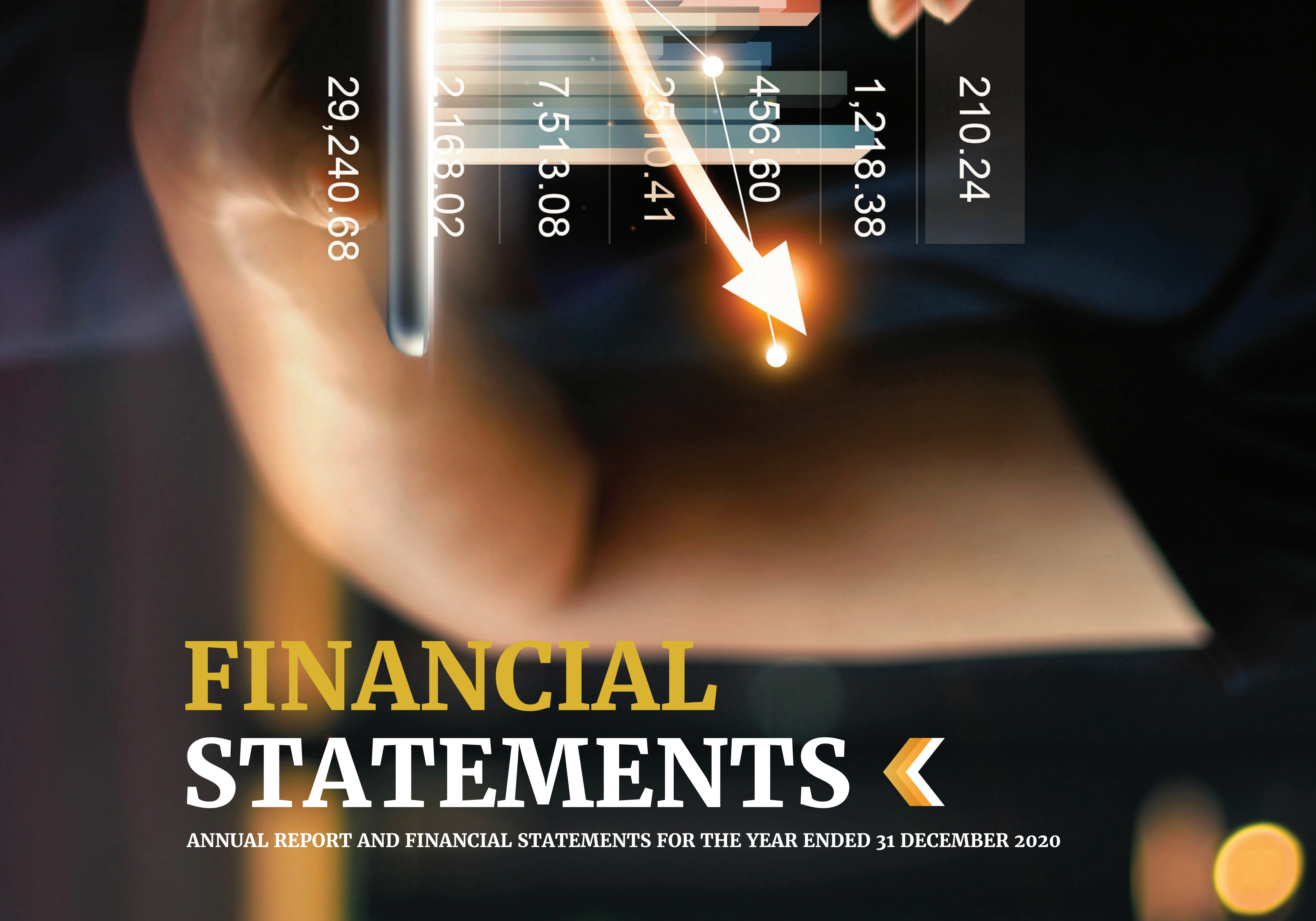


# FINANCIAL STATEMENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

# CONTENTS



## Financial Statements:

# Members of the Council

| | | |
|---|---|---|
| **Chairman** | FCPA Rose Mwaura, MBS | Elected June 2019 |
| **Vice - Chairman** | FCPA George Mokua | Re-elected June 2020 |
| | | |
| **Member** | FCPA Samuel Okello | Re-elected June 2018 |
| | CPA Anne Wangeci | Elected June 2018 |
| | CPA Risper Olick | Elected June 2019 |
| | CPA Dr. Elizabeth Kalunda | Elected June 2019 |
| | CPA Philip Kakai | Elected June 2020 |
| | Damaris Kimosop | Retired March 2020 |
| | CPA Susan Oyatsi | Retired June 2020 |
| | CPA Jona Wala | Representing National Treasury (Appointed December 2019) |
| | FCPA Dr. Nicholas Letting | Representing Kasneb |
| | CPA Nyale Yanga | Representing Capital Markets Authority, Appointed May 2021 |
| | FCPA Wycliffe Shamiah | Representing Capital Markets Authority, Retired May 2021 |
| | | |
| **Chief Executive & Secretary to the Council** | CPA Edwin Makori | |
| | | |
| **Council Committees** | | |
| **Committee** | **Convenor** | |
| **Audit Risk and Compliance** | FCPA Dr. Nicholas Letting | Appointed December 2019 |
| | | |
| **Disciplinary** | FCPA Charity Muya | Appointed August 2019 |
| **Finance and Strategy** | FCPA Samuel Okello | Appointed June 2019 |
| | | |
| **Member Services** | CPA Risper Olick | Appointed June 2020 |
| | CPA Susan Oyatsi | Retired June 2020 |
| | | |
| **Practitioners Development** | FCPA George Mokua | Appointed June 2019 |
| | | |
| **Professional Standards** | FCPA Michael Mugasa | Appointed June 2019 |
| **Public Policy & Governance** | FCPA Rose Mwaura | Appointed June 2019 |
| | | |
| **Registration & Quality Assurance** | FCPA Dr. Jim McFie | Appointed June 2014 |
| **Research and Development** | CPA Dr. Elizabeth Kalunda | Appointed June 2019 |
| | | |
| **Centre for Public Finance and Taxation Board (CPFT)** | FCPA Rajesh Shah | Appointed May 2018 |

## KCA University Representatives

| | | |
|---|---|---|
| **Board of Trustees** | FCPA Michael Waweru | Reappointed November 2019 |
| | FCPA Rose Mwaura | Reappointed November 2019 |
| | FCPA Shabir Issak | Reappointed November 2019 |
| | CPA Dr. Winnie Nyamute | Reappointed November 2019 |
| | Dr. Mary Bosire | Appointed May 2020 |
| | CPA David Abwoga | Reappointed November 2019 |
| | CPA Edwin Makori | Reappointed November 2019 |
| | Mr. Andrew Mulei | Reappointed November 2019 |
| | Mr. Joseph Kosgei | Reappointed November 2019 |
| | CS Happi Kilongosi | Reappointed November 2019 |
| **Finance Committee** | CPA Evelyne Muriuki | Reappointed April 2020 |
| **Audit Risk &Governance Committee** | CPA Charles Ringera | Reappointed April 2020 |

