

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**INSTITUTE OF HUMAN RESOURCE  
MANAGEMENT**

**FOR THE YEAR ENDED  
30 JUNE, 2019**







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**INSTITUTE OF HUMAN RESOURCE MANAGEMENT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2019**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

**Institute of Human Resource Management**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Institute of Human Resource Management is a statutory professional body established under the Human Resource Management Professional (HRMP) Act, No 52 of 2012 on December 31<sup>st</sup>, 2012. The Institute is domiciled in Kenya and is mandated to regulate the HR professional in Kenya, enhance competencies and capabilities while supporting innovative and transformative HR practices and standards.

### **(b) Principal Activities**

The principal activity of the Institute is the regulation and promotion of human resource practices in Kenya.

#### **Vision**

Ethical, people-centric HR professionals

#### **Mission**

To regulate and promote the practice of Human Resource Profession in Kenya through;

1. Enhancing competence and capabilities of Human Resource Professionals whilst serving public interest.
2. Supporting innovative and transformative Human Resource Practices and Standards.
3. Building Sustainable Institutional Capacity and Collaborations.
4. Engaging in Human Resource Research, Publication and Knowledge Development

#### **Core Values**

Transparency, Accountability, Professionalism, Innovation, Compliance and Green Practices, Business Acumen

**The functions of the Institute are;**

1. Establish, monitor and publish the standards of professional competence and practice amongst Human Resource Professionals
2. Register persons who meet the required Professional and ethics standards,
3. Promote research in Human Resource practice and related matters,
4. Publish books, periodicals, journals and articles on Human Resource,
5. Provide a medium for communication and exchange of information, knowledge and ethical standards for those persons engaged in the field of Human Resources Management;
6. Network with regional and international related bodies to promote and develop progressive Human Resource Management practices,
7. Hold examinations and prescribe tests of competency deemed appropriate to qualify for membership and certification by the Institute,
8. Advise the Examinations Board on matters relating to examination standards and policies;
9. Advise the Registration Committee on matters relating to registration
10. Regulate the practice, competence and professional conduct of Human Resource Professionals;
11. Promote and protect the welfare and interests of the Human Resources Profession,
12. Promote inter-professional collaboration with other Professional bodies; and
13. Carry out any other functions prescribed for it under any of the provisions of this Act or under any written law.

**(c) Key Management**

The Institute's day-to-day management is under the following key organs:

- Executive Director
- Head of Operations & Shared Services
- Head of Corporate Affairs & Communications
- Head of HR & Membership

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**(d) Fiduciary Management**

Key management personnel who held office when the financial statements were prepared were:

| No. | Designation                                  | Name                   |
|-----|----------------------------------------------|------------------------|
| 1.  | Executive Director                           | CHRP Quresha Abdullahi |
| 2.  | Head of Operations and Shared Services       | Fredrick Karani        |
| 3.  | Head of Corporate Affairs and Communications | Irene Kimacia          |
| 4.  | Training Manager                             | Milka Owao             |
| 5.  | Finance Manager                              | Job Akuno              |

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

| No. | Designation            | Name                 |
|-----|------------------------|----------------------|
| 1.  | Executive Director     | CHRP Dorcas Wainaina |
| 2.  | Head of Secretariat    | Milka Murimi         |
| 3.  | Training Manager       | Milka Owao           |
| 4.  | Communications Officer | Irene Kimacia        |
| 5.  | Accountant             | Vincent Nyarige, CPA |

**(e) Fiduciary Oversight Arrangements**

- National Council
- Committees
  - a) Finance & HR Committee
  - b) Continuous Professional Development (CPD) & Training Committee
  - c) Registration Committee

**(f) Entity Headquarters**

P.O. Box 6132 - 00300  
Prism Towers, 24th Floor,  
3rd Ngong Avenue  
Nairobi, KENYA

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**(g) Entity Contacts**

Telephone: (254) 020 221 3745, 224 0213

E-mail: [info@ihrm.or.ke](mailto:info@ihrm.or.ke)

Website: [www.ihrm.or.ke](http://www.ihrm.or.ke)

**(h) Entity Bankers**

**1. Absa Bank**

Harambee Avenue Branch

P.O. Box 30120

GPO 00100

**NAIROBI, KENYA**

**2. Kenya Commercial Bank of Kenya**

Kipande House Branch

P.O. Box 30012

GPO 00100

**NAIROBI, KENYA**

**(i) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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**2. COUNCIL MEMBERS**

The following Council Members served at the time financial statements were prepared,

| Ref | Councils                                                                                                             | Details                                                                                                                                                                                                                                                                                                                                                                  |
|-----|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | <b>Mr. Phillip Dalmas Otero</b><br> | <b>National Chairman</b><br><b>Qualification – Masters in Supply Chain Management &amp; Logistics, Bachelor’s Degree in Purchasing &amp; Supplies Management, Diploma in Supplies Management, Diploma in Information Studies, Advanced Diploma in Purchasing &amp; Supplies, Higher National Diploma in HRM, HRMPEB &amp; CHRP.</b><br><b>Date of Birth – 01/01/1982</b> |
| 2.  | <b>Mr. Abdisalam Mohammed</b><br>  | <b>Council Member – North Eastern Region Representative</b><br><b>Qualifications – Masters in Business Administration (Governance &amp; Ethics), Bachelor Degree (Human Resource Management) &amp; CHRP.</b><br><b>Date of Birth – 22/06/1960</b>                                                                                                                        |
| 3.  | <b>CHRP Patricia Okello</b><br>   | <b>Council Member – Western Region Representative</b><br><b>Qualifications – Masters in Labour Relations Management, Bachelor in Business Management (HRM Option), Higher Diploma in HRM, Diploma in Labour Studies Management &amp; CHRP.</b><br><b>Date of Birth – 15/01/1972</b>                                                                                      |

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|    |                                                                                                                |                                                                                                                                                                                                                                                                                                                  |
|----|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. | <p>Ms. Hellen Apiyo</p>       | <p>Council Member – Ministry of Labour Representative</p> <p>Qualifications – Master of Arts (Development, Employment &amp; Labour Studies), Bachelor of Law, Bachelor of Arts (Political Science &amp; Sociology) and Higher Diploma (Legal Practice Education).</p> <p>Date of Birth – 13/08/1969</p>          |
| 5. | <p>Ms. Catherine Mwangi</p>  | <p>Council Member – Central Region Representative</p> <p>Qualifications - Masters of Business Administration (HRM), Bachelor of Business Administration (HRM), Higher Diploma in HRM &amp; Diploma in Personnel Management.</p>                                                                                  |
| 6. | <p>Dr. Jacob Mbijiwe</p>    | <p>Council Member – Ministry of Public Service Representative</p> <p>Qualifications - PhD. Business Management (Human Resource Management and Organizational Behavior), Master of Business Administration (HRM), Bachelor of Education (Mathematics/Geography) &amp; CHRP.</p> <p>Date of Birth – 01/06/1967</p> |
| 7. | <p>Ms. Lilian Ngala</p>     | <p>Council Member – Nairobi Region Representative</p> <p>Qualifications – Doctor of Philosophy(PhD) in Human Resource Management, MBA (Strategic Management), Post Graduate Diploma (HRM) &amp; CHRP.</p>                                                                                                        |

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|-----|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8.  | <b>Mr. John Mutisya Mwanzia</b><br>   | <b>Council Member – Coast/Eastern Region Representative</b><br><b>Qualifications - Bachelor of Business Administration (HR Option), Diploma in HRM, Advance Certificate in Business Management &amp; Certificate in Business Management</b><br><b>Date of Birth – 05/05/1966</b> |
| 9.  | <b>Ms. Beatrice Cherotich Bii</b><br> | <b>Member - Representing Rift Valley Region</b><br><b>Qualifications - MBA Strategic Management (Ongoing), Bachelor of Business Management (HRM Option), Diploma in HRM &amp; CHRP.</b><br><b>Date of Birth – 01/01/1987</b>                                                     |
| 10. | <b>CHRP Quresha Abdullahi</b><br>    | <b>Council Secretary/ Executive Director</b><br><b>Qualification – Masters in Human Resource Management, Bachelor of Arts in Sociology &amp; Psychology &amp; CHRP.</b><br><b>Date of Birth – 19/09/1983</b>                                                                     |

The following are the Council Members who served during the financial year 2018/2019.

| Ref | Councils                        | Details                               |
|-----|---------------------------------|---------------------------------------|
| 1.  | Mr. Joseph Vincent Onyango, MBS | Chairman                              |
| 2.  | Mr. Stephen K. Malakwen         | Vice Chairman                         |
| 3.  | Mr. Wycliffe Osoro              | Member                                |
| 4.  | Mr. Bildad Kisero               | Member                                |
| 5.  | Ms. Miriam Ndiritu              | Member                                |
| 6.  | Ms. Hellen Apiyo                | Member                                |
| 7.  | Ms. Patricia Okello             | Member                                |
| 8.  | Dr. Jacob Mbijiwe               | Member                                |
| 9.  | CHRP Dorcas Wainaina            | Council Secretary/ Executive Director |

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**3. MANAGEMENT TEAM**

The following are the key management team who served at the moment.

| Ref | Management                                                                                                         | Details                                                                                                                                                          |
|-----|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | <b>CHRP Quresha Abdullahi</b><br> | <b>Title - Executive Director</b><br><b>Qualification – Masters in Human Resource Management, Bachelor of Arts in Sociology &amp; Psychology &amp; CHRP</b>      |
| 2.  | <b>Irene Kimacia</b><br>         | <b>Title - Head of Corporate Affairs &amp; Communications</b><br><b>Qualification – Bachelor of Arts in Communication (Electronic Media), HND Human Resource</b> |
| 3.  | <b>Fredrick Karani</b><br>      | <b>Title - Head of Operations &amp; Shared Services</b><br><b>Qualification – Bachelor of Science in Actuarial Science, HND Human Resource</b>                   |
| 4.  | <b>Milka Owao</b><br>           | <b>Title - Training Manager</b><br><b>Qualification – Bachelor of Human Resource Management/ Dip. In Business Management, CHRP, HRM, HND</b>                     |

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|    |                                                                                                        |                                                                                                              |
|----|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 5. | <div>Job Akuno</div>  | <p>Title - Finance Manager</p> <p>Qualification – Bachelor of Commerce (Accounting Option) &amp; CPA (K)</p> |
|----|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|

The following are the key management team who served during the financial year 2018/2019.

| Ref | Management           | Details                |
|-----|----------------------|------------------------|
| 1.  | CHRP Dorcas Wainaina | Executive Director     |
| 2.  | Milkah Mirimi        | Head of Secretariat    |
| 3.  | Milka Owao           | Training Manager       |
| 4.  | Irene Kimacia        | Communications Officer |
| 5.  | Vincent Nyarige      | Accountant             |

#### **4. CHAIRMAN'S STATEMENT**

It is with pleasure that I again reach out to you for the positive engagement and support from the members and other stakeholders in making major strides. It has been a productive period for the Institute because of you.

