article 43 of the Constitution stipulates that every citizen has a right to be free from hunger, and to have adequate food of acceptable quantity.

To enhance food productivity, the Government has initiated an economic growth trajectory outlined in the Big Four Agenda whose objectives include 34% increase in the average daily income of farmers, 50% reduction in the number of food insecure Kenyans and ensuring that Agriculture sector contributes 48% to the GDP.



“
Real Gross Domestic Product (GDP) is estimated to have expanded by 6.3 per cent in 2018 compared to 4.9 per cent in 2017. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities.



President Uhuru Kenyatta (left)
and Rt Hon. Raila Odinga

2018 Handshake

The March 9th handshake between President Uhuru Kenyatta and Rt Hon. Raila Odinga drew a line under Kenya's bruising election and left many people excited. The handshake brought with it a calm effect to the political storm that was taking a toll on Kenyan economy.

As a matter of fact, the handshake is considered to have contributed to the rebound of the Kenyan long-term benefit. This was evident just one day after the handshake, the shilling gained significantly against the dollar, notwithstanding the peace and tranquility that the country has experienced since then.



Eliud Kipchoge Breaks World Record

On, September 16th 2018, Kipchoge smashed the previous world record set by his compatriot Dennis Kimetto by a massive 1 minute and 18 seconds, clocking 2 hours, 1 minute and 39 seconds to retain his BMW Berlin Marathon title. It is argued that after winning nine of his last 10 marathons and running the fastest marathon ever, Kipchoge's goal of breaking the world record was always in sight.

US First Lady Melania Trump Visit to Kenya

US First Lady Melania Trump made a two-day visit to Kenya on invitation by her host H.E. First Lady Margaret Kenyatta. During their meeting at State House they focused on matters of health, especially the welfare of mothers and children, a subject that is close to the hearts of the two First Ladies.



KQ Direct flight from Nairobi to New York



Kenya's long-awaited journey towards direct flights from Nairobi to New York was finally achieved on 28th October 2018. This marked a significant milestone in the country's aviation industry. The 16-hour flight cuts the long hours

that passengers have had to endure through transit airports in different continents. This flight has opened market for Kenyan products such as flowers and vegetables in the US. Further, it will boost the tourism sector by reduced flight hours.

Source: www.blueeconomyconference.go.ke

President Uhuru Kenyatta addressing participants at the Sustainable Blue Economy Conference on 27th November 2018 in Nairobi.



Sustainable Blue Economy Conference

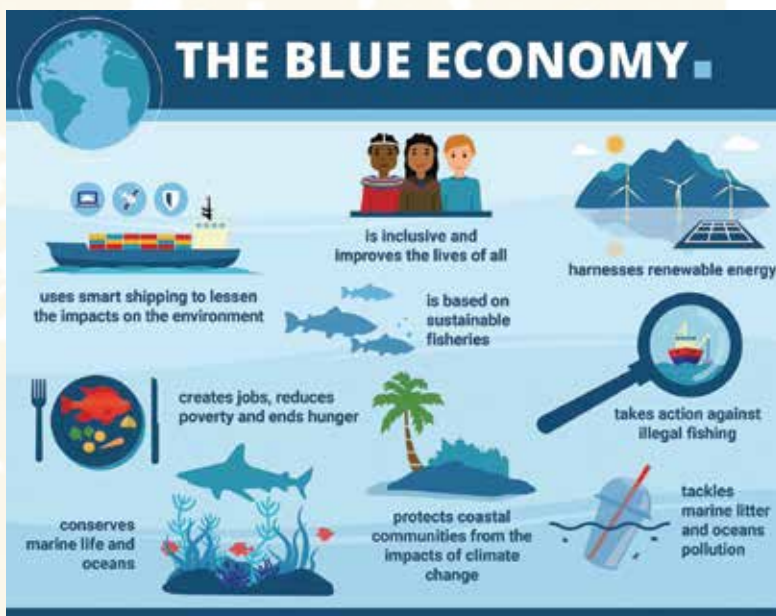
This is an emerging concept on better stewardship of oceans or ‘blue resources’. According to the World Bank, the blue economy is the sustainable use of ocean resources for economic growth, improved livelihoods, and job creation while preserving the health of ocean ecosystem. The

‘Blue Ocean’ concept was designed during the 2012 RIO + 20 Conference by Gunter Paoli. Throughout history, the oceans, seas, rivers and lakes have provided life and a livelihood.

The Inaugural Sustainable Blue Economy Conference was convened in Nairobi, Kenya and co-hosted by Japan and Canada between 26th and 28th November 2018.

The conference saw over 10,000 participants from over 180 countries. The participants included 7 Heads of State and Government, 84 Ministers, several Heads of International Organizations, Mayors, Governors, Public and Private Sectors, Community Leaders, the Civil Society, as well as Women and Youth Organizations. This was a moment where stakeholders would for three days deliberate on the opportunities and challenges which the blue economy concept presents.

While delivering his welcome message, H.E President Uhuru Kenyatta presented alternative that can augment achievements of the UN 2030 Agenda for Sustainable Development Goals. The conference therefore dedicated considerable attention on how oceans, seas, lakes and rivers can positively contribute to sustainable economic growth.





Left to Right: Pavan Sukhdev, President, World Wide Fund for Nature (WWF) International; Yannick Beaudoin, David Suzuki Foundation; Steve Fletcher, UN Environment Programme - World Conservation Monitoring Centre (UNEP-WCMC); François Soulard, Chief, Statistics Canada; Helen Agren, Ambassador for the Ocean, Sweden; Chantalle Clarke-Samuels, Coastal Zone Management Authority, Belize; and Moderator Lisa Svensson, Oceans Director, UNEP



Prof. Michieni Ntiba, State Department for Fisheries and Aquaculture and the Blue Economy, Kenya



Pakjuta Khemakorn, Department of Fisheries, Thailand



Keriako Tobiko, Cabinet Secretary, Ministry of Environment and Forestry, Kenya and Isabelle Berard, Ministry of Environment and Climate Change, Canada



Wallace Cosgrow, Minister for Environment, Energy and Climate Change, Seychelles

New Generation Currency



The Central Bank of Kenya launched the new generation currency on December 11, 2018, in accordance with Article 231(4) of the Constitution. The new look currency, in the spirit of inclusion, has features recognizable by visually impaired persons.

Under the new currency, KSh1 coin bears an image of a giraffe, KSh5 coin bears the image of a rhino, KSh10 coin the image of a lion, while the KSh20 coin bears the image of an elephant.



Demolitions in the Country

Article 62 of the Kenyan Constitution states that riparian land is public land and hence should not be allocated to anyone. It further states that all rivers, lakes and all land between high and low water marks are public land. Kenyan laws define riparian land as being a minimum of 6 meters and up to a maximum of 30 meters on either side of a river bank from the highest water mark. In 2018, structures were demolished that had been erected on riparian land. This demolition is expected to continue on illegally constructed properties.



Southend Mall demolished in 2018.

2018 Highlights in the Corridors of Justice



Land Mark Ruling Allows Auditor-General to Audit Security Agencies

The Auditor-General now has a free hand to audit billions of shillings annually allocated to the military and other national security organs. In the case of Transparency International (TI) Kenya vs Attorney General & 2 others [2018], the High Court declared Section 40 of Public Audit Act No. 34 of 2015 and others within the Act as inconsistent with constitutional provisions. Justice Chacha Mwita declared the entire section unconstitutional, which required the Auditor-General “to hold an inception meeting at the highest level to agree on areas on national security and determine the appropriate audit approach to ensure confidentiality of information.” The section further states that auditors “shall be vetted by authorised government vetting agency” and that “auditor reports on national security organ may be redacted to shield identities of persons as well as assets and liabilities.” Justice Mwita ruled that the section, together with eight others, interfered with

the independence of the constitutionally established Office of the Auditor-General.

The referred sections include 4(2), 8, 12, 17(1), 18, 27, 40, 42 and 70, which he observed would cripple the powers and functions of the auditor general and against national values and principles set out in the Constitution. “In conclusion, these sections were to curtail powers rather than enhancing the authority of the Auditor-General,” he ruled. In his ruling, Justice Mwita declared some sections and parts of others unconstitutional. He also observed that the Auditor-General’s office was created in the 2010 Constitution and Parliament cannot purport to amend it to make it its creature, as stated in Section 4(2) of the Act. The section stated that the office of the Auditor-General and his staff were to be appointed by the Public Service Commission which is constitutionally empowered to establish and abolish offices in the public service.



Governance





Governance Structure

Governance: Council and its Committees

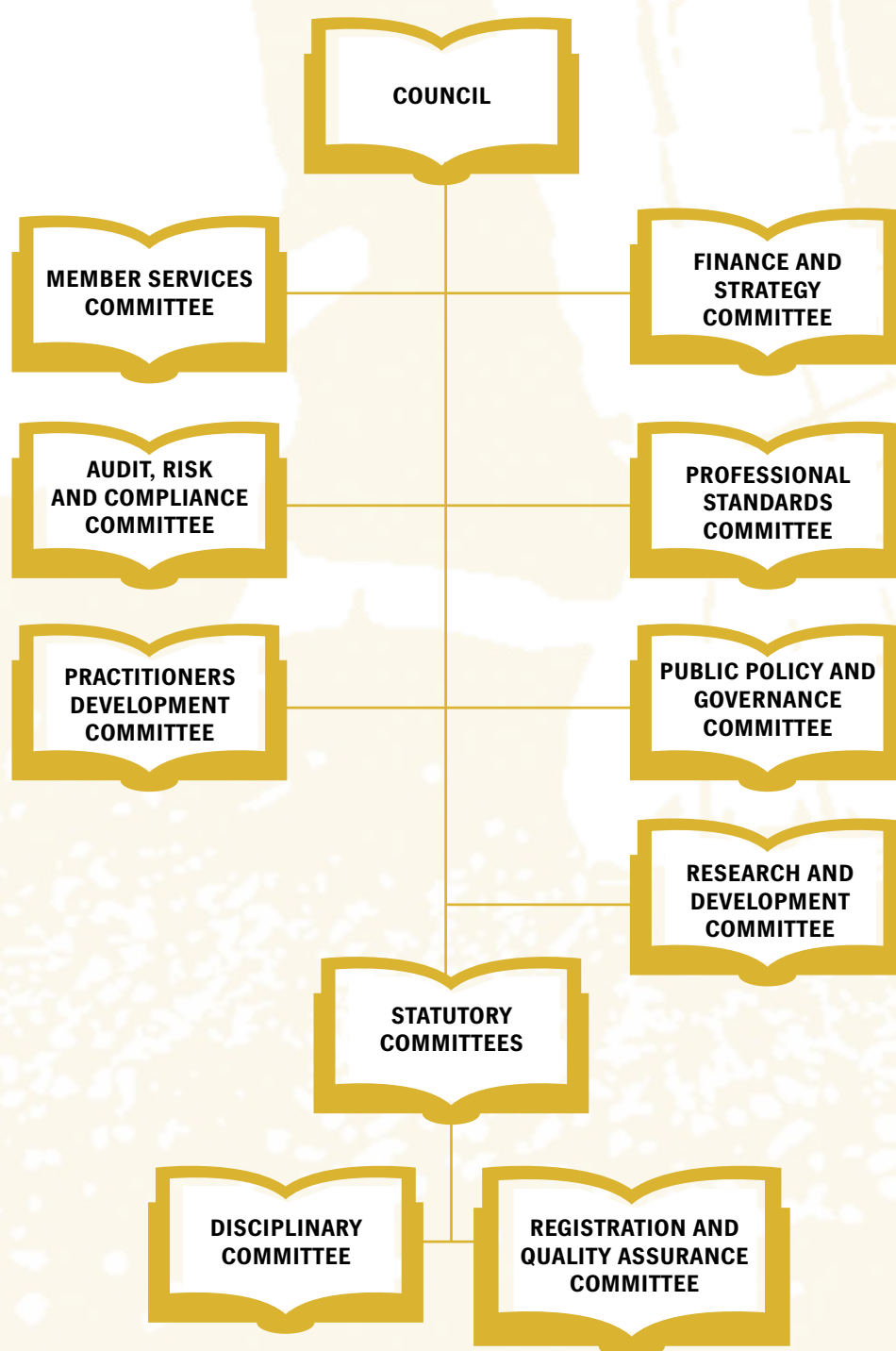
ICPAK is led by an 11 Council members comprising of:

- a) A Chairman and six Council members elected from the members of the Institute;
- b) One member representing the Cabinet Secretary responsible for matters relating to finance;
- c) One member representing the Cabinet Secretary

responsible for matters relating to finance, to represent a profession other than accountancy;

- d) One member representing Kenya Accountants and Secretaries National Examinations Board;
- e) One member representing Capital Markets Authority.

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



The Role of the Council

The role of the Council as stipulated in the Accountants Act include:

- i. 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;
- ii. Issuing by-laws, regulations and guidelines to govern matters affecting the operations of the Institute.

Other functions and responsibilities of the Council include:

- iii. **Strategic Leadership:** Approving, monitoring and guiding the implementation of the Institute's Strategic Plan;
- iv. **Performance Evaluation:** Setting performance targets and reviewing of the Institute's results so as to ensure the achievement of strategic and operational plans;
- v. **Integrity of Financial Reporting:** Ensuring strong development, reviewing and monitoring controls, policies and procedures put in place to ensure integrity in the Institute's accounting records and the financial statements;
- vi. **Risk Management and Compliance:** Formulating and implementing policies and procedures that ensures various risks facing the Institute are effectively mitigated

and various regulatory and legislative requirements are complied with;

- vii. **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;
- viii. **Executive Review:** Approving appointment and remuneration of the Chief Executive Officer 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 office of the Chief Executive Officer to work closely in planning the annual programme and agenda for Institute.

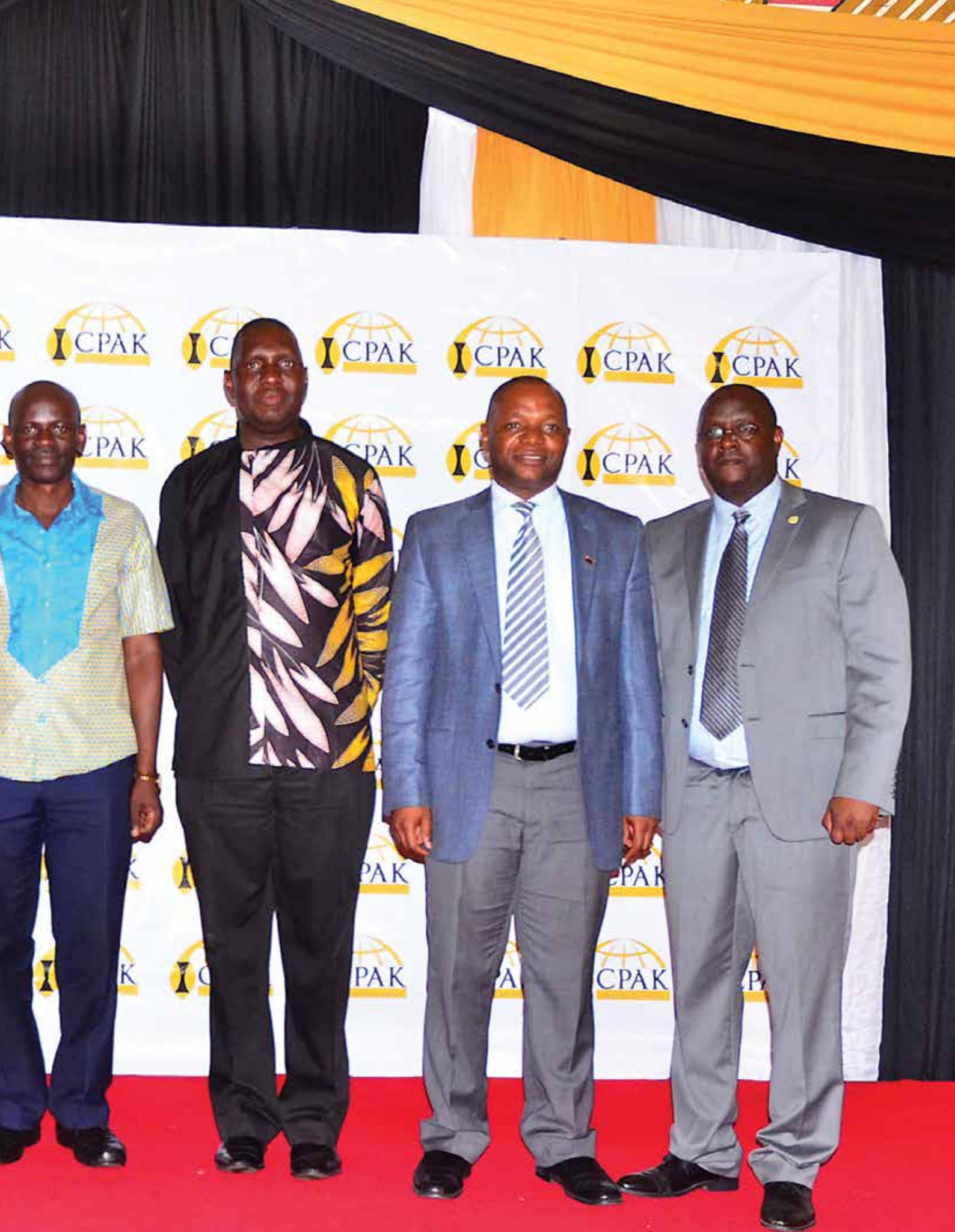
Delineation of Functions and Responsibilities

The roles of the Chairman and the Chief Executive Officer are separate and interdependent. There is a delineation of responsibilities that ensures that no one office has unfettered powers of decision making.



ICPAK Chairman FCPA Julius Mwatu and ICPAK CEO Edwin Makori hand over a memento to the Chief Administrative Secretary for National Treasury, Nelson Gaichuhie, after official opening of the 2018 Annual Seminar.





A section of ICPAK Council Members:

From left: CPA Obare Nyaega, CPA Rose Mwaura, FCPA Pius Nduatih, CPA Anne Wangeci, CPA Samuel Okello, CPA Denish Osodo, CPA Edwin Makori and FCPA Julius Mwatu.



FCPA Julius Mwatu - ICPAK Chairman

FCPA Julius Mwatu has over 22 years' experience in the Accounting profession. He is the current Chairman of Institute of Certified Public Accountants of Kenya. Prior to his election as the Chairman, FCPA Mwatu served as Vice Chairman from June 2015. He has also served as Group Chief Finance Officer (CFO) at Indigo Telecom, in charge of Strategy, Finance & Risk. He commenced his accounting career with PKF where he was engaged in audit and tax and later worked with Ernst & Young and KPMG as a Tax Consultant and Trainer. He additionally worked for Nedbank Eastern Africa as a Financial Analyst on a part-time basis between 2010 – 2015. He holds a Master's in Business Administration (Finance) and a Bachelor's degree in Statistics (BSc). His professional qualifications include, CPA (K), Certified Financial Analyst (CFA) and Certified Secretary (CS). He is a Board member of Pan African Federation of Accountants (PAFA), KCA University Board of Trustees, KASNEB and Academic Services Ltd.



CPA Denish Osodo-ICPAK Vice Chairman

CPA Denish Osodo is currently the Vice-Chairman of the Institute. He serves as the Internal Audit Director at Safaricom limited. He has wide experience in accounting and audit with a progressive career in assurance, governance

and risk services. Prior to joining Safaricom in 2013, he worked at PricewaterhouseCoopers (PwC) for several years, offering audit and business advisory services to companies in different industries in Kenya and United Kingdom. While at PwC, he rose to the position of Director, Risk Assurance Services focusing on the provision of internal audit and business controls advisory services to clients across Africa. CPA Denish convenes ICPAK Audit Risk and Compliance Committee, Internal Audit sub-committee, convened ad hoc Committee on Implementation of Amendments to Accountants Act and also co-convenes the Practitioners' Development Committee. In addition, he is an Audit Committee member of the Kenya National Commission for UNESCO. He is also a member of the Board of Kenya Pediatric Research Consortium (KEPRECON). He holds a Bachelor of Commerce degree from the University of Nairobi and has attended several leadership and management courses.



CPA Edwin Makori - Chief Executive Officer

CPA Edwin Makori is the Chief Executive Officer at the Institute of Certified Public Accountants of Kenya (ICPAK). Prior to the current appointment, he was the head of Professional Services Division overseeing Technical Services, Public Policy and Governance, research, Audit Quality Assurance, Registration and Licensing.

CPA Makori has been instrumental in the coordination and organization of the Financial Reporting Award (FiRe Award). The award recognizes financial reporting excellence in Kenya and the East African region. He championed the participation in FiRe Award by public sector entities.

CPA Makori has been a lecturer in the School of Business at Egerton University and University of Nairobi. At the university, he focused on strategy, finance and accounting work. He has previously practiced as an auditor in a renowned audit firm and also served as a Finance Director at various government (public sector) entities and private sector and held senior management positions in many other organizations.

CPA Makori earned his undergraduate degree in Commerce (Finance and Accounting) and an MBA in Finance from the University of Nairobi. He is a certified ERP Consultant, a member of ISACA, Institute of Leadership Management (ILM) and Institute of Directors (IOD) Kenya.

CPA Makori serves in the Kenya Accountants and Secretaries National Examination Board (kasneb), Africa Intergrated Reporting Council (AIRC) and has served on several boards internationally and locally. In addition, he is also currently serving in the International Accounting Education Standards Board (IAESB) as a technical advisor.



CPA Rose Mwaura, MBS

CPA Rose is a Council member of the Institute. She previously served as the vice-chairman for period 2017-2018. CPA Rose's involvement with ICPAK started in 2012 when she joined the Institute with the intention of giving back to the accounting profession. In 2013, she became an active member of the Member Services Committee (MSC) and was later elected to ICPAK Council. In 2017, CPA Rose was re-elected to the ICPAK Council to serve a second term and received a commendation from the Institute. In 2018, she was conferred with a Presidential Award of the Order of the Moran of the Burning Spear (MBS) for her contributions to the Accounting Profession and nation, as a whole.

CPA Rose is the Convenor of Practitioners Development Committee, Convenor of Devolution work stream, Convenor of the Nominations Committee and Co-convenor of Public Policy and Governance Committee.

