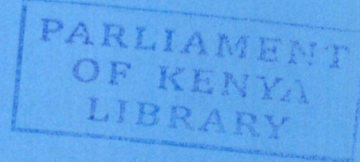




REPORT



OF

THE NATIONAL ASSEMBLY	
DATE: 06 JUL 2023	DAY: Thursday
TABLED BY: Hon. Samuel Chepkonga, MP	
CLERK AT THE TABLE: Joyce Kemerele	

THE AUDITOR-GENERAL

ON

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**

**FOR THE 14 MONTHS PERIOD ENDING
30 JUNE, 2019**



**International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities**

**HUMAN RESOURCE MANAGEMENT PROFESSIONALS EXAMINATION
BOARD (HRMPEB)**

REPORT AND FINANCIAL STATEMENTS

**FOR THE 14-MONTH PERIOD ENDING
JUNE 30, 2019**

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

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

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HUMAN RESOURCE MANAGEMENT PROFESSIONALS EXAMINATION BOARD

Report and Financial Statements

For the 14-Month period ending June 30, 2019

KEY ENTITY INFORMATION AND MANAGEMENT

a. Establishment of the Entity

Established under Section 16 of the Human Resource Management Professionals (HRMP) Act No. 52 of 2012, the Human Resource Management Professionals Examinations Board (HRMPEB) is mandated to certify HR professionals in Kenya. Its functions include preparing syllabuses for HR examinations; making rules with respect to the examinations; issuing certificates to candidates who have satisfied examination requirements; and promoting recognition of its examinations locally and internationally.

b. Principal Activities

The board's principal activities include the development of syllabuses for HR examinations, the formulation of rules and regulations governing the administration of these exams, the issuance of certificates to candidates who have successfully met the examination requirements, and the promotion of recognition of its examinations both domestically and internationally.

c. Key Management

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

- Board of Directors
- Accounting officer/ CEO
- Management

d. Fiduciary Management

The key management personnel who held office during the financial period ended June 2019 and who had direct fiduciary responsibility were:

- | | |
|--|------------------------|
| i. Ag. Chief Executive Officer/ CEO | Mr. Jane Wanyoike |
| ii. Manager, Examinations Administration | Mrs. Jane Njenga |
| iii. Senior Human Resource & Admin Officer | Mrs. Rebeccah Mureithi |
| iv. Accountant | CPA Vincent Koech |

e. Fiduciary Oversight Arrangements

The Board of Directors had not established an Audit Committee to provide independent oversight of the management of the affairs of the HRMPEB. The committee's purpose is to ensure that the organization is managed effectively, efficiently, and in compliance with relevant laws and regulations. The Audit Committee is responsible for reviewing financial reports, monitoring internal controls and risk management processes, and ensuring that the organization is following relevant laws and regulations. It works closely with management to address any concerns or issues that arise and is composed of independent directors with the necessary skills and experience to carry out their responsibilities effectively. Overall, the Audit Committee plays a critical role in maintaining the integrity and transparency of the HRMPEB's operations, and ensures that the organization operates in a manner consistent with its mission, values, and strategic objectives.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**

Report and Financial Statements

For the 14-Month period ending June 30, 2019

f. Headquarters

Mwalimu Towers 1st Floor
Hill Lane, Off Mara Road – Upper hill
P.O. Box 23733-00100
NAIROBI, KENYA

g. Contacts

Telephone: (254) 799016630/0710 560 560
Email: info@hrmpeb.or.ke
Website: www.hrmpeb.or.ke

h. Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O.Box 60000,00200
Nairobi, Kenya

NCBA Bank Kenya PLC Kenyatta Avenue
P.O. Box 44599-00100
Nairobi, Kenya

i. Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084-00100
Nairobi, Kenya

j Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O.Box 40112-00200
Nairobi, Kenya

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

THE BOARD OF DIRECTORS



CS Sharon Kisire- Chairperson

Commissioner C.S. Sharon Kisire FIHRM, HSC holds a Bachelor's degree and a Master's degree in Sociology. She is an ongoing doctorate student. She is a Certified Public Secretary (CPS-K) and the chief examiner for KASNEB, CPS examinations. She has authored several HR and motivational books.

Commissioner C.S. Sharon Kisire is an experienced Organizational behaviour and HR Professional with a wealth of knowledge and experience in all aspects of Organizational management.

C.S Sharon holds several awards on Excellency in Human Capital Management. Sharon started her HR career at Mater Hospital as Deputy HR Manager and later transited to National Oil Corporation (NOCK) in the position of HR & Administration Manager. From there she moved on to Kenya Wildlife Service (KWS) in the position of Director, Human Capital.

Her last employment was with Safaricom as Director Resources from where she left to run her consultancy firm offering Human Resources solutions.

Mr. Nicholas Kanisa- Board Member



Mr. Kanisa earned his MSc in HRM degree from JKUAT, BSc. in HRM degree from Moi University, HND in HRM from Cambridge, Dip. In HRM from Moi University and is a serious Practicing Member of Institute of Human Resource Management in good standing. He is currently serving as Principal Human Resource Officer with Teachers Service Commission at TSC HQS and previously served since 2008 as Sub County HR Officer in these sub counties; Trans Nzoia East, Kwana and Central Pokot.

