



The Institute of  
**Internal Auditors**

*Kenya*

**Institute of Internal Auditors - Kenya Chapter**  
**Annual Report and Financial Statements**  
**for the year ended December 31, 2022**



**Ronalds**

## Institute of Internal Auditors - Kenya Chapter

Annual Report And Financial Statements for the year ended December 31, 2022

### Institute Information

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**Country of incorporation and domicile**

Kenya

**Directors**

The following Board was appointed in February 2021

Executive Committee

Mr. David Wagacha	Chairperson
Mr. Patrick Owiti	1st Vice Chairperson
Ms. Rosalind Murithi	2nd Vice Chairperson
Mr. Joel Walucho	Treasurer
Mr. Leonard Okoth	Secretary

Governors

Ms. Anne Titus	Board Member
Ms. Dorothy Chepkoech	Board Member
Mr. Abdi Sahal Ali	Board Member
Ms. Serah Lutta	Board Member
Ms. Victoria Angwenyi	Past Chairperson
Mr. Alfayo Mogaka	Past Chairperson

**Registered office**

Ojjo Road, Opposite Parklands Police Station,  
West Park Suites, 2nd Floor, Suite 1,  
P.O. Box 8605 - 00100,  
Nairobi, Kenya.

**Banker**

ABSA Bank of Kenya PLC,  
Harambee Avenue,  
P.O. Box 20415,  
Nairobi, Kenya.

**Auditor**

Ronalds LLP,  
Certified Public Accountants (K),  
136, Manyani East Road Off Waiyaki Way,  
P.O. Box 41331 - 00100,  
Nairobi, Kenya.  
Certified Public Accountants (Kenya)

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The reports and statements set out below comprise the annual report and financial statements presented to the members of The Institute of Internal Auditors - Kenya Chapter.:

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## Executive Committees Report

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The Executive Committee members submit their report for the year ended December 31, 2022.

### 1. Incorporation

The Institute was registered with the Registrar of Societies on December 19, 2002 and obtained its certificate to commence its operations on the same day in accordance with the Societies Act, Cap 108 of the Laws of Kenya.

### 2. Principal activities

#### Main business and operations

The principal activity of the Institute is to promote, educate and offer professional guidance to its members. The Institute aims to facilitate development of Corporate Governance in the public and private sector organizations in Kenya. The Institute principally operates in Kenya.

The operating results and state of affairs of the Institute are fully set out in the attached annual report and financial statements and do not in our opinion require any further comment.

### 3. Membership

The Institutions' member composition is as tabulated below:

Category of Members	2022	2021
Active	2,606	2,161
Dormant	1,308	1,341
New Entrants	511	415

### 4. Business review of financial results and activities

The annual report and financial statements have been prepared in accordance with applicable International Financial Reporting Standard (IFRS) and in the manner required by the Societies Act Cap 108 of the Laws of Kenya. The accounting policies have been applied consistently to the prior year.

The Institute recorded a surplus for the period ended December 31, 2022 of Kshs. 26,506,262. This represents an increase of 24.34% from the surplus of the prior period of Kshs. 21,318,242.

Income increased by 8.26% from Kshs. 114,074,444 in the prior period to Kshs. 123,494,991 for the period ended December 31, 2022.

Cashflows from operating activities decreased by 110.52% from Kshs. (10,162,545) in the prior period to Kshs. (21,393,858) for the period ended December 31, 2022.

The revenues of the Institution increased marginally in the current financial period as a result of new streams of income generated during the year. The current ratio of the Institution is 10:1 (2021:12:1)

## **Executive Committees Report**

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### **5. Board of Governors**

The Board of Governors of the Institute who held office during the year and to the date of this report are as shown on page 1 of this report.

### **6. Statement of disclosure to the Institution's auditors**

With respect to each person who is a member of the board on the day that this report is approved:

- i). there is , so far as the person is aware, no relevant audit information of which the Institution's auditors are unaware: and
- ii). the person has taken all the steps that he or she ought to have taken as a member of the board to be aware of any relevant audit information and to establish that the Institution's auditors are aware of that information.

