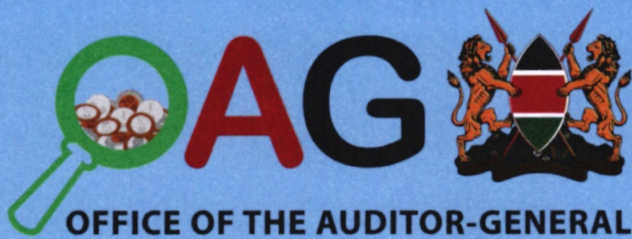


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 25 SEP 2024

REPORT

DAY:

WEDNESDAY

TABLED  
BY:

DEPUTY MAJORITY  
LEADER (HON. BATA) OF

CLERK-AT  
THE-TABLE:

Joyce - L.

**THE AUDITOR-GENERAL**

**ON**

**KENYA INSTITUTE OF SUPPLIES  
MANAGEMENT (KISM)**

**FOR THE YEAR ENDED  
31 DECEMBER, 2023**

OFFICE OF THE AUDITOR GENERAL  
4TH FLOOR TIMES TOWER  
P. O. Box 30084 - 00100 NAIROBI

28 AUG 2024

RECEIVED



---

**KENYA INSTITUTE OF SUPPLIES MANAGEMENT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**31ST DECEMBER 2023**

---

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



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

<b>Table of Contents</b>	<b>Page</b>
1. Acronyms, Abbreviations and Glossary of Terms.....	ii
2. KEY INSTITUTE INFORMATION AND MANAGEMENT .....	iii
<b>B) PRINCIPAL ACTIVITIES</b> .....	iii
C) KEY MANAGEMENT .....	iv
D) Council.....	iv
E) FIDUCIARY MANAGEMENT.....	iv
F) FIDUCIARY OVERSIGHT ARRANGEMENTS .....	vi
<b>G) ENTITY HEADQUARTERS</b> .....	vi
H) ENTITY CONTACTS.....	vi
I) ENTITY BANKERS .....	vi
<b>J) INDEPENDENT AUDITORS</b> .....	vii
K) PRINCIPAL LEGAL ADVISOR .....	vii
3. COUNCIL MEMBERS .....	viii
4. MANAGEMENT TEAM.....	xii
5. CHAIRMAN'S STATEMENT.....	xiv
6. REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xv
i) PROGRAMME AND PERFORMANCE REVIEW 2023.....	xvi
7. CORPORATE GOVERNANCE STATEMENT .....	xxi
8. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxviii
<b>SECTION A: THE ENTITY FINANCIAL AND OPERATIONAL PERFORMANCE</b> .....	xxix
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxx
10. REPORT OF THE COUNCIL.....	xxxii
11. STATEMENT OF COUNCIL RESPONSIBILITIES .....	xxxiii
12. REPORT OF THE INDEPENDENT AUDITOR FOR THE INSTITUTE .....	xxxv
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2023 .....	1
14. STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023.....	2
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31ST DECEMBER 2023.....	4
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023.....	5
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2023 .....	6
Notes to the Financial Statements.....	7
Appendix 1: Audit Findings and Responses.....	42



## **1. Acronyms, Abbreviations and Glossary of Terms**

### **A: Acronyms and Abbreviations**

CEO	Chief Executive Officer
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KISM	Kenya Institute of Supplies Management
MoU	Memorandum of Understanding
OAG	Office of the Auditor-General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SPMA	Supplies Practitioners Management Act
TNT	The National Treasury

### **B: Glossary of Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization

**Comparative Year-** Means the prior period.

**Statutory Committee –** These are committee established by the enabling legal instrument



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**2. KEY INSTITUTE INFORMATION AND MANAGEMENT**

**A) BACKGROUND INFORMATION**

The Institute is established under section 3 of the Supplies Practitioners Management Act 2007. The Institute is domiciled in Kenya and headquartered in Nairobi, with its offices in Nairobi's up-market Ngong road, off Ngong Lane.

**B) PRINCIPAL ACTIVITIES**

The principal activity of the Institute is founded under section 5 of the Supplies Practitioners Management Act 2007. The mandate comprises of the following:

- a) Establish, monitor, improve and publish the standards of the supplies practitioner's profession and safeguard the interest of all supplies practitioners;
- b) Make provision for the training and instruction of persons seeking registration under this Act;
- c) Recommend to the Minister for the time being responsible for education institutions to be approved for training of persons seeking registration under this Act;
- d) Advise the Examinations Council on matters relating to examination standards and policies;
- e) Have regard to the conduct of persons registered and licensed under this Act, and take such disciplinary measures as may be necessary to maintain a proper standard of conduct among such persons;
- f) Perform such other functions as may be necessary for the proper administration of this Act.