Mr. Kanisa is also a director in charge of Training and Advocacy in TEVIRA (Television and Radio listeners Association of Kenya) a not for profit media consumer protection body. Member, Kenya Red Cross and he have also worked for Madison Insurance Company Limited in Sales and Rona Insurance Agency as Marketing Manager.

Mr. Nicholas Kanisa is an independent director representing the Institute of Human Resource Management (IHRM). He also the chair of the Finance, HR, and Strategy Committee of HRMPEB.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

THE BOARD OF DIRECTORS (Continued)



Mr. Samwel Kaumba- Board Member

Mr. Samwel Odiwuor Kaumba is an Advocate of the High Court of Kenya with over 12 years' experience in the practice of law in Kenya, regionally and internationally. Mr. Kaumba holds LLB (Hons) from the University of Nairobi and MPPA from Kenyatta University. He currently serves as a Senior State Counsel in the Office of the Attorney-General and Department of Justice.

His key areas of practice and application of law include: Constitutional and Administrative Law; Commercial Litigation and Arbitration; Public Law and Governance; Public Procurement Law, Public Private Partnerships; Regulatory compliance; Government related transactions advice; Bilateral and Multi-lateral agreements; Negotiating and drafting of regional integration instruments; and consideration of project implementation arrangements.

Mr. Samwel Kaumba is an independent director appointed by the office of the Attorney General. He is a member of the Audit and Risk committee of HRMPEB.



Prof. Hazel Gachunga- Board Member

Prof. Hazel Gachunga is specialized in Human Resource, Performance Management, Organizational Behaviour and Change Management. She teaches and consults extensively both nationally and internationally in the areas listed and especially change management. Prof Hazel Gachunga has been appointed as a visiting lecturer in the University of Western Australia and the Strathmore University Business School.

Prof Hazel is a holder of a split site Doctorate in Business Administration from the University of Nairobi/University of Sheffield and has undertaken the International Faculty Development Programme at the IESE Business School in Spain. She has also conducted extensive research and published in the areas of organizational change, performance management, work life balance, organizational justice, organizational commitment, organizational politics and leadership from the University of Sheffield, United Kingdom.

Hazel has been a lead consultant in the evaluation of companies for the Company of Year Awards (COYA/OPI) hosted by the Kenya Institute of Management. This has given her a wealth of exposure on leadership and change dynamics of winning companies in the East and Central African Region. She has been a key assessor for the Manager of the Year Awards (MOYA) and Chief Executive Officer CEO Award.

Prof. Hazel is an independent director appointed by the Institute of Human Resource Professionals (IHRM). She is the chairperson of the Examinations and Quality Assurance committee of HRMPEB. She is also a member of the Audit and Risk committee of HRMPEB.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

THE BOARD OF DIRECTORS (Continued)



Dr. Gladys Asuga, Ph.D.- Board Member

Dr Asuga is a holder of a PhD in Education leadership from the University of Newcastle in Australia, A Master's degree in Education Studies, A Master's degree in Curriculum Development and a higher Diploma in Human Resource Management. She has attended a number of courses in public service administration organized both locally and internationally. She has also conducted research in the field of leadership development and published a number of papers in International refereed journals.

Dr Gladys Asuga is an experienced organizational design and development human resource professional, a researcher and educationist with a wealth of knowledge in all aspects of strategic organization management and education leadership development. Her aim is to ensure that organizations are properly structured, employ the right balance of staff in terms of skill and experience, and that training and development opportunities are available to staff to enhance their performance and that of the organization.

Having worked in the public service for a number of years providing guidance to public service institutions in the area of public service transformation, Dr Asuga has a wealth of experience in Public Service Administration. Her other interests are in Educational leadership and management and the preparation and professional development of educational leaders.

Dr. Asuga is independent director representing the State Department of Public Service She is a member of HR and Strategy committee of the HRMPEB. She is also a member of the Examinations committee of the HRMPEB.



Mr. Mohamed Abdi- Board Member

CHRP Mohamed Aden is an astute Human Resources Executive with over 14 years of experience. He earned his Master's Degree from the University of Nairobi and a Bachelor's Degree in Business Management from Moi University. He is a Certified Human Resource Professional (CHRP-K) with higher national diploma as well as a diploma in human resource Management.

CHRP Mohamed Aden is a certified Human Resource Consultant with a focus on developing organizations, leaders and individuals. He has diverse HR background developed through experience in private companies, various industries and HR positions. A visionary with the unique ability to apply a range of technical and non-technical skills to any HR situation.

CHRP Mohamed Aden is currently the Head of Human Resources at Soliton Telmec Limited, a dynamic and reputable telecommunication engineering firm based in Nairobi with branches in Uganda, Rwanda and Djibouti. His expertise is in both operational and strategic talent

Mr. Mohamed Abdi is an independent director nominated by the Institute of Human Resource Management (IHRM). He is the chair of the Audit and Risk committee of the HRMPEB.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

THE BOARD OF DIRECTORS (Continued)



Mr. Emmanuel Mulwa- Board Member

Mr. Emmanuel Mulwa is currently the Head of Human Resource Management and Development at the Kenya Institute of Curriculum Development.

He holds a Master's degree in Human Resource Management (University of Manchester) and a Bachelor's (Honours') Geography and Government from University of Nairobi.

He has had extensive professional training and exposure to local and international training in the field of Human Resource Management. He is a seasoned HR practitioner in the Public Service and a full member of the Institute of Human Resource Management (IHRM).