The Institute has remained committed to its core mission by applying our talents, tools, trainings and other services to help members achieve the highest possible level of success in their professional duties and responsibilities. The Institute continued growth has also reflected in registration of membership to more than 14,000 members. The continued growth in membership numbers and participation of members in various activities is a testimony to the immense promise of the Institute.

As a way of appreciating the human resource professionals, the Institute has since introduced inaugural HR Awards in recognition of major contributions to the profession by its members. This award will be celebrating the human resource professionals for embracing best work place practices, employee development, employee relation, employee retention among other parameters that will be coming up from time to time in the market.

Members, our overriding goal is to have more human resource practitioners break the ceiling and rise in their various assignments. We are putting in place various measures to having an enabling environment to ensure this objective becomes a reality.



**CHRP Dalmas Odera**

**Council National Chairman**

## **5. REPORT OF THE EXECUTIVE DIRECTOR**

It is my pleasure to present Institute of Human Resource Management 2018/2019 annual report and financial statements. The Council Members of the Institute and Secretariat are proud of the achievements realized in this period towards enhancing and promoting human resource practices. Considering the dynamic needs in the employees' welfare and organizations operation space, managing an effective and efficient work force can be tasking.

Considering the membership numbers which has been raising day by day and members spread across the globe, this leads to complexity in operations of the Institute. I am therefore particularly, impressed by the dedication and commitment to delivering the best possible service to the members. Institute of Human Resource Management being the human resource regulator under the Constitution of Kenya 2010 and the HRMP Act No. 52, 2012 in Kenya offers quality services to thee members including; HR governance, HR Advocacy, continuous professional development programs, online trainings, conference, congress among other numerous collaboration with other partners. The management and operations of the Institute has been guided by the existing legal, policy, institutional frameworks that govern human resource affairs to ensure efficient and effective delivery of services.

During the period under review, the Institute has worked hard to achieve the strategic goals as set in 2016-2020 Strategic Plan "Transformed, Connected and Impactful" work force. On behalf of the Council, I would like to thank all our stakeholders for the continued support accorded to the Institute without which our achievements would not have been realized. AS we move into another year, I would like to express my gratitude to the Institute staff, committees and Council who take such pride in their work.



**CHRP Quresha Abdullahi**  
**Executive Director**

## **6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2018/2019**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Institute of Human Resource Management has 5 strategic themes and objectives within the current Strategic Plan for the 2018/2019. These themes are as follows:

1. Enhance member services
2. Operationalization of HRMP Act
3. Building sustainable institutional capacity
4. Establishment of Examination Board
5. Enhancing HR visibility and re-branding

The Institute develops its annual work plans based on the above 5 themes. Assessment of the Council's performance against its annual work plan is done periodically. The Institute achieved its performance targets set for the FY 2018/2019 period for its 5 strategic themes, as indicated in the diagram below:

| Strategic Theme            | Objective                                                                                                                                        | Key Performance Indicators                                                                                                                          | Activities                                                                                                            | Achievements                                                                                                                                                                                                                             |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Enhance member services | Innovate value propositions to meet the new and emerging needs along with crating lifelong value to members with the view of attracting members. | <ul style="list-style-type: none"> <li>- Survey Report</li> <li>- Membership Reports</li> <li>- New products</li> <li>- Training reports</li> </ul> | <ul style="list-style-type: none"> <li>- Trainings,</li> <li>- Events</li> <li>- CPDs</li> <li>- Alliances</li> </ul> | <ol style="list-style-type: none"> <li>1. Increase in registration of new members</li> <li>2. Higher renewal of annual membership</li> <li>3. Enhanced CPD program for developments</li> <li>4. Introduction of branch forums</li> </ol> |

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|                                                |                                                                                                                                                                |                                                                                                                                                                              |                                                                                                                                                                                      |                                                                                                                                                                                                                                   |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. Operationalization of HRMP Act              | Enhance governance by putting up structures of the Council, efficient and sustainable institutional management                                                 | <ul style="list-style-type: none"> <li>- Establishing various committees and to perform regulatory tasks</li> <li>- Enactment of various rules and regulations</li> </ul>    | <ul style="list-style-type: none"> <li>- Establishing various committees</li> <li>- Review and gazette ment of Code of Conduct</li> </ul>                                            | <ol style="list-style-type: none"> <li>1. Sustaining vibrant committees to take up various tasks from time to time.</li> <li>2. Handling several professional issues</li> <li>3. Promoting the amended of the HRMP Act</li> </ol> |
| 4. Building sustainable institutional capacity | Building capacity in order to set up standards as a basis of regulating HR practices, while ensuring good governance and in a constantly changing environment. | <ul style="list-style-type: none"> <li>- Council meetings</li> <li>- Branch Activities</li> </ul>                                                                            | <ul style="list-style-type: none"> <li>- Effective Council meetings</li> <li>- Continuous monitoring and evaluation of the Strategic Plan</li> </ul>                                 | <ol style="list-style-type: none"> <li>1. Effective Council meetings</li> <li>2. Steady growth of HRMPEB</li> <li>3. Sustaining a strong risk management strategy through legal framework and adopting inclusiveness</li> </ol>   |
| 4. Establishment of Examination Board          | To continually advocate for good HR practices, good governance and standards in the HR sector of the economy by                                                | <ul style="list-style-type: none"> <li>- Number of students' registering and graduating for courses.</li> <li>- Introduction of new courses to meet market demand</li> </ul> | <ul style="list-style-type: none"> <li>- Acquisition of office space</li> <li>- Constitution of Board and Secretariat</li> <li>- Enrolment of Students in to CHRP program</li> </ul> | <ol style="list-style-type: none"> <li>1. Operationalized HRMPEB and fully functioning secretariat.</li> <li>2. Increase in student enrolment</li> </ol>                                                                          |

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|                                                  |                                                                                                                                                                                                                                 |                                                                                                                                                                                                                     |                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                  | taking<br>proactive<br>approach to<br>influence<br>legislation,<br>policy and<br>regulatory<br>framework.                                                                                                                       |                                                                                                                                                                                                                     |                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                         |
| 5. Enhancing HR<br>visibility and<br>re-branding | To ensure that<br>the Institute's<br>statutory roles,<br>its mission,<br>values and its<br>work supports<br>the growth of<br>the HR<br>profession<br>while its role is<br>effectively<br>communicated<br>to a broad<br>audience | <ul style="list-style-type: none"> <li>- Level of<br/>engagement<br/>by the<br/>members on<br/>various<br/>platforms</li> <li>- Response to<br/>various<br/>communicatio<br/>n to members<br/>and public</li> </ul> | <ul style="list-style-type: none"> <li>- Online<br/>Activities<br/>including<br/>portal</li> <li>- Brach<br/>networks</li> <li>- Publication<br/>s</li> </ul> | <ol style="list-style-type: none"> <li>1. Relentless<br/>communicatio<br/>n with the<br/>members,<br/>stakeholders<br/>and the public.</li> <li>2. Actively<br/>engage the<br/>media in<br/>increasing<br/>awareness.</li> <li>3. Improved<br/>network<br/>through<br/>partnership<br/>and<br/>collaboration</li> </ol> |

## **7. CORPORATE GOVERNANCE STATEMENT**

The Council and Committee Members are elected by members to supervise the management of the Institute in the best interests of members. The Council is currently having 10 members and has several key functions which are summarised as;

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute
- c) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial material statements, and ensuring that they are free from misstatements, whether due to error or fraud
- d) Safeguarding the assets of the Institute;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Council is committed to the highest standards of behaviour and accountability from members and accordingly endorses the principles code of ethics which sets out the manner in which Members and employees should conduct themselves. The composition of the Council is governed by the Institute's Constitution which also details how Council Members are appointed, removed and/or replaced upon expiry of their term in office.

The composition of the council member reflects the duties and responsibilities it is to discharge and perform as the representatives of the members. The Council members are independent of management and free from other relationships which could materially interfere with the exercise of their independent judgment. The council and committee normally meets quarterly and has as tabulated below between 1 July 2018 and 30 June 2019. Special purpose meetings are held as required.

|    | <b>Particulars</b>     | <b>Number of Meetings</b> |
|----|------------------------|---------------------------|
| 1. | Council Members        | 4                         |
| 2. | Registration Committee | 17                        |

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The Council has one standing committees, being: Registration Committee. The council and committee members do not have a remuneration but would be paid meeting allowances whenever they are called upon and settlement of associated costs which reflects in this report as 5.7 million for the year 2018/2019.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

### **Membership**

In the year 2018/2019, the Institute continued to maintain the membership as well as increase in new members during the period. The Institute has conducted various activities such as holding trainings, seminars, workshops, conference, congress among other annual events to sustain engagement and regular communication with the stakeholders. The Institute also conducted CPD trainings to maintain high reputation of the profession and to protect the various stakeholders' interests.

### **Revenue**

In the year 2018/2019 the total revenue realised was Kshs.229.6 Million up from Kshs.215.8 Million in the year 2017/2018. This represent an increase of 6% from the previous year. Increase in revenue was noted across all revenue streams except for rental income following exit of the tenant.

### **Operating Costs**

The total operating costs for the year 2018/2019 stood at Kshs.138.0 Million having increased from Kshs.132.9 Million in the year 2017/2018. This attribute relates mainly to increase membership activities during the period translating to increase in operating costs.

### **Profit**

The summaries above therefore translate to increase in operating surplus of Kshs.34.7 Million. In the year 2017/2018 the Institute realised operating surplus of Kshs.57.9 Million compared to operating surplus of Kshs.92.6 Million for the year 2018/2019.

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Institute has an established commitment to sustainability and national profile for performance and innovation in this area. We were pioneers in developing a human resource practising approach to sustainability that connects our activities to the educational requirements and practical sustainability. We see sustainability as a force for transformative change across our human resource activities, business operations, public outreach and the entire human resource experience.