**Registered Office and Principal Place of Business**
CPA Centre, Ruaraka, Thika Road
P.O. Box 59963 - 00200, NAIROBI
Telephone: +254 (020) 2304226, 2304227
Mobile: +254 727 531006/733 856262/721 469796/ 721 469169
E-mail: icpak@icpak.com
Website: www.icpak.com

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

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

ABSA Bank Kenya PLC
Moi Avenue Branch
P.O. Box 30116 - 00100, NAIROBI

**Legal Advisors**

I. Hamilton Harrison & Mathews
1st floor, Delta Suite
Waiyaki Way
P.O. Box 30333 – 00100, NAIROBI

II. Ogembo and Associates
1st Floor, Westpark Towers
Mpesi Lane, off Muthithi Road,
P.O. Box 29820-0100, NAIROBI

The Council submits its report together with the audited financial statements for the year ended 31 December 2020, 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 106.

**2. Principal activities**

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

**3. Membership**

| | 2020 No. | 2019 No. |
|---|---|---|
| **Active members at end of year** | **22,908** | **21,691** |
| **Active members at beginning of year** | | |
| Practising | 1,085 | 1,097 |
| Non practising | 17,391 | 16,605 |
| Overseas | 343 | 374 |
| Retired | 939 | 704 |
| Associates | 1,933 | 1,830 |
| | **21,691** | **20,610** |
| New members in the year | 2,243 | 2,142 |
| Deceased and change of status | (62) | (27) |
| | 23,872 | 22,725 |
| Members in default | (1,551) | (1,355) |
| Recovered | 587 | 321 |
| **Active members at end of year** | **22,908** | **21,691** |
| Full members | 20,933 | 19,758 |
| Associate members | 1,975 | 1,933 |
| **Active members at end of year** | **22,908** | **21,691** |

Active members are those that have fully paid their subscriptions and those with less than two years of outstanding subscriptions as at year-end.

**4. Results for the year**

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| Surplus/(Deficit) after deferred tax | 99,586 | (47,246) |

**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 105.

**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 and liabilities in the financial statements misleading.

**7. Statement as to disclosure to the Institute's auditor**

With respect to each Council member at the time this report was approved:

a) there is, so far as each Council member is aware, no relevant audit information of which the Institute's auditor is unaware; and

b) that each Council member has taken all the steps that the Council ought to have taken as a Council member so as to be aware of any relevant audit information and to establish that the Institute's auditor is aware of that information.

**8. Auditor**

Parker Randall Eastern Africa has expressed its willingness to continue in office. The Council monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the members.

By Order of the Council

**CPA Edwin Makori**
CEO/Secretary to the Council

**Nairobi 4th May 2021**

## Statement of Council's responsibilities on the Financial Statements For year ended 31 December 2020

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 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Having assessed the Institute's ability to continue as a going concern, the Council is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Institute's ability to continue as a going concern.

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

Approved by the Council on 4th May 2021 and signed on its behalf by:

R. Mwaura

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**FCPA Rose Mwaura, MBS**
**Chairman**

……………………………………………

**FCPA Samuel Okello**
**Convenor Finance and Strategy Committee**

……………………………………………

**CPA Edwin Makori**
**Secretary to the Council**

Parker Randall | Eastern Africa
Member firm of Parker Randall International

MEMBER OF THE FORUM OF FIRMS

## Report of the Independent Auditor
## To the Members of the Institute of Certified Public Accountants of Kenya, For the year ended 31 December 2020

**Opinion**

We have audited the accompanying financial statements of the Institute of Certified Public Accountants of Kenya (ICPAK/the Institute), as set out on pages 11 to 39, which comprise the Statement of Financial Position as at 31 December 2020, the statement of comprehensive income, Statement of Changes in Equity and Statement of Cash flows for the year then ended, and Notes, 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 of Certified Public Accountants of Kenya as at 31 December 2020 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. We have determined that there are no key audit matters to communicate in our report.

**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 identified above 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 on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**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 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 intends to liquidate the Institute or to cease its 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.

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 firm'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.

We also provide the Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Council, we determine those matters that were of most significance in the audit of the institutes 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.

The Engagement partner responsible for the audit resulting in this independent auditor's report is CPA Victor Majani Practising Certificate No. 1542.

..................................

**CPA Victor Majani**
Partner

Parker Randall Eastern Africa.

..................................................................................

For and on behalf of Parker Randall Eastern Africa
Certified Public Accountants
Nairobi, Kenya.

4th May 2021

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020<br>Kshs'000' | 2019<br>Kshs'000' |
|---|---|---|---|
| **Income** | | | |
| Subscriptions | 4(a) | 274,452 | 262,616 |
| Members services | 5(a) | 311,526 | 615,221 |
| Consultancy | 5(c) | 33,790 | 1,567 |
| CPA Centre rental | 6 | 48,749 | 40,178 |
| Social responsibility activities | 8(a) | 6 | 2,868 |
| | | **668,523** | **922,450** |
| **Expenses** | | | |
| Subscriptions | 4(b) | 54,878 | 95,106 |
| Members' services | 5(b) | 283,420 | 470,008 |
| Consultancy | 5(c) | 23,758 | 1,673 |
| CPA Centre Rental | 6 | 18,671 | 19,502 |
| Social responsibility | 8(b) | 415 | 1,536 |
| Impairment loss | 4 | 33,346 | 27,897 |
| Operating expenses | 9 | 106,413 | 171,961 |
| | | **520,901** | **787,683** |
| **Operating surplus** | | **147,622** | **134,767** |
| Other income | 11(a) | 3,713 | 3,089 |
| Fair value (loss) on investment property | 13 | - | (131,000) |
| **Operating surplus before interest and tax** | | **151,335** | **6,856** |
| Finance cost | 7 | (51,749) | (60,652) |
| **Operating surplus/(deficit) after interest** | | **99,586** | **(53,796)** |
| Deferred tax credit for the year | 31 | - | 6,550 |
| **Net Surplus/(deficit)** | | **99,586** | **(47,246)** |