Mr. Emmanuel Mulwa is an independent director representing the Kenya Institute of Curriculum Development (KICD). He is a member of the HR committee of the HRMPEB.



Mr. Jacob Omulo- Board Member

Jacob Omulo holds a Bachelor's Degree in Education from Egerton University. He is a senior practitioner in Education having taught English as a Second Language at Secondary School level for 15 years and examined the subject at National Level for 8 years. He is widely experienced in Field logistics and Management of examinations.

He is also versed in Governance, having sat in the Boards of various Organizations and Charities in Kenya. He brings to HRMPEB useful experience in Management of Examinations.

Mr. Jacob Omulo is an independent director representing the Kenya National Examinations Council (KNEC). He is a member of the Examinations and Quality Assurance committee of HRMPEB.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**
Report and Financial Statements
For the 14-Month period ending June 30, 2019

MANAGEMENT TEAM



Mrs. Jane Wanyoike
Ag. CEO and Manager, Examinations Administration

Mrs. Jane Wanyoike Holds MBA-HRM (UON), B.Ed. (arts)-KU, DIP-BA- KNEC, Member, IHRM, Doctorate Student in Human Resource (JKUAT)



CHRP Rebeccah Mureithi
Senior Human Resource & Admin Officer

CHRP Rebeccah Mureithi holds CHRP (K), IHRM Member, and BHRM Masters (Corporate Management) ongoing KCA University. Membership No.07373



CPA Vincent Koech
Accountant

CPA Vincent Koech holds B.COM (Accounting Option), CPA (K), ICPAK Member No.26934

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

CHAIRPERSON'S REPORT

CHAIRPERSON OF THE BOARD

Date

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

REPORT OF THE CHIEF EXECUTIVE OFFICER

ACTING ACCOUNTING OFFICER/ C.E.O

Date

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

CORPORATE GOVERNANCE STATEMENT

Good corporate governance is a fundamental part of the culture and practices by which an organization is operated, regulated and controlled so as to fulfill its goals and objectives in a manner that adds value and benefits all its stakeholders.

The HRMPEB board is responsible for organization's governance. Both the Board and senior management of the organization are committed to the highest levels of corporate governance, which it considers critical in achieving the Organization's mandate. Accordingly, HRMPEB therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity. The Board also has a charter that is reviewed from time to time within a period not exceeding five years.

The Role of the Board

The Board's responsibilities are broadly set out in the State Corporations Act, Cap.446 Laws of Kenya as well as the Human Resource Management Professionals Act No. 52 of 2012 that constitutes the HRMPEB as a state corporation. Specifically, the Board defines HRMPEB's strategies, objectives and values and ensures that its procedures and practices are in tandem to ensure effective control over strategic, financial, operational and compliance issues.

The Directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day activities to the Management through the Chief Executive Officer. The Board nonetheless is responsible for the overall stewardship of HRMPEB and assumes

Composition and removal of the Board

The Board comprises nine members including the CEO. Four of the Board members are independent non-executive members including the Chairperson. All non-executive board members retire after a term of three (3) years from the date of appointment and are eligible for re- appointment for one more term. With the exception of CEO, the remaining four Board members are institutional representatives bringing on board closely-knit interests, experiences and balance from and by key stakeholders.

The Board members above shall cease to be members if they become bankrupt, incapacitated, resigns in writing or is criminally convicted.

Board Meetings

The Board schedule of meetings is prepared annually in advance. The Board holds its regular meetings at least once every three months and special meetings may be called when necessary.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**

Report and Financial Statements

For the 14-Month period ending June 30, 2019

Below is the attendance of the meetings by the Board Members:

	Board Member	No. of meetings held in the year	No. of meetings attended	% of attendance
1.	CS Sharon Kisire			
2.	Mr. Samwel Kaumba			
3.	Prof Hazel Gachunga			
4.	Mr. Nicholas Kanisa			
5.	Dr. Gladys Asuga			
6.	Mr. Emmanuel Mulwa			
7.	Mr. Jacob Omulo			
8.	Mr. Mohammed Aden			

Audit and Risk Committee Attendance Register

	Board Member	No. of meetings held in the year	No. of meetings attended	% of attendance
1.	Mr. Mohammed Abdi			
2.	Mr. Samwel Kaumba			
3.	Prof. Hazel Gachunga			

HR, Strategy, and Finance Committee Attendance

	Board Member	No. of meetings held in the year	No. of meetings attended	% of attendance
1.	Mr. Nicholas Kanisa			
2.	Dr. Gladys Asuga			
3.	Mr Emmanuel Mulwa			

Examinations and Quality Assurance Committee Attendance Register Annually

	Board Member	No. of meetings held in the year	No. of meetings attended	% of attendance
1.	Prof. Hazel Gachunga			
2.	Mr. Jacob Omulo			
3.	Mr. Nicholas Kanisa			
4.	Dr. Gladys Asuga			

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

MANAGEMENT DISCUSSION AND ANALYSIS

1 Operational and financial performance

The organization realized total revenue of Ksh. 60,500,246 for the 14-month period ended 30th June, 2019. During the period, HRMPEB's major revenue streams comprised of exemption fees with Kshs. 31,383,066, examination fees of Kshs. 18,666,716, and registration fees amounting to Kshs. 8,506,324.

The expenditure of the organization period ended 30th June, 2019 was Ksh. 31,647,660. Our major expenditure for the period ended 30th June, 2019 was Examination costs of Kshs. 10,846,518, Employee Costs of Ksh. 10,236,184, and Admin costs of Kshs.