### **7. Auditor**

The Auditor Messrs Ronalds LLP, Certified Public Accountants (K), have indicated their willingness to continue in office in accordance with the Associations' constitution and Section 159(2) of the Kenya Companies Act (Cap 486).

### **8. Approval of annual report and financial statements**

The annual report and financial statements set out on pages 9 to 25, which have been prepared on the going concern basis, were approved by the Executive Committee on .....01/03/23..... and were signed on its behalf by:



**Secretary**

March 1, 2023

## Statement of Executive Committee Members' Responsibilities on the Financial Statements

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The members are required to maintain adequate accounting records and are responsible for the content and integrity of the annual report and financial statements and related financial information included in this report. It is their responsibility to ensure that the annual report and financial statements fairly present the state of affairs of the Institute as at the end of the financial period and the results of its operations and cash flows for the year then ended, in conformity with the applicable International Financial Reporting Standard (IFRS) and in the manner required by the Societies Act Cap 108 of the Laws of Kenya. They are also responsible for safeguarding the assets of the Institute. The external auditors are engaged to express an independent opinion on the annual report and financial statements. The annual report and financial statements are prepared in accordance with the applicable International Financial Reporting Standard (IFRS) and in the manner required by the Societies Act Cap 108 of the Laws of Kenya and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the Institute and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, appropriate standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner have been set. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing and monitoring all known forms of risk across the Institute. While operating risk cannot be fully eliminated, the Institute endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Executive Committee members are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual report and financial statements. They are, also, of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the institute and of its operating results as at December 31, 2022. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The members have reviewed the Institute's cash flow forecast for the year to December 31, 2023 and, in the light of this review and the current financial position, they are satisfied that the Institute has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Institute's annual report and financial statements. The annual report and financial statements have been examined by the Institute's external auditors and their report is presented on pages 6 to 8. The annual report and financial statements set out on pages 9 to 26, which have been prepared on the going concern basis, were approved by the Executive Committee on ..... 01/03/23 ..... and were signed on its behalf by:

  
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**Chairman**

  
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**Secretary**

  
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**Treasurer**

**Wednesday, March 1, 2023**

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## **Report of the Independent Auditor to the Members of The Institute of Internal Auditors - Kenya**

### **Opinion**

We have audited the financial statements of The Institute of Internal Auditors - Kenya, which comprise the statement of financial position as at 31 December 2022, and the statement of financial activities, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 25.

In our opinion, the financial statements give a true and fair view of the state of the Institute's financial affairs as at 31 December 2022, the results of its operations and cash flows for the year then ended in accordance with applicable International Financial Reporting Standards (IFRS) and in the manner required by the societies Act, Cap 108 of the Laws of Kenya.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. 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 (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. 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 judgments, 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters to communicate.

### **Executive Committee Members' Responsibility for the Financial Statements**

The Executive Committee Members are responsible for the preparation and fair presentation of the financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and the manner required by the Societies Act, Cap 108 of the Laws of Kenya. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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



## **Report (Cont'd)**

The Societies Act (Cap 108) of the Laws of Kenya also requires the Executive Committee Members to ensure that the Institute maintains proper books of accounts which are in agreement with the statement of financial activities and statement of financial position.

### **Auditor's Responsibility**

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 controls 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 the Committee Members.
- Conclude on the appropriateness of the Member'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 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 in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





## Report (Cont'd)

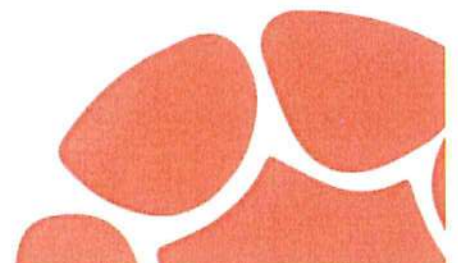
### Report on Other Legal and Regulatory Requirements

As required by the Societies Act (Cap 108) of the Laws of Kenya and that based on our audit:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion proper books of accounts have been kept by the Institute, so far as appears from our examination of those books.
- c) The Institute's statement of financial position is in agreement with the books of accounts.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Ronald N. Bwosi - P/No. 1865.