### **i) Sustainability strategy and profile**

The Institute of Human Resource Management is a leading professional membership organisation in advancing growth and development in human resource activities. Our 2016-2020 strategic pillars, aims to enhance members' services, operationalization of HRMP Act, Building sustainable institutional capacity, Establishment of the HR Examination Board and Enhancing HR visibility and Branding.

### **ii) Environmental performance**

The Institute of Human Resource Management takes a positive view of the environmental challenges facing the country. We recognize and accept that we have a responsibility to the members, organization, nation and globe at large both now and in the future to maintain and improve upon our current environmental standards. The institute is committed to ensuring that environmental considerations are an integral part of our decision-making, management and culture.

To achieve this, the Institute has:

- a) Complied with all applicable environmental legislation and relevant codes of practice,
- b) Encouraged all staff to improve their awareness of the environment and to become more environmentally responsible,
- c) Ensure that all staff are given the opportunity to take an active role in implementing environmental best practice,
- d) Work with our suppliers to ensure they share our commitment and practices.

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**iii) Employee welfare**

The Institute recognizes all its employees as the most valuable resource and that the welfare of all staff is essential in achieving the Institute's Vision and Mission. The Institute is committed to providing a caring and supportive working environment which is conducive to the welfare of all staff to enable them develop and optimize their full potential. Members of staff, being the most important resource in the Institute, are crucial to the Institute's success.

In order for the Institute's staff to work effectively, they need to have support from the Council for their relevant professional development, good working environment, compliance with Occupational Safety and Health Act of 2007 (OSHA), work life balance and appropriate retirement plan. The Institute therefore looks forward to an energized and productive work force that will propel it to higher levels scene thus attracting more students to human resource profession, attracting new staff and new members to join the various membership categories. Staff welfare shall therefore be one of key priorities now and in the future.

**iv) Market place practices**

**a) Responsible competition practice.**

The Institute has a responsibility of conducting business with integrity. Meaning, it strives to;

- i. Making positive contribution to economic, environmental and social progress with a view to achieving sustainable development,
- ii. Avoiding, addressing adverse impacts through its activities which may be directly linked to the operations, products or services,

The goal of the Institute on competition is to contribute to overall welfare and economic growth by promoting market conditions in which the nature, quality, and price of goods and services are determined by competitive market forces. In addition to benefiting consumers and a general economy as a whole, such a competitive environment rewards enterprises that respond efficiently to consumer demand. The Institute is therefore working along the Kenya competition law that encourage competition in the economy by prohibiting restrictive trade practices, controlling monopolies, concentrations of economic power and prices for connected purpose.

**b) Responsible Supply chain and supplier relations**

Supply chain management is an integral part of the Institute activities and very essential to the success and members' satisfaction. By conducting proper supplier verification and prequalification's, the Institute has greatly benefited by; boosting customer services, reducing operating costs, improving financial position, most businesses and is essential to company success and customer satisfaction.

As more and more organizations extend their commitment to responsible business practices to better the supply chain with suppliers, the Institute has keenly followed suit to ensure best practices. At every stage in the life-cycle of specific products there are social and environmental impacts on the environment and on people. In addition, governance and the accountability of organizations to our stakeholders for conduct, is important at every stage throughout the supply chain.

**c) Responsible marketing and advertisement**

The Institute has maintained a very high standard in marketing and advertising for the various services so far put in the market. The ethical marketing strategies put in place ensures that the needs are real and that the service/product meets those in need. Over the long term, an ethical marketing strategy is effective because customers derive the benefits they expect from using the products or services the Institute offers.

Based on this understanding, the Institute has avoided; deceptive advertising, market manipulation, unethical pricing as well as ensuring the customer privacy is protected always from the various data sources collected.

**d) Product stewardship**

Institute of Human Resource Management requires producers and retailers to better manage the impacts of products and material streams through their life cycle. The Institute has therefore widened the scale adoption of its product and material stewardship principles into operations models that reduce waste generation and create positive environmental and social outcomes through good design, improved resource productivity and sustainable reuse as much as possible. The institute support various stakeholders that contributes to the human resource development and knowledge by sharing data with customers to develop better products and with regulators to develop better policies.

**v) Corporate Social Responsibility / Community Engagements**

The Institute of Human Resource Management has the core principles of Corporate Social Responsibility (CSR) at the heart of its strategy, objectives and policies. CSR is sound business practice. It emphasises the importance of achieving a balance between economic growth, social wellbeing and the protection of the environment, in support of the goal of sustainable development. It underwrites institutional sustainability through competitiveness as well as the productive use of resources and good governance.

It involves the financial and business sectors, governments, employees and civil society working together to improve the society where we operate in. As a professional body we have a responsibility to be inclusive and inspirational so as to ensure that, together with our members and the society at large, we support the Government's vision for Corporate Social Responsibility.

**Institute of Human Resource Management  
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**10. REPORT OF THE COUNCIL MEMBERS**

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2019, which show the state of the Institute's affairs.

**i) Principal activities**

The principal activities of the Institute are to promote professional human resource practices in Kenya.

**ii) Results**

The results of the Institute for the year ended June 30, 2019, are set out on page 1 to page 6.

**iii) Council Members**

The members of the Council who served during the year are shown on page vi.

**iv) Surplus remission**

The Institute did not make remittance to the Consolidated Fund.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

*Quvesha Abdullahi*



*11/08/2022*

Name

Signature

Date

Secretary to the Council

## **11. STATEMENT OF COUNCILS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 requires the Council to prepare financial statements in respect of that Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial period and the operating results of the Institute for that period. The Councils are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Councils are also responsible for safeguarding the assets of the Institute.

The Councils are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Institute; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Councils accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Councils are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2018, and of the Institute's financial position as at that date.

The Councils further confirms the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

**Institute of Human Resource Management**  
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**Approval of the financial statements**

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The Institute's financial statements were approved by the Council on 11 / August / 2022 and signed on its behalf by:



**Signature:**

**Name : Dalmas Otero**

**Council National Chairman**



**Signature:**

**Name : Quresha Abdullahi**

**Accounting Officer**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON INSTITUTE OF HUMAN RESOURCE MANAGEMENT FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying Financial Statements of Institute of Human Resource Management set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Institute of Human Resource Management as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Human Resource Management Professionals Act, 2012 and the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1. Unsupported Revenue**

The statement of financial performance and as disclosed in Note 6 to the financial statements, reflects total revenue from exchange transactions of Kshs.229,603,791. However, the balance includes receipts totalling Kshs.171,913,016 which were not supported with any verifiable documents and records. Further, review of the cash book and revenue records revealed cash receipts totalling Kshs.30,195,552 which could not be traced in the bank statements as banked.

In the circumstances, the accuracy and completeness of revenue amounting to Kshs.202,108,568 could not be confirmed.

##### **2. Unsupported Expenditure**

The statement of financial performance reflects total expenses amount of Kshs.138,632,865. Review of records revealed that, included in the amount are payments totalling Kshs.10,579,760 whose payment vouchers were not provided for audit. Further,

payments amounting to Kshs.56,678,659 were not adequately supported. In addition, payments amounting to Kshs.12,579,006 in respect of various goods and services were not supported with tender advertisement, bid documents, tender opening minutes, evaluation committee minutes, and professional opinion on procurement, local purchase orders, and contract agreements. Further, payment adjustments of Kshs.2,207,873 included in total expenses were not supported by approved journal vouchers.

In the circumstances, the regularity, accuracy and completeness of the expenditure of totalling Kshs.82,045,298 could not be confirmed.

### **3. Unreconciled Variance on Corporate Tax Provision**

The statement of financial performance reflects corporate tax provision of Kshs.27,291,278. However, Note 26 to the financial statements reflects an amount of Kshs.25,836,732 for the same item thereby resulting to an unexplained and unreconciled variance of Kshs.1,454,546.

In the circumstances, the accuracy of the corporate tax provision of Kshs.27,291,278 could not be confirmed.

### **4. Misclassification of Expenditure**

The statement of financial performance reflects total expenses of Kshs.138,632,865 for the year ended 30 June, 2019. Review of records revealed that payments totalling Kshs.1,225,100 which comprised of Kshs.67,500 being telephone and internet costs, Kshs.104,000 being service charge and Kshs.1,053,600 being seminar, workshop and training expenses, were misclassified and charged to wrong expenditure items.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.1,225,100 could not be confirmed.

### **5. Unconfirmed Cash and Cash Equivalents**

#### **5.1 Unsupported Mobile Money Platform Balance**

The statement of financial position and as disclosed in Note 17 to the financial statements, reflects cash and cash equivalents balance of Kshs.266,115,838 which includes an amount of Kshs.6,096,746 in respect of the mobile money platform balance. However, supporting documents including confirmation certificates and cashbooks were not provided for the audit.

#### **5.2 Unsupported Treasury Bills**

The cash and cash equivalents balance of Kshs.266,115,838 also includes deposits in treasury bills amounting to Kshs.226,689,772. However, the balance was not supported with a certificate of deposit, approval by The National Treasury or evidence of interest earned, movement schedule and terms and conditions for the investments. Further, Management did not provide any evidence that an updated list of bank details of the

Institute was submitted to the National Treasury. This is contrary to Regulation 87(3) of the Public Finance Management (National Government) Regulations, 2015, which states that an accounting officer of a national government entity shall by the 30 September of each year, submit to The National Treasury an up-dated list of bank accounts held by the entity showing bank name, account name, account type, purpose of the account, signatories of the bank account date account was opened and date of the National Treasury letter granting approval for opening and operating the bank account among other details.

### **5.3 Inaccurate Bank Reconciliation Statements**

The cash and cash equivalents balance of Kshs.266,115,838 further includes Kshs.4,911,594 held in a commercial bank account. However, review of records revealed that the amount had been recorded in the cash book and remained unbanked as at 30 June, 2019 but were not included as part of the reconciling items in the bank reconciliation statement for the month of June, 2019.

In the circumstances, the existence, accuracy and completeness of the reported cash and cash equivalents balance of Kshs.266,115,838 could not be confirmed.

### **6. Unsupported Receivables**

The statement of financial position and as disclosed in Note 18 to the financial statements, reflects receivables from exchange transactions balance of Kshs.24,492,195. However, the balance was not supported by the debtors' schedules, ledger, invoices, and the debtors' ageing analysis. Further, the statement of financial position as disclosed in Note 19 to the financial statements, reflects receivables from non-exchange transactions totalling Kshs.17,725,402 which include various deposits amounting to Kshs.7,235,644 which were not supported by invoices, deposit statements, and receipts.