2 Compliance with statutory requirements

HRMPEB has continued to comply with the various statutory requirements applicable for Kenyan government agencies during the 14-month period ending June 30, 2019. This includes making regular contributions to the National Social Security Fund (NSSF) and the National Health Insurance Fund (NHIF) for its employees, as well as deducting and remitting Pay As You Earn (PAYE) taxes to the Kenya Revenue Authority (KRA). Additionally, HRMPEB has ensured compliance with the Pension Fund requirements by contributing a percentage of its employees' gross salaries to the pension fund. These actions demonstrate HRMPEB's commitment to upholding its legal obligations as an employer and contributing to the growth and development of the Kenyan economy.

3 Major risks facing HRMPEB

Compliance Risk: HRMPEB faces compliance risk in relation to its statutory obligations. The agency is responsible for ensuring compliance with a range of legal, regulatory, and contractual requirements, including the National Social Security Fund (NSSF) and the National Health Insurance Fund (NHIF) contributions. Non-compliance with these requirements could lead to reputational damage, legal penalties, and loss of funding. To mitigate this risk, HRMPEB should establish and maintain effective compliance management policies and procedures, which includes regular monitoring, reporting, and

Operational Risk: HRMPEB faces operational risk in the effective execution of its activities, such as the administration of examinations, certification of professionals, and oversight of the industry. The agency is also responsible for the collection and management of sensitive personal data, which poses an additional security risk. Failure to adequately manage operational risks could lead to financial losses, legal liabilities, and reputational damage. To mitigate this risk, HRMPEB should implement sound operational management policies and procedures, which includes regular monitoring, internal control

Financial Risk: HRMPEB faces financial risk in the management of its financial resources, which could impact the agency's ability to achieve its objectives. The agency is responsible for ensuring that its financial resources are properly allocated and managed in accordance with best practices and in compliance with relevant regulations. Failure to effectively manage financial risks could lead to financial losses, reduction in funding, and reputational damage. To mitigate this risk, HRMPEB should establish and maintain sound financial management policies and procedures, including regular financial reporting,

Security Risk: HRMPEB faces security risk related to the protection of sensitive personal data, which could be accessed or disclosed inappropriately. The agency is responsible for collecting and managing personal data, which could include personally identifiable information, financial information, and other sensitive data. A security breach could lead to reputational damage, legal liabilities, and financial losses. To mitigate this risk, HRMPEB should establish and maintain a robust information security management program, which includes regular risk assessments, security controls, and ongoing staff

By identifying, assessing, and mitigating these potential risks, HRMPEB can ensure the effective management of its programs and services and protect the interests of its stakeholders.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABILITY REPORTING

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

REPORT OF THE DIRECTORS

The Board submit their report together with the financial statements of the Human Resource Management Professionals Examination Board for the 14-month period ended June 30, 2019 which show the state of HRMPEB's affairs.

Principal activities

The Human Resource Management Professional Examinations Board (HRMPEB) is primarily engaged in the development of syllabuses, the administration of professional, diploma, and technician examinations, and the certification of candidates in the fields of human resource management and related disciplines. Additionally, the board is actively involved in promoting its qualifications both nationally and internationally, as well as accrediting relevant training institutions.

Results

The results of the board for the 14-month period ended June 30, 2019 are set out on page 1 of this report. Below is a summary of the board's performance for that period.

	2019
	Kshs
Total Revenue	60,500,246
Total Expenditure	(31,647,660)
Surplus for the year	28,852,586

Directors

During the 14-month period ending June 30, 2019, the Human Resource Management Professional Examinations Board (HRMPEB) did not have a board of directors in place.

Auditors

The Auditor-General is responsible for the statutory audit of HRMPEB financial statements in accordance with the provisions of Article 229 of the Constitution of Kenya, 2010 and Section 7 and 35 of the Public Audit Act, No. 34 of 2015.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)) require the Directors to prepare financial statements in respect of HRMPEB, which give a true and fair view of the state of affairs of HRMPEB at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that HRMPEB keeps proper accounting records which disclose with reasonable accuracy the financial position of HRMPEB. The Directors are also responsible for safeguarding the assets of HRMPEB.

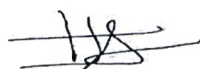
The Directors are responsible for the preparation and presentation of HRMPEB's financial statements, which give a true and fair view of the state of affairs of HRMPEB for and as at the end of the financial year ended June 30, 2019. This responsibility includes: (i) maintaining adequate financial management 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 HRMPEB; (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 HRMPEB; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for HRMPEB'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 Directors are of the opinion that HRMPEB's financial statements give a true and fair view of the state of HRMPEB's transactions during the financial year ended June 30, 2019, and of the HRMPEB's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of HRMPEB's financial statements as well as the adequacy of the systems of internal financial control.

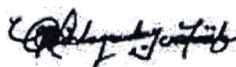
Nothing has come to the attention of the Directors to indicate that HRMPEB will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

HRMPEB's financial statements were approved by the Board on **16.05.2023** and signed on its behalf by:



Director



Director

Director

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON HUMAN RESOURCE MANAGEMENT PROFESSIONALS EXAMINATION BOARD FOR THE 14 MONTHS PERIOD ENDING 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Human Resource Management Professionals Examination Board set out on pages 1 to 17, 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, statement of cash flows and 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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 Human Resource Management Professionals Examination Board 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 Public Finance Management Act, 2012 and the Human Resource Management Professionals Act, 2012.