The notes set out on pages 15 to 39 form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | Notes | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Equipment | 12 | 65,804 | 77,198 |
| Investment property | 13 | 1,489,000 | 1,489,000 |
| Intangible assets | 14 | 2,955 | 4,116 |
| Right of use | 15 | 8,677 | 9,854 |
| Other receivables | 16 | 115,501 | 115,501 |
| Investment in CPA Centre Limited | 17 | 50 | 50 |
| Deferred tax asset | 31 | 4,971 | 4,971 |
| | | **1,686,958** | **1,700,690** |
| **Current assets** | | | |
| Inventories | 18 | 8,787 | 15,688 |
| Trade and other receivables | 19 | 92,151 | 94,849 |
| Fixed deposit | 20 | 98,324 | 58,200 |
| Cash and bank balance | 21 | 177,571 | 64,023 |
| | | **376,833** | **232,760** |
| **Total assets** | | **2,063,791** | **1,933,450** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| General fund | | 1,103,023 | 1,002,912 |
| Revaluation reserve | | 108,729 | 108,846 |
| Designated fund | 22 | 9,347 | 9,755 |
| | | **1,221,099** | **1,121,513** |
| **Non-current liabilities** | | | |
| Borrowings | 23 | 312,271 | 360,248 |
| Lease liability | 26 | 7,070 | 8,384 |
| Due to CPA Centre Limited | 29 | 50 | 50 |
| | | **319,391** | **368,682** |
| **Current liabilities** | | | |
| Deferred grant income | 10 | 612 | 4,293 |
| Trade and other payables | 24 | 230,722 | 242,399 |
| Borrowings | 23 | 122,105 | 57,894 |
| Benevolent fund | 25 | 92,595 | 69,050 |
| Lease liability | 26 | 3,802 | 2,916 |
| Deferred subscriptions | 27 | 73,465 | 66,703 |
| | | 523,301 | 443,255 |
| **Total equity and liabilities** | | **2,063,791** | **1,933,450** |

The financial statements on pages 11 to 39 were authorised and approved for issue by the Council on 4th May 2021 and signed on its behalf by:

**FCPA Rose Mwaura, MBS**
**Chairman**

**FCPA Samuel Okello**
**Convenor Finance & Strategy Committee**

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | General fund Kshs'000' | Revaluation reserve Kshs'000' | Designated fund Kshs'000' | Total Kshs'000' |
|---|---|---|---|---|
| **At 1 January 2020** | 1,002,912 | 108,846 | 9,755 | 1,121,513 |
| Total comprehensive income for the year; | 99,586 | - | - | 99,586 |
| Transfer of excess depreciation | 117 | (117) | - | - |
| Net loss in social responsibility | 408 | - | (408) | - |
| **At 31 December 2020** | **1,103,023** | **108,729** | **9,347** | **1,221,099** |
| | | | | |
| **At 1 January 2019** | 1,051,372 | 108,963 | 8,424 | 1,168,759 |
| Total comprehensive loss for the year | (47,246) | - | - | (47,246) |
| Transfer of excess depreciation | 117 | (117) | - | - |
| Net surplus in social responsibility | (1,331) | - | 1,331 | - |
| **At 31 December 2019** | **1,002,912** | **108,846** | **9,755** | **1,121,513** |

The notes set out on pages 15 to 39 form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Total comprehensive income before interest and tax | | 151,335 | 6,856 |
| *Adjustments for:* | | | |
| Fair value adjustment of investment property | 13 | - | 131,000 |
| Depreciation and amortisation | 12,14,15 | 20,019 | 19,180 |
| Subscription written off | 19 | 27,294 | 22,443 |
| Expected Credit Losses on related parties | 29 | - | 27,387 |
| Deficit/(surplus) from CSR activities | 8 | 408 | (1,332) |
| Loss on disposal of equipment | | 136 | 369 |
| Interest income | 10 | (1,176) | - |
| **Surplus/(deficit) before working capital changes** | | **198,016** | **205,903** |
| Decrease in inventories | 18 | 6,901 | 13,345 |
| Decrease /(Increase) in trade and other receivables | 19 | 2,697 | (13,276) |
| Increase fixed deposits | 20 | (40,124) | (48,000) |
| (Decrease) in deferred grant income | 10 | (3,681) | (842) |
| Increase / (Decrease) in trade and other payables | 24 | 25,731 | (5,384) |
| Increase in advance subscriptions | | 6,762 | 22,818 |
| Increase in benevolent funds | 25 | 23,545 | 25,109 |
| Subscriptions written off | 19 | (27,294) | (22,443) |
| Interest on mortgage | 7 | (50,179) | (59,154) |
| Interest income | | 1,176 | - |
| **Net cash generated from operating activities** | | **143,550** | **118,076** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property and equipment | 12 | (2,791) | (8,293) |
| Purchase of intangible asset | 14 | (1,174) | (3,784) |
| Disposal of property and equipment | | - | 117 |
| **Net cash (used in) investing activities** | | **(3,965)** | **(11,960)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Cash received from CSR activities | 8(a) | 6 | 2,868 |
| CSR Cash payments | 8(b) | (415) | (1,536) |
| Lease Principal Paid | | (2,884) | (2,211) |
| Lease Interest Paid | | (1,570) | (1,498) |
| Loan paid | 23 | (21,174) | (70,783) |
| **Net cash from financing activities** | | **26,037** | **(73,160)** |
| Decrease in cash and cash equivalents | | 113,548 | 32,957 |
| At start of year | | 64,023 | 31,067 |
| **At end of year** | | **177,571** | **64,023** |

The notes set out on pages 15 to 39 form an integral part of the financial statements.

## NOTES

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards. They are presented in Kenya Shillings (Kshs) which is also the functional currency, see note 1(c) below, rounded to the nearest thousand (Kshs. '000'). The financial statements comprise the statement of comprehensive income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes thereon. Income and expenses are recognised in the the statement of comprehensive income.

Preparation of financial statements in conformity with International Financial Reporting Standards requires use of estimates and assumptions. It also requires management to exercise judgment in applying accounting policies adopted by the Institute. Although such estimates and assumptions are based on Council's best knowledge and information available, actual results may differ from 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. areas involving judgments most significant to the financial statements, and sources of estimation that may have a significant risk resulting in a material adjustment within the next financial year, are disclosed in Note 2.

**Measurement basis**

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the Institute uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Institute using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis).

Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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.

## NOTES (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) New and revised standards

**i) New and revised 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 2020 and have been adopted by the institute where relevant to operations:

**Amendments to IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020)** - The amendments, applicable to annual periods beginning on or after 1 June 2020, permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

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

**Amendments 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.

**Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Issued in September 2019) -** The amendment, effective for annual period beginning 1 January 2020, is designed to support the provision of useful financial information by organizations during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs).

Based on assessment of the Council, the adoption of the above standards will not have a significant impact on the on the Institute's financial statement.