In the circumstances, the accuracy and completeness of the receivables from the exchange and non-exchange transactions totalling Kshs.31,727,839 could not be confirmed.

### **7. Unsupported Related Parties' Balance**

The statement of financial position and as disclosed in Note 20 to the financial statements, reflects related parties' balance of Kshs.10,871,703. However, the documents in support of the related parties' balance were not provided for audit.

In the circumstances, the existence and accuracy of the related parties balance of Kshs.10,871,703 could not be confirmed.

### **8. Property, Plant and Equipment**

The statement of financial position, and as disclosed in Note 21 to the financial statements, reflects property, plant and equipment net book value balance of

Kshs.9,489,421 as at 30 June, 2019. Review of the records revealed the following anomalies:

### **8.1 Unreconciled Variance between the Financial Statements and Assets Register**

As reported previously, Note 21 to the financial statements reflects property, plant and equipment at a cost of Kshs.17,231,177. However, the assets register maintained by the Institute reflected a balance of Kshs.8,180,734 resulting in an unexplained and unreconciled variance of Kshs.9,050,442. Further, details of the acquisition, unique identification numbers, cost and location of the assets were not indicated in the asset register.

### **8.2 Unsupported Assets' Additions**

The property, plant and equipment balance of Kshs.9,489,421 includes Kshs.3,286,664 for acquisition of assets. However, payment vouchers totalling Kshs.2,832,704 were not provided for audit. Further, the balance included an amount of Kshs.453,960 paid to various suppliers for purchase of assets whose supporting documents including quotation, tender evaluation minutes, professional opinion, local purchase orders (LPOs), requisition from user department, technical specification and inspection and acceptance reports were not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.9,489,421 could not be confirmed.

### **9. Unconfirmed Investment Property**

The statement of financial position and as disclosed in Note 22 to the financial statements, reflects investment balance of Kshs.30,677,312 which comprises of Kshs.19,443,685 and Kshs.11,233,627 in respect of investment in property and investment in subsidiary respectively. As previously reported, review of records revealed that the property relates to the purchase of office space at Park building in Nairobi in February 2014. However, the amount paid as the cost of the property totals Kshs.16,750,763 resulting in an unreconciled variance of Kshs.2,692,922. Further, documents to support the investment in the subsidiary balance of 11,233,627 were not provided for audit.

In the circumstances, the accuracy and completeness of the investment property balance of Kshs.30,677,312 could not be confirmed.

### **10. Unconfirmed Trade and Other Payables**

The statement of financial position and as disclosed in Note 23 to the financial statements, reflects trade and other payables balance of Kshs.6,211,038 which includes an amount of Kshs.4,528,379 in respect of trade payables. However, included in the balance are unpaid claims totalling Kshs.2,489,435 which were not supported with documents such as invoices, schedules, and procurement records.

In the circumstances, the accuracy and completeness of the trade and other payables of Kshs.2,489,435 could not be confirmed.

## **11. Unsupported VAT Control Account**

The statement of financial position and as disclosed in Note 25 to the financial statements, reflects a value added tax (VAT) control account of Kshs.17,717,566. Management explained that the liability is the net payable amount in respect of output and input VAT. However, schedules on computations and supporting documents were not provided for the audit.

In the circumstances, the validity and accuracy of the VAT control account balance of Kshs.17,717,566 could not be confirmed.

## **12. Unsupported Medical Insurance Expenses**

The statement of financial performance and as disclosed in Note 10 to the financial statements, reflects employees' costs amount of Kshs.24,321,002 out of which an amount of Kshs.3,228,329 was in respect of medical cover expenses. However, supporting documents such as the insurance policy, tender advertisement, tender opening and evaluation minutes and contract agreement were not provided for audit.

In the circumstances, the validity, accuracy and completeness of medical insurance expenses of Kshs.3,228,329 could not be confirmed.

## **13. Unsupported Use of Goods and Services**

The statement of financial position and as disclosed in Note 9 to the financial statements, reflects use of goods and services amount of Kshs.85,992,707 which includes Kshs.4,964,545 described as 'out of station' expenses relating to payments to staff in form of imprests for subsistence allowances. However, the payments were not supported with approvals, the program of activities, imprest warrants, imprest registers and documents for the surrender of imprests. This is contrary to Regulation 94(a) of the Public Finance Management (National Government) Regulations, 2015 which states that an officer holding an imprest shall ensure that the imprest issued to him or her shall be used for the intended purpose only.

In the circumstances, the value for money and propriety of Kshs.4,964,545 expenditure could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Institute of Human Resource Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

## **Key Audit Matter**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### Late Submission of Financial Statements

The Management submitted the Institute's financial statements for audit on 24 September, 2021, nearly two (2) years after the legal deadline of 30 September, 2019 contrary to Section 47(1) of the Public Audit Act, 2015 which states that 'the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate'.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

#### Governance and Risk Management

##### (i) Lack of Risk Management Policy

During the year under review, the Institute of Human Resource Management did not have in place an approved risk management policy. This is contrary to Regulation 165 of the

Public Finance Management (National Government) Regulations, 2015 which stipulates that an accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanisms and system of risk management and internal controls that build robust business operations.

In the circumstances, it was not possible to confirm the effectiveness of the Institute's risk management systems.

#### **(ii) Lack of an Internal Audit Unit and Audit Committee**

Review of the overall internal control environment of the Institute revealed that the Institute did not have an Internal Audit function and an Audit Committee. This is contrary to Section 73 of the Public Finance Management Act, 2012, which requires each National Government entity to establish an Internal Audit Function and an Audit Committee, which shall support the Accounting Officers with regard to their responsibilities for issues of risk, control and governance and associated assurance and also to follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, the effectiveness of the Institute's internal controls systems and oversight could not be confirmed.

#### **(ii) Lack of Approved Backup, Recovery and Business Continuity Strategy**

During the year under review, the Institute did not have an approved data backup, recovery and business continuity strategy to enable it to continue operating in case of major disruption due to natural or artificial catastrophes. This is contrary to Section 68 (2) (c) of the Public Finance Management Act, 2012 which states that an accounting officer shall ensure that all financial and accounting records the entity kept in any form, including in electronic form are adequately protected and backed up.

In the circumstances, the security and recoverability of Institute's data could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Institute monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I 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 my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 September, 2022

**Institute of Human Resource Management  
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**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE  
2019**

|                                                                    | Notes | 2018-2019          | 2017-2018          |
|--------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                    |       | Kshs               | Kshs               |
| <b>Revenue from non-exchange transactions</b>                      |       | -                  | -                  |
| <b>Revenue from exchange transactions</b>                          |       |                    |                    |
| Revenue from Member Services                                       | 6     | 220,888,681        | 210,577,568        |
| Rental Revenue from Property                                       | 7     | 1,079,900          | 439,000            |
| Finance Income                                                     | 8     | 7,635,210          | 4,806,507          |
| <b>Total revenue</b>                                               |       | <b>229,603,791</b> | <b>215,823,075</b> |
| <b>Expenses</b>                                                    |       |                    |                    |
| Direct Costs                                                       | 9     | 85,992,707         | 74,833,433         |
| Employee Costs                                                     | 10    | 24,321,002         | 31,847,081         |
| Repairs & Maintenance                                              | 11    | 99,210             | 183,781            |
| General Expenses                                                   | 12    | 14,151,569         | 14,539,818         |
| Depreciation Expense                                               | 13    | 2,059,745          | 1,343,119          |
| Contracted Professional Services                                   | 14    | 6,102,633          | 7,875,821          |
| Council & Governance Costs                                         | 15    | 5,705,333          | 2,307,362          |
| Finance costs                                                      | 16    | 200,666            | 184,318            |
| <b>Total expenses</b>                                              |       | <b>138,632,865</b> | <b>133,114,733</b> |
| <b>Other gains/(losses)</b>                                        |       |                    |                    |
| <b>Surplus/(deficit) before tax</b>                                |       | <b>90,970,926</b>  | <b>82,708,342</b>  |
| Corporate Tax Provision                                            |       | 27,291,278         | 24,812,503         |
| <b>Surplus/(deficit) for the period</b>                            |       | <b>63,679,648</b>  | <b>57,895,839</b>  |
| Remission to National Treasury                                     |       | -                  | -                  |
| <b>Net Surplus for the year</b>                                    |       | <b>63,679,648</b>  | <b>57,895,839</b>  |
| Attributable to:                                                   |       |                    |                    |
| <b>Surplus attributable to owners of the controlling Institute</b> |       | <b>63,679,648</b>  | <b>57,895,839</b>  |

The notes set out on pages 6 to 42 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Council by:



**Accounting Officer**

Name: Quresha Abdullahi

Date



**Finance Manager**

Name : Job Akuno

ICPAK Member No: 9119

Date



**National Chairman**

Name: Dalmas Odero

Date



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**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

|                                            | Notes | 2018-2019          | 2017-2018          |
|--------------------------------------------|-------|--------------------|--------------------|
|                                            |       | Kshs               | Kshs               |
| <b>Assets</b>                              |       |                    |                    |
| <b>Current Assets</b>                      |       |                    |                    |
| Cash and cash equivalents                  | 17    | 266,115,838        | 173,274,097        |
| Receivables from exchange transactions     | 18    | 24,492,195         | 30,626,138         |
| Receivables from non-exchange transactions | 19    | 17,725,402         | 15,675,276         |
| Related Parties                            | 20    | 10,871,703         | 8,495,228          |
| <b>Total Current Assets</b>                |       | <b>319,205,138</b> | <b>228,070,738</b> |
| <b>Non-Current Assets</b>                  |       |                    |                    |
| Property, plant and equipment              | 21    | 9,489,421          | 8,262,502          |
| Investments                                | 22    | 30,677,312         | 30,677,312         |
| <b>Total Non- Current Assets</b>           |       | <b>40,166,733</b>  | <b>38,939,814</b>  |
| <b>Total Assets</b>                        |       | <b>359,371,871</b> | <b>267,010,552</b> |
| <b>Liabilities</b>                         |       |                    |                    |
| <b>Current Liabilities</b>                 |       |                    |                    |
| Trade and other payables                   | 23    | 6,211,038          | 3,445,801          |
| Employee benefit obligation                | 24    | 837,872            | 464,341            |
| VAT Control Account                        | 25    | 17,717,566         | 18,011,395         |
| Corporate Tax Provision                    | 26    | 53,754,283         | 27,917,551         |
| <b>Total Current Liabilities</b>           |       | <b>78,520,759</b>  | <b>49,839,088</b>  |
|                                            |       |                    |                    |
| <b>Financed by</b>                         |       |                    |                    |
| Accumulated Funds                          |       | 280,851,112        | 217,171,464        |
|                                            |       |                    |                    |
| <b>Total Liabilities</b>                   |       | <b>359,371,871</b> | <b>267,010,552</b> |