CPA Rose is a partner at Deloitte with over 22 years experience in financial management, accounting, external and internal audit, internal controls, corporate governance, risk management and integrated reporting. CPA Rose has extensive local and international experience in the private and public sectors having worked with a variety of organizations and advised management and boards of directors on how to improve their financial management and operational practices.



Ms. Damaris Kimosop

Ms. Damaris Kimosop is ICPAK's Council member representing professions other than accountancy. Ms. Kimosop was first appointed to the Council on 1st March 2014 by Cabinet Secretary for the National Treasury for a period of three years. She was reappointed on 1st April 2017 to serve for another three-year term. Ms. Kimosop is a HR professional and has worked in various organizations leading the HR function. She is currently the Country HR Head-Eastern Africa Region at Bayer East Africa Ltd. She holds a bachelor's degree and an MBA from the University of Nairobi. Damaris also holds a Diploma in Human Resources and is a Certified Strategic Human Resource Professional (SHRP). Ms. Kimosop is a member of Member Services and Audit, Risk and Compliance Committees.



CPA Geoffrey Munyao Malombe, HSC

CPA Geoffrey joined Government in 1997 and rose through the ranks to Senior Deputy Accountant General in 2016. Before then, he had worked with private sector and Non-Governmental Organizations. He has over 20 years working experience in Government gained while working at management levels with Ministries

of Agriculture, Agriculture and Rural Development, Education, Science and Technology, Education, Finance and the National Treasury. CPA Geoffrey holds a bachelor's degree in Agricultural Economics and is a CPA (K). He also holds an MBA (Finance Option) from the University of Nairobi.

CPA Geoffrey is involved in Public Financial Management Reforms in the National Treasury. He has been awarded with the Head of State Commendation by His Excellency the President for distinguished service to the Republic of Kenya. He has chaired over 15 Government Taskforces appointed to deliver different policy documents at different times in his career.



CPA June Kivinda

CPA June served as a Council Member for the period 2015-2018. She is the founder of Earnings Nest Ltd and her passion is in capacity building for both finance and non-finance managers, costing of strategic plans and matters governance. She is a holder of Master's Degree in Development Finance (a programme she spearheaded in conjunction with Africa Growth Institute (AGI) in South Africa, to have it introduced in East Africa where there was a gap. It started in KCA University in 2016 and in Strathmore University in 2017).

As ICPAK Council member, CPA June lobbied; for the implementation of the Benevolent Fund for ICPAK Members, the inclusion of accountants enabled differently in the Youth and Students Affairs Sub-committee, and growth & strengthening of branches through the implementation of Council Member –branch mentorship approach. She served as Convenor of Finance and Strategy Committee (July 2017- June 2018) and Co-convenor of Research and Development Committee (2015-2018) where she tenaciously ensured that ICPAK and its members had their first publications launched in June 2017. These are; *Effects of Mpesa on Business Processes, Research Report on Current Revenue Practices and Expected Improvements on Issuance of IFRS 15*. She serves as Member of Public Policy and

Governance Committee (2015-2019). CPA June serves as a Board member in Kimisitu Sacco Society Ltd with effect from March 2018 to date.



CPA Obare Nyaega

CPA Obare Nyaega is currently the Chief Executive Officer of the Institute of Certified Public Secretaries of Kenya (ICPSK). He has over 18 years' experience having previously worked for SkillShare Services as Managing Partner, at MTN Business as the Quality Management Representative (QMR) and Ag. Finance Manager at Strathmore University. As a scholar, he has published in the European Journal of Business and Management and lectured at KCA University, Maseno University, Management University of Africa and Mount Kenya University among others. He holds Programme for Management Development (PMD) offered jointly by Strathmore Business School Kenya and GIBS University of Pretoria SA, an MSC in Finance from UoN, a BCOM (1st Class Honours) from Strathmore University. He is presently pursuing a PhD at UoN. CPA Obare is a Certified Public Accountant (CPA), Certified Secretary (CS), a Certified Information Systems Auditor (CISA), a trained ISO 9001:2015 Internal Auditor and a Trained Trainer on Crucial Conversations by VitalSmarts USA. CPA Obare was re-elected to Council in 2016 and is the current Convenor of Research and Development Committee. He was awarded with an ICPAK Commendation in 2014.

CPA Samuel Okello

CPA Samuel Okello is a seasoned Accountant with over 16 years experience in governance, policy and finance. He is currently a manager at the Central Bank of Kenya. Previously he worked with Barclays Bank of Kenya, University of Nairobi Enterprises and Services (UNES) Ltd. and University of Nairobi (College of Agriculture and Veterinary Sciences) among others. CPA Samuel holds an MBA (Finance) and B.Com (Accounting option) from University of Nairobi. He holds a Diploma in Risk



Management in Finance and Banking (RFMB) courtesy of the Swedish International Development Agency (SIDA). His professional qualifications include; CPA (K), CPS finalist and CISA. He is a member of the Institute's Council, convenor of Member Services Committee, member of Public Policy and Governance Committee and former convenor Finance and Strategy Committee. He is also a board member of Banki Kuu Sacco (2015-todate) where he currently serves as the Honorary Secretary and former chairman of its Credit committee. CPA Okello also previously served in the Finance and Audit Committee of the Kenya Bankers Association as a nominee of the Central Bank of Kenya (CBK).



CPA Susan Khakasa Oyatsi

CPA Susan Oyatsi is a Council member and a Certified Public Accountant with over 10 years' experience in public and private sector. She is currently the Acting Director of Finance at the Judiciary. Previously she served as Chief Accountant at the Energy Regulatory Commission (ERC) as well as Head of Management Accounts and Credit Control at Heritage Insurance. She holds a Master of Business Administration (MBA) degree from the University of Nairobi and a bachelor's degree in Business Education

from Kenyatta University. Besides, she is a member of Information Systems Audit and Control Association (ISACA) - an international professional association that deals with IT governance issues. She is also a qualified Quality Internal Auditor of ISO 9001:2008 Quality Management System (QMS). CPA Susan is the Co-convenor of Member Services Committee and former chair of the Public Sector Committee at ICPAK.



FCPA Wycliffe M. Shamiah

FCPA Shamiah is currently the Director of Market operations at the Capital Markets Authority, Kenya where he has worked for the last over 22 years in various capacities. He has gained wide experience in operations of capital markets. He chairs various committees within the Authority including the Technical arm (CnF).

He has served at the Institute in various capacities having been an evaluator during the initial Best Presented accounts awards before being converted to FiRe Awards. He also served as a member of the FiRe Awards Technical Committee. FCPA Shamiah served on the ICPAK Innovations Committee in 2003 and Financial Services Committee of ICPAK in 2009, mainly bringing on board developments in capital markets and the financial sector in general. FCPA Shamiah has served as a member of ICPAK Council representing Capital Markets Authority since 2009. While on Council he has been a member of Research and Development Committee as well as the Audit, Risk and Compliance Committee where he was the Convenor in 2016/17. He advocates for integrity and transparency in ensuring there is compliance to set standards as far as possible.

Currently he is also the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators Forum (EASRA), a regional securities regulators umbrella organization in the

East African Community (EAC). He sits on the Financial Stability Board Regional Group of Sub-Sahara representing Kenya and capital markets, Kenya.

FCPA Shamiah holds a bachelor's degree in Economics and Mathematics and also a Master's in Business Administration (Finance) from University of Nairobi, Kenya. He is a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya. He received his ICPAK commendation in 2013 as well as ICPAK Fellowship in 2016.

FCPA Shamiah is an alumnus of the U.S International Visitors Programme and an Associate of Toronto Leadership Center. He has equally been the Chairperson of TC 68 (Financial Services Technical Committee) of Kenya Bureau of Standards (KEBS). He was awarded a certificate of completion for the SMREA Program, March 2018, Harvard University, John F. Kennedy School of Government, Executive Education.



FCPA Pius M. Nduatih, OGW

FCPA Pius M. Nduatih is a Council member representing kasneb. He is the Chief Executive Officer and Secretary to the Board of kasneb, a position he has held since January 2008. He previously served as the Chief Officer, Finance at kasneb and Head of Finance at the Commission for Higher Education and at Kenya Science Teachers College. He holds a Master of Business Administration degree from the University of Leeds, UK and a B.Com (Accounting) (Hons) degree from the University of Nairobi. He is the Co-convenor of the Finance and Strategy Committee of the Institute. He has previously served as the Co-Convenor of the Public Sector Committee and the Convenor of the Audit and Risk Committee of the Institute. Prior to joining the Council, he served as a member of the Registration and Quality Assurance Committee of the Institute. FCPA Nduatih is also a qualified Certified Public Secretary and a Fellow of ICPSK. He has wide experience in leadership, finance and accountancy and is a respected governance professional. He

was conferred the Order of the Grand Warrior of Kenya (OGW) by His Excellency The President of Kenya in 2013, in recognition of his contribution to nation building.



CPA Anne Wangeci

CPA Anne Wangeci has a professional career spanning 15 years in both private and public sectors with experience in public finance management and accounting, risk and internal audit. She is currently a Senior Internal Auditor at Egerton University and has previously worked in the Finance department. Prior to joining Egerton University, she worked at Christian Children's Fund Kenya (CCF), International Rescue Committee (Kenya) and UAP Insurance Company. CPA Anne holds an MBA (Finance) from Egerton University, BSc. - International Business Administration (Accounting Option) from USIU-Kenya and is a Certified Public Accountant (CPA). She is a member in good standing at ICPAK and also a member of the Association of Women Accountants of Kenya (AWAK). Prior to joining Council, she served as a Chairperson of ICPAK Central Rift Branch. She was awarded with an ICPAK commendation in 2017. She serves as Convenor of Finance and Strategy Committee and also as a member of Member Services Committee.



Council Oversight Role Through Council Committees

At ICPAK, the Council and Management are committed to the highest level of corporate governance. The Institute believes this is paramount for business integrity and maintaining stakeholders trust. The Institute business principles are informed by the core values and the standards that ensure ICPAK operates within the confines of law with an objective of serving members and public. The Institute believes that its sphere of influence with regards to good corporate governance should be extended to stakeholders and business relationships. The Institute engages with stakeholders in a mutually beneficial and sustainable manner

in an environment of equity, mutual respect and honesty. It is our policy that our corporate engagements are in observance of the highest standards of professional ethics that promotes Credibility, Professionalism and Accountability.

Council and Attendance

Membership to the Council is based on a formal and transparent process as set out in the Accountant Act as read together with the Institute By-laws. The table below summarizes the Council meetings and attendance thereof:

COUNCIL MEETING ATTENDANCE

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|---------------------------|--------------------------|----------------------|--------------|----------------------------|
| FCPA Julius Mwatu | Chairman | June-17 | | 16/16 |
| CPA Denish Osodo | Vice-Chairman (June-Dec) | June-17 | | 13/16 |
| CPA Rose Mwaura, MBS | Vice-Chairman (Jan-June) | Re-elected June-2017 | | 15/16 |
| FCPA Pius Nduatih, OGW | Member | | Dec-18 | 12/16 |
| FCPA Wycliffe Shamiah | Member | | | 9/16 |
| CPA Ann Wangeci | Member | June-2018 | | 8/8 |
| CPA Geoffrey Malombe, HSC | Member | | | 3/16 |
| CPA June Kivinda | Member | June-15 | June-18 | 6/8 |
| CPA Obare Nyaega | Member | Re-elected June-2016 | | 10/16 |
| CPA Samuel Okello | Member | Re-elected June-2018 | | 12/16 |
| CPA Susan Oyatsi | Member | Re-elected June-2017 | | 13/16 |
| Ms. Damaris Kimosop | Member | | | 12/16 |

Disciplinary Committee

Disciplinary committee is statutory committee established pursuant to section 31 to discipline members in accordance with the rules and procedures as stipulated in the Accountants Act. During the year, the committee did not hold any meeting due to lack of quorum as only the Chairperson was in office having been gazetted in early 2018 while the other members of the committee were appointed and gazetted towards the end of 2018.

Registration and Quality Assurance Committee (RQAC)

The Committee receives, considers and approves applications for registration as an accountant and grant of practicing certificates and annual licenses in accordance with the provisions of the Accountants Act. In addition, it monitors 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 | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|-----------------------|----------|----------------|--------------|----------------------------|
| F CPA Jim Mcfie | Convenor | June-14 | | 4/4 |
| CPA Beatrice Gathirwa | Member | June-14 | | 3/4 |
| CPA Christabel Osango | Member | June-14 | | 2/4 |
| F CPA Daniel Ndonye | Member | June-14 | | 4/4 |
| CPA Joyce Mbaabu | Member | June-14 | | 3/4 |
| CPA Mary Maalu | Member | June-14 | | 2/4 |
| CPA Yusuf Omar | Member | June-14 | | 2/4 |



ICPA CEO CPA Edwin Makori with FCPA Pius Nduatih presents a gift at launch of Tape Framework in 2018.

Finance and Strategy Committee

This committee oversees the strategy implementation on behalf of the Council, reviews operations & administration 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 | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|----------------------|------------------------|----------------|--------------|----------------------------|
| FCCA Pius Nduatih | Convenor (June-Dec) | Aug-17 | Dec-18 | 6/8 |
| CPA June Kivinda | Convenor (Jan-June) | Aug-17 | June-18 | 4/4 |
| CPA Ann Wangeci | Co-convenor (June-Dec) | June-18 | | 3/4 |
| CPA Evans Moturi | Member | Aug-17 | | 8/8 |
| CPA George Otieno | Member | June-15 | | 7/8 |
| FCCA John Mudany | Member | Aug-17 | | 1/8 |
| CPA Joseph Ndisya | Member | Aug-17 | | 5/8 |
| CPA Margaret Muinde | Member | Aug-17 | | 4/8 |
| CPA Mbithi Matolo | Member | June-15 | | 8/8 |
| CPA Newton Kihara | Member | Aug-17 | | 7/8 |
| CPA Peter Mukoya | Member | Jan-16 | | 8/8 |
| CPA Rosemary Wanyeki | Member | Aug-17 | | 1/8 |



From left: ICPAK past Chairmen FCCA Ndung'u Gathinji, FCCA Ameerally R. Kassim-Lakha and FCCA Joe Kamau Muchekhehu at ICPAK @40 celebrations in December 2018.

Audit, Risk and Compliance Committee

The Audit Risk and Compliance Committee assists the Council in fulfilling its oversight role in various functions and responsibilities. These include; the financial reporting process, the system of internal control, the audit process and the Institutes' process for monitoring compliance with laws and regulations as well as the Code of Conduct. In addition, the Committee continuously evaluates the effectiveness of the risk management processes within the Institute and ensures that adequate risk management strategies are being implemented.

| AUDIT, RISK AND COMPLIANCE COMMITTEE | | | | |
|--------------------------------------|-------------|----------------|--------------|----------------------------|
| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
| CPA Denish Osodo | Convenor | June-15 | | 5/5 |
| CPA Abraham Kiptum | Co-Convenor | June-15 | | 5/5 |
| CPA Dalton Mwangogho | Member | Aug-17 | | 5/5 |
| CPA Eric Audi | Member | June-15 | | 5/5 |
| CPA Fredrick Odera | Member | Aug-17 | | 3/5 |
| CPA Geoffrey Malombe | Council | June-16 | | 0/5 |
| CPA Dr. John Kinyua | Member | Aug-17 | | 5/5 |
| CPA John Matuti | Member | June-15 | | 5/5 |
| CPA Juma Kenneth | Member | June-15 | | 1/5 |
| CPA Martin Kamau | Member | Aug-17 | | 3/5 |
| Ms. Damaris Kimosop | Council | June-16 | | 4/5 |



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 Ministry of 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 to the Institute's participation in both the national and county budgeting process.

PUBLIC POLICY AND GOVERNANCE COMMITTEE

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|---------------------|-------------|----------------|--------------|----------------------------|
| FCPA Julius Mwatu | Convenor | June-15 | | 3/3 |
| CPA Rose Mwaura | Co-convenor | June-17 | | 3/3 |
| CPA Andrew Tanui | Member | June-13 | | 3/3 |
| CPA David Gichana | Member | June-17 | | 1/3 |
| CPA June Kivinda | Council | June-15 | | 3/3 |
| CPA Samuel Kirenge | Member | June-17 | | 3/3 |
| CPA Samuel Okello | Council | June-17 | | 3/3 |
| CPA Solomon Ngahu | Member | June-17 | | 2/3 |
| FCPA Issak Husein | Member | June-17 | | 1/3 |
| FCPA Muthoni Wangai | Member | June-17 | | 2/3 |
| FCPA Philip Muema | Member | June-15 | | 2/3 |



Branch leaders pose for a group photo with ICPAK Council members at Maanzoni, Machakos County.

ELECTION SCRUTINEERS

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|-------------------------|---------------------|----------------|--------------|----------------------------|
| CPA Hawi Odingo | Election Scrutineer | Mar-18 | | 8/8 |
| CPA Isaac Ruto | Returning Officer | Mar-18 | | 8/8 |
| CPA Jacinta Moraa | Election Scrutineer | Mar-18 | | 8/8 |
| CPA Sophie Njeri Moturi | Election Scrutineer | Mar-18 | | 7/8 |

Member Services Committee

This committee is tasked with the responsibility of understanding member needs and formulating recommendations for Council consideration on how to address the needs so identified. This Committee oversees the implementation of Continuous 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 develop marketing strategies and member recruitment and retention strategies, develop sector specific products and services for members such as those in the Public Sector, Private Sector, Non-Government, Not for Profit Sectors and develop products for various categories of members. This include 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 | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
| CPA Samuel Okello | Convenor | Aug-17 | | 4/4 |
| CPA Susan Oyatsi | Co-Convenor | Aug-17 | | 2/4 |
| CPA Anne Wangeci | Council | Aug-17 | June-18 | 2/4 |
| CPA Daniel Etyang' | Member | Aug-17 | | 4/4 |
| CPA Jarso Abdo | Member | Aug-17 | | 3/4 |
| CPA Joshua Kamwere | Member | June-15 | | 2/4 |
| CPA Josiah Mayieka | Member | Aug-17 | | 2/4 |
| CPA Mollen Achayo | Member | Aug-17 | | 4/4 |
| CPA Obare Nyaega | Council | June-15 | | 1/4 |
| CPA Risper Olick | Member | Aug-17 | | 3/4 |
| FCPA Tom Omariba | Member | Aug-13 | | 4/4 |
| CPA William Njuguna | Member | June-15 | | 4/4 |
| Ms. Damaris Kimosop | Council | Aug-17 | | 1/4 |

Research and Development Committee (RDC)

The Committee's terms of reference are derived from the mandate of the Institute as provided in the Accountants Act Section 8 (b) "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".



From left: ICPAK former Chairman FCPA Benson Okundi, ICPAK former Vice chairman CPA Rose Mwaura and FCPA Pius Nduatih share a light moment at the 2nd ICPAK Fellow's dinner in March 2018.

Professional Standards Committee

This Committee is responsible for the Institute's Standard Setting Role and the Implementation of Standards as promulgated by the Council. The Committee participates in setting and ensuring implementation of the respective standards in; financial reporting; public sector accounting; auditing and assurance; accounting education; ethics and financial services including laws and regulations impacting the sectors.

| PROFESSIONAL STANDARDS COMMITTEE | | | | |
|----------------------------------|-------------|----------------|--------------|----------------------------|
| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
| FCPA Michael Mugasa | Convenor | Aug-13 | | 4/4 |
| CPA Joseph Kariuki | Co-Convenor | Aug-14 | | 3/4 |
| FCPA Richard Njoroge | Member | Aug-13 | | 3/4 |
| FCPA Simon Fisher | Member | Aug-13 | | 2/4 |
| CPA Anne Muraya | Member | Aug-13 | | 4/4 |
| CPA Asif Chaudhry | Member | Aug-13 | | 4/4 |
| CPA David Mwindi | Member | Aug-13 | | 2/4 |
| CPA Fredrick Macharia | Member | June-15 | | 1/4 |
| CPA Silvester Ngei Kiini | Member | Aug-17 | | 1/4 |

Practitioners Development Committee

This Committee is tasked with the responsibility to develop, plan, organize and monitor the implementation of various initiatives and programmes. These programmes are aimed at building the capacity of the Institute's members who are in practice, with a specific focus on the Small and Medium Practitioners (SMPs).

| PRACTITIONER DEVELOPMENT COMMITTEE | | | | |
|------------------------------------|-------------|----------------|--------------|----------------------------|
| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
| CPA Rose Mwaura | Convenor | Aug-17 | | 3/4 |
| CPA Denish Osodo | Co-Convenor | Aug-17 | | 3/4 |
| FCPA Said Abeid | Member | June-15 | | 4/4 |
| CPA Ali Abdi | Member | Aug-17 | | 4/4 |
| CPA Benard Amukah | Member | June-13 | | 2/4 |
| CPA Evanson Ng'ang'a | Member | June-13 | | 4/4 |
| CPA George Sagala | Member | Aug-17 | | 1/4 |
| CPA Herbert Wasike | Member | Aug-17 | | 4/4 |
| CPA Joseph Mutunga | Member | Aug-17 | | 1/4 |
| CPA Kenneth Mbuthia | Member | June-15 | | 4/4 |
| CPA Leah Ng'ang'a | Member | Aug-17 | | 3/4 |
| CPA Yusuf Mulindwa | Member | Aug-17 | | 2/4 |

RESEARCH AND DEVELOPMENT COMMITTEE

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|------------------------------|-------------|----------------|--------------|----------------------------|
| CPA Obare Nyaega | Convenor | June-17 | | 1/1 |
| CPA June Kivinda | Co-Convenor | June-17 | | 1/1 |
| CPA Dr. Elizabeth Kalunda | Member | June-17 | | 1/1 |
| CPA Geoffrey Injeni | Member | June-17 | | 0/1 |
| CPA Dr. Jesphat Lishenga | Member | June-17 | | 0/1 |
| CPA Margaret John (Deceased) | Member | June-17 | | 1/1 |
| CPA John Mutie | Member | June-17 | | 1/1 |
| CPA Dr. Millicent Omukaga | Member | June-17 | | 1/1 |
| CPA Silas Menge | Member | June-17 | | 1/1 |
| CPA Julius Mathenge | Member | June-17 | | 1/1 |
| CPA Fredrick Riaga | Member | June-17 | | 1/1 |

CENTRE FOR PUBLIC FINANCE AND TAX BOARD (CPFT)**About CPFT**

Centre for Public Finance and Tax (CPFT) as established under the auspices of ICPAK, is intended to be a regulatory body for local tax and public finance professionals in Kenya. Its inception is aligned to the objective of raising the standards of public finance and tax practice in Kenya through capacity building, regulation, research and policy development. As an initially incubated component of ICPAK, the Centre is expected to bring a unique perspective to some of the most important public policy, public finance and tax challenges of our time.