Basis for Adverse Opinion

1. Presentation and Disclosures of Financial Statements

A review of the financial statement presented for audit revealed the following anomalies:

- i. The Corporate governance report was not dated and approved
- ii. The corporate social responsibility /sustainability report, Chairperson's report and report of the Chief Executive Officer have not been included in financial statements
- iii. The table of contents, the Headers to the financial statement, the Board of Directors' information, corporate governance statement, Management discussion, notes to the financial statements, and Statement of Directors' responsibilities have not been

presented in accordance with Public Sector Accounting Standards Board reporting template

- iv. Fiduciary oversight arrangement indicates that there is an Audit Committee in place. However, the committee does not exist
- v. The statement of changes in net assets reflects retained earnings opening balance amounting to Kshs.12,602,474 which was not explained or supported
- vi. The statement of cash flows reflects increase in accounts receivables amounting to Kshs.1,564,846 and cash and cash equivalent at the beginning of the year amounting to Kshs.4,718,361 which were not explained or supported

In the circumstances, the financial statements as presented, do not adhere to the Public Sector Accounting Standards Board reporting template.

2. Variance Between Financial Statements and Trial Balance

Analysis of the financial statements revealed variances with trial balance as shown below:

Item	Balance as per financial statement (Kshs.)	Balances as per Trial Balance in Kshs.	Variance Kshs.
Office Equipment	1,400,741	1,974,329	(573,588)
Intangible Asset	807,500	1,360,000	(552,500)
Computers & Networks	998,849	2,888,097	(1,889,248)
Library Book	359,284	397,793	(38,509)
Furniture Fitting and Fixtures	1,218,635	2,111,668	(893,033)
Staff Per Diems	-	153,000	(153,000)
Examination Moderation Writing	-	15,000	(15,000)
Retained Earnings	41,455,060	13,455,127	27,999,933
Office Expense	-	69,770	(69,770)
Office Milk	-	40,535	(40,535)
Air Ticket	-	697,720	(697,720)
Meals & Refreshment	-	286,030	(286,030)
Pension Employer Contribution	-	324,349	(324,349)
NSSF Employer Contribution	-	81,000	(81,000)

The variances have not been explained or reconciled.

In the circumstances, the accuracy of the financial statements could not be confirmed.

3. Unsupported Examination Expenditure

The statement of financial performance reflects examination expense amounting to Kshs.10,846,518. The amount includes examination administration, invigilation and supervision, and examination marking expenditure amounting to Kshs.4,915,562 and Kshs.804,885 respectively as disclosed in Note 8 to the financial statements. However, the signed contract and attendance registers for the administration and marking of examination in support of the expenditure were not provided for audit review.

In the circumstances, the validity of the Examination expense of Kshs.5,720,447 could not be confirmed.

4. Inaccuracy of Staff Costs

The statement of financial performance reflects staff costs amounting to Kshs.10,236,184. The amount includes salaries amounting to Kshs.7,762,083 as disclosed in Note 10 to the financial statements. However, the salaries expenditure differs with the payroll amount of Kshs.4,721,191 resulting to unexplained variance of Kshs.3,040,892. Further, review of the senior staff appointment letters indicates that a gratuity amount of 31% was to be paid upon expiry of contract period. However, no provisions have been made for the expected liability and the same has not been disclosed in the financial statements.

In the circumstances, the accuracy of staff costs amounting to Kshs.10,236,184 could not be confirmed.

5. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents amounting to Kshs.32,254,892 in respect of a bank balance as disclosed in Note 15. However, the bank balance was not supported by a certificate of bank balance.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.32,254,892 could not be confirmed.

6. Unsupported Property and Equipment Balance

The statement of financial position reflects property, plant and equipment amounting to Kshs.4,785,009. Review of records revealed that the assets were inherited from the Institute of Human Resource Management. However, the assets have not been revalued and the basis of their carrying amount has not been disclosed. Further, amount is net of depreciation opening balance amounting to Kshs.2,277,810 as disclosed in Note 13 to the financial statements which was not explained or supported.

In the circumstances, the accuracy of the Property, Plant and Equipment balance of Kshs.4,785,009 could not be confirmed.

6. Unsupported Accounts Receivables

The statement of financial position reflects accounts receivables amounting to Kshs.2,990,004. However, aging analysis of the receivables was not provided for audit review. Further, no provisions have been made for bad and doubtful debts.

In the circumstances, the accuracy and existence of the accounts receivables amounting to Kshs.2,990,002 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Human Resource Management Professionals Examination Board 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 Matters

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section 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

1. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2019 were submitted to the Auditor-General on 24 February, 2023, three years five months after the statutory deadline of 30 September, 2019. This is contrary to Section 81 (4) of the Public Finance Management Act, 2012 which requires the accounting officer for an entity to submit the entity's financial statements to the Auditor-General not later than three months after the end of each financial year.

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

2. Unauthorized Bank Account

The statement of financial position reflects cash and cash equivalents amounting to Kshs.32,254,892 in respect to a bank balance held at a local bank. However, authority and approval was not granted by the National Treasury to open and operate the bank account. This is contrary to Section 28(1) of the Public Finance Management Act, 2012 which states that the National Treasury shall authorize the opening, operating and closing of bank accounts and sub accounts for all national government entities.