Certified Public Accountant (Kenya)



## Statement of Financial Activities

Figures in Kenyan Shillings	Notes	2022	2021
Income	2	111,211,597	110,152,947
Direct costs	3	(51,402,288)	(50,091,127)
<b>Gross operating income</b>		<b>59,809,309</b>	<b>60,061,820</b>
Other income	4	12,283,394	3,921,497
Administrative expenses	5	(45,055,734)	(42,223,840)
Operating expenses	6	(411,582)	(328,117)
<b>Operating surplus / (deficit)</b>		<b>26,625,387</b>	<b>21,431,360</b>
(Loss) on foreign exchange		(119,125)	(113,118)
<b>Surplus for the year</b>		<b>26,506,262</b>	<b>21,318,242</b>

## Statement of Financial Position

Figures in Kenyan Shillings	Notes	2022	2021
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property and equipment	8	59,802,756	59,800,358
Intangible assets	14	913	1,218
		<u>59,803,669</u>	<u>59,801,576</u>
<b>Current Assets</b>			
Accounts and other receivables	10	24,123,524	22,634,269
Short term investments	9	100,000,000	50,679,440
Cash and cash equivalents	11	10,352,992	32,279,649
		<u>134,476,516</u>	<u>105,593,358</u>
<b>Total Assets</b>		<u>194,280,185</u>	<u>165,394,934</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income (Statement of Changes in Fund balances)		<u>181,222,507</u>	<u>154,716,245</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts and other payables	12	<u>13,057,678</u>	<u>10,678,689</u>
<b>Total Equity and Liabilities</b>		<u>194,280,185</u>	<u>165,394,934</u>

The annual report, financial statements and the notes on pages 3 to 26, were approved by the Executive Committee members on the ..... 21/03/23 ..... and were signed on its behalf by:





Treasurer

### Statement of Changes in Fund Balances

Figures in Kenyan Shillings	General Fund	Total Fund balance
<b>Balance at January 1, 2021</b>	<b>133,398,003</b>	<b>133,398,003</b>
Changes in equity		
Total surplus for the year	21,318,242	21,318,242
Total changes	<u>21,318,242</u>	<u>21,318,242</u>
<b>Balance at December 31, 2021</b>	<b><u>154,716,245</u></b>	<b><u>154,716,245</u></b>
<b>Balance at January 1, 2022</b>	<b>154,716,245</b>	<b>154,716,245</b>
Changes in equity		
Total surplus for the year	26,506,262	26,506,262
Total changes	<u>26,506,262</u>	<u>26,506,262</u>
<b>Balance at December 31, 2022</b>	<b><u>181,222,507</u></b>	<b><u>181,222,507</u></b>

The accounting policies on pages 13 to 19 and the notes on pages 20 to 26 form an integral part of the annual report and financial statements.

## Statement of Cash Flows

Figures in Kenyan Shillings	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Cash used in operations	13	(21,393,858)	(10,162,545)
(Loss) on foreign exchange		(119,125)	(113,118)
<b>Net cash from operating activities</b>		<b>(21,512,983)</b>	<b>(10,275,663)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	8	(413,674)	(496,310)
<b>Total cash movement for the year</b>		<b>(21,926,657)</b>	<b>(10,771,973)</b>
Cash at the beginning of the year		32,279,649	43,051,622
<b>Total cash at end of the year</b>	11	<b>10,352,992</b>	<b>32,279,649</b>

The accounting policies on pages 13 to 19 and the notes on pages 20 to 26 form an integral part of the annual report and financial statements.