The Centre will provide policy guidance on certification programmes for professional tax and public finance practitioners, and make a distinction between the public finance and tax professionals through the prescribed standard of practice. This is expected to conform to the changing business models, management of fiscal and monetary policies as well as the development agendas of country's public finances, taxation and growth trajectories.

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|-----------------------|---|----------------|--------------|----------------------------|
| FCCA Rajesh Shah | Chairperson | May-18 | | 5/5 |
| FCCA Philip Muema | Member - Representing the ICPAK PFT Committee | May-18 | | 3/5 |
| CPA Edwin Makori | Member and CEO of ICPAK | May-18 | | 4/5 |
| CPA Francis Kamau | Member - Representing Tax Practitioners | May-18 | | 5/5 |
| CPA Flora Mtuweta- | Member - Representing ICPAK | May-18 | | 5/5 |
| Mr. Daniel Ngumy | Member - Representing LSK | May-18 | | 4/5 |
| Prof. Attiya Waris | Member - Representing Academia | May-18 | | 3/5 |
| Dr. Vincent O. Ongore | Member - Representing Kenya Revenue Authority (KRA) | May-18 | | 2/5 |

Work Streams

PUBLIC FINANCE AND TAXATION WORK STREAM

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|---------------------|----------|----------------|--------------|----------------------------|
| FCPA Philip Muema | Convenor | Aug-13 | | 8/10 |
| FCPA Erastus Kwaka | Member | June-15 | | 7/10 |
| CPA Dennis Nyamweya | Member | Aug-17 | | 6/10 |
| CPA Ednah Gitachu | Member | June-15 | | 8/10 |
| CPA Francis Kamau | Member | Aug-14 | | 7/10 |
| CPA Fredrick Omondi | Member | Aug-17 | | 5/10 |
| CPA Gerald Githuku | Member | Aug-17 | | 6/10 |
| CPA Jemimah Mugo | Member | Aug-17 | | 5/10 |
| CPA John Waihenya | Member | Aug-17 | | 6/10 |
| CPA Maurice Oray | Member | Aug-13 | | 7/10 |
| CPA Robert Waruiru | Member | Aug-13 | | 7/10 |

LEGISLATIVE WORK STREAM

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|------------------------|-----------------|----------------|--------------|----------------------------|
| CPA Andrew Tanui | Convenor | June-14 | | 4/4 |
| FCPA George Mokua | Member | Aug-17 | | 4/4 |
| FCPA Muthoni Wangai | Member | Aug-17 | | 3/4 |
| CPA Dr. Edward Karanja | Member | Aug-17 | | 0/4 |
| CPA DR. Ondimu Moi | Member | June-14 | | 3/4 |
| CPA Hesbon Omollo | Member | Aug-17 | | 4/4 |
| CPA Kenneth Nyamollo | Member | June-14 | | 1/4 |
| CPA Nelson Korir | Member | Aug-17 | | 3/4 |
| CPA Nicholas Mumo | Member | Aug-17 | | 4/4 |
| CPA Philip Kakai | Member | Aug-17 | | 4/4 |
| MS. Marion Wanjiru | Member (AG-Rep) | June-14 | | 2/4 |



Turkana County Governor, Josphat Nanok addressing participants during FiRe Award Conference 2018.
(Seated second from left) PSASB Chairman, CPA Bernard Ndong'u, ICPAK CEO CPA Edwin Makori, Capital Markets Authority CEO, Mr. Paul Muthaura and ICPAK Chief Manager for Professional Services CPA Nebart Avutswa.

DEVOLUTION WORKSTREAM

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|--------------------|----------|----------------|--------------|----------------------------|
| CPA Rose Mwaura | Convenor | Aug-17 | | 4/4 |
| CPA Antony Opondo | Member | June-14 | | 4/4 |
| CPA David Kaberia | Member | Aug-17 | | 3/4 |
| CPA Francis Langat | Member | Aug-17 | | 2/4 |
| CPA Frank Soibe | Member | Aug-17 | | 4/4 |
| CPA Joseph Ndungu | Member | Aug-17 | | 3/4 |
| CPA Ooko Marembo | Member | Aug-17 | | 4/4 |
| CPA Stephen Kiso | Member | Aug-17 | | 4/4 |
| CPA Stephen Masha | Member | June-14 | | 3/4 |
| CPA William Omondi | Member | Aug-17 | | 4/4 |

YOUTH AND STUDENTS AFFAIRS SUBCOMMITTEE WORK STREAM

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|-------------------------|----------|----------------|--------------|----------------------------|
| CPA Joshua Kamwere | Convenor | June-14 | | 2/3 |
| CPA Anthony Mutua | Member | Aug-17 | | 2/3 |
| CPA Charles Kyengo | Member | Aug-17 | | 3/3 |
| CPA Chrispus Mbogo | Member | Aug-15 | | 2/3 |
| CPA Christopher Ombunya | Member | Aug-17 | | 3/3 |
| CPA Joel Kobia | Member | Aug-15 | | 3/3 |
| CPA Lennox Jalango | Member | Aug-16 | | 3/3 |
| CPA Mary Mwaki | Member | Aug-17 | | 3/3 |
| CPA Olive Gitau | Member | Aug-17 | | 3/3 |

INTERNAL AUDIT WORK STREAM

| NAME | ROLE | WHEN APPOINTED | WHEN RETIRED | MEETING ATTENDANCE IN 2018 |
|----------------------|----------|----------------|--------------|----------------------------|
| CPA Denish Osodo | Convenor | Aug-17 | | 3/3 |
| CPA Charles Tung'a | Member | Aug-17 | | 2/3 |
| CPA Denis Chomba | Member | Aug-17 | | 1/3 |
| CPA Derrick Majani | Member | Aug-17 | | 3/3 |
| CPA Jack Wasonga | Member | Aug-17 | | 3/3 |
| CPA Jared Odhiambo | Member | Aug-17 | | 2/3 |
| CPA John Okumu | Member | Aug-17 | | 2/3 |
| CPA Rosalind Murithi | Member | Aug-17 | | 2/3 |
| CPA Simon Nabosu | Member | Aug-17 | | 2/3 |
| CPA William Koech | Member | Aug-17 | | 3/3 |

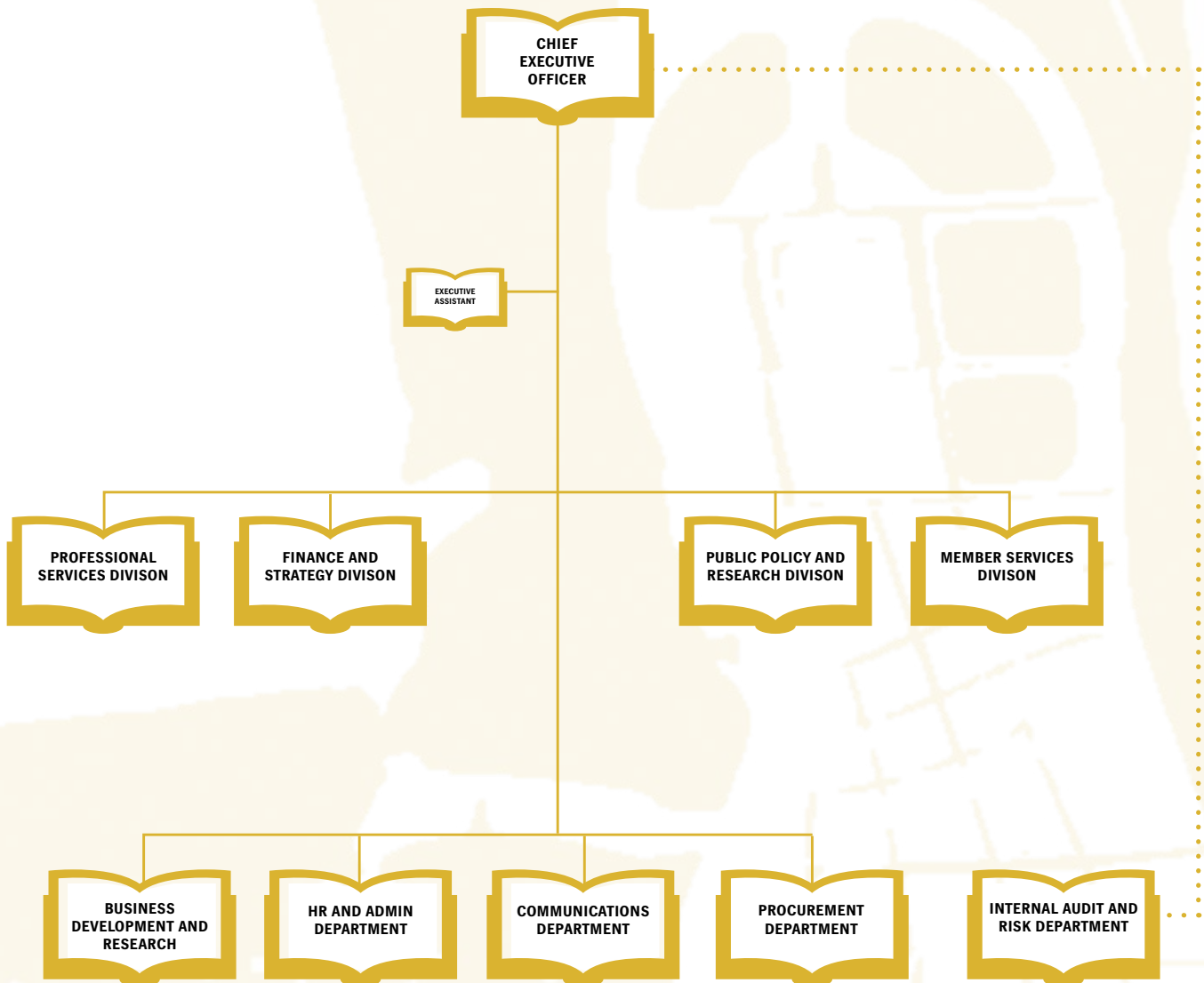






Administrative Structure of the Institute

The day to day operations of the Institute are undertaken by the Chief Executive Officer; with delegated authorities to senior management and other ICPAK staff.



Corporate Structure

The Institute's organizational structure provides guidance to all employees as it lays out the official reporting relationships that govern the workflow. The structure facilitates clear functions, responsibilities and roles for the execution of its mandate as outlined in the Accountants Act. The resultant feature ensures harmony across all levels as it facilitates distribution of responsibilities. Most importantly, the Institute's structure enables it to attain the following:

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

Moreover, the structure enables the Secretariat to drive the Institute's objectives to attain its vision and mission.

The Institute has a staff pool of 82 members represented in the ratios of 52% and 48% for male and female respectively.

ICPAK Management Team;

(Seated from left) Ms Harriette Chiggai, CPA Catherine Asemeit, CPA Nerbart Avutswa, CPA Edwin Makori, Dr. CPA Dr. Grace Kamau, CPA Fredrick Riaga, CPA Michael Makokha

(Standing from left) Mr. Mbugua Njoroge, Ms Elsie Nyambura, CPA Dan Mugo, Ms Linda Wambua, Mr. Dennis Milgo, Mr. Hillary Onami, Mr. Rapahel Nguli, Ms Edith Owiso, Mr. Elias Wakhisi





Strategic Review





Enhanced Focus on Members

Improving members' experience with the Institute and its activities continues to be a key pillar for ICPAK. Its' delivery and performance efforts are geared towards ensuring that member satisfaction continues to be enhanced and any arising gaps are addressed.

The Institute deliberately engages in strategies that are innovative, coupled with improved operational efficiency to improve its service levels. The Member Services Division's customer focus activities and performance targets are geared towards:

- Enhancing the Institute's brand and vision of being "A World Class Professional Accountancy Institute" through consistent delivery of high-quality customer experience,
- Enhancing members' professional development aligned to International Standards of Accountants,
- Improving sustainability through membership growth and increased member loyalty,
- Continually providing innovative and need driven customer value proposition for members, and
- Promoting the CPA and ICPAK brands locally, regionally and internationally.

Quality Service

Quality service to the members and other stakeholders continues to hold a prominent position in the operations of the Institute. Departmental Service Level Agreements (SLAs) were reviewed to ensure that the quality of service to members was enhanced. A know-your-member (KYM)

exercise was mooted to get as much information about members as possible. This would be useful in segmenting services and products to suit the different member needs. By the end of the year, 16,776 active members had submitted their details.

ICPAK embarked on automation of some key services to reduce turn-around times. The Institute enhanced its event management process by embracing a QR code system for delegate registration and issuance of corporate merchandise thereby reducing time taken to complete the registration process. A lot of effort was put in place to improve the quality of CPD events which had an overall rating of good throughout the year.

ICPAK's effort consistently enhances its members and other stakeholder engagements and relationships through creating diverse channels. 2018 witnessed vibrant communication of the Institute's programs and activities through its social media platforms including; Facebook, Twitter, LinkedIn, Youtube, and Whatsapp and other stakeholders. The same platforms also acted as real-time channels of getting feedback.

Membership Value Proposition

ICPAK continued to seek more value for its members through partnerships that put forth products and services specially for CPAs. The discounted motor vehicle insurance scheme, the Members' Benevolent Scheme and the KCAU



ICPAK staff registering delegates using the QR code system at the Annual Seminar in 2018.

discounted tuition rates continued to enjoy good uptake levels. Members are continually reminded to access these and other benefits on offer to enjoy value for their membership.

Membership Growth

ICPAK experienced growth in numbers with over 2,800 new members joining the Institute in the year. Recruitment activities included company visits, database marketing and graduate forums. The Trainee Accountants Practical Experience Framework (TAPEF) was officially launched in May 2018. This would allow CPA students to enroll in practical training program during their study in line with the International Education Standards (IES) 5. The amendments within the Accountants Act gave a boost to the future growth of the Institute with the redefining of 'The Accountant'.

Brand Promotion

ICPAK and CPA brands must consistently be felt amongst target audience. ICPAK engaged in several activities including participating in students' mentorship talks, University Accounting Students' Associations (ASA) events, kasneb's Annual Fair and prize awarding ceremonies. Through such participation and exposure, the brand presence has continued to be enhanced. As a corporate citizen, ICPAK undertook CSR several activities. The Institute also embraced the use of brand ambassadors to endorse and promote its activities which include CPD events.

Members' Professional Development

Becoming a CPA is not a one-off event, it reflects desire and a commitment to life-long learning by keeping abreast with knowledge, skills and attitudes expected of a

professional accountant. The duty to remain alert, aware and conscious of all developments in accountancy is one borne by each member, however the Institute prepares and delivers a variety of trainings to improve and sharpen member competencies. In the year 2018, the Institute held more events compared to 2017. The total attendance in ICPAK events also rose significantly from 11,197 to 13,523. Revenues generated from trainings continue to grow with KSh 548 million realized in 2018 (2017: KSh 410 million). The resources generated are ploughed back to further diversify and enhance the quality and content of training programs delivered.

Panel of Experts (POEs)

To bolster technical content in CPD events, the Institute in 2017 commenced Volunteer Panels of Experts, a tradition that was carried into 2018 with additional involvement of experts in training event preparation. ICPAK trainers undertook a Training of Trainers (ToT) in January 2018 and Independent Quality Assessors were deployed to all major events. More of these efforts shall be sustained as ICPAK gears towards achieving world class excellence in its trainings.

CPD Compliance

Members are expected to clock 40 CPD Units each year (25 structured and 15 unstructured). The Institute through an elaborate CPD calendar continues to provide opportunities for members to meet professional CPD obligation. This was achieved through content expansion, increased delivery methods and on-line CPD training. In addition, the Institute accredited other training institutions to expand learning opportunities for members.



Promote Regulation of the Accountancy Profession

During the year, the Institute made notable achievements on registration, licencing and monitoring of members as discussed below.

Registration of Members

The RQAC received and considered applications for associate, full membership and practicing certificate applications. The Committee approved 468 applications for the associate membership category, 2,423 applications for the full membership category and issued a total of 79 practicing certificates during the four sittings it held.

During the year under review, a great milestone on regulation was made by amendment of the Accountants Act in September 2018 through the Finance Bill. In addition the Council approved registration of firms as limited Liability Partnership as well as licensing of firms. The Institute made other notable achievements regarding the registration, licencing and monitoring of members of the Institute as discussed below.

New Standards

The Institute embarked on implementation of International Financial Reporting Standards (IFRS) 9. The new standard which replaced the IAS 39 became effective on January 2018. The new global standard brought in far reaching

implications on the classification, impairment and disclosures of financial instruments within organizations.

Majorly impacted by the standard are the financial institutions which sit on enormous financial assets due to their operations. IFRS 9 came with a new approach towards accounting for financial instruments, by ushering in the expected credit loss model approach as opposed to the incurred loss model applied under IAS 39.

Due to the complexity of the new standard, a lot of effort was expended in creating awareness and sensitizing both members and institutions on the impact of the standard. To support the understanding and implementation of IFRS 9 in the Kenyan market, the Institute incorporated in the CPD calendar several sessions on IFRS 9. In addition, ICPAK conducted tailor-made training for the financial sector including; the banking industry, the insurance sector, SACCOs, listed firms; and the corporate sector. Further, the Institute issued press releases and technical guidance to sensitize the accountants and public.

In addition to building capacity on IFRS 9, the Institute conducted trainings for other new standards released by the IFRS Foundation, including IFRS 15 on Revenue and IFRS 17 on Insurance contracts. IFRS 15 became effective on 1 January 2018 while IFRS 17 is set for implementation effective 1 January 2022.



ICPAK CEO CPA Edwin Makori (left), Chair IAESB CPA Isaac Njuguna (far right) together with other IAESB delegates addressing a press conference in 2018.

The Institute also took part in the standard setting process through the presence of representatives to the Annual Standard Setting Conference in London in September

2018. This is in addition to contributing on exposure drafts and consultation papers as highlighted below;

| Item | Description | Issue Date | Comments by |
|-------------------------|--|------------|-------------|
| Exposure Draft 63 | Social Benefits | 31-10-2017 | 31-03-2018 |
| Exposure Draft 64 | Leases | 31-01-2017 | 30-06-2018 |
| Exposure Draft 65 | Improvements to IPSAS | 16-04-2018 | 15-07-2018 |
| Exposure Draft 66 | Long-Term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation | 22-08-2018 | 22-10-2018 |
| Exposure Draft 2018/1 A | Exposure Draft and comment letters-Accounting policy changes (IAS 8) | 27-01-2018 | 27-07-2018 |
| Exposure Draft 2018/2 | Exposure Draft and comment letters: Onerous Contracts—Cost of Fulfilling a Contract Comments due by 15 April 2019 | 2-12-2018 | 15-4-2019 |

Technical Guidance

The Institute released the IFRS 9 implementation guidelines in January 2018 which was well received across the sectors. This was followed by another guidance on the treatment of suspended interest vis-à-vis the Central Bank of Kenya Prudential guidelines in line with IFRS 9 adoption and implementation within the Kenyan market. The latter guidance was published in December 2018 and has been highly helpful to the financial services sector, among others.

Financial Reporting Award (FiRe Award) 2018

ICPAK in collaboration with the Capital Markets Authority (CMA), Nairobi Securities Exchange (NSE) and

the Public Sector Accounting Standards Board (PSASB) annually organizes the Financial Reporting (FiRe) Award which seeks to promote financial reporting excellence in the country and East Africa region. The award fosters sound corporate governance practices and enhance corporate social investment and social reporting. Additionally, the award is aimed at enhancing accountability, transparency, integrity, compliance with International Financial Reporting Standards (IFRS); and other disclosures on governance, Integrated Reporting, Social and Environmental reporting by public, private and other entities domiciled in East Africa.

During the year, a total of 503 entities participated by submitting entries for evaluation. The process culminated with a FiRe Award Conference and Gala Dinner on 16th November 2018 and 17th November 2018 respectively where Sameer Africa Plc emerged the overall winner.



FiRe Award 2018 winners, Sameer Africa tops in Financial Reporting.

Compliance Inspections and Quality Assurance

The Institute's Quality Assurance program monitors compliance with professional standards, legal and regulatory requirements

and other standards and guidelines issued by the Council for observance by members of the Institute. In 2018, the Institute conducted 200 reviews comprising of inspections and monitoring visits.





Left to right: PSASB Chairman, CPA Bernard Ndung'u, Chief Guest - Gala Dinner CPA Biraro Obadiah and ICPAK Chairman FCPA Julius Mwatu.



Former ICPAK Chairmen join FCPA Julius Mwatu and ICPAK CEO Edwin Makori in cutting a cake during ICPAK 40th anniversary celebrations.

Appointment of members of the Disciplinary Committee

In a Gazette Notice No. 12051 of 2018, Vol CXX-NO.142 and dated November 2018, Cabinet Secretary for National Treasury appointed the following to be members of the ICPAK Disciplinary Committee with effect from 1st July 2018:

- a. CPA Regina Karauri-New member
- b. CPA Peter Anchinga-New member
- c. Hanna Wendot-Reappointment
- d. Scholastica Mbilo-Reappointment

The four join FCPA Charity Muya (Chairperson) and CPA Simon Ole Nkeri.

Enhanced penalties for professional misconduct

The Finance Act, 2018 introduced significant amendments to the Accountants Act No.15 of 2008. The Amendments echo

the need of Accountants to observe the ICPAK Code of Ethics for Professional Accountants. Members are expected to have integrity, objectivity, professional competence and due care, confidentiality and observe professional behavior while providing professional accountancy services. The amendments have also strengthened the Institute by enhancing fines for members found guilty of professional misconduct to a maximum of two million shillings.

Fellowship and Commendation Award, 2018

Pursuant to Section 4 (3) of the Accountants Act No. 15 of 2008 (Laws of Kenya), Council has power to invite members to become Fellows of the Institute. The Council under this mandate approved the Fellowship and Commendation policy, 2018 which seeks to recognize contribution of members to the accountancy profession. The Institute as per the Fellowship and Commendation Policy 2018, awarded sixteen (16) members with Commendation award and three (3) members with Fellowship award during Chairman's ball 2018.