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

3. Failure to Remit Revenue

Review of records revealed that revenue amounting to Kshs.17,830,082 in support of continuing human resource professional development has not been remitted to the Institute of Human Resource Management during the year. This is contrary to Section 17(J) of the Human Resource Management Professionals Examinations Board Act, 2012 which requires the Board to remit at least 30% of the total revenue collected to the Institute of Human Resource Management.

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

4. Unbalanced Budget

The statement of comparison of Budget and actual amounts reflects total revenue and expenses amounting to Kshs.60,500,246 and Kshs.31,647,660 respectively resulting to unbalanced budget of Kshs.28,852,86. This is contrary to Regulation 33(c) which requires a budget to be balanced. Further, the approved budget was not provided for audit verification.

In the circumstance, Management was in breach of the Public Finance Management Act, 2012.

5. Unutilized Information Systems

The Board has two information systems. However, the systems have not been put into use as designed since 2017.

In the circumstances, value for money has not been achieved.

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 sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis of the Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require 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 controls.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using applicable basis of accounting unless Management is aware of the intention to terminate the Board 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 Board's financial reporting process, reviewing the effectiveness of how the Management 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 controls 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 to the audit of the financial statements, a compliance audit is planned and performed 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 controls 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 controls 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 controls 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 Board'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 Board 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 Board 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

09 June, 2023

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**
Report and Financial Statements
For the 14-Month period ending June 30, 2019

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE 14-MONTH PERIOD
ENDING JUNE 30, 2019**

		2019
		Kshs.
Revenue from exchange transactions	Note	
Examination fees		18,666,716
Exemption fees		31,383,066
Student Registration fees		8,506,324
Student Registration renewal fees		877,500
Other Income	7	877,278
Bank Interest		189,362
TOTAL REVENUE		60,500,246
Expenditure		
Examination Expenses	8	10,846,518
Admin Expenses	9	8,366,495
Staff Costs	10	10,236,184
Repairs & Maintenance	11	451,395
Board expenses	12	78,000
Depreciation	13	1,669,068
TOTAL EXPENDITURE		31,647,660
Net surplus for the period		28,852,586

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**
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For the 14-Month period ending June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		2019
	Note	Kshs.
Non- current assets		
Property plant & equipment	13	4,785,009
Current assets		
Prepaid Rent	14	1,425,156
Cash and cash equivalents	15	32,254,892
Account Receivables	16	2,990,004
Total Assets		41,455,060
Liabilities		
Net Assets		
Retained Earnings	17	41,455,060
Net Assets and Liabilities		41,455,060

The Financial Statements were signed on behalf of the Board by:

Ag Chief Executive Officer

Head of Finance

Chairman of the Board

Name:CHRP Margaret Nguu

Name: Loenard Kori

Name:CS. Sharon Kisire

ICPAK Member No.:

25611



Date:16.05.2023



Date:16.05.2023



Date:16.05.2023

**HUMAN RESOURCE MANAGEMENT
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STATEMENT OF CHANGES IN NET ASSETS FOR THE 14-MONTH PERIOD ENDING JUNE 30, 2019

	Note	Retained Earnings	Recurrent Grant	Total
				Kshs
Balance as at 1 May 2018	17	12,602,474	-	12,602,474
Surplus for the year	17	28,852,586	-	28,852,586
Additions		-	-	-
Balance as at 30 June 2019		41,455,060	-	41,455,060

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STATEMENT OF CASH FLOWS FOR THE 14-MONTH PERIOD ENDING JUNE 30, 2019

	Note	2019 Kshs
Operating surplus		28,852,586
Depreciation/ Amortization	15	1,669,068
(Increase)/ decrease in A/C receivables		(1,564,846)
Cash generated from operations		28,956,808
INVESTING ACTIVITIES		
Purchase of property, plant & equipment	15	(1,420,277)
Cash outflow from Investing Activities		(1,420,277)
FINANCING ACTIVITIES		
Government grant		-
Grant from IHRM		-
Net cash generated from financing activities		-
Increase/ (decrease) in cash and cash equivalent		27,536,531
Cash and cash equivalent at the beginning		4,718,361
Cash and cash equivalent at end of the year	17	32,254,892

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE 14-MONTH PERIOD ENDING JUNE
30, 2019**

	Original Budget 2018-2019	Adjustments 2018-2019	Final Budget 2018-2019	Actual on comparable basis 2018-2019	Performance Difference 2018-2019
	Kshs	Kshs	Kshs	Ksh	Kshs.
Revenue					
Examination fees	18,666,716	-	18,666,716	18,666,716	-
Exemption fees	31,383,066	-	31,383,066	31,383,066	-
Student Registration fees	8,506,324	-	8,506,324	8,506,324	-
Student Registration renewal fees	877,500	-	877,500	877,500	-
Graduation, Penalties, and Sponsorship	-	-	-	-	-
Other Income	877,278	-	877,278	877,278	-
Bank Interest	189,362	-	189,362	189,362	-
Total Income	60,500,246	-	60,500,246	60,500,246	-
Expenses					
Examination Expenses	10,846,518	-	10,846,518	10,846,518	-
Admin Expenses	8,366,495	-	8,366,495	8,366,495	-
Staff Costs	10,236,184	-	10,236,184	10,236,184	-
Repairs & Maintenance	451,395	-	451,395	451,395	-
Board expenses	78,000	-	78,000	78,000	-
Depreciation	1,669,068	-	1,669,068	1,669,068	-
Total expenditure	31,647,660	-	31,647,660	31,647,660	-
Surplus/ (deficit) for the year	28,852,586	-	28,852,586	28,852,586	-

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**
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NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

HRMPEB is established by and derives its authority and accountability from the Human Resource Professionals Act, 2012. HRMPEB is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is administration of Professional Human Resource Examinations and Certification.