## Accounting Policies

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### 1. Presentation of Annual Report and Financial Statements

The annual report and financial statements have been prepared in accordance with the applicable International Financial Reporting Standard (IFRS) and in the manner required by the Societies Act Cap 108 of the Laws of Kenya. The annual report and financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Kenya Shillings (Ksh).

These accounting policies are consistent with the previous period.

#### **i) New and amended standards adopted by the Institution.**

The following new and revised standards and interpretations have become effective for the first time in the financial year beginning 1 January 2016 and have been adopted by the Institute where relevant :

**IFRS 14 *Regulatory Deferral Accounts* (issued in January 2014)** - The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.

**Amendments to IFRS 11 titled *Accounting for Acquisitions of Interests in Joint Operations* (issued in May 2014)** - The amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

**Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortization* (issued in May 2014)** - The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016.

**Amendments to IAS 27 titled *Equity Method in Separate Financial Statements* (issued in August 2014)** - The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

**Amendment to IAS 19 (*Annual Improvements to IFRSs 2012-2014 Cycle*, issued in September 2014)** - The amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

## Accounting Policies

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**Amendment to IFRS 5 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014)** - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.

**Amendment to IFRS 7 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014)** - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

**Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014)** - The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

At the date of authorization of these financial statements, the following revised standards and interpretations were in issue but are not yet effective for the year beginning 1 January 2016. The Institute has not adopted any of these revised standards, amendments and interpretations in advance of the effective date:

#### **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 to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance:

#### **IFRS 9: Financial Instruments**

IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profits or loss), unless this creates an accounting mismatch.

## Accounting Policies

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For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12 months ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception. The company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The group did not early adopt IFRS 9 in previous periods.

### **Amendments to IAS 34 titled *Interim financial reporting* (issued September 2014)**

The amendment which is effective for annual period beginning 1 January 2016, clarifies the meaning of "elsewhere in the interim report" and requires a cross-reference.

### **Amendments to IAS 39 titled *Financial Instruments: Recognition and Measurement* (issued 24 July 2014)**

The amendment will be effective for annual periods beginning on or after 1 January 2018; outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Clarifies that IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements), consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply. IFRS 9 Financial Instruments issued, replacing IAS 39 requirements for classification and measurement, impairment, hedge accounting and de-recognition;

**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 recognized 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 recognize 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 recognize 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.

**Amendments to IAS 12 titled *Recognition of Deferred Tax Assets* (issued in January 2016)** - The amendments, applicable to annual periods beginning on or after 1 January 2018, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets:



## Accounting Policies

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**Amendments to IAS 7 titled *Disclosure Initiative* (issued in January 2016)** - The amendments, applicable to annual periods beginning on or after 1 January 2018, require enhanced disclosure concerning changes in liabilities arising from financing activities.

**Amendments to IFRS 2 titled *Classification and Measurement of Share-based 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. The amendments are not expected to have a material effect on the Group's consolidated financial statements.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Institute's statement of financial position and statement of comprehensive income.

### 1.1 Revenue

Subscription and Library fees represent the fair value of income received or receivable and are chargeable yearly in advance and become due and payable on the first day in January each year. Subscriptions are recognized in the period in which the Institution invoices the members and the collectibility of the related receivables are reasonably assured. Subscriptions and Library fees represent the fair value of consideration received or receivable and are stated net of value added tax. Training fees is accrued when receivable and interest income is accrued when right to receive is established. Other incomes are accounted for on receipt basis.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised in the statement of financial activities, using the effective interest rate method.

### 1.2 Taxation

#### Taxation expenses

The Institute's income is excluded from the list of specified sources of taxable income as set out in the first schedule of the Income Tax Act, Chapter 470 of the Laws of Kenya. The Institute has however not been granted a formal corporation tax exemption certificate by the Kenya Revenue Authority (KRA) as required by the Act.