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

**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 17 Insurance Contracts (issued in May 2017) -** The new standard, effective for annual periods beginning on or after 1 January 2023, provides a uniform measurement and presentation approach for all insurance contracts. The new standard also requires insurance-liabilities to be measured at current fulfilment value.

**Amendments to IAS 37 titled Onerous Contracts Cost of Fulfilling a Contract (issued in May 2020)** - The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

**Amendments to IAS 1 titled Classification of Liabilities as Current or Non – current (issued in January 2020)** - The amendments, applicable to annual periods beginning on or after 1 January 2023, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

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.

## NOTES (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Foreign currency transactions

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

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

### 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 and firm licence fee are recognized on a straight-line basis over the subscription period as members receive and consume the benefits of goods or services provided by the Institute.
ii) First registration fees are recognized as income 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 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.
vi) Audit software license income is recognised as the services are rendered.

### e) Equipment and depreciation

All equipment are 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. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive  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 years
- Computers 4 years
- Furniture and fittings 10 years
- Motor Vehicles 4 years

The residual value and useful lives of equipment are usually reviewed at the end of each financial year. Where expectations differ from the previous estimates, any changes are accounted for prospectively as changes in estimates.

## NOTES (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Equipment and depreciation (Continued)

Assets are de-recognised from the Statement of Financial Position on disposal or when it is withdrawn from use and no future economic benefits are expected from it. Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are considered in determining the surplus for the year.

#### f) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. It is a long-term investment in buildings that are not occupied substantially for own use. Investment property is initially recognised at cost and subsequently carried at fair market value, based on periodic but at least triennial valuations carried out by external independent valuers. Gains or losses arising from changes in fair value are recorded in the statement of income and expenses

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

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

#### g) Leases

Up on commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is below Kshs. 500,000) the Institute recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees and the exercise price of a purchase option if the Institute is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Institute's incremental borrowing rate is used.

For leases that contain non-lease components, the Institute allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right–of–use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently, the lease liability is measured at amortised cost, subject to remeasurement, to reflect any reassessment, lease modifications, or revised fixed lease payments. On the other hand, right-of–use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

Depreciation is calculated using the straight- line method to write down the cost of each asset to its

## NOTES (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Leases (Continued)

residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Institute at the end of the lease term, the estimated useful life would not exceed the lease term. Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the statement of comprehensive income.

Annually, the difference between the depreciation charge based on their valued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings. For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease period.

### h) Intangible Assets-Computer software

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

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

### i) Impairment of non-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 statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

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

### j) Inventories

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

### k) Financial instruments

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 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:

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### k) Financial instruments (Continued)

(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 the statement of comprehensive income as impairment loses or reversal of impairment 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 amortized cost using effective interest rate method, less allowance for expected credit losses.

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 income.

iii) All other financial assets are classified and measured at fair value through the statement of comprehensive income.

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

### l) Cash and cash equivalents

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

### m) Employment benefits

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

# NOTES (Continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### m) Employment benefits (Continued)

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

**Employees' entitlements**

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

### n) Grants

Grants are not recognised until there is reasonable assurance that the Institute will comply with conditions attaching to them and that grants will be received. Grants are recognised in the statement of income and expenses 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 income 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 income in the period in which they become receivable.

### o) Deferred subscription

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

## 2. SIGNIFICANT JUDGEMENT AND KEY SOURCES OF ESTIMATION AND 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 the investment property valuation fairly reflects current market value.
- Whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities.

## NOTES (Continued)

### 2. SIGNIFICANT JUDGEMENT AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY (Continued)

- whether the incremental borrowing rate used in discounting lease liability
- Whether there has been a significant increase in credit risk since the initial recognition of financial assets
- Whether the lease of the property will be renewed or not

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a) Financial risk management

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

#### b) Credit risk

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

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

The maximum credit risk exposure at the end of reporting period is the carrying amounts of each class of financial asset.

| As at 31 December | 2020<br>Kshs '000' | 2019<br>Kshs '000' |
|---|---|---|
| Trade and other receivables | 88,407 | 91,783 |
| Subscription debtors net of write-off | 37,527 | 30,798 |
| Cash at bank | 275,895 | 122,223 |
| **Gross carrying amount** | **401,829** | **244,804** |
| Expected Credit Loss-Subscription | (33,783) | (27,731) |
| **Net carrying amount** | **368,046** | **217,073** |

## NOTES (Continued)

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk exposure on trade receivables and contract assets

| 2020 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total KSh'000' |
|---|---|---|---|---|---|
| **Expected Loss Rate** | **50%** | **26%** | **37%** | **48%** | |
| Gross carrying amount on other receivables | 32,150 | 10,657 | 8,284 | 37,316 | 88,407 |
| Gross carrying amounts subscription debtors | - | - | - | 37,527 | 37,527 |
| Gross carrying amount-related parties receivables | - | - | - | 46,241 | 46,241 |
| Expected credit loss | (16,069) | (2,771) | (3,065) | (58,121) | (80,025) |
| **Net carrying amount** | **16,081** | **7,886** | **5,219** | **62,963** | **92,150** |
| **2019** | | | | | |
| **Expected Loss Rate** | **34%** | **13%** | **30%** | **47%** | |
| Gross carrying amount-trade and other receivables | 16,371 | 3,442 | 12,911 | 59,059 | 91,783 |
| Gross carrying amounts-subscription debtors | - | - | - | 30,797 | 30,797 |
| Gross carrying amount-related parties receivables | - | - | - | 46,241 | 46,241 |
| Expected credit loss | (5,550) | (447) | (3,873) | (64,102) | (73,972) |
| **Net carrying amount** | **10,821** | **2,995** | **9,038** | **71,995** | **94,849** |

The Institute accounts for its credit risk by providing for expected credit losses on a timely basis. Receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rate, the Institute considers historical loss rate for each group of receivables and adjusts for forward-looking macroeconomic data.

#### c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations as they fall due. The management ensures that adequate cash reserves are maintained to pay off liabilities as they crystallise. Financial assets are held in short-term fixed deposits maturing within 3 and 12 months. The current ratio during the year was 0.65:1 (2019: 0.53:1).

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

## NOTES (Continued)

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**c) Liquidity risk (Continued)**

| | Between 1-3 months Kshs'000' | Between 3-12 months Kshs'000' | Over 12 months Kshs'000' | Total Kshs'000' |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| Trade and other payables | 320,652 | 54,242 | 39,486 | 414,380 |
| Borrowings | - | 123,939 | 353,126 | 477,065 |
| Lease liabilities | - | 3,802 | 7,070 | 10,872 |
| | **320,652** | **181,983** | **399,682** | **902,317** |
| **31 December 2019** | | | | |
| Trade and other payables | 239,169 | 51,997 | 20,284 | 311,450 |
| Borrowings | - | 84,718 | 407,380 | 492,098 |
| Lease liabilities | - | 2,916 | 8,384 | 11,300 |
| | **239,169** | **139,631** | **436,048** | **814,848** |

**d) 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.

**e) 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 higher/lower by Kshs 4,916,204 (2019: Kshs 2,910,000).If the interest rates on the Institute's borrowings at the year-end were to increase/decrease by this 5 percentage points, with all other factors remaining constant, the surplus for the year would be lower/higher by Kshs 19,848,390 (2019: Kshs 20,907,099) respectively.