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Council by:



**Accounting Officer**

Name: Quresha Abdullahi

Date 11/08/2022



**Finance Manager**

Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022



**National Chairman**

Name: Dalmas Otero

Date 11/08/2022

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15. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2019

|                                 | notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Grants/Fund | Total       |
|---------------------------------|-------|------------------------|---------------------|-------------------------------|-------------------|--------------------|----------------------------------|-------------|
| As at July 1, 2017              |       | -                      | -                   | -                             | 159,275,624       | -                  | -                                | 159,275,624 |
| Surplus/ (Deficit) for the year |       | -                      | -                   | -                             | 57,895,840        | -                  | -                                | 57,895,840  |
| As at June 30, 2018             |       | -                      | -                   | -                             | 217,171,464       | -                  | -                                | 217,171,464 |

|                                 | notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Grants/Fund | Total       |
|---------------------------------|-------|------------------------|---------------------|-------------------------------|-------------------|--------------------|----------------------------------|-------------|
| As at July 1, 2018              |       | -                      | -                   | -                             | 217,171,464       | -                  | -                                | 217,171,464 |
| Surplus/ (Deficit) for the year |       | -                      | -                   | -                             | 63,679,648        | -                  | -                                | 63,679,648  |
| As at June 30, 2019             |       | -                      | -                   | -                             | 280,851,112       | -                  | -                                | 280,851,112 |

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**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

|                                                  | 2018-2019          | 2017-2018          |
|--------------------------------------------------|--------------------|--------------------|
|                                                  |                    | Kshs               |
| <b>Receipts</b>                                  |                    |                    |
| Revenue from Member Services                     | 229,809,946        | 199,785,753        |
|                                                  |                    |                    |
| <b>Total</b>                                     | <b>229,809,946</b> | <b>199,785,753</b> |
| <b>Payments</b>                                  |                    |                    |
| Direct Costs                                     | 92,904,880         | 69,678,200         |
| Employee Costs                                   | 23,947,471         | 37,455,963         |
| Repairs & Maintenance                            | 99,210             | 183,781            |
| General Expenses                                 | 13,436,458         | 13,639,819         |
| Contracted Professional Services                 | 6,102,633          | 7,875,821          |
| Council & Governance Costs                       | 5,705,333          | 2,307,362          |
| Finance costs                                    | 200,666            | 184,318            |
| <b>Total</b>                                     | <b>142,396,651</b> | <b>131,325,265</b> |
|                                                  |                    |                    |
| <b>Net Cash Flow from Operating Activities</b>   | <b>87,413,295</b>  | <b>68,460,489</b>  |
| <b>Cash Flow from Investing Activities</b>       |                    |                    |
| Rental Revenue from Property                     | 1,079,900          | 439,000            |
| Finance Income                                   | 7,635,210          | 4,806,507          |
| Purchase of Assets                               | (3,286,664)        | (2,122,240)        |
|                                                  |                    |                    |
| <b>Net Cash flows from investing activities</b>  | <b>5,428,446</b>   | <b>3,123,267</b>   |
|                                                  |                    |                    |
| <b>Net Increase/(Decrease) in Cash</b>           | <b>92,841,741</b>  | <b>71,583,756</b>  |
| <b>Cash and cash equivalents at 1 July 2018</b>  | <b>173,274,097</b> | <b>101,690,341</b> |
| <b>Cash and cash equivalents at 30 June 2019</b> | <b>266,115,838</b> | <b>173,274,097</b> |

**Accounting Officer**

Name: Quresha Abdullahi

Date 11/08/2022

**Finance Manager**

Name : Job Akuno

ICPAK Member Number: 9119

Date August 11, 2022

**National Chairman**

Name: Dalmas Otero

Date 11/08/2022

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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

|                                         | Original budget    | Adjustments | Final budget       | Actual on comparable basis | Performance difference | % of utilization |
|-----------------------------------------|--------------------|-------------|--------------------|----------------------------|------------------------|------------------|
|                                         | Kshs               | Kshs        | Kshs               | Kshs                       | Kshs                   |                  |
|                                         | a                  | B           | c = (a+b)          | d                          | e = (c-d)              | f = d/c          |
| <b>Revenue</b>                          |                    |             |                    |                            |                        |                  |
| Revenue from Member Services            | 187,280,000        | -           | 187,280,000        | 164,277,806                | 23,002,194             | 88%              |
| Membership and subscription             | 61,314,425         | -           | 61,314,425         | 56,610,875                 | 4,703,550              | 92%              |
| Consultancy                             | 12,000,000         | -           | 12,000,000         | -                          | 12,000,000             | 0%               |
| Dinners and HR Forums                   | 3,650,000          | -           | 3,650,000          | -                          | 3,650,000              | 0%               |
| Rental Revenue from Property            | 1,056,072          | -           | 1,056,072          | 1,079,900                  | (23,828)               | 102%             |
| Finance Income                          | 4,699,503          | -           | 4,699,503          | 7,635,210                  | (2,935,707)            | 162%             |
| <b>Total income</b>                     | <b>270,000,000</b> | <b>-</b>    | <b>270,000,000</b> | <b>229,603,791</b>         | <b>40,396,209</b>      | <b>85%</b>       |
| <b>Expenses</b>                         |                    |             |                    |                            |                        |                  |
| Direct Costs                            | 89,945,640         | -           | 89,945,640         | 85,992,707                 | 3,952,933              | 96%              |
| Governance expenses                     | 6,737,800          | -           | 6,737,800          | 24,321,002                 | (17,583,202)           | 361%             |
| Staff expenses                          | 24,818,727         | -           | 24,818,727         | 99,210                     | 24,719,517             | 0%               |
| HRMP amendment expenses                 | 5,032,000          | -           | 5,032,000          | 14,151,569                 | (9,119,569)            | 281%             |
| Administration expenses                 | 19,837,699         | -           | 19,837,699         | 2,059,745                  | 17,777,954             | 10%              |
| Communication & Publicity               | 11,000,000         | -           | 11,000,000         | 6,102,633                  | 4,897,367              | 55%              |
| Repairs and Maintenance                 | -                  | -           | -                  | 5,705,333                  | (5,705,333)            | (100)%           |
| Depreciation and amortization           | -                  | -           | -                  | 200,666                    | (200,666)              | (100)%           |
| <b>Total expenses</b>                   | <b>157,371,866</b> | <b>-</b>    | <b>157,371,866</b> | <b>138,632,865</b>         | <b>18,739,001</b>      | <b>88%</b>       |
| <b>Surplus/(deficit) for the period</b> | <b>112,628,134</b> | <b>-</b>    | <b>112,628,134</b> | <b>90,970,926</b>          | <b>21,657,208</b>      | <b>81%</b>       |

**Notes**

*Revenue - Additional funds invested in treasury bills above the budget projection has caused a positive variance in comparisons.*

*Expenses - Needs to conduct several branch activities in the period to enhance members services and revision of the chart of account to meet reporting needs.*

**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

Institute of Human Resource Management is established by and derives its authority and accountability from Human Resource Management (HRMP) No. 52 of 2012 Act. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Institute's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

| Standard              | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other                 | <b>Applicable: 1<sup>st</sup> January 2021:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Improvements to IPSAS | <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

| Standard                                  | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IPSAS 41:</b><br>Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42:</b><br>Social Benefits       | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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| Standard                                                                                | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to<br>Other IPSAS<br>resulting from<br>IPSAS 41,<br>Financial<br>Instruments | <p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |

*iii. Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2020/2021.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**ii) Revenue from exchange transactions**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2018-2019 was not approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Institute upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Institute did not record additional appropriations on the 2018-2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Item 17 of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. All property, plant and equipment are stated at cost less accumulated depreciation on a reducing balance method. The applicable depreciation rates are as below;

|                         |         |
|-------------------------|---------|
| a) Motor Vehicle        | - 25.0% |
| b) Office Equipment     | - 12.5% |
| c) Computers & Printers | - 12.5% |
| d) Fixtures & Fittings  | - 30.0% |
| e) Intangible Assets    | - 20.0% |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**k) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**l) Contingent liabilities**

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**m) Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**n) Nature and purpose of reserves**

The Institute creates and maintains reserves in terms of specific requirements.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**o) Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**p) Employee benefits**

**Retirement benefit plans**

The Institute provides retirement benefits for its employees and Councils. Defined contribution plans are post-employment benefit plans under which an Institute pays fixed contributions into a separate Institute (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**q) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**r) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**s) Related parties**

The Institute regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Institute, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Executive Director and senior managers.