### 1.3 Employee benefits

#### Gratuity and service pay

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

## Accounting Policies

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### 1.3 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Retirement benefits costs

The Institution contributes to the statutory National Social Security Fund. This fund is a defined contribution scheme registered under the National Social Security Fund Act. The Institution's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of K Sh 200 per employee per month.

The Institution's obligations to the schemes are recognized in the statement of financial activities.

### 1.4 Property and equipment

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Institution; and
- the cost of the item can be measured reliably.

Property and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment are depreciated on the reducing balance method over their expected useful lives to their estimated residual value.

The depreciation chart of items of property and equipment have been assessed as follows:

Asset class	Rate per annum(%)
Buildings	NIL
Leasehold property	NIL
Furniture and fittings	12.5%
Motor vehicles	25%
Office equipment	12.5%
Computer equipment	30%
Computer software	25%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

### 1.5 Financial instruments

#### Classification

The Institute classifies financial assets and financial liabilities into the following categories:

## **Accounting Policies**

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### **1.5 Financial instruments (continued)**

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through profit or loss category.

### **Accounts and other receivables**

Account receivables are carried at anticipated realisable value. An estimate is made for the doubtful receivables on a review of all outstanding amounts at the period-end. Bad debts are written off in the period in which they are identified.

### **Accounts and other payables**

Account payables are stated at their nominal value.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### **1.6 Significant judgements and sources of estimation uncertainty**

In preparing the annual report and financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual report and financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual report and financial statements. Significant judgments include:

### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

### **1.7 Financial and Business Risk Management**

The Institution risk limits are regularly assessed to ensure alignment with the Institution's objectives and prevalent market conditions. The members are closely involved in ensuring that a variety of techniques are used to assess and manage said risks.

Currency amount the exchange rate between the Kenya shilling and the foreign currency at the date of the cashflow

## **Accounting Policies**

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### **1.7 Financial and Business Risk Management (continued)**

- **Currency risk:-**

The Institution is exposed to risk through transactions in foreign currencies. The Institution's exposures give rise to foreign currency gains and losses that are recognized in the Statement of financial activities. The Institution ensures that its net exposure is kept to an acceptable level by careful monitoring of exchange rates and currency hedging.

- **Interest rate risk:-**

The Institution's policy is to manage its interest costs by relying primarily on members' funds and training feest.

### **1.8 Provisions and contingencies**

Provisions are recognised when:

- the Institute has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## Notes to the Annual Report And Financial Statements

Figures in Kenyan Shillings

2022

2021

### 2. Income

Workshops and training fees	82,544,201	71,129,551
CIA Classes	1,138,000	-
Consultancy fees	1,034,483	18,284,483
Publicity and Advocacy	250,000	-
Inhouse trainings	9,308,193	9,543,214
Membership and subscription fees	16,936,720	11,195,699
	<b>111,211,597</b>	<b>110,152,947</b>

**The following incomes have been included in the membership and subscriptions fees.**

Membership and training subscriptions	15,591,000	10,204,699
Cost refund - manuals/CDs/Questions/Magazines	835,720	573,000
Student and professional Library fees	510,000	418,000
	<b>16,936,720</b>	<b>11,195,699</b>