**f) 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.

**g) Capital management**

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

## NOTES (Continued)

### 4. SUBSCRIPTIONS

| | | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|---|
| a. | **Income** | | |
| | Non practising | 176,493 | 165,747 |
| | New members in the year | 33,714 | 42,921 |
| | Firm licence fees | 24,946 | 14,931 |
| | Subscription debtors recovered | 18,404 | 7,268 |
| | Practising | 10,850 | 22,550 |
| | Associate members | 3,866 | 3,660 |
| | Retired | 3,521 | 2,640 |
| | Overseas | 2,658 | 2,899 |
| | | **274,452** | **262,616** |
| b. | **Expenses** | | |
| | Employee emoluments | 27,287 | 44,835 |
| | Advocacy and international relations | 13,905 | 12,622 |
| | Professional development | 4,385 | 15,420 |
| | Publications | 3,899 | 10,251 |
| | IT costs | 2,510 | 2,353 |
| | Marketing | 1,899 | 8,241 |
| | Telephone, postage, printing and stationery | 993 | 1,384 |
| | | **54,878** | **95,106** |
| c. | **Impaired loss** | | |
| | Subscription written off | 27,294 | 22,443 |
| | Expected credit loss | 6,052 | 5,454 |
| | **Net subscription Income** | 33,346 | 27,897 |
| | | **186,230** | **139,613** |

## NOTES (Continued)

### 5. MEMBER SERVICES

| | | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|---|
| a. | **Income** | | |
| | Monthly seminars/virtual trainings | 145,186 | 316,606 |
| | Annual seminar | 128,197 | 207,481 |
| | In-house training | 18,825 | 33,566 |
| | Economic symposium | 10,582 | 13,230 |
| | Executive retreat | 8,206 | 18,329 |
| | Managerial seminar | - | 12,856 |
| | Internal audit conference | - | 13,149 |
| | Sale of publications | 530 | 4 |
| | | **311,526** | **615,221** |
| b. | **Direct Expenses** | | |
| | Monthly seminars/virtual seminars | 195,524 | 260,548 |
| | Annual seminar | 73,353 | 160,765 |
| | In-house training | 5,481 | 7,971 |
| | Executive retreat | 4,818 | 15,141 |
| | Economic symposium | 4,244 | 8,526 |
| | Managerial seminar | - | 8,287 |
| | Internal audit conference | - | 8,770 |
| | | 283,420 | 470,008 |
| | **Net Income from member services** | **28,106** | **145,213** |
| C. | **Consultancy** | | |
| | Consultancy income | 33,790 | 1,567 |
| | Consultancy expenses | 23,758 | 1,673 |
| | **Net consultancy income** | **10,032** | **(106)** |

The consultancy income was presented under member services income in year 2019, under monthly seminars/virtual seminars. This has since been separated and the consultancy related items have been shown separately on the face of the statement of comprehensive.

## NOTES (Continued)

### 6. CPA CENTRE RENTAL INCOME

| | | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|---|
| **a.** | **Income** | | |
| | Gross rental Income | 48,749 | 40,178 |
| **b.** | **Expenses** | | |
| | Service charge (unoccupied space) | 7,198 | 8,260 |
| | Employee emoluments | 6,618 | 9,875 |
| | Rental waivers during COVID-19 | 2,921 | - |
| | Gross letting commission | 1,934 | 1,367 |
| | | 18,671 | 19,502 |
| | **Net rental income before finance cost** | **30,078** | **20,676** |

Due to the impact of COVID-19 the Institute supported some of its distressed tenants through rent waivers of between 20% to 50% between April and December 2020. The Institute has accounted for these waivers as an income as well as expense during the period then ended.

### 7. Finance cost

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| Interest expense on mortgage | 50,179 | 59,154 |
| Interest expense on Lease Liability | 1,570 | 1,498 |
| | **51,749** | **60,652** |

### 8. SOCIAL RESPONSIBILITY ACTIVITIES

| | | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|---|
| **a.** | **Income** | | |
| | Golf tournament | 6 | 2,868 |
| **b.** | **Expenses** | | |
| | CSR activities | (415) | (1,536) |
| | Net (deficit)/surplus from social responsibility activities | **(409)** | **1,332** |

Social responsibility activies is the net proceeds from an annual charity golf tournament. These proceeds are utilised to support educating needy students. During the year 2020, no golf tornament was carried out.

## NOTES (Continued)

### 9. OPERATING EXPENSES

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| Governance and oversight costs | 24,562 | 52,348 |
| Depreciation and amortisation | 20,019 | 19,180 |
| Employee benefits (Note 30) | 17,013 | 22,417 |
| IT costs | 7,529 | 7,059 |
| Service charge | 6,127 | 6,127 |
| Advocacy and international relations | 5,757 | 25,778 |
| Staff meetings and welfare | 5,549 | 7,665 |
| Bank charges | 3,370 | 3,837 |
| Rent and utilities | 3,065 | 3,946 |
| Insurance | 2,805 | 2,859 |
| Shared services | 2,637 | 3,471 |
| Marketing | 2,506 | 4,104 |
| FiRe award | 2,000 | 2,000 |
| Legal fees | 1,359 | 8,443 |
| External audit fees | 1,122 | 1,122 |
| Telephone, postage, printing and stationery | 993 | 1,384 |
| Impairment of receivables (write off) | - | 221 |
| | **106,413** | **171,961** |

### 10. GRANTS

**Business Advocacy Fund (BAF) Grant**

In year 2017, ICPAK received a grant of Kshs 12,337,500 from BAF to supportthe development of an Income Tax Act Policy. Most of the activities envisioned in the grant have already been implemented.

Due to the impact of COVID-19 , donors supporting the project requested reimbursement of unutilized fund. In this respect the Institute refunded back Kshs 3,681,000 to BAF in 2020.