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 entity'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.

The financial statements have been prepared on a historical cost as required by the guidelines. IPSAS allows the use of assumptions and exercise judgement in the process of applying the entity's accounting policies. In the course of preparation of these reports, assumptions requiring high degree of judgement was exercised, whereby the related party transactions with IHRM, which involved recurrent expenses, purchase and transfer of assets was treated as a grant.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act the Human Resource Professionals Act, 2012, and International Public Sector

3 ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020.

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The Standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>This standard is not applicable to HRMPEB as it did not acquire any business during the year.</i>

**HUMAN RESOURCE MANAGEMENT
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Report and Financial Statements
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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 2019.

Standard/ Amendment to a	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022</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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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. <p><i>This standard is not applicable to HRMPEB as it does not hedge its financial instruments</i></p>
<p>IPSAS 42: Social benefits</p>	<p>Applicable: 1st January 2022.</p> <p>The objective of this standard is to improve the relevancy, faithful representatives 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 purposes financial reports assess:</p> <ol style="list-style-type: none"> a.) The nature of such social benefits provided by the entity; b.) The key features of the operation of those social benefit schemes; c.) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>This standard is not applicable to HRMPEB as it does not offer social benefit</i></p>

iii. Early adoption of standards

HRMPEB did not adopt early any new or amended standards in year 2019.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**
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NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a. Revenue recognition

i. Revenue from non-exchange transactions

The entity recognises revenues from fees when the event occurs to the extent that would give rise to a liability to repay the amount. Other non-exchange revenues are recognised 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 recognised 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 or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognised in the statement of comprehensive income. Development/ capital grants are recognised in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets.

ii. Revenue from exchange transactions

1) Rendering of services

The sale of services is recognised in the year in which HRMPEB delivers the service to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.

2) Sale of goods

Revenue from the sale of goods is recognised 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.

3.) 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 is applied to the principal outstanding amount to determine interest income each period.

**HUMAN RESOURCE MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS (continued)

b. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised 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 recognised in statement of financial performance 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. Depreciation is provided on the cost/valuation of the assets on straight line basis at rates designed to write down the cost of each asset or revalued amount to its residual values over their estimated useful life. The annual rates in use are:

	Rate
Furniture & fitting	12.50%
Computers	30.00%
Softwares	20.00%
Office Equipment	12.50%
Library books	5.00%

A full year's depreciation is recognised in the year of purchase and none in the year of disposal.

c. Leases

Finance lease are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to HRMPEB. Assets held under a finance lease are capitalised 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. HRMPEB also recognises the associated lease liability at the inception of the lease. The liability recognised is measured as the present value of the future minimum lease payments at initial recognition.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that HRMPEB 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.

d. Nature and purpose of reserves

HRMPEB does not create or maintain reserves.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)

e. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short term deposits, on call deposits and highly liquid investments within original maturity of three 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 various commercial banks at the end of the financial year.

f. Retirement benefit plans

HRMPEB and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. HRMPEB's contributions obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

g. Budget information

The original budget for the FY 2019-2020 was approved by the Board in January 2019. 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 entity upon receiving the respective approvals in order to conclude the final budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts. The adjustments to amounts in the financial statements are made in the formats and classification schemes adopted for the presentation of the financial statements and

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented on page 26 of these financial statements.

h. Intangible asset

Intangible assets acquired separately are initially recognised 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 amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of financial performance in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

i. Subsequent events

correspondence addressed to the National Treasury, wherein they sought the requisite approval to continue the operation of their NCBA account. Furthermore, the Board also initiated correspondence with the Institute of Human Resource Management, pertaining to the remittance of 30% of the Board's revenue. To date, responses to both aforementioned letters are still pending.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD**

Report and Financial Statements

For the 14-Month period ending June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

j. Currency

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

k. Taxes- Current income tax

HRMPEB has not provided for taxation as it is exempted from income tax.

l. Comparative figures

As the base period, HRMPEB prepared the financial reports for 2018-2019 without any comparative figures from the previous year. The lack of comparative figures means that the financial reports for the 2018-2019 period cannot be compared to the previous year's financial statements. Nonetheless, the financial statements for the base period provide a clear snapshot of the organization's financial performance during that year.

m. Related party disclosures

Nature of related party relationships

HRMPEB 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 HRMPEB or vice versa. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of HRMPEB, holding 100% of the HRMPEB's equity interest. Other related parties include:

- i. The parent ministry- Ministry of Public Service & Gender
- ii. The National Treasury
- iii. Key Management
- iv. Board of Directors

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of HRMPEB's financial statements in conformity with IPSAS requires management to make judgements, 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 year. 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.

a.) Estimates and assumptions

HRMPEB based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of HRMPEB. Such changes are reflected in the assumptions when

b.) 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;

- i.) The condition of the asset based on the assessment of experts employed by HRMPEB;
- ii.) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- iii.) The nature of the processes in which the asset is deployed;
- iv.) Availability of funding to replace the asset;
- v.) Changes in the market in relation to the asset.