ICPAK Former Chairmen who attended the Chairman's Ball 2018; from left (FCPA Joe Muechekehu, FCPA Benson Okundi, FCPA Rose Ogega, FCPA Kassim Lakha, FCPA Stephen Luglia, FCPA Daniel Ndongye, FCPA Ndung'u Gathinji, FCPA James Muguiyi, FCPA Amos Kimunya, FCPA Nguru Wachira and ICPAK current Chairman FCPA Julius Mwatu.



From left: FCPA Joe Gichuki, ICPAK CEO CPA Edwin Makori, FCPA Joe Gichuki, ICPAK former Chairman FCPA Stephen Lugalia and FCPA Jim McFie in a jovial mood at the 2nd ICPAK Fellow's dinner in March 2018.



Former ICPAK Chairmen among other participants during ICPAK 40th Anniversary dinner in December 2018.

Amendments To The Accountants Act

The Finance Act 2018 introduced significant amendments to the Accountants Act No 15 of 2008. These are aimed at strengthening the profession as well as help the government in the fight against graft. Proper regulation of the profession is essential for enhanced accountability and governance. Among the amendments which are now in force are:

Definition of Accountant

To start with, the Finance Act amended the definition of “An Accountant” which was previously ambiguous and constrained the application of the Act. To cure this misinterpretation, the new definition provides that “An Accountant” is a person registered as an accountant under Section 24 of the Accountant Act and is a member as defined in section 4 (2) (a) and (b) with expertise achieved through formal education and practical experience and shall be held to a high professional standard.

The Act now clearly distinguishes who an accountant is by classifying them into the following categories: Trainee Accountants, Associate Accountants and a Certified Public Accountant (CPA). The Institute will define the role and advise the scope of each category for ease of engagement with the users of accountancy services.

Definition of Accountancy

Accountancy is now defined to include practice in accounting, financial reporting, control systems, systems auditing, auditing, assurance, forensic accounting and auditing, finance, financial management, public finance management, taxation, financial risk management, management accounting and advisory services related thereto. This revised definition recognizes the growth in Accountancy over the years and extends the regulation of the profession to emerging areas.

Trainee Accountants

Students intending to pursue Accountancy examinations administered by kasneb will be required to register with the Institute prior to sitting the examinations. The Examinations Board will now, prior to registering a person to undertake any Accountancy examinations, require that the person be registered as a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

The amended Act defines a trainee accountant as a person registered by the Examinations Board and who

has commenced professional accountancy education or training or is practicing accountancy as part of initial professional development required for qualification as an accountant. The trainee accountant will also be subjected to practical training by the Institute before completing their examinations. The new requirement is in tandem with the International Accounting Education Standards Board (IAESB) standards. The standards prescribe the pre and post-qualification requirements for aspiring and qualified accountants.

In addition, all individuals practicing accountants but who have not registered with the Institute or are working while pursuing their accountancy qualification will be required to register with the Institute as Trainee Accountants. The Trainee Accountant will not pay any fees or subscriptions to the Institute. The Institute will be issuing a membership card for all Trainee Accountants for use in the market and shall not designate themselves as professional accountants.

Moreover, for those who have passed their final CPA examinations but do not meet the criteria for admission as Certified Public Accountant (CPA), they will be registered under associate members category. Associate members shall not hold themselves as professional accountants.

The public and employers are cautioned against the use of the designation accountant. In the recent past, there has been abuse of the professional qualification by having persons with examination qualification of part I, II or III purportedly referring themselves as “CPA I, II or III”. There is no such designation in the profession. The employers should cease and desist from using such designations which are not anchored in law. Employers will be required to pay hefty fines of upto two million shillings and a further fine of two thousand shillings for each day the offence continues.

Prescription of the Remuneration Order

The amended Act now empowers the Treasury Cabinet Secretary on the advice of ICPAK Council, to prescribe a remuneration order. The Law provides that the Council shall, “prescribe the remuneration order for the accountancy profession with the approval of the Cabinet Secretary responsible for finance.” The Institute is confident that this provision will not only provide consistency and predictability among the practicing professionals but will insulate users of accountancy services from vagaries of unregulated fee regime. This will enhance uniformity of services rendered by accountants. The law now provides a framework for prescribing minimum rates based on speciality, scope of work and capacity to undertake the work rather than on the pricing.

Professional conduct, protection in practice and enhanced integrity

Accountants have been on the receiving end in the wake of never-ending graft related cases. They have been accused of being accomplice and passive participants in these heinous economic crimes. To address this problem, the amendment provides a new section that protects Accountants from vindictive employers and clients in case they detect issues and inform authorities on such malpractices.

Section 30 introduces several sub sections that give effect to this requirement. Subsection (2)— (2A) requires and obligates an accountant to observe the ethical guidelines and applicable standards in the discharge of duty. Subsection

(2B) states that the ethical guidelines and applicable standards of the accountancy profession shall take precedence over any instructions from a client or other person. While subsection (2C) insulates an accountant from any form of harassment, civil suit or being subjected to a disciplinary action for taking such actions or decisions or rejecting instructions from a client if such action, decision or rejection is in pursuance of the provisions of subsections (2A) and (2B).

Fines and remedies

The amendments have enhanced fines to a new threshold. The Amendments enhance these fines up to a maximum of KShs 2 million depending on the severity of professional misconduct.

| AMENDED SECTION | AMENDMENT IN THE FINANCE ACT | LEGAL IMPLICATION |
|--|---|---|
| Under Section 18 (2) of the Accountants Act the requirements for a practicing certificate is: (2) Any person who contravenes subsection (1) commits an offence and is liable on conviction to a fine not exceeding one hundred thousand shillings or to imprisonment for a period not exceeding three years or both. | Under S. 78. Section 18 of the Accountants Act, 2008 is amended in subsection (2) by deleting the words “one hundred thousand” and substituting therefor the words “five hundred thousand”. | This amendment has enhanced the penalty of practicing without a license from one hundred thousand shillings to five hundred thousand shillings. |
| Under the Accountants Act, S.21 (7) Where a practicing certificate ceases to be in force under subsection (3), the person to whom the certificate was issued shall deliver it to the Institute within fourteen days after the date on which he ceases to be registered. S. 21 (8) Any person who, without reasonable excuse, contravenes subsection (7) commits an offence and is liable on conviction to a fine not exceeding five thousand shillings. | Under S. 79. Section 21 of the Accountants Act, 2008 is amended in subsection (8) by deleting the words “five thousand” and substituting therefor the words “five hundred thousand | This amendment has enhanced the penalty for not returning the practicing certificate that ceases to be in force within fourteen days from five thousand shillings to five hundred thousand shillings. This is to deter unlicensed practitioners or accountants from acting as bonafide accountants. |
| In the Accountants Act S. 24. Application for registration (1) A person wishing to be registered as an accountant shall apply to the Registration Committee. (2) An application to be registered as an accountant shall be in the prescribed form and shall be accompanied by the prescribed fee. (5) A person who, in an application to be registered, willfully makes a false or misleading statement commits an offence and shall be liable on conviction to a fine not exceeding fifty thousand shillings or to imprisonment for a period not exceeding eighteen months or to both. | S.80 Section 24 of the Accountants Act, 2008 is amended in subsection (5) by deleting the words “fifty thousand” and substituting therefor the words “five hundred thousand” | This amendment has enhanced the penalty for a person who willfully makes a false or misleading statement on application for registration commits an offence. The penalty has been enhanced from fifty thousand shillings to five hundred thousand shillings. |

| AMENDED SECTION | AMENDMENT IN THE FINANCE ACT | LEGAL IMPLICATION |
|--|---|---|
| <p>41. Offences</p> <p>(1) A person who—</p> <ol style="list-style-type: none"> (a) assumes or uses the title or designatory letters referred to in section 4(2)(a) and who is not a Fellow of the Institute of Certified Public Accountants of Kenya; or (b) assumes or uses the title or designatory letters referred to in section 4(2)(b) and who is not a member of the Institute of Certified Public Accountants of Kenya; (c) assumes or uses the title “Honorary Fellow of the Institute of Certified Public Accountants of Kenya” and who is not such Honorary Fellow; or (d) otherwise falsely assumes or uses any title or designatory letters prescribed by the Minister, commits an offence. <p>(2) A corporate body (whether incorporated in Kenya or elsewhere) which falsely uses any of the titles or designatory letters referred to in section 4(2)(a) or (b) commits an offence.</p> <p>(3) Where a firm uses the title or designatory letters referred to in section 4(2) while each of the partners in the firm are not entitled to use the title or designatory letters, each of the partners of the firm commits an offence.</p> <p>(4) A person who commits an offence under this section is liable on conviction to a fine not exceeding fifty thousand shillings, and, in the case of a continuing offence, a further fine not exceeding four thousand shillings for each day on which the offence continues.</p> | <p>82. Section 41 of the Accountants Act, 2008 is amended by deleting subsection (4) and substituting therefor the following new subsection—</p> <p>(4) A person who commits an offence under this section is liable on conviction to a fine not exceeding two million shillings, and, in the case of a continuing offence, a further fine not exceeding two thousand shillings for each day on which the offence continues</p> | <p>This amendment has enhanced the penalty for a person or firm or employer that uses wrongly the designation of FCPA, CPA and HCPA to a fine not exceeding two million shillings, and, in the case of a continuing offence, a further fine not exceeding two thousand shillings for each day on which the offence continues.</p> |
| <p>4. (1) For the purpose of the conduct of the inquiry the Disciplinary Committee has power—</p> <ol style="list-style-type: none"> (a) to administer oaths; (b) to summon persons to attend and give evidence; (c) to order the production of relevant documents, including court judgements; and (d) to recover in whole or in part the costs of the inquiry not exceeding one hundred thousand shillings from any or all the parties involved in the proceedings. | <p>The Fifth Schedule to the Accountants Act, 20018 is amended in —</p> <p>(a) in paragraph (4) by deleting the words “one hundred thousand” appearing in subparagraph (1)(d) and substituting therefor the words “one million”; and</p> | <p>This amendment has enhanced the penalty for disciplinary on a person or firm to recover in whole or in part the costs of the inquiry not exceeding one million from any or all the parties involved in the proceedings.</p> |

| AMENDED SECTION | AMENDMENT IN THE FINANCE ACT | LEGAL IMPLICATION |
|--|--|---|
| <p>8. (1) A person served with a summons to appear as a witness at the inquiry who, without reasonable excuse fails to attend as required by the summons, is guilty of an offence.</p> <p>(2) A person appearing as a witness at the inquiry who, without reasonable excuse—</p> <ol style="list-style-type: none"> 1. (a) refuses or fails to be sworn; 2. (b) refuses or fails to answer a question that he is required to answer by the Chairman of the Disciplinary Committee; or 3. (c) refuses or fails to produce a document that he was required to produce by a summons under this Act, served on him, commits an offence. <p>(3) A person convicted of an offence under this sub-paragraph is liable on conviction to a fine not exceeding twenty thousand shillings.</p> | <p>(b) in paragraph (8) by deleting the words “twenty thousand” appearing in subparagraph (3) and substituting therefor the words “five hundred thousand”.</p> | <p>This amendment has enhanced fines from twenty thousand shillings to five hundred thousand shillings for a person who refuses to be sworn, fails to answer questions, fails to produce documents or is held liable for a disciplinary liability under this sub-paragraph.</p> |

Conclusion

The leadership of the Institute is confident that these amendments present a new dawn not only to the accountancy profession but also to the general public. It is expected that these amendments will go a long way to enhancing accountability and corporate governance across all sectors of the economy. Kenyans can now expect a more responsive, professional and expansive accountancy services from our members.



ICPAK Chairman FCPA Julius Mbatia met with the Chairman Senate Committee on Justice, Legal Affairs and Human Rights Sen. Samson Cherarkey to present ICPAK position on the state of corruption in Kenya. The Chairman was accompanied by ICPAK CEO CPA Edwin Makori.

Positioning ICPAK as an Influential Voice of the Accountancy Profession Globally

Public Policy

ICPAK has continued to position itself as an influential voice in public policy and decision making at the county, national and global level. The Institute played a critical role in making Budget Submissions for the Fiscal Year 2018/19. The Institute further reviewed and discussed the Draft Income Tax Bill 2018 and made submissions to the National Treasury. Moreover, the Institute reviewed Auditor General Reports for the FY 2016/17 and Budget Implementation Review Reports as developed by the Controller of Budget to enhance fiscal discipline at both the National and County Governments.

ICPAK sensitized members on the Fiscal Budget FY 2018/19 across the country through the Budget Review Seminars. The Institute was engaged by the media to analyse and simplify budget provisions for the public consumption. This was implemented through various mainstream media outlets including radio, television and newspaper. In the same period, it held consultative engagements with the National Treasury, Kenya Revenue Authority (KRA) and National Assembly on the Finance Bill 2018.

The Institute developed policy papers, research papers and briefs as summarized in the table below:

Policy Briefs Summary

| No. | Policy /Policy Brief/ Positional Paper/Study Report | Focus Areas | Target |
|-----|--|---|---|
| 1. | ICPAK Whistleblower Policy | Provides a framework for disclosures and protection of members who are whistleblowers. | ICPAK membership. |
| 2. | Public Debt | Elaborates on the status of public debt in Kenya and subsequently proposes policy considerations. | Public sector. |
| 3. | Pending Bills in the public sector | Summarizes critical OAG and COB findings on the burden of pending bills in Kenya. The paper further suggests policy matters to be considered. | National and County Governments, professional bodies, media and the public. |
| 4. | Citizen Engagement | Proposes ways to deepen citizen engagement in public finance management. | National and County Governments, professional bodies, media and the public. |
| 5. | ACCA joint study on the “Future Accountant” | The report focuses on the drivers of change in the accountancy profession and skills which will be most needed in future. | Professional accountants. |

For more details on these reports, visit ICPAK website on www.icpak.com

Representation to IFAC and PAFA

ICPAK continues to play a leading role in shaping the growth of accountancy profession at global level. Thus, the Institute is well represented in IFAC board and committees. These include: IAESB, Technical Advisory at IAESB, IFAC-Nominating Committee and IFAC-SMP Committee. At PAFA level, the Institute has one representative in the Board and one technical adviser to the Board. This recognition has given ICPAK a platform to champion accountancy matters at IFAC and PAFA Boards and organs.

Contribution towards Legislative Agenda

The Institute reviewed and made proposals on legislations that have an impact on the accountancy profession and the economy at large as illustrated in the table below.

Legislation Reviewed in 2018

| Legislation Reviewed | Recipient Institution |
|--|--|
| Kenya Roads Bill 2017 | National Assembly |
| Finance Bill 2018 | National Assembly |
| Public Finance Management (Amendment) Bill 2017 | National Assembly |
| Division of Revenue Bill 2018 | National Assembly/Senate |
| Income Tax Bill 2018 | National Treasury |
| EAC Whistleblower Protection Bill 2018 | East African Legislative Assembly (EALA) |
| National Housing Fund Regulations, 2018 | State Department of Housing |
| Draft Public Service Commission Regulations 2018 | Public Service Commission |

Implementation of devolution through public financial management interventions

The Institute has been at the forefront in supporting implementation of devolution in Kenya. During the reporting period, ICPAK deepened its engagements with stakeholders at the county level and further supported capacity building initiatives for various counties on

public finance management. The Institute engaged the following county governments during the review period: Narok, Kericho, Kisumu, Siaya, Busia, Bungoma, Vihiga, Kakamega, Nakuru, Meru, Makueni, Taita Taveta, Kiambu, Nyeri, Murang'a and Laikipia.

One of the success stories of these engagements was a financial literacy for SMEs and top-tier investors in Laikipia County organized and facilitated jointly by ICPAK.



ICPAK Chairman FCPA Julius Mwatu, NARC Kenya Party Leader Hon. Martha Karua, CPA Dr. Grace Kamau and CPA Anne Wangeci (Council member) among other delegates during Leaders Conference in 2018.

Establishment of Physical Branch Offices

To align itself with the devolved system of governance in Kenya, and in order to serve its members more effectively, ICPAK established an additional 6 physical branches in 2018 as follows;

| No. | Branch | Counties Covered | Physical Office |
|-----|----------------------|--|---|
| 1. | Nyanza Branch | Kisumu, Kisii, Migori, Homa Bay, Nyamira and Siaya | 2nd Floor on Wing B of Mega Plaza, Oginga Odinga Street – Kisumu |
| 2. | Western Kenya Branch | Kakamega, Vihiga, Bungoma, and Busia | 3rd Floor of IG Sacco Building (opposite KRA and Kakamega post office) – Kakamega |
| 3. | North Rift Branch | Uasin Gishu, Trans Nzoia, Elgeyo Marakwet, Nandi, West Pokot and Turkana | 1st Floor of the building hosting John Deere (opposite Moi Girls Eldoret) – Eldoret |
| 4. | Eastern Branch | Kitui, Makueni and Machakos | 2nd Floor of ABC Imani Plaza (opposite T-TOT Hotel next to Oilibya) – Machakos |
| 5. | Mt. Kenya Branch | Nyeri, Embu, Murang'a, Kirinyaga, Meru and Tharaka Nithi | 5th Floor of Kasturi Plaza along Kimathi Way – Nyeri |
| 6. | Central Rift Branch | Nakuru, Nyandarua, Laikipia, Baringo & Samburu | 2nd Floor of Tamoh Plaza, Geoffrey Kamau Way (next to Kenyatta University) – Nakuru |

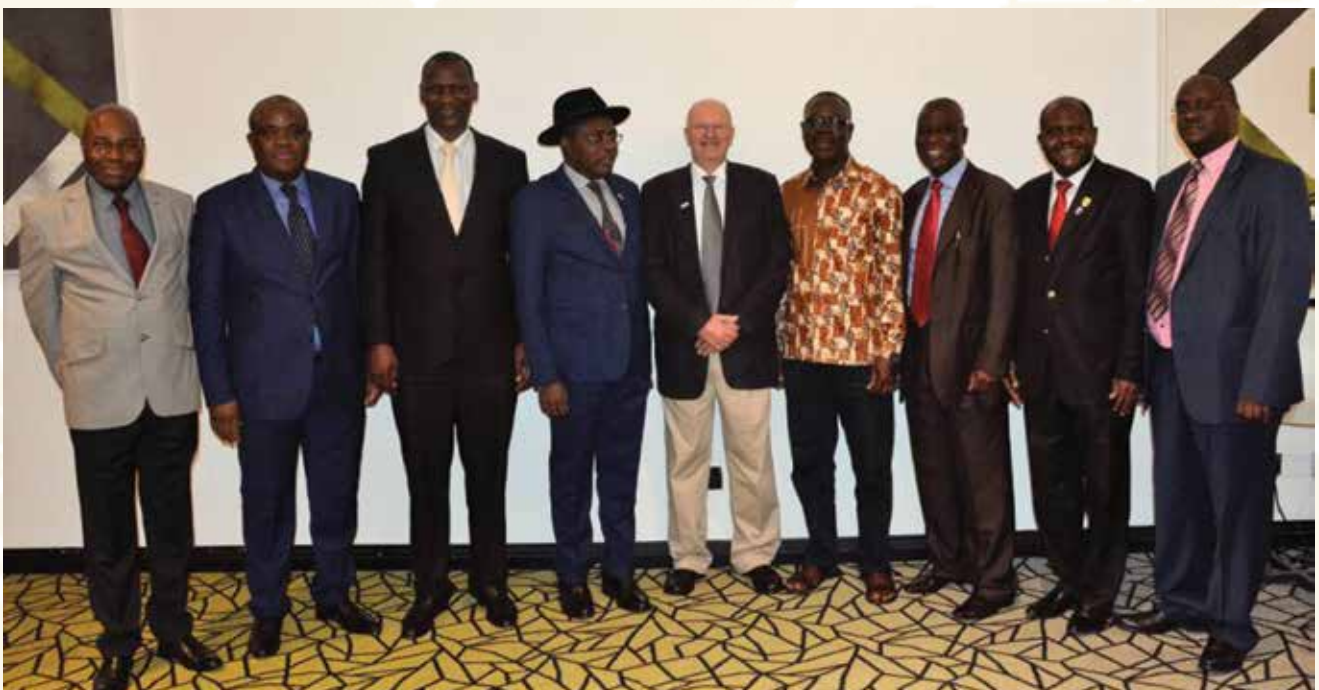


ICPAK Chairman FCPA Julius Mwatu accompanied with ICPAK CEO CPA Edwin Makori addressing press during the opening of ICPAK Eastern branch in 2018.



International Recognition of the CPA Brand

In 2018, ICPAK held three Annual Chapter events in South Africa, UK and Australia. The Institute also hosted the 2nd East Africa Community Institutes Congress of Accountants in addition to establishment of Mutual Recognition Agreement (MRA) with CPA Australia.



ICPAK Chairman FCPA Julius Mwatu (Far right) pose for a photo with a section of PAFA Board members in 2018.