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| **At 1 January** | 4,293 | 5,135 |
| Operating expenses | - | (842) |
| Refund to BAF | (3,681) | - |
| **At 31 December** | **612** | **4,293** |

## NOTES (Continued)

**11.**

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| **a. Other income** | | |
| (Loss) on disposal of assets | (136) | (369) |
| Interest income | 1,176 | - |
| Net software subscriptions 11(b) | 973 | 1,911 |
| Sale of publications and other miscellaneous income | 1,700 | 1,547 |
| | 3,713 | 3,089 |
| **b. Software Subscriptions** | | |
| Software subscriptions | 3,163 | 1,911 |
| Subscription waiver during COVID-19 | (2,190) | - |
| | **973** | **1,911** |

In order to support small and medium practising firms during the COVID-19 pandemic and in addition to support automation of their audit work, Institute's through the audit software, the Institute'S Council approved a 100% waiver on the audit software for the period between March 2020 to December 2020.

## 12. EQUIPMENT

**a. For year ended 31 December 2020**

| | Motor vehicle Kshs'000' | Equipment Kshs'000' | Computer Kshs'000' | Furniture & fittings Kshs'000' | Total Kshs'000' |
|---|---|---|---|---|---|
| **Cost/valuation** | | | | | |
| At 1 January 2020 | 9,237 | 14,269 | 20,987 | 90,829 | 135,322 |
| Additions | - | 95 | 2,696 | - | 2,791 |
| Disposals in the year | - | - | (350) | - | (350) |
| Total at 31 December 2020 | 9,237 | 14,364 | 23,333 | 90,829 | 137,763 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2020 | 3,084 | 11,753 | 15,034 | 28,253 | 58,124 |
| Eliminated on disposal | - | - | (214) | - | (214) |
| Charge for the year | 1,847 | 894 | 2,459 | 8,849 | 14,049 |
| At 31 December 2020 | 4,931 | 12,647 | 17,279 | 37,102 | 71,959 |
| **Net carrying amount** | | | | | |
| **At 31 December** | **4,306** | **1,717** | **6,054** | **53,727** | **65,804** |

**b. For year ended 31 December 2019**

| | Motor vehicle Kshs'000' | Equipment Kshs'000' | Computer Kshs'000' | Furniture & fittings Kshs'000' | Total Kshs'000' |
|---|---|---|---|---|---|
| **Cost/valuation** | | | | | |
| At 1 January 2019 | 9,237 | 12,485 | 18,030 | 88,053 | 127,805 |
| Additions | - | 1,784 | 3,733 | 2,776 | 8,293 |
| Disposal | - | - | (776) | - | (776) |
| At 31 December 2019 | 9,237 | 14,269 | 20,987 | 90,829 | 135,322 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2019 | 1,237 | 10,959 | 12,349 | 19,521 | 44,066 |
| Disposal | - | - | (290) | - | (290) |
| Charge for the year | 1,847 | 794 | 2,975 | 8,732 | 14,348 |
| At 31 December 2019 | 3,084 | 11,753 | 15,034 | 28,253 | 58,124 |
| **Net carrying amount** | | | | | |
| **31 December 2019** | **6,153** | **2,516** | **5,953** | **62,576** | **77,198** |

## NOTES (Continued)

### 12. EQUIPMENT (Continued)

In the year ended 31 December 2020, there was no equipment pledged as a security for liability or restricted for use. Further assets carrying amounts were not materially misstated /different from their fair value and no funds were received from third parties, as compensation for equipment impaired, lost or given up.

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 based on the original cost of the asset.

The table below shows the amount revaluation of surplus transferred in the year.

| | Furniture, fittings & equipment Kshs.'000' | Total Kshs.'000' |
|---|---|---|
| **At 1 January 2020** | 349 | 349 |
| Transfer of excess depreciation | (117) | (117) |
| **At 31 December 2020** | 232 | 232 |
| **At 1 January 2019** | 466 | 466 |
| Transfer of excess depreciation | (117) | (117) |
| **At 31 December 2019** | **349** | **349** |

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

| **Net book value** | **Kshs. '000'** |
|---|---|
| At 31 December 2020 | - |
| At 31 December 2019 | **80** |

### 13. INVESTMENT PROPERTY

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| At 1 January | 1,489,000 | 1,620,000 |
| Fair value adjustments | - | (131,000) |
| **At 31 December** | **1,489,000** | **1,489,000** |

Rental income net of direct expenses such as repairs and maintenance from investment property is recognised in the the statement of comprehensive. These are disclosed in note 6.

The fair value of the investment property as at 31 December 2020 has been arrived at on the basis of a valuation carried out on 27 November 2020 by Joe Musyoki Consultants Limited, an independent registered valuer.

## 13. INVESTMENT PROPERTY (Continued)

In the Council's opinion there were no material changes in the fair value between 27 November 2020 and 31 December 2020.

The valuation conforms to international valuation standards. The fair value was determined based on the market value approach that reflects recent transaction prices of similar properties. In estimating the fair value of the property, prevailing market conditions in the commercial property industry were considered and it was assumed that the lease of the land will be renewed at minimal cost.

Details of the Institute's investment property and information about the fair value hierarchy as at 31 December 2020 is as follows;

| Non-financial asset | Fair value as at 31 December | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable inputs | Relationships of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Investment property | 1,489,000,000 | Level II | Open market value basis-highest and best use model | Not applicable | Not applicable |

There were no transfers between level I, II and III during the year ended 31 December 2019 and 31 December 2020.

## 14. INTANGIBLE ASSETS

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| **Cost** | | |
| At 1 January | 16,066 | 12,282 |
| Additions | 1,174 | 3,784 |
| At 31 December | 17,240 | 16,066 |
| **Amortization** | | |
| At January | 11,950 | 9,942 |
| Charge for the year | 2,335 | 2,008 |
| At 31 December | 14,285 | 11,950 |
| **Net carrying amount** | **2,955** | **4,116** |

## NOTES (Continued)

### 15. RIGHT OF USE-LEASE

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| **Cost** | | |
| At 1 January | 15,433 | 11,510 |
| Additions | 2,456 | 3,923 |
| At 31 December | 17,889 | 15,433 |
| **Amortization** | | |
| At January | 5,579 | 2,756 |
| Charge for the year | 3,634 | 2,823 |
| At 31 December | 9,213 | 5,579 |
| **Net Carrying amount** | **8,676** | **9,854** |

The Institute leases various offices for its branches. The leases for these branch offices are typically for periods of between two and six years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carry a residual value guarantee.

### 16. OTHER RECEIVABLES

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| VAT recoverable on construction | 115,501 | 115,501 |

VAT recoverable arose during the construction of The CPA Centre building. Recovery is continuously done from VAT arising from rental income.