**t) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments in Treasury Bills with an original maturity of six months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Absa Bank Kenya Plc, KCB Bank Kenya and M-Pesa at the end of the financial year.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**v) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 27**. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. Revenue from Member Services**

| Description                                         | 2018-2019          | 2017-2018          |
|-----------------------------------------------------|--------------------|--------------------|
|                                                     | KShs               | KShs               |
| Application & Upgrades                              | 3,732,897          | 4,390,537          |
| Seminars, Workshops & Trainings                     | 160,544,909        | 149,999,595        |
| Membership Fees                                     | 56,610,875         | 48,685,375         |
| Consultancy                                         | -                  | 7,502,061          |
| <b>Total revenue from the Rendering of services</b> | <b>220,888,681</b> | <b>210,577,568</b> |

**7. Rental Revenue from Property**

| Description          | 2018-2019        | 2017-2018      |
|----------------------|------------------|----------------|
|                      | KShs             | KShs           |
| Rental Income        | 1,079,900        | 439,000        |
| <b>Total rentals</b> | <b>1,079,900</b> | <b>439,000</b> |

**8. Finance Income**

| Description                         | 2018-2019        | 2017-2018        |
|-------------------------------------|------------------|------------------|
|                                     | KShs             | KShs             |
| Interest income from Treasury Bills | 7,635,210        | 4,806,507        |
| <b>Total finance income</b>         | <b>7,635,210</b> | <b>4,806,507</b> |

**9. Use of Goods and Services**

| Description               | 2018-2019         | 2017-2018         |
|---------------------------|-------------------|-------------------|
|                           | KShs              | KShs              |
| <b>Direct Costs</b>       |                   |                   |
| Materials & Publication   | 22,339,508        | 19,354,424        |
| Venue & Accommodation     | 45,944,820        | 41,468,757        |
| Out of Station            | 4,964,545         | 2,169,650         |
| Transport & Mileage       | 802,825           | 1,533,993         |
| Travelling Costs          | 3,328,525         | 1,888,945         |
| Consultancy               | 7,956,654         | 7,916,304         |
| Other Costs               | 655,830           | 501,360           |
| <b>Total Direct Costs</b> | <b>85,992,707</b> | <b>74,833,433</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. Employee Costs**

|                                     | <b>2018-2019</b>  | <b>2017-2018</b>  |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>KShs</b>       | <b>KShs</b>       |
| Gross Salaries                      | 19,416,563        | 27,017,310        |
| Wages                               | 468,900           | 1,006,898         |
| Training & Professional Development | 110,100           | 41,000            |
| Medical Cover                       | 3,228,329         | 3,377,873         |
| Employee Welfare                    | 1,097,110         | 404,000           |
| <b>Employee costs</b>               | <b>24,321,002</b> | <b>31,847,081</b> |

**11. Repairs and Maintenance**

| <b>Description</b>                     | <b>2018-2019</b> | <b>2017-2018</b> |
|----------------------------------------|------------------|------------------|
|                                        | <b>KShs</b>      | <b>KShs</b>      |
| Repairs & Maintenance                  | 99,210           | 183,781          |
| <b>Total Repairs &amp; Maintenance</b> | <b>99,210</b>    | <b>183,781</b>   |

**12. General Expenses**

| <b>Description</b>                   | <b>2018-2019</b>  | <b>2017-2018</b>  |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>KShs</b>       | <b>KShs</b>       |
| <b>Administrative Expenses</b>       |                   |                   |
| Office Supplies                      | 735,339           | 1,121,691         |
| Office Cleaning                      | 331,600           | 308,800           |
| Transport & Insurance                | 1,560,964         | 1,280,110         |
| Postage & Courier                    | 301,932           | 240,827           |
| Printing & Stationery                | 2,121,142         | 3,491,399         |
| Advertisement & Publicity            | 628,968           | 122,000           |
| Motor Vehicle                        | 1,736,271         | 1,101,037         |
| Corporate Social Responsibilities    | 325,000           | 120,314           |
| License & Permits                    | 149,200           | 174,500           |
| <b>Total Administrative Expenses</b> | <b>7,890,416</b>  | <b>7,960,678</b>  |
| <b>Office Rent</b>                   |                   |                   |
| Office Rent                          | 3,275,184         | 2,641,990         |
| Service Charge                       | 217,864           | 1,214,730         |
| Parking Fees                         | 557,684           | 316,782           |
| Hall Hire                            | 240,120           | 304,073           |
| <b>Total Office Rent</b>             | <b>4,290,852</b>  | <b>4,477,575</b>  |
| <b>Office Utilities</b>              |                   |                   |
| Telephone & Internet                 | 1,394,366         | 1,795,112         |
| Office Utilities/Electricity         | 575,935           | 306,453           |
| <b>Total Office Utilities</b>        | <b>1,970,301</b>  | <b>2,101,565</b>  |
| <b>Total General Expenses</b>        | <b>14,151,569</b> | <b>14,539,818</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. Depreciation Expense**

| Description                                | 2018-2019        | 2017-2018        |
|--------------------------------------------|------------------|------------------|
|                                            | KShs             | KShs             |
| Furniture & Equipment                      | 503,410          | 499,310          |
| Fixtures & Fittings                        | 321,638          | 210,772          |
| Computers & Printers                       | 87,439           | 3,843            |
| Motor Vehicle                              | 807,559          | 266,746          |
| Intangible                                 | 339,699          | 362,448          |
| <b>Total Depreciation and Amortization</b> | <b>2,059,746</b> | <b>1,343,119</b> |

**14. Contracted Professional/Consultancy Expenses**

| Description                                   | 2018-2019        | 2017-2018        |
|-----------------------------------------------|------------------|------------------|
|                                               | KShs             | KShs             |
| Professional Fees                             | 614,600          | -                |
| Audit Fees                                    | 450,000          | 900,000          |
| Legal & Secretarial                           | 246,667          | 244,720          |
| Other Consultancy                             | 4,791,366        | 6,731,101        |
| <b>Total Contracted Professional Services</b> | <b>6,102,633</b> | <b>7,875,821</b> |

**15. Council and Governance Costs**

| Description                                 | 2018-2019        | 2017-2018        |
|---------------------------------------------|------------------|------------------|
|                                             | KShs             | KShs             |
| Venue & Accommodation                       | 504,550          | 341,478          |
| Meeting Allowances                          | 1,928,498        | 647,324          |
| Transport & Travelling                      | 1,480,107        | 1,014,930        |
| Elections                                   | 1,595,426        | 73,480           |
| Others                                      | 196,752          | 230,150          |
| <b>Total Council &amp; Governance Costs</b> | <b>5,705,333</b> | <b>2,307,362</b> |

**16. Finance Costs**

| Description                | 2018-2019      | 2017-2018      |
|----------------------------|----------------|----------------|
|                            | KShs           | KShs           |
| Finance costs              | 200,666        | 184,318        |
| <b>Total finance costs</b> | <b>200,666</b> | <b>184,318</b> |

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**17. Detailed Analysis of Cash and Cash Equivalents**

| <b>Financial institution</b> | <b>Account number</b> | <b>2018-2019</b>   | <b>2017-2018</b>   |
|------------------------------|-----------------------|--------------------|--------------------|
|                              |                       | <b>KShs</b>        | <b>KShs</b>        |
| <b>a) Current account</b>    |                       |                    |                    |
| Absa bank                    | 0821498910            | 31,704,115         | 37,582,554         |
| Kenya Commercial bank        | 1203884745            | 1,625,205          | 9,566,186          |
| <b>Sub- total</b>            |                       | <b>33,329,320</b>  | <b>47,148,740</b>  |
| <b>b) Others(specify)</b>    |                       |                    |                    |
| Petty Cash                   | N/A                   | -                  | 40,000             |
| M-Pesa                       | N/A                   | 6,096,746          | 3,512,709          |
| Treasury Bills               | N/A                   | 226,689,772        | 122,572,648        |
| <b>Sub- total</b>            |                       | <b>232,786,518</b> | <b>126,125,357</b> |
| <b>Grand total</b>           |                       | <b>266,115,838</b> | <b>173,274,097</b> |

**18. Receivables from Exchange Transactions**

**(a) Current Receivables from Exchange Transactions**

|                                  | <b>2018-2019</b>  | <b>2017-2018</b>  |
|----------------------------------|-------------------|-------------------|
|                                  | <b>KShs</b>       | <b>KShs</b>       |
| <b>Current receivables</b>       |                   |                   |
| Other exchange debtors           | 24,492,195        | 30,626,138        |
| <b>Total current receivables</b> | <b>24,492,195</b> | <b>30,626,138</b> |

**(b) Long- term Receivables from Exchange Transactions**

| <b>Description</b>                   | <b>2018-2019</b>  | <b>2017-2018</b>  |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>KShs</b>       | <b>KShs</b>       |
| <b>Long-term Receivables</b>         | -                 | -                 |
| <b>Total non-current receivables</b> | -                 | -                 |
| <b>Total receivables (a+b)</b>       | <b>24,492,195</b> | <b>30,626,138</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. Receivables from Non-Exchange Transactions**

| Description               | 2018-2019         | 2017-2018         |
|---------------------------|-------------------|-------------------|
|                           | KShs              | KShs              |
| Deposit - Fuel            | 120,000           | 60,000            |
| Deposit - Car Park        | 13,075            | 13,075            |
| Rent Deposit - IHRM       | 2,656,776         | 2,656,776         |
| Rent Deposit - HRMPEB     | 2,459,273         | 2,459,273         |
| Deposit - Security        | 10,000            | 10,000            |
| Deposit - Telephone       | 20,000            | 20,000            |
| 5% Corporate Tax Withheld | 9,793,992         | 7,903,035         |
| Loan Account - Borrowing  | 1,000,000         | 1,000,000         |
| M/V Disposal Deposit      | 956,250           | 956,250           |
| Salary Advance            | 199,000           | 73,000            |
| Group Life                | -                 | 117,622           |
| Medical Inpatient         | 413,703           | 185,331           |
| Medical Outpatient        | 83,333            | 220,913           |
| <b>Total</b>              | <b>17,725,402</b> | <b>15,675,275</b> |

**20. Related Parties**

|                                                                  | 2018-2019          | 2017-2018           |
|------------------------------------------------------------------|--------------------|---------------------|
|                                                                  | Kshs               | Kshs                |
| <b>Transactions with related parties</b>                         |                    |                     |
| <b>Opening Balance</b>                                           | <b>8,495,228</b>   | <b>(2,518,672)</b>  |
| <b>a) Receipts received by IHRM on behalf of related parties</b> |                    |                     |
| HRMPEB                                                           | (4,516,698)        | (23,883,303)        |
| CHRM                                                             | (19,000)           | (3,133,600)         |
| <b>Total</b>                                                     | <b>(4,535,698)</b> | <b>(27,016,903)</b> |
| <b>Payments made by IHRM on behalf of related parties</b>        |                    |                     |
| HRMPEB                                                           | 6,434,223          | 30,349,284          |
| CHRM                                                             | 477,950            | 962,195             |
| <b>Total</b>                                                     | <b>6,912,173</b>   | <b>31,311,479</b>   |
| <b>c) Adjustments - Fixed Assets</b>                             |                    |                     |
| HRMPEB                                                           | -                  | 6,719,324           |
| CHRM                                                             | -                  | -                   |
| <b>Total</b>                                                     | <b>-</b>           | <b>6,719,324</b>    |
| <b>Total</b>                                                     | <b>10,871,703</b>  | <b>8,495,228</b>    |