## Notes to the Annual Report And Financial Statements

Figures in Kenyan Shillings	2022	2021
<b>3. Direct expenses</b>		
Publicity and advocacy expenses	365,992	-
CIA Classes expenses	1,052,978	-
Membership costs	20,231	-
	<b>1,439,201</b>	<b>-</b>
<b>Consultancy expenses</b>		
Consultation expenses	-	229,310
Consultation fees	400,000	8,389,793
Printing and stationery	200	29,594
	<b>400,200</b>	<b>8,648,697</b>
<b>Inhouse training expenses</b>		
Accommodation	580,442	179,559
Board per diem	-	81,900
Facilitation fees	2,110,000	2,371,000
Printing and stationery	3,070	3,260
Staff per diem	346,320	259,350
Transport	388,829	753,470
	<b>3,428,661</b>	<b>3,648,539</b>
<b>Workshops and seminar expenses</b>		
Accommodation	5,753,902	3,237,207
Advertising	954,475	1,282,746
Conference facilities	16,957,071	13,766,479
Facilitators fees	5,964,004	3,602,560
Printing and stationery	183,756	35,876
Promotional materials	4,566,272	4,393,040
Transport	10,776,354	11,475,983
IPPF Books	227,438	-
Live streaming	186,500	-
Postage and Courier services	554,454	-
Photography	10,000	-
	<b>46,134,226</b>	<b>37,793,891</b>
	<b>51,402,288</b>	<b>50,091,127</b>
<b>4. Other income</b>		
Sponsorship	2,310,000	1,050,000
Interest from investments	5,308,890	2,871,497
Bad debts written back	4,427,101	-
IIA Global promotion income	237,403	-
	<b>12,283,394</b>	<b>3,921,497</b>

## Notes to the Annual Report And Financial Statements

Figures in Kenyan Shillings	2022	2021
<b>5. Administrative expenses</b>		
AGM expenses	137,586	356,249
Audit fees	200,000	200,000
Bank charges	234,574	122,119
Board and committee meeting expenses	2,298,496	4,117,769
Board and staff retreat	170,395	1,747,806
Books and manuals	738,335	245,277
Christmas gifts	1,444,143	1,444,143
Computer running expenses	259,675	337,795
Election expenses	259,406	874,713
Electricity	102,596	69,833
Entertainment and meals	17,845	10,110
General Office expenses	422,848	364,715
International travel	11,546,189	-
Internet services	196,351	150,984
Advertising and publicity	1,807,519	1,110,262
Motor vehicle parking expenses	209,760	54,000
Insurance	69,439	75,518
Repair and maintenance	28,500	-
Postage and telephone	452,712	339,917
Printing and stationery	241,835	194,581
Professional fees	50,913	10,000
Provision for bad and doubtful debts	-	13,338,223
Licence renewal	36,000	400
Research and development costs	20,196	-
Service charge	343,589	345,096
Staff costs (Note 7)	20,122,006	11,530,540
Subscription to accredited institutions	3,132,698	4,414,795
Transport and travelling	512,128	768,995
	<b>45,055,734</b>	<b>42,223,840</b>
<b>6. Operating expenses</b>		
Amortization and Depreciation charges	411,582	328,117
<b>7. Staff costs</b>		
<b>Total employee costs</b>		
Direct employee costs	20,122,006	11,530,540

## Notes to the Annual Report And Financial Statements

Figures in Kenyan Shillings

2022

2021

### 7. Staff costs (continued)

The following items are included within employee benefits expense:

Salaries and wages	12,821,133	6,522,534
Statutory deductions	4,070,472	2,073,251
Staff christmas gifts	516,438	482,080
Staff medical	1,842,066	1,942,385
Staff gratuity	853,297	510,290
Staff training	18,600	-
	<b>20,122,006</b>	<b>11,530,540</b>

### 8. Property and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	35,250,000	-	35,250,000	35,250,000	-	35,250,000
Buildings	22,678,970	-	22,678,970	22,678,970	-	22,678,970
Furniture and fittings	1,551,180	(933,382)	617,798	1,551,180	(851,207)	699,973
Office equipment	880,044	(372,455)	507,589	626,369	(321,771)	304,598
Computer equipment	1,871,400	(1,123,001)	748,399	1,711,400	(844,583)	866,817
<b>Total</b>	<b>62,231,594</b>	<b>(2,428,838)</b>	<b>59,802,756</b>	<b>61,817,919</b>	<b>(2,017,561)</b>	<b>59,800,358</b>

#### Reconciliation of property and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Land	35,250,000	-	-	35,250,000
Buildings	22,678,970	-	-	22,678,970
Furniture and fittings	699,973	-	(82,175)	617,798
Office equipment	304,598	253,674	(50,683)	507,589
Computer equipment	866,817	160,000	(278,418)	748,399
	<b>59,800,358</b>	<b>413,674</b>	<b>(411,276)</b>	<b>59,802,756</b>