### 17. INVESTMENT IN CPA CENTRE LIMITED

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| Investment in CPA Centre limited | 50 | 50 |

### 18. INVENTORIES

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| Seminar materials | 8,787 | 15,688 |

## NOTES (Continued)

### 19. TRADE AND OTHER RECEIVABLES

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| Subscription receivables | 64,821 | 53,241 |
| Expected subscription credit losses | (33,783) | (27,731) |
| Subscriptions written off | (27,294) | (22,443) |
| ***Net subscription receivables*** | 3,744 | 3,066 |
| VAT recoverable on construction | 8,986 | 12,654 |
| Other receivables | 55,969 | 59,716 |
| Deposits and prepayments | 11,958 | 11,169 |
| Staff receivables | 11,494 | 8,244 |
| | **92,151** | **94,849** |

Other receivables are trade receivables which constitute amounts due from members for products sold or services rendered in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional. The Institute holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade receivables include corporate receivables, rent receivables and interest income receivables.

### 20. FIXED DEPOSIT

| | | |
|---|---|---|
| Benevolent funds | 75,434 | 58,200 |
| Institute operations | 22,890 | - |
| Total fixed deposits | **98,324** | **58,200** |

The investment income arising from fixed deposits has been disclosed under Benevolent Funds (Note 25) and other income (Note 11). These fixed deposits have a maturity term of three months rolling over, with an average interest rate of 7.89% per annum (2019: 8.37%).

### 21. CASH AND BANK BALANCES

| | | |
|---|---|---|
| Institute operations | 166,325 | 56,678 |
| Benevolent | 11,130 | 6,266 |
| FiRe Award | 116 | 1,079 |
| Cash at bank | **177,571** | **64,023** |

For purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks. As at 31 December 2020, there were no cash and cash equivalents that were subject to restrictions other than benevolent fund and FiRe award funds.

### 22. DESIGNATED FUND

| | Bursary Fund Kshs.'000' | Charity Fund Kshs.'000' | Total Kshs.'000' |
|---|---|---|---|
| **At 1 January 2020** | 5,796 | 3,959 | 9,755 |
| Transfer from general fund | (408) | - | (408) |
| **At 31 December 2020** | 5,388 | 3,959 | 9,347 |
| | | | |
| **At 1 January 2019** | 4,465 | 3,959 | 8,424 |
| Transfer from general fund | 1,331 | - | 1,331 |
| **At 31 December 2019** | **5,796** | **3,959** | **9,755** |

## NOTES (Continued)

### 23. BORROWINGS

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| Standard Chartered Bank | 434,376 | 418,142 |
| **Current portion** | | |
| Principal | 84,697 | 57,894 |
| Accrued Interest Sub Total | 37,408 | - |
| ***Sub Total*** | 122,105 | 57,894 |
| **Non-current portion** | 312,271 | 360,248 |
| | **434,376** | **418,142** |
| Loan balance at January | 418,142 | 488,925 |
| Accrued interest | 37,408 | - |
| Loan repayment | (21,174) | (70,783) |
| **Loan Balance at December** | **434,376** | **418,142** |

Borrowings relate to a construction loan facility acquired by the Institute from Standard Chartered Bank amounting to Kenya shillings 575 million for part financing of construction of the ICPAK Complex in September 2014. The loan is secured by a fixed charge over the CPA Centre with a tenure of 10 years and interest at 13% on the amounts drawn down as per the contractor's certificates. The facility is repayable monthly.

As at 31 December 2020, a total of Kshs 616.2 million had been drawn down and part of which had been repaid. The interest rate for the loan was revised downwards to 12.5% in 2020. As part of financial management during the COVID-19 pandemic, the Institute was granted a nine-month moratorium on repayment of loan principal and interest.

This moratorium started in May 2020 and ended in January 2021. As at 31 December 2020 the loan had accrued interest of Kshs 37,407,895. In February 2021, the Institute settled the accrued interest and part of loan the principal amounting to Kshs 128,931,959.

### 24. TRADE PAYABLES

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| Trade payables and accruals | 186,908 | 98,843 |
| Advance receipts and refundable deposits | 76,951 | 84,894 |
| Service charge | 20,900 | 13,360 |
| Gratuity | 13,061 | 12,729 |
| Payroll liabilities | 12,534 | 19,289 |
| FiRe award fund | 12,053 | 2,706 |
| Deferred rent | 6,940 | 3,607 |
| Related party | 720 | 525 |
| Rent deposit | 655 | 6,446 |
| | **230,722** | **242,399** |

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

## 25. BENEVOLENT FUND

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| Balance at 1 January | 69,050 | 43,941 |
| Benevolent income | 30,371 | 27,932 |
| Interest income | 5,036 | 2,393 |
| Benevolent claims | (7,955) | (1,795) |
| Benevolent write offs | (3,907) | (3,421) |
| | **92,595** | **69,050** |
| ***Represented by:*** | | |
| Fixed Deposits | 75,434 | 58,200 |
| Cash and Cash equivalent | 11,130 | 6,266 |
| Contribution receivable | 6,031 | 4,584 |
| | **92,595** | **69,050** |

The benevolent fund was established pursuant to members' resolution at the 38th Annual General Meeting and in congruence with part II, section 5 of the Accountants Act. No. 15 of 2008. The funds support members as follows;

a. In the event of death of the member
b. In the event of death of the member's spouse
c. In the event of death of any of the four enrolled primary minor dependents of the member.
d. In the event of death of an enrolled parent or parent -in -law of a member

The interest income is attributed to benevolent funds invested in fixed deposits. These fixed deposits have a maturity term of three months rolling over, with an average interest rate of 7.89% per annum.

## 26. LEASES

| | 2020 Kshs'000' | 2019 Kshs'000' |
|---|---|---|
| **a. *Lease movement*** | | |
| Lease taken | 2,456 | 3,923 |
| Lease payments | (4,454) | (3,709) |
| Interest on lease | 1,570 | 1,498 |
| Net lease movement | (428) | 1,712 |
| **b. *Lease liability*** | | |
| At 1 January | 11,300 | 9,588 |
| Net lease movement | (428) | 1,712 |
| At 31 December | 10,872 | 11,300 |
| **c. *The lease liability is analysed as follows:*** | | |
| Current portion | 3,802 | 2,916 |
| Non-current portion | 7,070 | 8,384 |
| | 10,872 | 11,300 |
| **d. *The lease liability Payment is analysed follows:*** | | |
| Payments of principal portion of the lease liability | 2,884 | 2,211 |
| Payments of interest portion of the lease liability | 1,570 | 1,498 |
| | **4,454** | **3,709** |

NOTES (Continued)

## 27. DEFERRED SUBSCRIPTION

| | | |
|---|---|---|
| Deferred subscriptions | 73,465 | 66,703 |

Deferred subscriptions relate to subscription income for the succeeding year received in advance in the current year.