ICPAK Stakeholder Engagement Report 2018

ICPAK engaged stakeholders at the National level with a view to fostering partnerships for the benefit of the accountancy profession. During the reporting period, the Institute held strategic engagements with Speaker of Senate, Kenya Revenue Authority, Chairperson of the Commission on Revenue Allocation (CRA), Office of the Controller of Budget, Office of Head of Public Service, NGO Coordination Board and Kenya Water Bottlers Association among other entities. These are illustrated as follows:

| No | STAKEHOLDER | DELIBERATIONS AND OUTCOMES |
|-----|--|--|
| 1. | Speaker of the Senate | Held a partnership meeting between ICPAK Council and Rt. Hon. Ken Lusaka, Speaker of the Senate, to discuss areas of partnership between ICPAK and the Senate. The parties agreed: <ol style="list-style-type: none"> To partner in capacity building oversight committees. On partnership with the Centre for Parliamentary Studies and Training. To provide technical support to counties on planning, budgeting and oversight. |
| 2. | Commission on Revenue Allocation | The meeting resolved to partner in joint research, enhancing fiscal discipline, strengthening County Budget and Economic Forums (CBEFs) and Audit Committees at the county level and partner in the development of CRA. |
| 3. | Office of the Controller of Budget (OCOB) | The Institute held a consultative meeting with the Office of the Controller of Budget to support implementation of Controller of Budget's mandate, specifically the follow-up on implementation of OCOB Quarterly Budget Implementation Reports for National and County Governments. |
| 4. | Office of the Auditor-General | Agreed on avenues for strengthening the collaboration of the Office of the Auditor-General with the Institute. These included reviews of the Auditor-General Reports and engagement with the Core Audit Team at the OAG. |
| 5. | National Treasury | <ol style="list-style-type: none"> Held a working meeting with the National Treasury to discuss ICPAK's budget submissions for 2018/19. Discussions also centered on ICPAK Policy proposals on taxation of incomes in Kenya and the draft Income Tax Bill 2018. |
| 6. | Kenya Revenue Authority | Discussed areas of partnership on tax policy and tax administration in Kenya. Subsequently, KRA established an iTax temporary desk at ICPAK offices as one of the outcomes of this engagement. Further, discussed matters touching on the Finance Bill 2018 and implementation of Tax Agents Regulations. |
| 7. | Office of Head of Public Service | The engagement explored areas of possible partnerships with the Executive Office of the Presidency. |
| 8. | County Governments | The Institute held consultative meetings with the following County Governments; Narok, Kericho, Kisumu, Siaya, Busia, Bungoma, Vihiga, Kakamega, Nakuru, Meru, Makueni, Taita Taveta, Kiambu, Nyeri, Murang'a and Laikipia. |
| 10. | NGO Coordination Board | <p>The meeting explored areas of partnership in;</p> <ol style="list-style-type: none"> Establishing of audit committees in all NGOs in Kenya. Having Heads of Finance/Accounts in the subsector as ICPAK members in good standing. |



ICPAK Chairman FCPA Julius Mwatu together with other council members paid a courtesy call on the Controller of Budget FCPA Agnes Odhiambo.



ICPAK Chairman FCPA Julius Mwatu accompanied by other Council members called on the Senate Speaker Kenneth Lusaka at Parliament Buildings.



ICPAK Chairman FCPA Julius Mwatu (seated far right) with Auditor General FCPA Edward Ouko. He is flanked by ICPAK Vice Chairman CPA Denish Osodo, ICPAK former Vice Chairman-CPA Rose Mwaura, ICPAK CEO CPA Edwin Makori, ICPAK Council members and officials from OAG.

Institutional Sustainability

The Strategic Plan 2016–2018 ended in December 2018. Key among the pillars of this strategy is the Institutional sustainability. The Institute was keen on full implementation of this pillar since it was considered the engine and the mainstay for the future of the Institute.

Sustaining a healthy Human Capital

The performance, passion and pride of the Institute's staff is a critical component of sustainable business. During the year, the Institute started by reviewing its staff's current status through a satisfaction survey. The survey determined the satisfaction levels and got feedback on staff concerns. Based on this survey, the Institute devised strategies of improving staff satisfaction.

Improvement on service delivery to members

Geared toward a sustainable existence, ICPAK invested heavily on the improvement of service delivery to its

stakeholders. This was done through customer service training and ICPAK business reengineering and process automation. Under this the Institute introduced the integration of seminar booking system and the scanning process during its events, automated receipting of payments, online annual license and automated processes for members to generate letters of good standing among others.

Financial sustainability

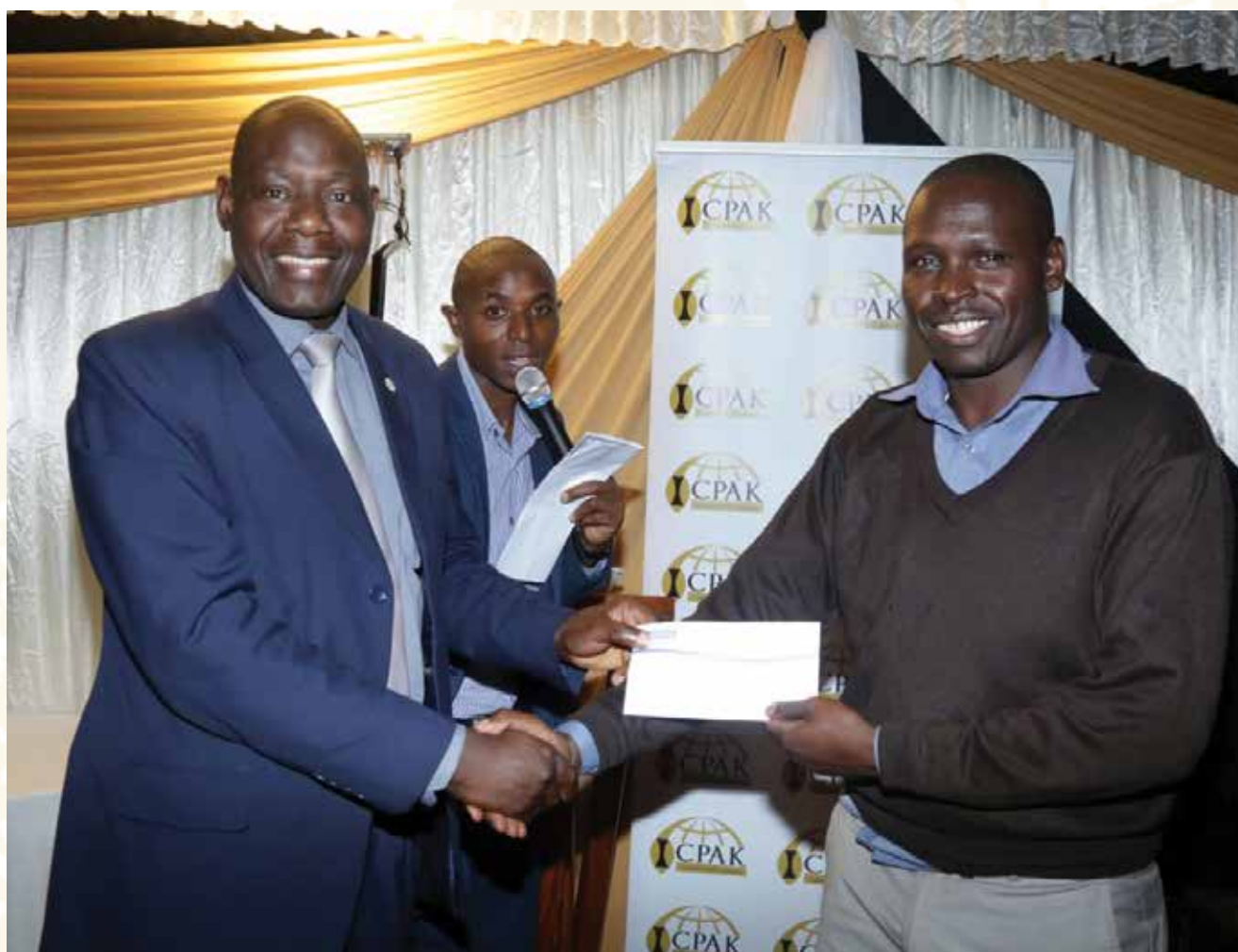
The Institute continued to experience growth from the existing and newly introduced revenue streams. This saw ICPAK improve on its surplus and exceed the Strategic Plan target of 5%. On the same breath, the Institute continued to nurture the culture of cost optimization leading to a sustained gross margin ratio of 51%.



ICPAK staff members pose for a photo during staff retreat in February 2018.



ICPAK CEO, CPA Edwin Makori and Secretariat staff members during the 34th Annual Seminar.



ICPAK staff at the end of year party in December 2018.



Reaching Out





Communication and Publicity

The Institute implemented its media strategy that leveraged on various media outlets to reach and influence key policy makers in areas where action was needed most. This was to amplify the voice of the accountancy profession in Kenya and to enhance the ICPAK brand.

In 2018, the Institute succeeded in placing op-eds and other news items in influential broadcast and print media platforms in the country. These included; *KTN, Citizen, NTV, KBC, Daily Nation, Business Daily, the Standard, the Star, and People Daily* among others. These are summarised in the following table:

Media Monitoring Scorecard 2018

| No | DATE | PUBLICATION | SUMMARY/HEADLINE | PAGE | SLOT | TONALITY |
|-----|---------------|----------------|---|------|---------------|----------|
| 1. | January 10th | The Standard | Guidelines on accounting rules out | 30 | Business | Neutral |
| 2. | January 10th | Business Daily | ICPAK releases guidelines on Accounting standards. | 11 | Business | Positive |
| 3. | February 22nd | Business Daily | Accountants say tax breaks way to spur revenue growth. | 20 | Hard news | Neutral |
| 4. | February 22nd | People Daily | ICPAK asks government to fast track bills. | 17 | Business news | Neutral |
| 5. | February 22nd | Daily Nation | Accountants urge tax reprieves to create jobs, seal revenue gaps. | 33 | Business news | Neutral |
| 6. | February 22nd | People Daily | Speak out on issues, Auditor general urges accountants. | 35 | Business | Neutral |
| 7. | March 18 | Sunday Nation | Accountants decry huge public debt. | 34 | Business | Negative |
| 8. | March 19th | People Daily | Nyanza region counties have worst audit reports. | 14 | Hard news | Negative |
| 9. | March 19th | The Star | ICPAK warns government over looming debt crisis. | 14 | Business | Negative |
| 10. | April 8th | Sunday Nation | Accountants oppose scrapping of law capping lending charges. | 36 | Business | Neutral |

Cognizant of the vital role played by social media, the Institute embraced various social media channels such as Twitter, Facebook and LinkedIn. Through these platforms together with ICPAK website, Institute commented on matters of integrity, economy, corruption, regulation of the profession and matters of public interest.

In 2018, ICPAK Twitter handle increased its impressions from 80,000 in 2017 to 140,000 in 2018. In addition, Facebook posts reach was over 300,000. These social media platforms have also improved interactivity with members and other stakeholders. The Institute also produced numerous publications such as Chairman's Newsletter, Staff Digest,

e-connect, CPD Express, Technical Newsletter, Branch Newsletter and *The Accountant* journal among others.

These publications played an important role by helping the Institute interact with its internal and external publics. *The Accountant* journal which is published on a bimonthly basis contains informative and timely articles on issues well analyzed by experts in various aspects including Finance, Audit, Tax, Information Technology and Management, among others. ICPAK introduced the Branch Newsletter through which members across the country have been able to keep abreast on happenings within and across their branches.

Media Monitoring Scorecard 2018 *Continued..*

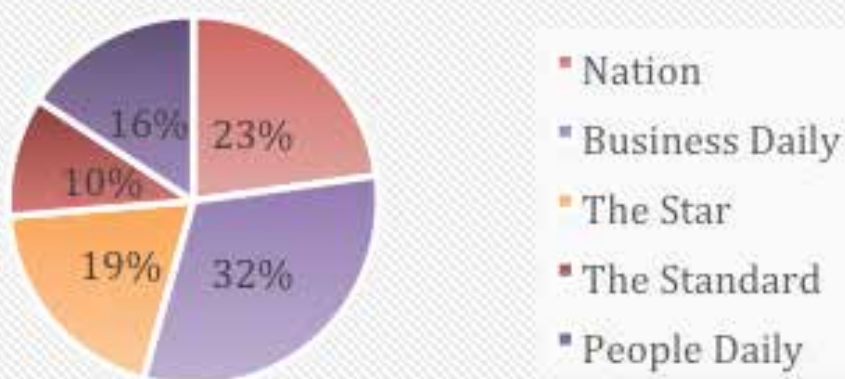
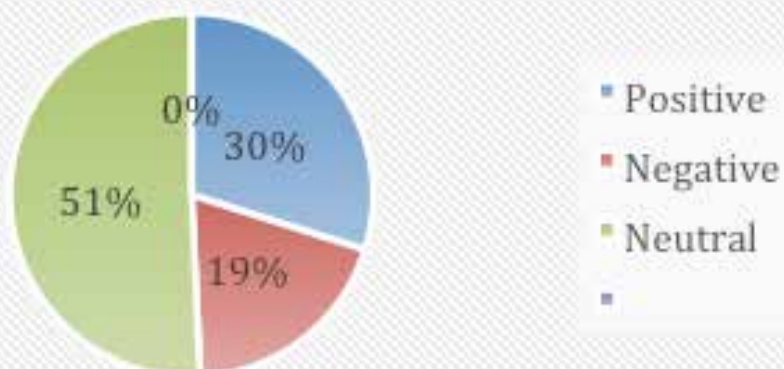
| No | DATE | PUBLICATION | SUMMARY/HEADLINE | PAGE | SLOT | TONALITY |
|-----|------------|----------------|--|------|---------------|----------|
| 11. | April 11th | The Star | Retirement age limit should apply to all civil servants, accountants say. | 37 | Business | Neutral |
| 12. | April 14th | The Standard | ICPAK Wants state officers punished over pending bills. | 17 | Hard News | Negative |
| 13. | April 15th | Daily Nation | Boost revenue in counties, ICPAK. | 24 | Hard news | Neutral |
| 14. | April 16th | The Star | Get your finances in Order- ICPAK tells counties. | 26 | Hard news | Neutral |
| 15. | April 16th | Business Daily | Kenya hosts global standards board. | 6 | Business | Positive |
| 16. | April 23rd | Business Daily | Accounting students to get accreditation at the end of studies. | 19 | Business | Positive |
| 17. | May 22nd | Daily Nation | | | | |
| 18. | May 22nd | Business Daily | Accountants arrive for key conference. | 12 | Pictorial | Positive |
| 19. | May 23rd | The Standard | Accountants Seminar. | 8 | Pictorial | Positive |
| 20. | May 23rd | Daily Nation | ICPAK holds Annual Conference. | 43 | Pictorial | Positive |
| 21. | May 23rd | The Star | ICPAK seeks tough penalty for accountants. | 23 | Pictorial | Neutral |
| 22. | May 24th | The Standard | War on graft targets accountants. | 14 | Business | Negative |
| 23. | May 24th | The Star | Retain rate cap law: ICPAK | 9 | Hard News | Neutral |
| 24. | May 24th | People Daily | State ups campaign for rate cap changes. | 18 | Business | Positive |
| 25. | May 25th | The Star | ICPAK to deregister members in NYS scam. | 19 | Business | Negative |
| 26. | May 25th | The Standard | ICPAK faults tax law amendments. | 19 | Hard news | Neutral |
| | | | Consult on Tax Bill, Says ICPAK. | 31 | Business | Neutral |
| 27. | May 25th | Daily Nation | Senator Kajwang urges governors to be bold and sack unwanted staff. | 20 | Hard news | Neutral |
| 28. | May 27th | Sunday Nation | Automation bid faces hitch as judiciary seeks to speed up cases. | 37 | Business | Negative |
| 29. | May 27th | Sunday Nation | | | | |
| | | | War on graft targets accountants. | 34 | Business | Negative |
| 30. | May 28th | Business Daily | Accountants propose KSh. 10 million fine for ICPAK members involved in fraudulent deals. | 16 | Business | Neutral |
| 31. | June 14th | The Star | Zero rating basic goods will burn pockets-ICPAK. | 14 | Business news | Neutral |
| 32. | June 19th | Daily Nation | Accountants review budget. | 8 | Pictorial | Neutral |
| 33. | June 19th | Business Daily | Accountants fault treasury's tax plan. | 16 | Business | Neutral |

Media Monitoring Scorecard 2018 *Continued..*

| No | DATE | PUBLICATION | SUMMARY/HEADLINE | PAGE | SLOT | TONALITY |
|-----|----------------|----------------|--|-------|-------------|----------|
| 34. | June 21st | Business Daily | Why procurement officials vetting should be done within the law. | 19 | Op-ed | Neutral |
| 35. | July 5th | Business Daily | Accountants urge sacco to adopt IFRS-9 or risk rating cut. | 19 | Business | Neutral |
| 36. | July 13th | People Daily | Martha Karua says calls by governors for immunity outrageous. | 5 | Hard news | Neutral |
| 37. | July 12th | People Daily | Keep off sugar till State explains mystery. | 5 | Hard news | Neutral |
| 38. | July 12th | The Star | Don't poison us with illicit sugar. | 7 | Hard news | Neutral |
| 39. | August 11th | The Star | ICPAK pledges to help state fight corruption. | 18 | Business | Positive |
| 40. | September 13th | Business Daily | Accountants want unpopular VAT on fuel suspended. | 19 | Business | Neutral |
| 41. | September 24th | The Star | Accountants want debt tenure rolled over to ease tax pressure. | 6 | Hard news | Neutral |
| 42. | September 28th | Business Daily | ICPAK Marks 40 years of accounting quality assurance in Kenya. | 17-20 | Supplement | Positive |
| 43. | October 9th | Business Daily | Accounts trainees must register with ICPAK under new law. | 19 | Business | Positive |
| 44. | October 11th | People Daily | ICPAK says accounting law amendments will spur profession. | 17 | Business | Neutral |
| 45. | October 11th | Business Daily | Accountants back push for law review to cut costs. | 16 | Business | Neutral |
| 46. | October 12th | The Star | Accountants back referendum to change constitution. | 14 | Business | Neutral |
| 47. | October 12th | Daily Nation | New Regulation now shields accountants in anti-graft war. | 33 | Business | Positive |
| 48. | October 12th | Business Daily | New Regulations now shields accountants in war against graft. | 6 | Business | Positive |
| 49. | October 15th | Business Daily | Change to Accountants Act signals new dawn. | 11 | Opinion | Positive |
| 50. | October 17th | Business Daily | Unregistered Accountants face big fines and jail terms. | 1 | Business | Neutral |
| 51. | October 18th | Daily Nation | Amendments to the Accountants Act heralds a new dawn for Accountants in Kenya. | 32 | Advertorial | Positive |
| 52. | October 19th | Business Daily | Africa Auditors seek uniform practice standards. | 19 | Business | Neutral |
| 53. | November 19th | Business Daily | Sameer tops financial reporting awards for second year. | 18 | Business | Positive |

Media Monitoring Scorecard 2018 *Continued..*

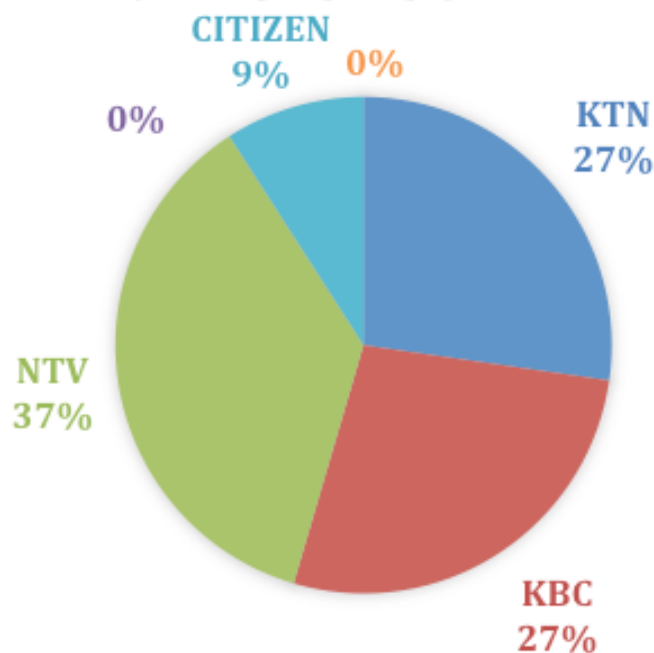
| No | DATE | PUBLICATION | SUMMARY/HEADLINE | PAGE | SLOT | TONALITY |
|-----|---------------|----------------|--|-------|------------|----------|
| 54. | November 29th | Daily Nation | Annual Financial Reporting (FiRe Awards). | 56-58 | Supplement | Neutral |
| 55. | December 15th | Business Daily | Lobby reads mischief in accountants transfers. | 19 | Business | Negative |
| 56. | December 15th | The Standard | State agencies shun officers cleared in procurement probe. | 31 | Business | Negative |

Newspaper summary**Tonality**

Media Monitoring Broadcast 2018

| DATE | CHANNEL | SUMMARY | TIME | TONALITY |
|--------------------------------|------------|---|------|----------|
| 21 Feb 2018 | BD | ICPAK alarmed over Kenya's growing debt. | 2.21 | Negative |
| | | ICPAK sends warning on Kenya's ballooning debt at 56% of Kenya's domestic product. | 3.08 | Negative |
| 21 February 2018 | KTN | Concerns are mounting over Kenya's public debt. | 3.22 | Negative |
| 21 February 2018 | NTV | Standard Group limetia mkataba wa maelewano na taasisi ya wahasibu wa umma nchini ICPAK. | 2.00 | Positive |
| May 23rd | KTN | ICPAK post budget analysis. | 1hr | Neutral |
| June | Citizen | ICPAK calls for a strategic war on corruption. | 2.40 | Neutral |
| 20th June | KBC | ICPAK says vetting of accounting and procurement officers should be conducted in accordance with proposed framework being drafted by a team of experts. | 1.04 | Neutral |
| June 25th | KBC | ICPAK Chairman Julius Mwatu says the institution fully supports President Uhuru Kenyatta's move of vetting and lifestyle audit for public office holders. | 1.14 | Neutral |
| 12th July | NTV | ICPAK Chairman Julius Mwatu the government ought to renegotiate its loans to seek longer service periods to ease the burden of exerted on the Kenyan tax payer. | 1.23 | Positive |
| 21st September | KBC | Sameer tops financial reporting awards for second year. | 1.36 | Positive |
| November 21st | | FiRe Award- Mainstreaming Corporate Governance. | 1hr | Positive |
| November 8th | NTV | FiRe Awards aimed at strengthening Financial Markets and attract investors. | 1.30 | Neutral |
| November 19th November 21st | KTN NTV | Sameer Africa emerges as the overall winner at the fire awards 2018. | 1.07 | Positive |

BROADCAST SUMMARY





ICPAK Chairman FCPA Julius Mwatia addresses the media with NARC Kenya Party Leader Honourable Martha Karua in 2018.

Newspaper Cuttings in 2018





ICPAK Enterprise Risk Management

The Institute continues implementing Enterprise Risk Management Framework to ensure that there is a proactive process of mitigating risks that may deter it from achieving both strategic and operational objectives. To achieve this, ICPAK has put in place a comprehensive Risk Management policy implemented and is complemented by its risk management philosophy.