#### Reconciliation of property and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land	35,250,000	-	-	35,250,000
Buildings	22,678,970	-	-	22,678,970
Furniture and fittings	794,310	-	(94,337)	699,973
Office equipment	312,938	29,310	(37,650)	304,598
Computer equipment	595,541	467,000	(195,724)	866,817
	<b>59,631,759</b>	<b>496,310</b>	<b>(327,711)</b>	<b>59,800,358</b>



## Notes to the Annual Report And Financial Statements

Figures in Kenyan Shillings	2022	2021
<b>9. Short term investments</b>		
<b>Investments in CIC and ABSA</b>		
Opening balance	50,679,440	50,679,440
Additions	49,320,560	-
	<b>100,000,000</b>	<b>50,679,440</b>
<b>10. Accounts and other receivables</b>		
Training receivables	21,996,216	30,492,796
Subscriptions receivable	21,825,161	20,077,228
Provision for doubtful debts	(33,686,625)	(38,098,727)
VAT Claimable	7,599,263	6,020,366
Accrued interest income	4,060,901	2,083,408
Prepayments	1,855,124	1,817,502
Deposits	319,199	119,199
Staff advances	154,285	122,497
	<b>24,123,524</b>	<b>22,634,269</b>

### Trade and other receivables impaired

As of December 31, 2022, trade and other receivables of Kshs. 27,327,370 were impaired and provided for. (2021: Kshs. 30,719,475) --).

The ageing of these receivables was as follows:

Ageing	Provision %	Classification	Receivables	Provision
0 - 90	0%	Performing	3,155,239	10,388,886
91 - 180	50%	Substandard/Watch	530,430	2,006,543
181 - 270	50%	Substandard/Watch	(2,315,852)	3,107,100
271 - 360	50%	Substandard/Watch	356,592	2,086,880
Over 360	100%	Doubtful	3,981,090	2,086,880
	TOTAL		-	27,327,370

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	26,187	9,618
Bank balances	9,099,672	5,258,247
Short-term deposits	213,680	25,865,581
Mpesa paybill balances	1,013,453	1,146,203
	<b>10,352,992</b>	<b>32,279,649</b>

## Notes to the Annual Report And Financial Statements

Figures in Kenyan Shillings	2022	2021
<b>12. Accounts and other payables</b>		
Exam fees payable	2,745,551	2,373,924
Accrued Leave and payroll	2,103,936	1,183,980
Other payables	7,005,051	5,917,645
Prepaid income	1,203,140	1,203,140
	<b>13,057,678</b>	<b>10,678,689</b>

### 13. Cash used in operations

Profit before taxation	26,506,262	21,318,242
<b>Adjustments for:</b>		
Depreciation and amortisation	411,581	328,117
(Loss) on foreign exchange	119,125	113,118
<b>Changes in working capital:</b>		
Inventory	-	245,276
Accounts and other receivables	(1,489,255)	(9,413,472)
Accounts and other payables	2,378,989	3,925,614
Short Term Investments	(49,320,560)	(26,679,440)
	<b>(21,393,858)</b>	<b>(10,162,545)</b>

### 14. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	15,000	(14,087)	913	15,000	(13,782)	1,218

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	1,218	(305)	913

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer Software	1,624	(406)	1,218

### 15. Comparative figures

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

## **Notes to the Annual Report And Financial Statements**

<b>Figures in Kenyan Shillings</b>	<b>2022</b>	<b>2021</b>
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### **16. Fair value**

The Executive Committee members consider that there is no material difference between the fair value and carrying value of the associations' financial assets and liabilities where fair value details have not been presented.

### **17. Events after the reporting period**

In the opinion of the Executive Committee members, there are no material events after the statement of financial position date which require disclosure.