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21. Property, Plant and Equipment

| Cost                             | Land &<br>Buildings | Motor<br>vehicles | Office<br>Equipment | Computers<br>& Printers | Fixtures &<br>Fittings | Intangible | Total      |
|----------------------------------|---------------------|-------------------|---------------------|-------------------------|------------------------|------------|------------|
|                                  | Shs                 | Shs               | Shs                 | Shs                     | Shs                    | Shs        | Shs        |
| As at 30 <sup>th</sup> June 2018 | -                   | 2,160,000         | 6,233,917           | 2,841,399               | 4,183,621              | 1,812,240  | 17,231,177 |
| Additions                        | -                   | 2,430,000         | 281,000             | 172,960                 | 154,000                | 248,704    | 3,286,664  |
| Disposals                        | -                   | -                 | -                   | -                       | -                      | -          | -          |
| Transfer/adjustments             | -                   | -                 | -                   | -                       | -                      | -          | -          |
| As at 30 <sup>th</sup> June 2019 | -                   | 4,590,000         | 6,514,917           | 3,014,359               | 4,337,621              | 2,060,944  | 20,517,841 |
| Depreciation and impairment      | -                   | -                 | -                   | -                       | -                      | -          | -          |
| As at 30 <sup>th</sup> June 2018 | -                   | 1,359,764         | 2,487,638           | 2,722,895               | 2,035,930              | 362,448    | 8,968,675  |
| Depreciation                     | -                   | 807,559           | 503,410             | 87,439                  | 321,639                | 339,699    | 2,059,746  |
| Disposals                        | -                   | -                 | -                   | -                       | -                      | -          | -          |
| Impairment                       | -                   | -                 | -                   | -                       | -                      | -          | -          |
| Transfer/adjustment              | -                   | -                 | -                   | -                       | -                      | -          | -          |
| As at 30 <sup>th</sup> June 2019 | -                   | 2,167,323         | 2,991,048           | 2,810,334               | 2,357,569              | 702,147    | 11,028,421 |
| Net book values                  | -                   | -                 | -                   | -                       | -                      | -          | -          |
| As at 30 <sup>th</sup> June 2019 | -                   | 2,422,677         | 3,523,869           | 204,025                 | 1,980,052              | 1,358,798  | 9,489,421  |
| As at 30 <sup>th</sup> June 2018 | -                   | 800,236           | 3,746,279           | 118,504                 | 2,147,691              | 1,449,792  | 8,262,502  |

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| <b>Cost</b>                            | <b>Land &amp; Buildings</b><br>Shs | <b>Motor vehicles</b><br>Shs | <b>Office Equipment</b><br>Shs | <b>Computers &amp; Printers</b><br>Shs | <b>Fixtures &amp; Fittings</b><br>Shs | <b>Intangible</b><br>Shs | <b>Total</b><br>Shs |
|----------------------------------------|------------------------------------|------------------------------|--------------------------------|----------------------------------------|---------------------------------------|--------------------------|---------------------|
| <b>As at 30<sup>th</sup> June 2017</b> | -                                  | 1,850,000                    | 8,242,777                      | 3,206,520                              | 9,561,892                             | -                        | 22,861,189          |
| <b>Additions</b>                       | -                                  | 310,000                      | -                              | -                                      | -                                     | 1,812,240                | 2,122,240           |
| <b>Disposals</b>                       | -                                  | -                            | -                              | -                                      | -                                     | -                        | -                   |
| <b>Transfer/adjustments</b>            | -                                  | -                            | (2,008,860)                    | (365,121)                              | (5,378,271)                           | -                        | (7,752,252)         |
| <b>As at 30<sup>th</sup> June 2018</b> | -                                  | 2,160,000                    | 6,233,917                      | 2,841,399                              | 4,183,621                             | 1,812,240                | 17,231,177          |
| <b>Depreciation and impairment</b>     |                                    |                              |                                |                                        |                                       |                          |                     |
| <b>As at 30<sup>th</sup> June 2017</b> | -                                  | 1,093,018                    | 2,239,436                      | 2,828,588                              | 2,497,442                             | -                        | 8,658,484           |
| <b>Depreciation</b>                    | -                                  | 266,746                      | 499,310                        | 3,843                                  | 210,772                               | 362,448                  | 1,343,119           |
| <b>Disposals</b>                       | -                                  | -                            | -                              | -                                      | -                                     | -                        | -                   |
| <b>Impairment</b>                      | -                                  | -                            | -                              | -                                      | -                                     | -                        | -                   |
| <b>Transfer/adjustment</b>             | -                                  | -                            | (251,108)                      | (109,536)                              | (672,284)                             | -                        | (1,032,928)         |
| <b>As at 30<sup>th</sup> June 2018</b> | -                                  | 1,359,764                    | 2,487,638                      | 2,722,895                              | 2,035,930                             | 362,448                  | 8,968,675           |
| <b>Net book values</b>                 |                                    |                              |                                |                                        |                                       |                          |                     |
| <b>As at 30<sup>th</sup> June 2018</b> | -                                  | 800,236                      | 3,746,279                      | 118,504                                | 2,147,691                             | 1,449,792                | 8,262,502           |
| <b>As at 30<sup>th</sup> June 2017</b> | -                                  | 756,982                      | 6,003,341                      | 377,932                                | 7,064,450                             | -                        | 14,202,705          |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. Investment in Property**

| Description               | 2018-2019         | 2017-2018         |
|---------------------------|-------------------|-------------------|
|                           | KShs              | KShs              |
| Investment in Property    | 19,443,685        | 19,443,685        |
| Investment in Subsidiary  | 11,233,627        | 11,233,627        |
| <b>At end of the year</b> | <b>30,677,312</b> | <b>30,677,312</b> |

**23. Trade and Other Payables**

| Description                             | 2018-2019        | 2017-2018        |
|-----------------------------------------|------------------|------------------|
|                                         | KShs             | KShs             |
| Trade Payables                          | 4,528,379        | 2,545,801        |
| Accrued Expenses - Suppliers            | 332,659          | -                |
| Other Payables (Audit Provisions)       | 1,350,000        | 900,000          |
| <b>Total Trade &amp; Other Payables</b> | <b>6,211,038</b> | <b>3,445,801</b> |

**24. Employee benefit obligation**

| Description                              | 2018-2019      | 2017-2018      |
|------------------------------------------|----------------|----------------|
|                                          | KShs           | KShs           |
| PAYE                                     | 345,041        | 450,954        |
| NHIF                                     | 17,100         | -              |
| Elimu/Stima SACCO                        | 139,515        | -              |
| NSSF                                     | 14,040         | -              |
| Education Plan                           | -              | -              |
| Pension                                  | 104,468        | 13,387         |
| Net Pay                                  | 217,708        | -              |
| <b>Total Employee benefit obligation</b> | <b>837,872</b> | <b>464,341</b> |

**25. VAT Control Account**

| Description                      | 2018-2019         | 2017-2018         |
|----------------------------------|-------------------|-------------------|
|                                  | KShs              | KShs              |
| Tax Accrued – PAYE & VAT         | -                 | -                 |
| VAT Control Account              | 17,717,566        | 18,011,395        |
| <b>Total VAT Control Account</b> | <b>17,717,566</b> | <b>18,011,395</b> |

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**26. Corporate Tax Provision**

| Description                          | 2018-2019         | 2017-2018         |
|--------------------------------------|-------------------|-------------------|
|                                      | KShs              | KShs              |
| Balance brought down                 | 27,917,551        | -                 |
| Corporate Tax provision              | 25,836,732        | 27,917,551        |
| <b>Total Corporate Tax Provision</b> | <b>53,754,283</b> | <b>27,917,551</b> |

**27. Current Provisions**

| Description                                     | Leave provision | Bonus provision | Gratuity Provision | Other provision  | Total            |
|-------------------------------------------------|-----------------|-----------------|--------------------|------------------|------------------|
|                                                 | KShs            | KShs            | KShs               | KShs             | KShs             |
| Balance b/d as at 01.07.2018                    | -               | -               | -                  | 900,000          | 900,000          |
| Additional Provisions                           | -               | -               | -                  | 450,000          | 450,000          |
| Provision utilised                              | -               | -               | -                  | -                | -                |
| Change due to discount and time value for money | -               | -               | -                  | -                | -                |
| Transfers from non-current provisions           | -               | -               | -                  | -                | -                |
| <b>Total provisions as at 30.06.2019</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>           | <b>1,350,000</b> | <b>1,350,000</b> |

**28. Cash generated from operations**

|                                                            | 2018-2019         | 2017-2018         |
|------------------------------------------------------------|-------------------|-------------------|
|                                                            | Kshs              | Kshs              |
| Surplus for the year before tax                            | 90,970,926        | 82,708,342        |
| <b>Adjusted for Cash Flow from Operating Activities</b>    |                   |                   |
| Depreciation                                               | 2,059,745         | 1,343,119         |
| Rental Revenue from Property                               | (1,079,900)       |                   |
| Finance Income                                             | (7,635,210)       |                   |
| Provision for audit Fees                                   | 450,000           | 900,000           |
| <b>Operating Profit Before Working Capital Adjustments</b> | <b>84,765,561</b> | <b>84,951,461</b> |
| <b>Working Capital adjustments</b>                         |                   |                   |
| Decrease Receivables from Exchange Transactions            | 5,683,943         | (10,791,815)      |
| Increase in Receivables from non-Exchange Transactions     | (3,504,673)       |                   |
| Increase Trade and Other Payables                          | 2,765,237         | (5,011,396)       |
| Increase Related Parties                                   | (2,376,475)       | (3,916,360)       |
| Decrease in VAT Control                                    | (293,829)         | 9,849,637         |
| Decrease in Tax Accrued – PAYE & VAT                       |                   | (1,012,155)       |
| Increase Employee Benefit                                  | 373,531           | (5,608,883)       |
| <b>Total Cash Flow from Operating Activities</b>           | <b>87,413,295</b> | <b>68,460,489</b> |

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**29. Financial Risk Management**

The Institute's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Institute's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Institute does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Institute's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The Institute has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Councils. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Institute's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

|                                            | <b>Total<br/>amount<br/>Kshs</b> | <b>Fully<br/>performing<br/>Kshs</b> | <b>Past<br/>due<br/>Kshs</b> | <b>Impaired<br/>Kshs</b> |
|--------------------------------------------|----------------------------------|--------------------------------------|------------------------------|--------------------------|
| <b>As at 30 June 2019</b>                  |                                  |                                      |                              |                          |
| Receivables from exchange transactions     | 24,492,195                       | 24,492,195                           | -                            | -                        |
| Receivables from non-exchange transactions | 17,725,402                       | 17,725,402                           | -                            | -                        |
| Bank balances                              | 266,115,838                      | 266,115,838                          | -                            | -                        |
| <b>Total</b>                               | <b>308,333,435</b>               | <b>308,333,435</b>                   | <b>-</b>                     | <b>-</b>                 |
| <b>As at 30 June 2018</b>                  |                                  |                                      |                              |                          |
| Receivables from exchange transactions     | 30,626,138                       | 30,626,138                           | -                            | -                        |
| Receivables from non-exchange transactions | 15,675,275                       | 15,675,275                           | -                            | -                        |
| Bank balances                              | 173,274,097                      | 173,274,097                          | -                            | -                        |
| <b>Total</b>                               | <b>219,575,510</b>               | <b>219,575,510</b>                   | <b>-</b>                     | <b>-</b>                 |