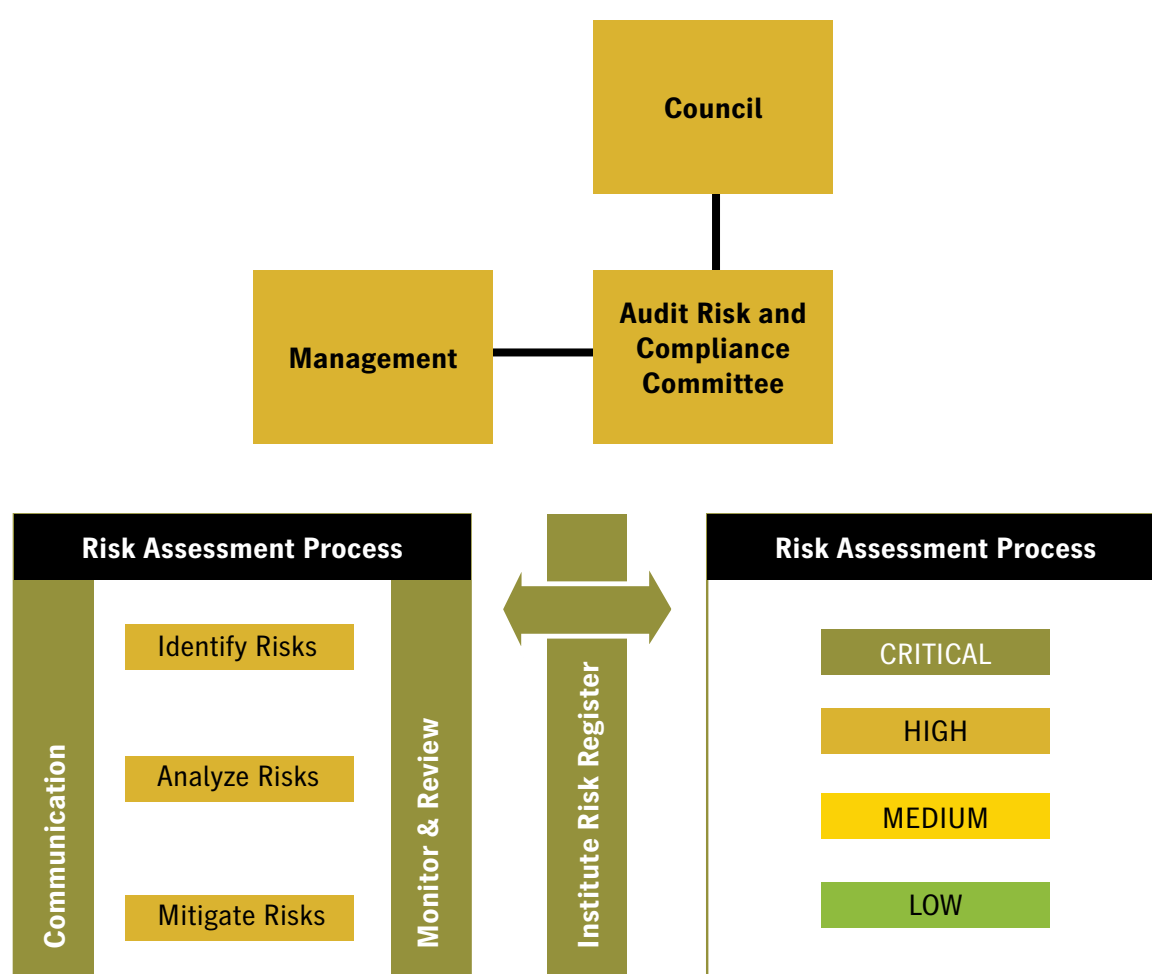
There is a dedicated risk champions forum which continuously undertakes departmental risk assessment interventions with the concurrence of risk owners and facilitated by Internal Audit and Risk Department.

The departmental risk champions and risk owners would then evaluate risks and prescribe appropriate mitigation measures which are monitored for implementation. In line with international best practices, risks are comprehensively assessed on their probability, severity and the quality of the existing control environment; and managed through acceptance, transfer, avoidance or reduction measures. There are various risk management tools that are used to manage risks within the Institute, such as risk registers, risk enablers like policies, systems, risk and control self-assessment tools (RCSA) among others.

On a Quarterly basis the Internal Audit and Risk department presents to Management significant risks for their appreciation and ownership. The Audit, Risk and Compliance Committee of the Council evaluates the significant risks presented to determine the impact of the residual risks as well as review the effectiveness of mitigation measures implemented or proposed by management. The resolutions of the Audit, Risk and Compliance Committee regarding management efforts

in mitigation of significant risks are thereafter reported to the Council.

The Council determines levels of risk tolerance for the Institute and ensures that risk management is a continuous process by formally reviewing and providing direction for the significant risks. These resolutions guide on the improvement of the risk management strategies within the Institute.



Corporate Social Responsibility Report

As a corporate citizen, ICPAK undertook several CSR activities. Charity golf tournaments to raise funds for the ICPAK Accounting & Finance Scholarship program were held in Mombasa and Nairobi. The scholarship had supported 7

students, where two graduated in 2018 while five were in their 3rd year of schooling. Donations to the needy were made with a positive impact to the children of Mama Fatuma Children's Home and the boys of Wana Wa Mola Rescue Centre.



Career Talk at Star of The Sea.



ICPAK staff and Annual Seminar delegates pose for a photo when they visited Wana Wa Mola Street children rescue centre in 2018.



Golf players in their element at Karen County Club in 2018.

Looking Forward



ICPAK marked its 40th Anniversary in 2018, with an embedded Theme “*Renewing The Promise.*” This accorded the Institute an opportunity to reflect on the milestones achieved, as well as renew its commitment on improvement in service delivery to its members and stakeholders.

During the year, the Institute continued in its role of developing and promoting internationally recognized profession which is rooted in the culture of *Upholding Public Interest* through effective regulation, research and innovation. The Institute in conjunction with kasneb successfully hosted, for the first time, the International Accounting Education Standards Board (IAESB) meeting in Kenya. This event was a real testament of ICPAK’s influence at the global level on accountancy profession.

ICPAK took a leading role on sensitization and training of the financial services sector players on the implementation of IFRS 9 that took effect on 1st January 2018. It actively engaged stakeholders including Central Bank, SASRA, Kenya Bankers Association towards adoption of the standard.

As the curtain was falling on the 2016-2018 Strategic Plan, the Institute was proud to have made great milestones on implementation of some key strategic objectives among them; Passing of amendments to the Accountants Act, improved service delivery to members, use of technology to improve efficiency, improved technical support to SMPs and increased visibility through stakeholder engagements among others. Upon review of the implementation progress of 2016-2018 Strategic plan the Institute embarked on the process of developing the new Strategic Plan 2019-2021. The process was guided by lessons learnt from prior period Strategic Plan and involved participation of all key stakeholders for their valuable input.

In line with the government’s agenda of making devolution work, the Institute opened six new physical branches to bring services closer to members and stakeholders in various regions in the country. It is envisaged that the branch network will further enhance ICPAK’s agenda of supporting budget and legislation processes at county level.

The Institute is looking forward to the prospects that will be exploited in the new Strategic Plan 2019-2021. Key commitments in coming years will be centred around implementation of the new Strategic Plan as set out below;

PILLAR 1: ACCOUNTANCY DEVELOPMENT AND REGULATION

| STRATEGIC OBJECTIVE | SUB-STRATEGIC OBJECTIVES/STRATEGIC ACTIONS (KRAs) |
|---|---|
| To develop competent professionals | • Enhance Initial professional Development to prepared future competent Accountancy professionals |
| | • Enhance TAPEF* programs uptake |
| | • Carry out competency-based trainings on accountancy profession |
| | • Increase members' compliance to professional requirements |
| | • Contribute to standards development and implementation at all levels |
| Safeguard public interest through regulation | • Enhance compliance inspection and case- follow-up on illegal practitioners |
| | • Licensing |
| | • Develop regulations |
| | • Enhance Audit Quality Monitoring |
| | • Publication of public interest matters through media networks |
| | • Review of the provisions of the Accountant Act 2018. |
| | • Enhance the Disciplinary process |

PILLAR 2: POSITIONING FOR INFLUENCE

| STRATEGIC OBJECTIVE | SUB-STRATEGIC OBJECTIVES/STRATEGIC ACTIONS (KRAs) |
|---|---|
| To be a Voice in Public Interest Matters | • Build communication capacity for the Institute |
| | • Strengthen media relations |
| | • Enhance Communication through conventional and social media platforms |
| | • Establish and operationalise a media centre |
| | • Collaborate and Create Synergies on National matters Affecting the Accountancy Profession |
| | • Contribute to legislative development in Kenya and the EAC |
| Robust Stakeholder Management | • Create a Robust Outreach and Stakeholder Engagement Framework |

PILLAR 2: POSITIONING FOR INFLUENCE

| STRATEGIC OBJECTIVE | SUB-STRATEGIC OBJECTIVES/STRATEGIC ACTIONS (KRAs) |
|---|--|
| To Influence Public Policy on Finance, Accounting and Related Matters | • Develop State of the Economy Advisory Opinions for Discussion with the Cabinet Secretary for Finance |
| | • Support Monitoring of National and County Budget Making Processes |
| | • Support Oversight Role on Budget Implementation through Analysis and Dissemination of Controller of Budget and Auditor General Reports |
| | • Support oversight role on Private Sector Entities to uphold Public Interest |
| Contribute to implementation of Devolution in Kenya | • Capacity Build County Governments on Public Finance Management and Oversight |
| | • Collaborate and Create Synergies between Branches and County Governments on Financial Accountability and Governance |
| Re-position the CPA Brand for greater impact | • Lobby for increased representation by ICPAK Members on Boards, Committees and Taskforces |
| | • Identify and Engage CPA Brand Ambassadors |
| | • Promote international recognition of CPA brand through MRAs/ MoUs |
| | • Market the Institute's products for greater visibility and enhance professionalism |
| Be a Preferred source of Quality Research in Finance, Accounting and Related matters | • Undertake research on matters of public interest |

PILLAR 3: INSTITUTIONAL SUSTAINABILITY

| STRATEGIC OBJECTIVE | SUB-STRATEGIC OBJECTIVES/STRATEGIC ACTIONS (KRAs) |
|---|---|
| Financial Sustainability | • Enhanced Revenue Growth (Training revenue, sponsorship and consultancy, in-house training, Regulation fund raising, income stream diversification, investment income, fund raising for research and regulation) |
| | • Enhanced Cost optimization in Institute's operations |
| | • Enhance value for money in the supply chain processes |
| | • Support sustainable physical branch offices |
| Risk management and environmental sustainability | • Enhance Enterprise Risk management |
| | • Environmental sustainability |

PILLAR 3: INSTITUTIONAL SUSTAINABILITY

| STRATEGIC OBJECTIVE | SUB-STRATEGIC OBJECTIVES/STRATEGIC ACTIONS (KRAs) |
|--|--|
| Transform to an institutional culture that enhances performance | <ul style="list-style-type: none"> • Attract, develop and retain top talents |
| Strengthen the Institute's governance | <ul style="list-style-type: none"> • Review and revamp the Institute's governance structure |
| | <ul style="list-style-type: none"> • Enhance accountability and disclosure reporting |
| Business process Re-engineering | <ul style="list-style-type: none"> • Benchmark and Revise all SOPs and SLAs |
| | <ul style="list-style-type: none"> • Develop and implement ICT Strategy |
| Knowledge and Records management | <ul style="list-style-type: none"> • Develop technology platforms to enhance internal collaboration and information sharing |
| | <ul style="list-style-type: none"> • Automate the Record management system |
| | <ul style="list-style-type: none"> • Enhance general data protection in compliance with global regulation |

PILLAR 4: ENHANCED CUSTOMER EXPERIENCE

| STRATEGIC OBJECTIVE | SUB-STRATEGIC OBJECTIVES/STRATEGIC ACTIONS (KRAs) |
|--|---|
| Inculcate Innovation culture | <ul style="list-style-type: none"> • Provide Incentives for innovation |
| Support members business environment through technology | <ul style="list-style-type: none"> • Dissemination of information through interactive digital systems |
| | <ul style="list-style-type: none"> • Establish a knowledge repository |
| | <ul style="list-style-type: none"> • Accreditation/Certification of Accounting and Audit software for use in Kenya |
| | <ul style="list-style-type: none"> • Develop partnerships for Domain and website hosting for members |
| To be a premier business partner | <ul style="list-style-type: none"> • Sign up more partners for value adds |
| | <ul style="list-style-type: none"> • Review and implement the Institute branding strategy |
| | <ul style="list-style-type: none"> • Create awareness about the role and mandate of ICPAK |
| | <ul style="list-style-type: none"> • Robust CSR program |
| | <ul style="list-style-type: none"> • Attract non-members as delegates / participants in Institute events |
| Deliver a consistent high-quality customer experience that enhances the Institute brand | <ul style="list-style-type: none"> • Attain a 75%-member satisfaction index |
| | <ul style="list-style-type: none"> • Enhance customer satisfaction |
| | <ul style="list-style-type: none"> • Develop member participation programs for the members in different segments |

The background of the slide is a photograph of a laptop on a wooden desk. The laptop screen shows a financial chart with a line graph and a bar chart. The keyboard is visible. A large yellow circle with a white border is overlaid on the left side of the image, containing the text.

Financial Review

AUDITED FINANCIAL
STATEMENTS FOR THE
FINANCIAL YEAR ENDED
31ST DECEMBER 2018



Company's Growth



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| Statement of cash flows | 115 |
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Institute Information For the Year Ended 31 December 2018

Members of the Council

| | | | |
|--|---|-----------------------|----------------------------------|
| Chairman | : | FCPA Julius Mwatu | - Elected June 2017 |
| Vice- Chairman | : | CPA Denish Osodo | - Elected June 2017 |
| Members | : | CPA Rose Mwaura | - Re-elected June 2017 |
| | | CPA Obare Nyaega | - Re-elected June 2016 |
| | | CPA Anne Wangeci | - Elected June 2018 |
| | | CPA Susan Oyatsi | - Re-elected June 2017 |
| | | CPA June Kivinda | - Retired June 2018 |
| | | CPA Samuel Okello | - Re-elected June 2018 |
| | | Ms Damaris Kimosop | - Representing other profession |
| | | CPA Geoffrey Malombe | - Representing National Treasury |
| | | FCPA Pius Nduatih | - Representing kasneb |
| | | FCPA Wycliffe Shamiah | - Representing CMA |
| Chief Executive Officer & Secretary to the Council : | | CPA Edwin Makori | |

Council Committees

| | | |
|------------------------------------|------------------------------|-------------------------|
| <i>Committee:</i> | <i>Chairperson/Convenor:</i> | |
| Audit Risk and Compliance | CPA Denish Osodo | |
| Disciplinary | FCPA Charity Muya | |
| Finance and Strategy | CPA June Kivinda | - Retired June 2018 |
| | CPA Anne Wangeci | |
| | CPA Obare Nyaega | |
| | FCPA Pius Nduatih | - Retired December 2018 |
| Member Services | CPA Samuel Okello | |
| Practitioners Development | CPA Rose Mwaura | |
| Professional Standards | FCPA Michael Mugasa | |
| Public Policy and Governance | FCPA Julius Mwatu | |
| Registration and Quality Assurance | FCPA Dr. Jim McFie | |
| Research and Development | CPA Obare Nyaega | |
| CPFT Board | FCPA Rajesh Shah | |

KCA University Representatives

| | | |
|--------------------------|---------------------|-------------|
| Board of Trustees | FCPA Michael Waweru | - Chairman |
| | FCPA Julius Mwatu | - Member |
| | FCPA Shabir Issak | - Member |
| | FCPA Winnie Nyamute | - Member |
| | CPA Edwin Makori | - Secretary |

Governing Council

| | | |
|-------------------------------------|----------------------|----------|
| Finance Committee | CPA Everlyne Muriuki | - Member |
| Audit Risk and Governance Committee | CPA Charles Ringera | - Member |

Institute Information For the Year Ended 31 December 2018 (Continued)

Registered Office and Principal Place of Business

CPA Centre
Ruaraka, Thika Road
P.O. Box 59963 - 00200
NAIROBI
Telephone : +254 719 074 000 / +254 719 074 307
E-mail : icpak@icpak.com
Website : www.icpak.com

Independent Auditor

Parker Randall Eastern Africa
Certified Public Accountants
Galleria Business Park Block 2 (A)
P.O Box 25426-00100
NAIROBI

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 2018

The Council submits its report and the audited financial statements for the year ended 31 December 2018, which show the state of the Institute's financial affairs.

1. Incorporation

The Institute of Certified Public Accountants of Kenya is a body corporate established in 1978 under the provisions of the Accountants Act, Chapter 531 of the Laws of Kenya (re-enacted as the Accountants Act No. 15 of 2008) and is domiciled in Kenya. The address of the registered office is set out on page 104.

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 brand; advise the Kenya Accountants and Secretaries National Examination Board (kasneb) on matters relating to examinations standard and policies; and to advise the Minister responsible for finance on matters relating to financial accountability in all sectors of the economy.

3. Membership

| | 2018 No. | 2017 No. |
|-------------------------------------|-------------|-------------|
| Active members at end of year | 20,610 | 19,153 |
| Active members at beginning of year | | |
| Practicing | 1,048 | 1,070 |
| Non practicing | 15,232 | 15,126 |
| Overseas | 403 | 457 |
| Retired | 760 | 543 |
| Associates | 1,710 | 1,416 |
| | 19,153 | 18,612 |
| New members in the year | 2,891 | 1,642 |
| Deceased and change of status | (24) | (87) |
| | 22,020 | 20,167 |
| Members in default | | |
| - written off | (1,587) | (1,135) |
| - recovered | 177 | 121 |
| Active members at end of year | 20,610 | 19,153 |
| Full members | 18,780 | 17,443 |
| Associate members | 1,830 | 1,710 |
| Active members at end of year | 20,610 | 19,153 |

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 2018 (Continued)

4. Results for the Year

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|----------------------|---------------------|---------------------|
| Surplus for the year | <u>28,253</u> | <u>18,345</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 103.

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

Parker Randall Eastern Africa has expressed its willingness to continue in office.

By Order of the Council



CPA Edwin Makori
Secretary to the Council

Nairobi, 29th April 2019

Statement of the Council Responsibilities on the Financial Statements For the year ended 31 December 2018

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 judgments 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 2018 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.

The Council acknowledges that the independent audit of the financial statements does not relieve it of its responsibility.

Approved by the Council on *29th April 2019*and signed on its behalf by:



FCPA Julius Mwatu
Chairman



CPA Obare Nyaega
**Convenor Finance and
Strategy Committee**



CPA Edwin Makori
Secretary to the Council

Report of the Independent Auditor To the members of the Institute of Certified Public Accountants of Kenya For the year ended 31 December 2018

Opinion

We have audited the accompanying financial statements of the Institute of Certified Public Accountants (ICPAK/the Institute), as set out on pages 112 to 143, which comprise the statement of financial position as at 31 December 2018, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies.

In our opinion the accompanying financial statements, in all material respects, give a true and fair view of the financial position of the Institute as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, in forming our opinion thereon and we do not provide a separate opinion on these matters.

**Report of the Independent Auditor
To the members of the Institute of Certified Public Accountants of Kenya
For the year ended 31 December 2018 (Continued)**

Key Audit Matters (Continued)

| Key audit matter | How the matter was addressed |
|---|---|
| <p>Information Technology (IT) systems and control</p> <p>We identified the Institute's IT environment in which the Institute's billing systems reside, including interface controls between different IT applications.</p> <p>The IT system environment introduces risks related to system access, data transfer from one system to another and change management which is the Institute's process of managing changes to its software applications and IT infrastructure and therefore represent a key audit matter.</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Evaluating the design and testing the operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting. • Examining the framework of governance over the Institute's IT organization and the controls over access to programs and data, program changes, IT operations and program development. • Where necessary, carrying out direct tests of certain aspects of the security of the Institute's IT systems including logical access management and segregation of duties. |
| <p>Revenue Cycles (Income, Collections, Banking & Accounts Receivables)</p> <p>The revenue cycle continues to be the primary area of fraud and abuse globally therefore requiring strong, comprehensive internal controls.</p> <p>Due to the multitude and variety of contractual terms across the Institute, the estimation of discounts, incentives, credit terms, write offs and rebates recognized based on invoices made during the year is considered to be complex.</p> <p>We focused on the assessment of the inherent risk associated with the revenue cycle and performed tests to determine the cycle is relatively free of error or fraud.</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Understanding of the Institute and its environment to consider inherent risk, including fraud risks, related to receivables and revenues. • We obtained an understanding of internal control over receivables and revenues and assessed the risks of material misstatement and designed tests of controls and substantive procedures to confirm the existence and completeness of receivables and revenue transactions. • We also assessed sales transactions taking place before and after year-end to ensure that revenue was recognized in the correct period and assessed the accuracy of the sales recorded, based amongst others, inspection invoices. |

Report of the Independent Auditor

To the members of the Institute of Certified Public Accountants of Kenya

For the year ended 31 December 2018 (Continued)

Other information

The Council is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Council's responsibilities for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the institute's ability to continue as a going concern, disclosing as applicable, matters related to the going concern and using the going concern basis of accounting unless the council either intend to liquidate the firm or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Report of the Independent Auditor
To the members of the Institute of Certified Public Accountants of Kenya
For the year ended 31 December 2018 (Continued)**

Auditor's responsibilities for the audit of the financial statements - (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures or in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence up to the date of the auditor's report. However, future events or conditions may cause the firm to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Certified Public Accountants (Kenya)
Nairobi.

29th April 2019

The signing partner responsible for the independent audit was CPA Victor Majani Practising certificate No. 1546.

Financial Statements for the year ended 31 December 2018

Income Statement for the year ended 31 December 2018

| | Note | 2018 Kshs. '000' | 2017 Kshs. '000' |
|---|-------|----------------------|----------------------|
| Income | | | |
| Subscriptions | 4 | 231,780 | 218,437 |
| Members' services | 5 (a) | 548,033 | 410,072 |
| CPA Centre rental income | 6 (a) | 8,987 | 49,474 |
| Social responsibility activities | 7 (a) | 2,909 | 1,921 |
| | | <u>791,709</u> | <u>679,904</u> |
| Expenses | | | |
| Member services | 5 (b) | 271,718 | 211,096 |
| Social responsibility | 7 (b) | 1,299 | 2,004 |
| Operating expenses | 8 | 446,945 | 399,888 |
| | | <u>719,962</u> | <u>612,988</u> |
| Operating surplus | | 71,747 | 66,916 |
| CPA Centre finance cost | 6 (b) | (65,264) | (64,964) |
| Operating surplus after finance cost | | 6,483 | 1,952 |
| Net grant income | 9 (a) | - | 2 |
| Other income | 10 | 306 | 5,670 |
| Fair value gain on investment property | 12 | 19,383 | 15,316 |
| Surplus before tax | | 26,172 | 22,940 |
| Deferred tax | 26 | 2,081 | (4,595) |
| Surplus for the year | | <u>28,253</u> | <u>18,345</u> |

The notes set out on pages 116 to 143 form an integral part of the financial statements.