## 28. FINANCIAL ASSETS AND LIABILITIES

| **At 31 December 2020** | **Kshs. '000' Level I** | **Kshs. '000' Level II** |
|---|---|---|
| **Financial assets** | | |
| Subscription receivables | - | 3,744 |
| Other receivables | - | 88,407 |
| Fixed deposit | 98,324 | - |
| Cash at bank | 177,571 | - |
| **Gross financial assets** | 275,895 | 92,151 |
| | | |
| **Financial Liabilities** | | |
| Borrowings | - | 396,968 |
| Total payables | 268,130 | - |
| Lease liability | 10,872 | - |
| Deferred grant income | 611 | - |
| Benevolent fund | 92,595 | - |
| Advance subscriptions | 73,465 | - |
| Gross financial liabilities | **445,673** | **396,968** |

| **At 31 December 2020** | **Kshs. '000' Level I** | **Kshs. '000' Level II** |
|---|---|---|
| **Financial assets** | | |
| Subscription receivables | - | 3,066 |
| Other receivables | - | 91,783 |
| Fixed deposit | 58,200 | - |
| Cash at bank | 64,023 | - |
| **Gross financial assets** | 122,223 | 94,849 |
| | | |
| **Financial Liabilities** | | |
| Borrowings | - | 418,142 |
| Total payables | 242,399 | - |
| Lease liability | 11,300 | - |
| Deferred grant income | 4,293 | - |
| Benevolent fund | 69,050 | - |
| Advance subscriptions | 66,703 | - |
| Gross financial liabilities | **393,745** | **418,142** |

## NOTES (Continued)

### 29. Related party balances and transactions

The Institute is the sponsor/founder of KCA University. In accordance with the Universities Act, the assets and liabilities are held through a Board of Trustees for the benefit of University Education. In the year ended 31 December 2020, there were no guarantees given or received.

The following are the outstanding related party balances as at 31 December 2020.

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| **a. *Due from related parties*** | | |
| Due from KCA university | 46,241 | 46,241 |
| Expected credit losses | (46,241) | (46,241) |
| | - | - |
| **b. *Due to related parties*** | | |
| Due to KCA university | 720 | 525 |
| Due to CPA centre limited (Note 17) | 50 | 50 |
| | **770** | **575** |

No interest has been charged against any related party balances in the year ended 2020 (2019: Nil). Further, no provision was made in the year for Expected Credit loss on amounts due from related parties, as these are fully impaired (2019: Kshs 27,387,000).

| | | |
|---|---|---|
| **c. Due to related parties** | | |
| Salaries and other short-term benefits | 23,845 | 34,173 |
| Post-employment benefits | 5,192 | 7,558 |
| | **29,037** | **41,731** |
| **d. Council remuneration** | 5,385 | 5,301 |
| **e. Committee remuneration** | **5,870** | **4,032** |

### 30. EMPLOYEE BENEFITS

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| Salaries and wages | 14,105 | 17,329 |
| Medical expenses | 1,413 | 1,560 |
| Pension costs | 510 | 670 |
| Group life | 103 | 103 |
| Staff gratuity | 519 | 756 |
| Leave allowances | 96 | 104 |
| Other staff costs | 52 | 255 |
| Subscriptions | 49 | 57 |
| Recruitment costs | 101 | 358 |
| Staff training | 65 | 1,225 |
| | **17,013** | **22,417** |

## 31. TAX

The Institute's membership and subscription income are exempt from Income tax under section 13(2) of the Income Tax Act (Cap. 470) and legal notice No. 168 of 22 October 1980. However, the Institute's rental income is taxable at a rate of 30% (January 2020 to March 2020) and 25% (April 2020 to December 2020). The fair value gains on the Investment Property are subject to Capital Gains Tax at 5%.

Tax expense for rental income, therefore, is the aggregate amount of current and deferred taxation. Current and deferred taxes are recognised as income or expense in the statement of comprehensive income except to the extent that the taxes relate to items recognised outside the statement of comprehensive , either in other comprehensive income or directly in equity. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purpose.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

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 realised. The deferred tax only relates to the investment property. 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 realised.

**Deferred tax liability movement**

| | Percentage rate % |
|---|---|
| Applicable tax rate on fair value gain on the investment property | 5 |

| | 2020 Kshs '000' | 2019 Kshs '000' |
|---|---|---|
| **At 1 January 2020** | 4,971 | (1,579) |
| Deferred tax expenses for the year | - | 6,550 |
| **At 31 December 2020** | **4,971** | **4,971** |

## 32. CONTINGENT LIABILITIES

As at year end, the Institute had only one outstanding case relating to a former member of staff. The likely outcome could not be determined at the date of signing these financial statements as the matter was in the preliminary stage.

## 33. COMPARATIVES

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

## NOTES (Continued)

### 34. NATURE AND PURPOSE OF RESERVES

The Institute has three categories of reserves namely; General fund, Revaluation reserve and designated fund.
**General fund** - Comprises accumulated surplus from operations and other comprehensive income (when available).

**Revaluation reserve** – This fund is used to record increments and decrements on the revaluation of investment property

**Designated fund** - Designated fund is a restricted fund that is used to fund the CSR activities of the Institute. Since the CSR income and expenditures are accounted under general fund, a transfer of the net CSR income is made every end of year from general fund to the designated fund.

### 35. GOING CONCERN

ICPAK prepares its financial statement on going concern basis. However, in 2020 the Institute was greatly affected by the raft of measures implemented by the government to control the spread of COVID19. All the measures affected the Institute's operations, but those with greater impact included banning of public gatherings, including trainings and conferences in addition to the suspension of all international travels for the better part of the year. These had a significant effect on the Institute's CPD events revenues that accounts for over 60% of its annual incomes. In addition, the COVID-19 also affected collection of year 2020 subscriptions from members. Subscription's income contributes to about 30% of ICPAK's total revenues.

To mitigate ICPAK against the effect of the COVID-19, the secretariat introduced a virtual learning curriculum. These consisted of webinars, online trainings, and video sessions. Further, the Institute also implemented a number of cost cutting measures that ensured that only critical services were retained. Towards the end of the year, the government eased the COVID-19 restrictions on public gathering. This saw the resumption of physical events.

The mitigation measures adopted during the pandemic together with the resumption of physical activities saw an improvement in revenue that enabled the institute to meet its financial obligations and enhanced ICPAK's operation to near normalcy. Considering that the effects of the COVID-19 have greatly been mitigated and ICPAK activities are near normalcy, the management has concluded that there are no material uncertainties that cast doubt on the institute going concern.

The Management continues to monitor the effects of the COVID-19 regulations and will take steps where necessary to cushion the Institute against any further negative impact. The Institute will continue to monitor the impact of third wave of the COVID-19 on the operations of the Institute.

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**Vice Chairman**
FCPA George Mokua

**Chief Executive Officer**
CPA Edwin Makori

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