**HUMAN RESOURCE MANAGEMENT
PROFESSIONALS EXAMINATION BOARD
Report and Financial Statements
For the 14-Month period ending June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 FINANCIAL RISK MANAGEMENT

HRMPEB's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. HRMPEB's overall risk management policies are set out by the Board and implemented by the management, and focus on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effects of such risks on its performance by setting acceptable levels of risk. HRMPEB, however, does not hedge any risks and that credit is only extended to customers with an established credit history.

HRMPEB's financial risk management objectives and policies are detailed below:

i. Market risk

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

Market risk is the risk arising from the changes in market prices, such as interest rate and foreign exchange rates which will affect HRMPEB's income. 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 the risk rests with the Audit

HRMPEB's finance department is responsible for development of detailed risk management policies and for the day to day implementation of those policies.

ii. Credit Risk

HRMPEB has exposure to credit risk, which is the risk that a customer 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.

iii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the HRMPEB's Board. HRMPEB manages liquidity risk through continuous monitoring of forecasts and actual cash

iv. Foreign Currency Risk

HRMPEB does not have transactional currency exposures which arises through purchase of goods and services that are done in currencies other than local currency. Therefore, HRMPEB doesn't transact in other currencies except the Kenya Shilling.

v. Interest rate risk

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

vi. Capital Risk Management

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

	2019
	Kshs.
Accumulated surplus	28,852,586
	<u>28,852,586</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019
7. Other Income	Kshs.
Sale of Syllabus	176,000
Student ID Cards Replacement fees	8,500
Graduation, Penalties and Sponsorship	71,890
Accreditation Application Fees	460,888
Accreditation Renewal Fees	160,000
	877,278
8. Examination Expenses	
Test Item Development	1,046,445
Exam Moderation & Quality Checking	72,950
Printing of Examination Scripts, Answer Booklets & Envelopes	2,309,108
Examination Administration, Invigilation & Supervision	4,915,562
Examination Marking	804,885
Printing of Registration & Exemption Forms	194,805
Hospitality Expenses	286,030
Examination Security Allowances	327,918
Printing of Syllabus	286,000
Inspection for Accreditation	
Printing of Certificates	602,815
	10,846,518
9. Admin Expenses	
Water	31,668
Internet Charges	387,154
Telephone Charges	63,395
Electricity	138,592
Rent and Parking Fees	4,465,252
Licences. Fines & Penalties	342,995
Office Expenses and Consumables	168,325
Corporate Social Responsibility and Donations	78,200
Postage Charges	12,200
Stationery	874,036
Publicity, Advertising, Marketing & Communication	117,450
Hire of Facilities	46,400
Bank Charges	116,062
Conference and Hotel Charges	260,000
Accommodation Fees	90,920
Audit (Accounting) Fees	100,500
Consultancy/ Facilitation Fees	1,063,346
Legal Fees	10,000
	8,366,495

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For the 14-Month period ending June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019
	Kshs.
10. Staff Costs	
Salaries	7,762,083
Casual Wages	380,868
Domestic Travel and Transport	945,585
Staff Welfare	711,381
Leave Pay	-
Staff Membership and Subscriptions	12,000
Staff Uniforms	18,918
Staff Training	405,349
	<u>10,236,184</u>
11. Repairs & Maintenance	
Software Maintenance	53,700
Repairs and Maintenance	388,395
General Office and Equipment Repairs and Maintenance	9,300
	<u>451,395</u>
12. Board Expenses	
Sitting Allowance	78,000
	<u>78,000</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Fixed Asset Schedule							
Property Plant and Equipment							
	Software	Computers & Networking	Office Equipment	Library Books	Furniture, Fittings & Fixtures	Total	
Takeover at cost as at 01/07/2018	972,000	2,356,533	1,919,529	344,078	1,719,470	7,311,610	
Revaluation	-	-	-	-	-	-	
Additions	388,000	531,564	54,800	53,715	392,198	1,420,277	
Disposal	-	-	-	-	-	-	
Cost As at 30th June 2019	1,360,000	2,888,097	1,974,329	397,793	2,111,668	8,731,887	
Depreciation							
As at 01/07/2018	280,500	1,022,819	326,797	18,620	629,074	2,277,810	
Charge for the year	272,000	866,429	246,791	19,890	263,959	1,669,068	
Acc Dep As at 30th June 2019	552,500	1,889,248	573,588	38,510	893,033	3,946,878	
NBV as at 30th June	807,500	998,849	1,400,741	359,284	1,218,635	4,785,009	

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NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019 Kshs.
14. Prepaid Rent	
Prepaid rent refers to the rent initially paid out for the premises HRMPEB occupied during the year.	
15. Cash and Cash Equivalent	
NCBA	32,254,892
	<u>32,254,892</u>
16. ACCOUNT RECEIVABLES	
IHRM	1,078,473
BARCLAYS BANK	1,911,530
	<u>2,990,002</u>
17. Retained Earnings	
Assets Donated by (Takeovers) from IHRM	7,311,610
Rent Paid by IHRM for HRMPEB	1,425,156
Salaries Paid by IHRM for HRMPEB	3,865,708
	<u>12,602,474</u>
Accumulated Surplus for current year	<u>28,852,586</u>
Total Net Assets	<u>41,455,060</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Prior period's audit has not been done