Financial Statements for the year ended 31 December 2018 (Continued)

Statement of Financial Position as at 31 December 2018

| | Note | 2018 Kshs. '000' | 2017 Kshs. '000' | 1st January 2017 Kshs. '000' |
|----------------------------------|-------|-------------------------|-------------------------|------------------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property plant and equipment | 11 | 83,739 | 78,188 | 98,941 |
| Investment property | 12 | 1,620,000 | 1,600,000 | 1,550,000 |
| Intangible assets | 13 | 2,340 | 3,033 | 1,695 |
| Other receivables | 14 | 105,501 | 111,257 | 111,257 |
| Due from related party | 24 | 27,322 | 45,193 | - |
| Investment in CPA Centre Limited | 15 | 50 | 50 | 50 |
| | | <u>1,838,952</u> | <u>1,837,721</u> | <u>1,761,943</u> |
| Current assets | | | | |
| Inventories | 16 | 29,033 | 4,321 | 4,665 |
| Grant Fund Balance | 9 (b) | - | 48 | - |
| Trade and other receivables | 17 | 90,588 | 121,008 | 148,857 |
| Cash and bank balance | 18 | 41,267 | 29,445 | 42,419 |
| | | <u>160,888</u> | <u>154,822</u> | <u>195,941</u> |
| TOTAL ASSETS | | <u>1,999,840</u> | <u>1,992,543</u> | <u>1,957,884</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| General fund | | 1,052,203 | 1,051,942 | 1,032,198 |
| Revaluation reserve | | 108,963 | 109,080 | 109,197 |
| Designated funds | 19 | 8,427 | 6,817 | 6,919 |
| | | <u>1,169,593</u> | <u>1,167,839</u> | <u>1,148,314</u> |
| Non-current liabilities | | | | |
| Deferred tax | 26 | 1,579 | 3,660 | - |
| Due to CPA Centre Limited | 24 | 50 | 50 | 50 |
| Borrowings | 21 | 424,495 | 369,338 | 413,490 |
| | | <u>426,124</u> | <u>373,048</u> | <u>413,540</u> |
| Current liabilities | | | | |
| Grant Fund Balance | 9 (b) | 5,135 | - | 4,475 |
| Borrowings | 21 | 64,430 | 74,930 | 61,784 |
| Trade and other payables | 22 | 290,677 | 242,894 | 182,142 |
| Deferred subscriptions | | 43,881 | 53,037 | 66,834 |
| Retention on construction | 20 | - | 80,795 | 80,795 |
| | | <u>404,123</u> | <u>451,656</u> | <u>396,030</u> |
| LIABILITIES | | <u>1,999,840</u> | <u>1,992,543</u> | <u>1,957,884</u> |

The financial statements on pages 112 to 143 were approved by the Council on

29th April 2019 and signed on its behalf by:



FCPA Julius Mwatu
Chairman



CPA Obare Nyaega
Convenor Finance and
Strategy Committee



CPA Edwin Makori
Secretary to the Council

Financial Statements for the year ended 31 December 2018 (Continued)

Statement of Changes in Equity for the year ended 31 December 2018

| | Note | General Fund Kshs. '000' | Revaluation Reserve Kshs. '000' | Designated Fund Kshs. '000' | Total Kshs. '000' |
|---|-------|-----------------------------|------------------------------------|--------------------------------|-------------------------|
| At 1 January 2018 | | 1,051,942 | 109,080 | 6,817 | 1,167,839 |
| Prior period adjustment (as per IFRS 9) | 29(a) | (26,499) | - | - | (26,499) |
| Total surplus for the year | | 28,253 | - | - | 28,253 |
| Surplus from social responsibility | 7 | (1,610) | - | 1,610 | - |
| Transfer of excess depreciation | 11 | 117 | (117) | - | - |
| As at 31 December 2018 | | <u>1,052,203</u> | <u>108,963</u> | <u>8,427</u> | <u>1,169,593</u> |
| At 1 January 2017 | | 1,033,398 | 100,842 | 6,919 | 1,141,159 |
| Total surplus for the year | 29(b) | 18,344 | - | - | 18,344 |
| Prior Year Adjustment | | - | 8,355 | - | 8,355 |
| Contributions | | - | - | (19) | (19) |
| Transfer of excess depreciation | | 117 | (117) | - | - |
| Deficit from social responsibility | | 83 | - | (83) | - |
| As at 31 December 2017 | | <u>1,051,942</u> | <u>109,080</u> | <u>6,817</u> | <u>1,167,839</u> |

The notes set out on pages 116 to 143 form an integral part of the financial statements.

Financial Statements for the year ended 31 December 2018 (Continued)

Statement of Cash Flows for the year ended 31 December 2018

| | Note | 2018 Kshs. '000' | 2017 Kshs. '000' |
|---|---------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Total surplus for the year | | 28,253 | 18,345 |
| Adjustments for: | | | |
| Fair value adjustment of investment property | 12 | (19,383) | (15,316) |
| Depreciation and amortization | 11 & 13 | 15,026 | 12,301 |
| Prior year adjustment on Revaluation reserve | | - | 8,355 |
| Prior year adjustment on Expected Credit Losses | | (26,498) | - |
| Prior year Adjustment | | - | 578 |
| Deferred Tax | 26 | (2,081) | 4,595 |
| CSR net income | 7 | (1,610) | 83 |
| Loss on disposal of equipment | 10 | 48 | 111 |
| Interest income | 10 | (377) | - |
| Interest expenses | 6 (b) | 65,264 | 64,964 |
| Surplus before working capital changes | | 58,642 | 94,016 |
| (Increase) / Decrease in inventories | 16 | (24,712) | 343 |
| Decrease in trade and other receivables | 17 | 54,047 | 31,906 |
| Decrease /(Increase) Grant Fund Balance Asset | 9 (b) | 48 | (48) |
| Increase / (Decrease) Grant Fund Balance Liability | 9 (b) | 5,135 | (4,475) |
| Increase in trade and other payables | 22 | 47,782 | 3,145 |
| Decrease in advance subscriptions | | (9,157) | (13,795) |
| Decrease in retention on construction | 20 | (80,795) | - |
| Interest income | 10 | 377 | - |
| Interest expenses | 6 (b) | (65,264) | (64,964) |
| Net cash generated from operating activities | | (13,897) | 46,128 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment | 11 | (18,818) | (4,206) |
| Purchase of intangible asset | 13 | (1,111) | (2,500) |
| Disposal of property and equipment | 11 | (3) | 641 |
| Additions to investment property | 12 | (617) | (21,929) |
| Net cash used in investing activities | | (20,549) | (27,994) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Cash received from CSR activities | 7 (a) | 2,909 | 1,921 |
| CSR Cash payments | 7 (b) | (1,299) | (2,004) |
| Direct contribution to designated funds | 19 | - | (19) |
| Loan Taken | 21 | 100,502 | 12,679 |
| Loan paid | 21 | (55,844) | (43,685) |
| Net cash from financing activities | | 46,268 | (31,108) |
| Decrease in cash and cash equivalents | | 11,822 | (12,974) |
| As at 1 January | | 29,445 | 42,419 |
| As at 31 December | 18 | 41,267 | 29,445 |

The notes set out on pages 116 to 143 form an integral part of the financial statements

Financial Statements for the year ended 31 December 2018 (Continued)

Notes

1. 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 financial statements comprise a Income statement, statement of Financial Position, statement of Changes in Equity, statement of Cash Flows, and Notes.

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.

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:

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of Significant Accounting Policies (Continued)

Measurement basis (Continued)

- 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 (i.e. as prices) or indirectly (i.e. 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.

b) New and revised standards

i) New standards that are effective

The following new and revised standards and interpretation have become effective for the first time in the financial year beginning 1 January 2018 and have been adopted by the institute where relevant to operations.

Amendments to IFRS 1, IFRS 12 AND IAS 28 titled Annual improvement to IFRS standards (issued on December 2016) - The amendments, applicable for the annual period beginning on or after 1 January 2018, make the following changes:-

- Delete the short term exemption paragraphs, E3-E7, of IFRS 1 because they have served their purpose
- Clarify the scope of IFRS 12. According to these amendments, disclosure requirements in the standard, except those in paragraph B10-B16 applies to entities listed in paragraph 5 of IFRS 5.
- Clarify that the election, contained therein IAS 28, to measure at fair value through profit or loss an investment in associate, joint venture that is held by an entity as venture capital organisation, or other qualifying entity is available on investment by investment basis upon initial recognition.

Conceptual Framework for financial reporting 2018 (Issued in March 2018) - The new conceptual framework, effective from date of issue since no effective date has been stated, covers significant issues that had not been covered in the previous one. It also provides guidance to those issues that were not clear in the previous standard and those that were outdated.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

i) New standards that are effective (Continued)

IFRS 15; Revenue from Contracts with Customers (issued in May 2014) -The new standard, effective for annual periods beginning on or after 1 January 2018, 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 applied 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 replaces 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 recognized financial assets to be subsequently measured at amortized 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 recognized 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 recognized. For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The derecognition provisions are carried over almost unchanged from IAS 39.

To comply with the standard, provisions have been made for either 12-months or life time expected credit losses (ECLs) for all financial assets measured at amortised cost. The Council has opted to apply the simplified approach on receivables whereby lifetime ECL are provided from inception. However, the comparatives have not been restated in respect to ECL. Instead, additional provisions of Kshs 26.5 million have been recognised with a corresponding decrease in retained earnings at 1st January 2018 in line with the transitional provisions of IFRS 9. Further details of the restatement are set out in Note 29.

Amendments to IFRS 2 titled Classification and Measurement of Share-based (SBP) Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity settled.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

i) New standards that are effective (continued)

Amendment to IFRS 4 and IFRS 9 titled interaction of IFRS 4 and IFRS 9 (issued in September 2016) - The amendment, effective for annual periods beginning on or after 1 January 2018, address issues arising from the application of IFRS 9. It requires that an entity applying overlay approach to do so retrospectively to qualifying assets when first applying IFRS 9. For the entities choosing deferral method, it applies for annual periods beginning on or after 1 January 2018.

Amendment to IAS 40 titled transfer of investment property (issued in December 2016) - The amendment, applies to annual periods beginning on or after 1 January 2018, provides clarifications on the transfer of property to and from investment property.

Based on assessment of the council, the adoption of the above standards, except for IFRS 9, have no significant impact on the on the Institute's financial statements.

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

Amendments to IAS 28 regarding long-term interests in associates and joint ventures (issued in October 2017) -The amendments, applicable to annual period beginning on or after 1 January 2019, clarify that an entity need to apply IFRS 9 on long-term interests in an associate or joint venture that are part of investments.

Amendments to IAS 19 (issued in February 2018)-The amendments, effective for the annual period beginning on or after 1 January 2019, clarify the impact of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. It also requires a mandatory evaluation of current service cost and interest rates based on assumption used for remeasurement.

Amendment to IAS 8 (issued in October 2018)-The amendment, applicable for the annual period beginning on or after 1 January 2020, clarifies the definition of material.

Amendments to IFRS 9 regarding prepayment features with negative compensation and modifications of financial liabilities (issued in October 2017)-The amendments, applicable for annual period beginning on or after 1 January 2019, enable entities to measure at amortized cost some prepayable financial assets with negative compensation. They also provide clarification on accounting for financial liabilities following modifications.

Amendment to IFRS 3 titled definition of a business (issued in October 2018)-The amendment, effective for the annual period beginning on or after 1 January 2020, clarifies the definition of a business.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (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 3, IFRS 11, IAS 12 and IAS 23 titled annual improvements to IFRS standards 2015-2017 cycle (issued in December 2017)- The improvements, applicable for annual periods beginning on or after 1 January 2019, makes the following clarifications:-

- a. when an entity acquires control of a business that is a joint operation, under IFRS 3, it should remeasure previously held interest in that business. However, under IFRS 11, an entity does not need to remeasure previously held interest in the joint operation.
- b. Requirements in the former 52 (B) apply to all income tax consequences of dividends.
- c. Any specific borrowing remaining outstanding after the related assets is ready for intended use or sale, under IAS 23, that borrowing becomes part of the fund the entity borrows generally in calculating capitalisation rate.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.”

The council does not plan to apply any of the above until they become effective. Further, based on their assessment of the potential impact of application of the above, they do not expect that there will be significant impact on the institute’s financial statements.

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 (KSh).

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 profit or loss in the year in which they arise.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

d) Revenue recognition

The recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognized when (or as) the Institute satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset:

- i) Annual subscription fees are recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Institute.
- ii) First registration fees are recognized at a point in time on completion of application services by granting the member's status to the applicants.
- iii) Income from seminars and workshops, member and associate activities is recognized over time as the services are rendered.
- iv) Rental income is recognised on a straight-line basis over the period of the lease.
- v) 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. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

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.

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:

| | |
|------------------------|----------|
| Equipment | 4 year |
| 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.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

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 for which an insignificant portion is occupied 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 profit or loss.

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

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

g) 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.

h) Impairment of non-financial 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 Income statement 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 Income statement in the year in which the reversals are recognised.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

i) 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.

j) Financial instruments

The Institute recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Classification

The Institute classifies its financial instruments into the following categories:

- i. **Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows**, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost. These were mainly:-

Loan and Receivables: which comprise non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Loan and receivables are held for their contractual cash flows and hence are initially recognised at fair value. Subsequently, they are recognised at amortised cost using effective interest rate method, less allowance for expected credit losses.

Demand and term deposits with banking institutions

- ii. **Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets**, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.
- iii. **All other financial assets** are classified and measured at fair value through profit or loss.
- iv. **Financial liabilities:** mainly made up of trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using effective interest rate method.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

k) Impairment of Financial Assets

Impairment of financial assets the Institute recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through profit or loss. The Institute puts into consideration the probability of default upon initial recognition of financial assets and evaluates whether there has been a significant increase in credit risk on an ongoing basis.

The Institute determines the credit risk on a financial instrument to be low if the financial instrument has a low risk of default, the debtor has a considerable capacity to meet its contractual cash flow obligations in the near future and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The carrying amount of the receivables are reduced through the use of the receivable impairment charges account. Variations in the carrying amount of the receivable impairment charges account are recognized in profit or loss. The receivable is written off against the receivable impairment charges account when the Institute has no reasonable expectations of recovering the receivable. If, in a subsequent period, the amount of expected credit losses (ECL) reduces, the subsequent reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in profit or loss.

k) 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.

l) 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 Limited and is funded by contributions from both the Institute and the employees. The Institute's contributions to the defined contribution retirement benefit scheme are charged to the Income statement in the year in which they relate.

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

Employees' entitlements

The estimated monetary liability for employees accrued annual leave entitlement and gratuity payment at the reporting date is recognised as an expense accrual. Only senior staffs under contract are entitled to gratuity.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

m) 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 the Income statement 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 recognised 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.

n) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings that are attributable to acquisition, construction of a qualifying assets 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 borrowing 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.

o) 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.

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 there has been a significant increase in credit risk since the initial recognition of financial assets
- Whether assets are impaired
- Whether the investment property valuation fairly reflects current market value.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

1. Summary of significant accounting policies (Continued)

3. Risk Management Objectives and Policies

a) Financial risk management

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

i) Credit risk

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

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

As at 31 December 2018

Trade and other receivables

Subscription Debtors

Due from related party

Cash at bank

Gross carrying amount

Expected Credit Loss - Subscription

Expected Credit Loss - Related Party

Subscriptions written off

Prior year adjustment on Expected Credit Loss - Subscription

Prior year adjustment on Expected Credit Loss - Related Party

Net carrying amount

Expected Credit Losses KSh'000"

83,875

57,142

46,176

41,267

228,460

(11,596)

(3,036)

(28,152)

(10,681)

(15,818)

159,177

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

3. Risk management objectives and policies (continued)

i) Credit risk (continued)

As at 31 December 2017

| | Impairment KSh"000" |
|------------------------------|------------------------|
| Trade and other receivables | 190,173 |
| Subscription Debtors | 48,317 |
| Due from related party | 45,193 |
| Cash at bank | 29,445 |
| Gross carrying amount | 313,128 |
| Subscriptions written off | (21,615) |
| Net carrying amount | <u>291,513</u> |

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 0.38:1 (2017: 0.6:1). The liquidity position is impacted by the prolonged electioneering period in 2018 and mortgage repayment on CPA Centre.

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

| | Between 1 - 3 months Kshs. '000' | Between 3 - 12 months Kshs. '000' | Over 12 months Kshs. '000' | Total Kshs. '000' |
|-------------------------------|--|---|----------------------------------|-----------------------|
| As at 31 December 2018 | | | | |
| Trade and other payables | 245,698 | 32,343 | 12,636 | 290,677 |
| Borrowings | - | 70,712 | 479,679 | 550,391 |
| | <u>245,698</u> | <u>103,055</u> | <u>492,315</u> | <u>841,068</u> |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

3. Risk management objectives and policies (continued)

a) Financial risk management (Continued)

ii) Liquidity risk (Continued)

| | Between 1 - 3 months Kshs. '000' | Between 3 - 12 months Kshs. '000' | Over 12 months Kshs. '000' | Total Kshs. '000' |
|-------------------------------|--|---|----------------------------------|----------------------|
| As at 31 December 2017 | | | | |
| Trade and other payables | 83,389 | 152,469 | - | 235,858 |
| Borrowings | - | 82,798 | 421,045 | 503,843 |
| Retention on construction | - | 80,795 | - | 80,795 |
| | 83,389 | 316,062 | 421,045 | 820,496 |

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. 510,000 (2017: nil).

If the interest rates on the Institute's borrowings at the year-end were to increase/decrease by 5 percentage points, all other factors remaining constant, interest expense would be lower/higher by Kshs 13,076,147 (2017: Kshs 11,881,854) 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.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

4. Subscriptions Income

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--|---------------------|---------------------|
| Practising | 20,960 | 21,400 |
| Non practising | 153,218 | 151,661 |
| Overseas | 3,123 | 3,542 |
| Retired | 2,850 | 2,832 |
| Associate members | 3,420 | 2,036 |
| Subscription debtors recovered (Note 10) | 3,703 | 2,780 |
| New members in the year | 44,506 | 34,186 |
| | 231,780 | 218,437 |

5. Member Services

(a) Income

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|---------------------------------|---------------------|---------------------|
| Monthly seminars/video sessions | 295,998 | 211,580 |
| Annual seminar | 203,235 | 146,909 |
| Executive retreat | 12,115 | 12,751 |
| Managerial seminar | 12,362 | 12,845 |
| Internal audit conference | 13,924 | 13,840 |
| Economic symposium | 9,953 | 11,635 |
| Sale of publications | 446 | 512 |
| | 548,033 | 410,072 |

(b) Expenses

| | | |
|-------------------------------------|----------------|----------------|
| Monthly seminars/video sessions | 171,693 | 111,789 |
| Annual seminar | 72,525 | 66,029 |
| Executive retreat | 11,297 | 17,091 |
| Managerial seminar | 4,970 | 5,870 |
| Internal audit conference | 4,861 | 5,371 |
| Economic symposium | 6,372 | 4,946 |
| | 271,718 | 211,096 |
| Surplus from member services | 276,315 | 198,976 |

The expenses exclude related staff costs

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

6. CPA Centre Rental Income

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--|------------------------|------------------------|
| a) Gross rental Income | 31,328 | 61,768 |
| Service Charge | (11,462) | - |
| Letting Commission | (2,089) | (3,508) |
| Management Cost | (8,790) | (8,786) |
| Net Rental Income before finance cost | <u>8,987</u> | <u>49,474</u> |
| b) Interest on mortgage | (65,264) | (64,964) |
| Net loss on rent | <u>(56,277)</u> | <u>(15,490)</u> |

7. Corporate Social Responsibility activities

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--|---------------------|---------------------|
| (a) Income | | |
| CSR activities | <u>2,909</u> | <u>1,921</u> |
| (b) Expenses | | |
| CSR activities | <u>(1,299)</u> | <u>(2,004)</u> |
| Surplus from social responsibility activities | <u>1,610</u> | <u>(83)</u> |

Social responsibility income 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.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

8. Operating Expenses

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|---|---------------------|---------------------|
| Employee benefits (Note 25) | 197,824 | 190,715 |
| Advocacy and International relations | 45,937 | 36,394 |
| Governance | 47,700 | 38,696 |
| Staff meetings and welfare | 15,241 | 10,277 |
| Depreciation and amortization | 15,026 | 12,300 |
| Professional development | 14,342 | 10,211 |
| IT costs | 10,537 | 12,618 |
| Marketing costs | 10,395 | 8,694 |
| Publication | 7,871 | 21,134 |
| Service Charge | 6,127 | 9,476 |
| Telephone, postage, printing and stationery | 6,907 | 4,151 |
| Impairment of trade and other receivables | 6,290 | 754 |
| Expected Credit Loss (note 29) | 14,632 | - |
| Subscriptions written off | 28,152 | 21,615 |
| Legal fees | 4,580 | 4,228 |
| Bank charges | 4,246 | 4,007 |
| Shared services | 3,368 | 7,032 |
| FiRe Award | 2,000 | 2,000 |
| Rent and Utilities | 2,000 | 837 |
| Insurance | 1,592 | 1,319 |
| Audit fees | 1,122 | 1,392 |
| Internal Audit Costs | 1,056 | 1,399 |
| Research and development | - | 639 |
| | 446,945 | 399,888 |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

9. Grants

The Institute signed agreements with the following organisations:-

Business Advocacy Fund (BAF) Grant

The Institute received a grant of KSh 12,337,500 from BAF to support development of Income Tax Act Policy. The Institute has utilised most of the funds with a balance of KSh 5,465,000 which is intended for the completion of the income tax policy.

UNCTAD:

This was to support hosting of the Regional Conference on Financial Inclusion in August 2017.