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Institute has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Council sets the Institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Institute's Councils, who have built an appropriate liquidity risk management framework for the management of the Institute's short, medium and long-term funding and liquidity management requirements. The Institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Institute under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|                               | Less than 1<br>month | Between 1-3<br>months | Over 5<br>months | Total            |
|-------------------------------|----------------------|-----------------------|------------------|------------------|
|                               | Kshs                 | Kshs                  | Kshs             | Kshs             |
| <b>As at 30 June 2019</b>     |                      |                       |                  |                  |
| Trade payables                | -                    | 332,659               | 4,528,379        | 4,861,038        |
| Current portion of borrowings | -                    | -                     | -                | -                |
| Provisions                    | -                    | 450,000               | 900,000          | 1,350,000        |
| Deferred income               | -                    | -                     | -                | -                |
| Employee benefit obligation   | 837,872              | -                     | -                | 837,872          |
| <b>Total</b>                  | <b>837,872</b>       | <b>782,659</b>        | <b>5,428,379</b> | <b>7,048,910</b> |
| <b>As at 30 June 2018</b>     |                      |                       |                  |                  |
| Trade payables                | -                    | -                     | 2,545,801        | 2,545,801        |
| Current portion of borrowings | -                    | -                     | -                | -                |
| Provisions                    | -                    | 900,000               | -                | 900,000          |
| Deferred income               | -                    | -                     | -                | -                |
| Employee benefit obligation   | 464,341              | -                     | -                | 464,341          |
| <b>Total</b>                  | <b>464,341</b>       | <b>900,000</b>        | <b>2,545,801</b> | <b>3,910,142</b> |

**iii. Market Risk**

The entity has put in place an internal audit function to assist it in assessing the risk faced by the Institute on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Institute's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Institute's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Institute's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The Institute has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The Institute manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments. The carrying amount of the Institute's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**FY 2019**

|                                               | Ksh                | Other<br>currencies | Total              |
|-----------------------------------------------|--------------------|---------------------|--------------------|
|                                               | Kshs               | Kshs                | Kshs               |
| <b>As at 30 June 2019</b>                     |                    |                     |                    |
| <b>Financial assets</b>                       |                    |                     |                    |
| Investments                                   | 30,677,312         | -                   | 30,677,312         |
| Bank & Cash Balances                          | 266,115,838        | -                   | 266,115,838        |
| Debtors                                       | 24,492,195         | -                   | 24,492,195         |
| <b>Total financial assets</b>                 | <b>321,285,345</b> | <b>-</b>            | <b>321,285,345</b> |
| <b>Financial Liabilities</b>                  |                    |                     |                    |
| Trade and other payables                      | 6,211,038          | -                   | 6,211,038          |
| Borrowings                                    | -                  | -                   | -                  |
| <b>Total financial liabilities</b>            | <b>6,211,038</b>   | <b>-</b>            | <b>6,211,038</b>   |
| <b>Net foreign currency asset/(liability)</b> | <b>315,074,307</b> | <b>-</b>            | <b>315,074,307</b> |

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**FY 2018**

|                                               | Ksh                | Other<br>currencies | Total              |
|-----------------------------------------------|--------------------|---------------------|--------------------|
|                                               | Kshs               | Kshs                | Kshs               |
| <b>As at 30 June 2018</b>                     |                    |                     |                    |
| <b>Financial assets</b>                       |                    |                     |                    |
| Investments                                   | 30,677,312         | -                   | 30,677,312         |
| Bank & Cash Balances                          | 173,274,097        | -                   | 173,274,097        |
| Debtors                                       | 30,626,138         | -                   | 30,626,138         |
| <b>Total financial assets</b>                 | <b>234,577,547</b> | <b>-</b>            | <b>234,577,547</b> |
| <b>Financial Liabilities</b>                  |                    |                     |                    |
| Trade and other payables                      | 3,445,801          | -                   | 3,445,801          |
| Borrowings                                    | -                  | -                   | -                  |
| <b>Total financial liabilities</b>            | <b>3,445,801</b>   | <b>-</b>            | <b>3,445,801</b>   |
| <b>Net foreign currency asset/(liability)</b> | <b>231,131,746</b> | <b>-</b>            | <b>231,131,746</b> |

The Institute is mainly transacting in local currency (Kenya Shillings) with very minimal exposure to foreign currency trading fluctuations.

**b) Interest rate risk**

Interest rate risk is the risk that the Institute's financial condition may be adversely affected as a result of changes in interest rate levels. The Institute's interest rate risk arises from bank deposits. This exposes the Institute to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Institute's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Financial Risk Management**

**Sensitivity analysis**

The Institute did not analyse its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis would have been performed on the same basis as the prior year.

**iv) Capital Risk Management**

The objective of the Institute's capital risk management is to safeguard the Institute's ability to continue as a going concern. The Institute capital structure comprises of the following funds:

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|                                             | 2018-2019          | 2017-2018          |
|---------------------------------------------|--------------------|--------------------|
|                                             | Kshs               | Kshs               |
| Revaluation reserve                         |                    |                    |
| Retained earnings                           | 280,851,112        | 217,171,464        |
| Capital reserve                             | -                  | -                  |
| <b>Total funds</b>                          | <b>280,851,112</b> | <b>217,171,464</b> |
| Total borrowings                            | -                  | -                  |
| Less: Cash and Bank Balances                | 266,115,838        | 173,274,097        |
| Net debt/(excess cash and cash equivalents) | 14,735,274         | 43,897,367         |
| <b>Gearing</b>                              | <b>5.2%</b>        | <b>20.2%</b>       |

**30. Related Parties Disclosure**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

- i) HRMPEB – Human Resource Management Professional Examination Board
- ii) CHRM – College of Human Resource Management
- iii) Ministry of Public Service

|                                                                  | 2018-2019          | 2017-2018         |
|------------------------------------------------------------------|--------------------|-------------------|
|                                                                  | Kshs               | Kshs              |
| <b>a) Receipts received by IHRM on behalf of related parties</b> |                    |                   |
| HRMPEB                                                           | (4,516,698)        | 23,883,303        |
| CHRM                                                             | (19,000)           | 3,133,600         |
| <b>Total</b>                                                     | <b>(4,535,698)</b> | <b>27,016,903</b> |
| <b>b) Payments made by IHRM on behalf of related parties</b>     |                    |                   |
| HRMPEB                                                           | 6,434,223          | 30,349,284        |
| CHRM                                                             | 477,950            | 962,195           |
| <b>Total</b>                                                     | <b>6,912,173</b>   | <b>31,311,479</b> |
| <b>c) Transfer of Fixed Assets to related Parties</b>            |                    |                   |
| HRMPEB (Net book Value)                                          | -                  | 6,719,324         |
| <b>d) Key management compensation</b>                            |                    |                   |
| Directors' emoluments                                            | 5,705,333          | 2,307,362         |
| Compensation to key management                                   | 9,670,452          | 10,650,360        |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**31. Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**32. Ultimate and Holding Institute**

The Institute is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Public Service. Its ultimate parent is the Government of Kenya.

**33. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| Reference No. on the external audit Report                         | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe : (When Issue is expected to be resolved) |
|--------------------------------------------------------------------|-----------------------------------|---------------------|-----------------------------------|-----------------------------------------------------|
| Annual Audit Report by Office of Auditor General not yet available | N/A                               | N/A                 | N/A                               | N/A                                                 |

Executive Director



Date 11/08/2022

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by the Institute of Human Resource Management (IHRM) Funded by development partners and/ or the Government.

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|------------------|------------------|-----------------------------------------------------------------------|-----------------------------------------------------|
| 1             | N/A            |       |                  |                  |                                                                       |                                                     |
| 2             |                |       |                  |                  |                                                                       |                                                     |

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**APPENDIX III: INTER-ENTITY TRANSFERS**

| ENTITY NAME:                                                         |                    | IHRM                  |                      |           |
|----------------------------------------------------------------------|--------------------|-----------------------|----------------------|-----------|
| Break down of Transfers from the State Department for Public Service |                    |                       |                      |           |
| FY 2018/2019                                                         |                    |                       |                      |           |
| a.                                                                   | Recurrent Grants   |                       |                      |           |
|                                                                      |                    | <u>Bank Statement</u> | <u>Amount (KShs)</u> | 2018-2019 |
|                                                                      |                    | <u>Date</u>           |                      |           |
|                                                                      |                    | None                  | None                 |           |
|                                                                      |                    |                       |                      |           |
|                                                                      |                    |                       |                      |           |
|                                                                      |                    | Total                 |                      |           |
| b.                                                                   | Development Grants |                       |                      |           |
|                                                                      |                    | <u>Bank Statement</u> | <u>Amount (KShs)</u> | 2018-2019 |
|                                                                      |                    | <u>Date</u>           |                      |           |
|                                                                      |                    | None                  | None                 |           |
|                                                                      |                    |                       |                      |           |
|                                                                      |                    |                       |                      |           |
|                                                                      |                    | Total                 |                      |           |

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager

IHRM



Sign .....

Head of Accounting Unit

State department for Public Service

Sign-----

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

| Name of the<br>MDA/Donor<br>Transferring the<br>funds | Date<br>received<br>as per<br>bank<br>statement | Nature:<br>Recurrent/<br>Development<br>t/ Others | Total<br>Amount -<br>KES | Where Recorded/recognized                |                 |                    |             | Total<br>Transfers<br>during the<br>Year |
|-------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|--------------------------|------------------------------------------|-----------------|--------------------|-------------|------------------------------------------|
|                                                       |                                                 |                                                   |                          | Statement of<br>Financial<br>Performance | Capital<br>Fund | Deferred<br>Income | Receivables | Others -<br>must be<br>specific          |
| N/A                                                   | N/A                                             | N/A                                               | -                        | -                                        | -               | -                  | -           | -                                        |
| <b>Total</b>                                          |                                                 |                                                   | -                        | -                                        | -               | -                  | -           | -                                        |