World Bank IDF Grant

The Institute signed an Institutional Development Fund (IDF) grant on 27 January 2014 for 18 months period, amounting to US\$ 698,000 to contribute to enhancing financial transparency, accountability and governance in Kenya. The grant period came to an end in January 2017 after fully utilisation of the fund.

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|---|---------------------|---------------------|
| (a) Income and Expenses | | |
| Grant income | | |
| Grant funds utilized during the year | - | 2,602 |
| Grant expenses | | |
| Program expenses | - | (2600) |
| | <u>-</u> | <u>2</u> |
| (b) Grant Fund Balance | | |
| As at 1 January | (48) | 4,475 |
| Receipts | 5,465 | 7,800 |
| Operating expenses | (282) | (12,323) |
| As at 31 December | <u>5,135</u> | <u>(48)</u> |
| 10. Other incomes | | |
| Interest from investment | 377 | - |
| Sale of publications and other miscellaneous income | (71) | 5,670 |
| | <u>306</u> | <u>5,670</u> |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

11. Property and equipment

a) For the year ended 31 December 2018

| | Motor vehicle Kshs. '000' | Equipment Kshs. '000' | Computers Kshs. '000' | Furniture and fittings Kshs. '000' | Total Kshs. '000' |
|---------------------------------|---------------------------------|--------------------------|--------------------------|--|----------------------|
| Cost / valuation | | | | | |
| As at 1 January 2018 | - | 11,207 | 14,537 | 83,415 | 109,159 |
| Additions | 9,237 | 1,278 | 3,665 | 4,638 | 18,818 |
| Disposal | - | - | (172) | - | (172) |
| At 31 December 2018 | <u>9,237</u> | <u>12,485</u> | <u>18,030</u> | <u>88,053</u> | <u>127,805</u> |
| Accumulated depreciation | | | | | |
| As at 1 January 2018 | - | 10,415 | 9,376 | 11,180 | 30,971 |
| Disposal | - | - | (126) | - | (126) |
| Charge for the year | 1,237 | 544 | 3,099 | 8,341 | 13,221 |
| As at 31 December 2018 | <u>1,237</u> | <u>10,959</u> | <u>12,349</u> | <u>19,521</u> | <u>44,066</u> |
| Net carrying amount | | | | | |
| As at 31 December 2018 | <u>8,000</u> | <u>1,526</u> | <u>5,681</u> | <u>68,532</u> | <u>83,739</u> |

b) For the year ended 31 December 2017

| | Motor vehicle Kshs. '000' | Equipment Kshs. '000' | Computers Kshs. '000' | Furniture and fittings Kshs. '000' | Total Kshs. '000' |
|---------------------------------|---------------------------------|--------------------------|--------------------------|--|----------------------|
| Cost/valuation | | | | | |
| At 1 January 2017 | - | 10,744 | 13,219 | 82,689 | 106,652 |
| Additions | - | 463 | 1,675 | 2,068 | 4,206 |
| Disposal | - | - | (357) | (1,342) | (1,699) |
| At 31 December 2017 | <u>-</u> | <u>11,207</u> | <u>14,537</u> | <u>83,415</u> | <u>109,159</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2017 | - | 10,025 | 6,935 | 3,819 | 20,779 |
| Disposal | - | - | (152) | (795) | (947) |
| Charge for the year | - | 390 | 2,593 | 8,156 | 11,139 |
| At 31 December 2017 | <u>-</u> | <u>10,415</u> | <u>9,376</u> | <u>11,180</u> | <u>30,971</u> |
| Net carrying amount | | | | | |
| As at 31 December 2018 | <u>-</u> | <u>792</u> | <u>5,161</u> | <u>72,235</u> | <u>78,188</u> |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

11. Property and equipment (continued)

In the period, there were no property and equipments restricted on title pledged as security for liabilities.

Furniture and fittings were revalued in the year 2014, the revaluation surplus was included in the components of equity. Each year some revaluation surplus is transferred to the general fund as the asset is used. The amount transferred is the difference between depreciation based on the revalued carrying amount and depreciation base on the original cost of the asset. The table below shows the amount of surplus transferred in the year.

| | Furniture, fittings and equipment Kshs. '000' |
|---------------------------------|--|
| At 1 January 2018 | 583 |
| Transfer of excess depreciation | (117) |
| At 31 December 2018 | <u>466</u> |
| At 1 January 2017 | 700 |
| Transfer of excess depreciation | (117) |
| At 31 December 2017 | <u>583</u> |

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

| | Furniture and fittings Kshs. '000' |
|------------------------|---------------------------------------|
| Net book value | |
| As at 31 December 2018 | <u>680</u> |
| As at 31 December 2017 | <u>1,280</u> |

12. Investment property

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|------------------------|---------------------|---------------------|
| As at 1 January | 1,600,000 | 1,562,755 |
| Addition | 617 | 21,929 |
| Fair Value adjustments | 19,383 | 15,316 |
| As at 31 December | <u>1,620,000</u> | <u>1,600,000</u> |

The amount recognised in profit or loss for rental income from investment property and direct operating expenses (including repairs and maintenance) that generated the rental income during the period have been disclosed under note 6.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

12. Investment property (continued)

Buildings were revalued on 24th October 2018 by Acumen 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). In council's opinion there has been no material change in the fair value between 24th October 2018 and 31st December 2018.

Details of the institute's investment property and information about the fair value hierarchy as at 31st December 2018 are as follows.

| Non-financial asset | Fair value as at 31st December | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable inputs | Relationships of unobservable inputs to fair value |
|---------------------|--------------------------------|----------------------|--|---------------------------------|--|
| Investment property | 1,620,000,000 | level II | Open market value basis highest and best use model | Not applicable | Not applicable |

There were no transfers between level II and level III during the two years ended 31st December 2018 and 31st December 2017. The Institute assumes that the lease will be renewed at minimal cost.

13. Intangible assets

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|----------------------------|---------------------|---------------------|
| Cost | | |
| As at January | 11,171 | 8,671 |
| Additions | 1,111 | 2,500 |
| As at December | <u>12,282</u> | <u>11,171</u> |
| Amortization | | |
| At January | 8,138 | 6,976 |
| Charge for the year | 1,804 | 1,162 |
| As at December | <u>9,942</u> | <u>8,138</u> |
| Net Carrying amount | <u>2,340</u> | <u>3,033</u> |

The life of the intangible assets held is finite.

14. Other receivables

| | | |
|---------------------------------|----------------|----------------|
| VAT recoverable on construction | <u>105,501</u> | <u>111,257</u> |
|---------------------------------|----------------|----------------|

The input VAT on construction of the investment property shall be recovered from the output VAT on rental income.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

15. Investment in CPA Centre Limited

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|----------------------------------|---------------------|---------------------|
| Investment in CPA Centre limited | <u>50</u> | <u>50</u> |

16. Inventories

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|-------------------|---------------------|---------------------|
| Seminar materials | <u>29,033</u> | <u>4,321</u> |

The amount of inventories recognised as expense during the period is KSh 25,966,000 (2017: 22,827,000).
In addition, there were no reversals of any write-downs and inventories pledged as security.

17. Trade and other receivables

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|---|----------------------|-----------------------|
| Subscription receivables | 57,142 | 48,317 |
| Prior year adjustment on Expected Credit Loss (Note 29) | (10,681) | - |
| Expected Credit loss for current year (Note 29) | (11,596) | - |
| Subscription Write-off | <u>(28,152)</u> | <u>(21,615)</u> |
| Net subscription receivables | 6,713 | 26,702 |
| VAT recoverable on construction | 24,886 | 15,612 |
| Other receivables | 40,832 | 60,180 |
| Deposits and prepayments | 10,755 | 10,482 |
| Staff receivables | <u>7,402</u> | <u>8,032</u> |
| | <u>90,588</u> | <u>121,008</u> |

18. Cash and bank balances

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--------------------------|----------------------|----------------------|
| Cash at bank and in hand | 31,067 | 29,445 |
| Short term bank deposits | <u>10,200</u> | <u>-</u> |
| | <u>41,267</u> | <u>29,445</u> |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

19. Designated fund

For the Year ended 31 December 2018

| | Bursary funds Kshs '000' | Charity funds Kshs '000' | Total funds Kshs '000' |
|-------------------------------|-----------------------------|-----------------------------|---------------------------|
| As at 1 January 2018 | 2,858 | 3,959 | 6,817 |
| Transfer from general fund | 1,610 | - | 1,610 |
| As at 31 December 2018 | 4,468 | 3,959 | 8,427 |

For the Year ended 31 December 2017

| | Bursary funds Kshs '000' | Charity funds Kshs '000' | Total funds Kshs '000' |
|-------------------------------|-----------------------------|-----------------------------|---------------------------|
| As at 1 January 2017 | 3,790 | 3,129 | 6,919 |
| Contributions to fund | - | (19) | (19) |
| Transfer from general fund | (932) | 849 | (83) |
| As at 31 December 2017 | 2,858 | 3,959 | 6,817 |

20. Retention on construction

Retention in construction on work certified

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--|---------------------|---------------------|
| | - | 80,795 |

21. Borrowings

Net Borrowing

The borrowings are analysed as follows:

Current portion

Non-current portion

Loan balance as at January

Loan drawdown

Loan repayment

Loan Balance as at December

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|------------------------------------|---------------------|---------------------|
| Net Borrowing | 488,925 | 444,268 |
| Current portion | 64,430 | 74,930 |
| Non-current portion | 424,495 | 369,338 |
| | 488,925 | 444,268 |
| Loan balance as at January | 444,267 | 475,274 |
| Loan drawdown | 100,502 | 12,679 |
| Loan repayment | (55,844) | (43,685) |
| Loan Balance as at December | 488,925 | 444,268 |

Borrowings relate to a construction loan facility from Standard Chartered Bank amounting to Kenya shillings 625 million for part financing of construction of the CPA Centre. The loan is secured by a fixed charge over the CPA Centre with tenure of 10 years on a floating interest rate. The facility is repayable monthly.

As at 31st December 2018, a total of Kenya Shillings 616.2 million had been drawn down. The interest rate for the loan was revised downwards to 13% in 2018 (14% in 2017) in line with interest rate cap through an Act of Parliament of 2016.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

22. Trade and other payables

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--|-----------------------|-----------------------|
| a) Trade and other payables | | |
| Trade and other payables | 102,840 | 124,352 |
| Other accruals | 15,478 | 9,063 |
| Gratuity | 7,420 | 6,803 |
| Advance receipts | 76,128 | 55,332 |
| Rental deposit | 5,216 | 3,267 |
| Rent and service charge liability | 35,281 | 9,423 |
| Pan African Federation of Accountants | 1,075 | 8,424 |
| FiRe award fund | 1,952 | 4,051 |
| | <u>245,390</u> | <u>220,715</u> |
| b) Special fund-Benevolent fund | | |
| Balance as at 1st January | 22,179 | - |
| Benevolent income | 20,965 | 18,758 |
| Benevolent claims | (1,665) | (870) |
| Benevolent receivables | 3,808 | 4,291 |
| | <u>45,287</u> | <u>22,179</u> |
| Net trade and other payables | <u>290,677</u> | <u>242,894</u> |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

23. Financial assets and liabilities

The table below shows analysis of financial instruments recorded at the carrying amount which are the reasonable approximation of fair value.

| | Level 1 Kshs. '000' | Level 2 Kshs. '000' |
|------------------------------------|------------------------|------------------------|
| As at 31 December 2018 | | |
| Financial assets | | |
| Subscription receivables | - | 6,713 |
| Other receivables | - | 83,875 |
| Cash at bank | 41,267 | - |
| Gross financial assets | 41,267 | 90,588 |
| Financial Liabilities | | |
| Borrowings | - | 488,925 |
| Total payables | 360,241 | - |
| Advance subscriptions | 43,881 | - |
| Gross financial liabilities | 404,122 | 488,925 |
| At 31 December 2017 | | |
| Financial assets | | |
| Subscription receivables | - | 26,702 |
| Other receivables | - | 94,306 |
| Cash at bank | 29,445 | - |
| Gross financial assets | 29,445 | 121,008 |
| Financial Liabilities | | |
| Borrowings | - | 444,267 |
| Total payables | 391,583 | - |
| Advance subscriptions | 53,037 | - |
| Gross financial liabilities | 444,620 | 444,267 |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

24. Related party balances and transactions

a) Due from related parties

| | |
|---|--|
| Due from KCA university | |
| Expected Credit loss 2017 | |
| Expected credit losses (Current period) | |

| 2018 Kshs. '000' | 2017 Kshs. '000' |
|---------------------|---------------------|
| 46,176 | 45,193 |
| (15,818) | - |
| (3,036) | - |
| 27,322 | 45,193 |
| | |
| (524) | 524 |
| 50 | 50 |
| (474) | 574 |

b) Due to related parties

| | |
|---------------------------------|--|
| Due to KCA University (Note 22) | |
| Due to CPA Centre Limited | |

No interest has been charged against any related party balances (2017: Nil). Further KSh 3,036,000 (2017: 15,818,000) was provided on amounts due from related parties.

c) Key management compensation

| | |
|--|--|
| Salaries and other short term benefits | |
| Post-employment benefits | |

| 2018 Kshs. '000' | 2017 Kshs. '000' |
|---------------------|---------------------|
| 35,713 | 32,644 |
| 14,207 | 6,848 |
| 49,920 | 39,492 |
| | |
| 4,096 | 5,056 |
| | |
| 5,828 | 4,186 |

iv) Council remuneration

v) Committee remuneration

vi) 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.

ICPAK and KCA University were to facilitate the completion of the transaction hence agreed to share the transaction costs of the financial advisor and the transactional lawyers. During the year no additional costs were incurred or settled.

The transaction completion is under review by KCAU BoT in consultation with National Treasury upon review of all the transaction documentation.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

25. Employee benefits

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|--------------------------------------|---------------------|---------------------|
| Salaries and wages | 159,045 | 149,955 |
| Medical expenses | 14,619 | 11,146 |
| Pension costs (Defined contribution) | 6,666 | 6,623 |
| Group life | 1,034 | 2,440 |
| Staff gratuity | 7,420 | 6,549 |
| Leave allowances | 1,013 | 2,369 |
| Other staff costs | 1,773 | 1,263 |
| Subscriptions | 853 | 626 |
| Recruitment costs | 2,040 | 1,318 |
| Staff training | 3,361 | 8,426 |
| | 197,824 | 190,715 |

26. Income 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. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

| | Percentage rate % |
|--------------------------------------|----------------------|
| Applicable tax rate capital gain tax | 5.00 |

| | Kshs. '000' |
|---|---------------------|
| Deferred tax liability movement | |
| At 1 January 2018 | <u>3,660</u> |
| Prior year adjustment on Deferred tax due to change in tax rate | (3,050) |
| Deferred tax expense for the year | 969 |
| Deferred tax credit charged to P/L | <u>(2,081)</u> |
| As at 31 December 2018 | <u>1,579</u> |
| As at 1 January 2017 | |
| Deferred tax expense | 4,595 |
| Prior year adjustment-charged to equity | (935) |
| As at 31 December 2017 | <u>3,660</u> |

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

27. Commitment

| | 2018 Kshs. '000' | 2017 Kshs. '000' |
|-------------------------------|---------------------|---------------------|
| Total commitment | 1,164,095 | 1,162,628 |
| Paid towards the construction | (1,162,628) | (1,062,118) |
| | 1,467 | 100,510 |

28. Comparatives

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

29. i) Prior year adjustments

a) Expected credit loss

As explained in Note 1(b)(i), IFRS 9 requires impairment provisions to be made based on expected credit losses instead of incurred credit losses. The effect of this has been applied retrospectively, with the opening balance for 2018 being adjusted. The comparative amounts have not been restated in respect of ECL.

| | Carrying amount under IAS 39 | Carrying amount under IFRS 9 | Expected credit losses | | |
|-----------------------------|---------------------------------------|---------------------------------------|--------------------------------------|----------------------|--------------------------------|
| | 1st January 2018 | 1st January 2018 | On transition 1st January 2018 | For the year 2018 | As at 31st December 2018 |
| Trade and other receivables | 121,008 | 110,327 | 10,681 | 11,596 | 22,277 |
| Cash and bank balance | 29,445 | 29,445 | - | - | - |
| Due from related party | 45,193 | 29,375 | 15,818 | 3,036 | 18,854 |
| | 195,646 | 169,147 | 26,499 | 14,632 | 41,131 |

b) Revaluation Reserve

During the year, the Institute settled all retention on construction, upon expiry of defect liability period. While analyzing the total costs, an overstatement of KShs 8,355,000 accruals were noted, which in effect had understated the revaluation reserve. This was adjusted in the opening balances of 2017, as shown in the statement of financial position and statement of changes in Equity.

ii) Reclassification

In the statement of Financial Position as at December 2017, VAT of KSh 5,968,000 and Service Charge of KSh 9,422,000 were reclassified from trade and other payables to trade and other receivables. Further, the outstanding balance on related party transactions was reclassified from trade and other receivables to non-current assets.

Financial Statements for the year ended 31 December 2018 (Continued)

Notes (Continued)

30. Events after the reporting period

There were no events, favourable or unfavourable, that occurred between the end of the reporting period and the date when the financial statements were authorised for issue.

31. Nature and purpose of Reserves

- a) **General Reserve** - Comprises accumulated surplus from operations and other comprehensive income.
- b) **Revaluation Reserve** - Constitutes accumulated amounts arising from fair value adjustments of property and equipments.
- c) **Designated funds** - This is a special fund for CSR related activities.



FORM OF PROXY

I (Name of Member)..... of
Registration Number..... Being a member in good standing of the
Institute of Certified Public Accountants of Kenya hereby appoint:

Name of Proxy.....

ID/Passport Number..... Member Number.....

Or failing him/her the Chairman of the meeting to be my proxy, to vote for me/ on my
behalf at the Annual General Meeting of the Institute to be held on Friday, 7th June, 2019
at the, Nairobi from 10.30 a.m or any adjournment thereof.

As witnessed by my hand this day.....of.....2019

Name:

Signature:

Note: To be valid, the completed Form of Proxy must be deposited with the secretariat so
as to be received not later than 10.30 am on Friday 31st May, 2019.

Notes

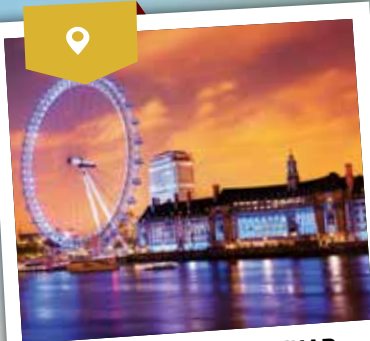
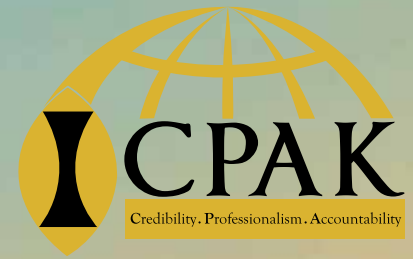
A faint, stylized illustration of a person sitting at a desk, writing on a notepad, with a lamp and a book visible. The illustration is in a light, sketchy style, matching the overall aesthetic of the notebook paper.

A faint, stylized illustration of a person sitting on a bench, looking down at a book or document. The person is wearing a hat and a long coat. The background is a light, textured surface.

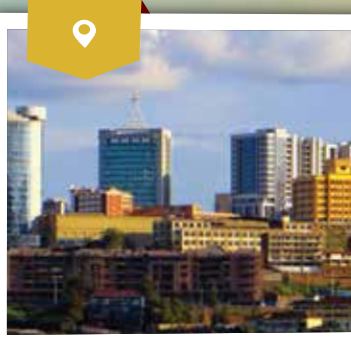
Notes

A faint, stylized illustration of a person sitting at a desk, writing on a notepad, with a lamp and a book visible. The illustration is in a light, sketchy style, matching the overall aesthetic of the notebook.

Sharpen your Saw!



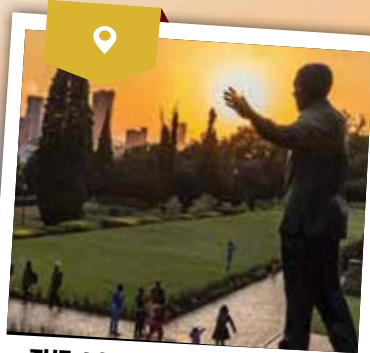
**THE 4th CHAPTER SEMINAR -
LONDON UNITED KINGDOM**
11th - 14th June 2019



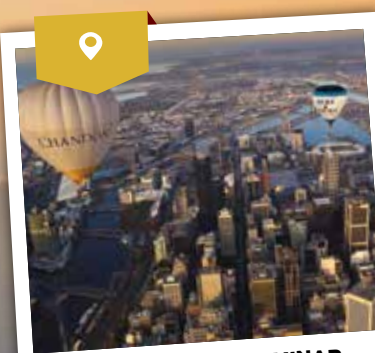
**BEYOND MANAGEMENT SUMMIT-
KIGALI, RWANDA**
17th - 19th July 2019



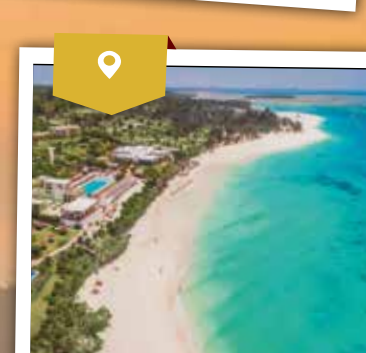
**THE 2nd REGIONAL
ACCOUNTANTS CONVENTION
BURUNDI**
7th to 9th Aug 2019



**THE 4th CHAPTER SEMINAR -
PRETORIA SOUTH AFRICA**
28th - 30th Aug 2019



**THE 3rd CHAPTER SEMINAR -
MELBOURNE AUSTRALIA**
4th - 6th Sep 2019



**BOARD AUDIT COMMITTEE
TRAINING-ZANZIBAR**
18th - 20th Sep 2019



**THE C-SUITE SEMINAR-
ITALY, ROME**
**29th October -
1st Nov 2019**



**THE 24th EXECUTIVE SEMINAR-
ISTANBUL - TURKEY**
26th - 29th Nov 2019

**20
CPD
Units**

Contact us: (+254)719 074 000 / 733 856 262, **Email:** memberservices@icpak.com
Travel & Accommodation: Participants are required to make their own travel and accommodation arrangements

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ANNUAL REPORT 2018

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