**Vision of the Institute**

Competent and ethical Supply Chain Management Practitioners

**Mission of the Institute**

To train, register, license, discipline and regulate supply chain management practitioners.

**Core Values**

- a) Integrity
- b) Fairness
- c) Transparency
- d) Accountability
- e) Professionalism
- f) Inclusivity
- g) Innovation



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

---

C) KEY MANAGEMENT

The Kenya Institute of Supplies Management's day-to-day management is under the following key organs:

D) The Council

The Council is composed of the Chairman, six (6) elected Council members, the Principal Secretary of The National Treasury/representative, and the Director General of Public Procurement and Regulatory Authority (PPRA)/ the representative. The Secretary of the Council is the Chief Executive Officer who is competitively recruited and heads the Secretariat comprising the Management (Heads of Departments and Sections) and staff.

E) FIDUCIARY MANAGEMENT

The Key Management Personnel who held office during the financial year ended 31st December 2023 and had direct fiduciary responsibility were:



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**MANAGEMENT**

<b>SN</b>	<b>DESIGNATION</b>	<b>NAME</b>
1	Ag Chief Executive Officer	<ul style="list-style-type: none"><li>• CPA. Nicholas Wafula – from June 2023 to date</li><li>• CS. Serah Okumu- from June 2022 to June 2023</li></ul>
2	Corporation Secretary & Director Legal Services	CS. Serah Okumu
3	Registrar	Dr. Martin Gachukia
4	Senior Registration Officer	Kevin Okinda
5	Deputy Director, Finance and Accounts	CPA. Nicholas Wafula
6	Deputy Director HR and Administration	CHRP Stella Geoffrey
7	Ag. Deputy Director Finance and Accounts	CPA Silvanus Masika
8	Deputy Director, Internal Audit	CPA. Douglas Gikunda
9.	Ag. Deputy Director – Capacity Development and Accreditation	Ms. Edith Kariuki
10.	Ag. Deputy Director Supply Chain Management	Mr. Chilion Ogol
11.	Ag. Deputy Director, Standards and Compliance	Mr. Timothy Seurey



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

---

**F) FIDUCIARY OVERSIGHT ARRANGEMENTS**

The fiduciary oversight of the Institute is undertaken by the Council through the following Committees:

**Committees of the Council**

*a) Audit and Risk Management Committee*

This committee is responsible for all oversight and audit and risk management issues of the Institute.

*b) Professionals Standards Committee*

This is the technical committee of the Institute responsible for all member related issues.

*c) Strategy Committee*

This committee is responsible for oversight over the Institute strategic plan.

*d) Finance, Corporate Affairs and Human Resource Committee*

This Committee is responsible for financial, corporate affairs and human resource oversight of the Institute.

The SPMA 2007 provides under section 15 and 22 for statutory committees to provide oversight over the registration and disciplinary matters involving members.

**Statutory Committees**

*a) Registration Committee*

This committee is responsible for receiving, reviewing and approving applications for registrations and licensing of members of the Institute in accordance with section 15(3) of the SPMA 2007.

*b) Disciplinary Committee*

This committee is responsible for receiving and investigating complaints against supplies practitioners in accordance with section 22(4) of the SPMA 2007.

**G) ENTITY HEADQUARTERS**

KISM Towers, 12th Floor  
Ngong Road, Off Ngong Lane  
P.O Box 30400 - 00100  
Nairobi Kenya

**H) ENTITY CONTACTS**

Cellphone: +254 111 024 800  
Email [admin@kism.or.ke](mailto:admin@kism.or.ke)  
Website. [www.kism.or.ke](http://www.kism.or.ke)

**I) ENTITY BANKERS**

1. Standard Chartered Bank  
Westlands Branch, Chiromo  
P.O. Box 14438-00800, NAIROBI  
Tel:4443018/2/20,4448956



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

---

2. National Bank of Kenya  
Ngong Road Branch  
P.O Box 72866-00200, NAIROBI  
Tel. No. 020-282 8900 | 0703 088 900 | 0732 118 900

**J) INDEPENDENT AUDITORS**

Auditor-General  
Office Of Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084 – 00100, NAIROBI  
Telefax: 020311482: Tel. 020 342330  
Email. [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website. [www.kenao.go.ke](http://www.kenao.go.ke)



**K) PRINCIPAL LEGAL ADVISOR**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200, Nairobi, Kenya






**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**3. COUNCIL MEMBERS**

<b>Ref</b>	<b>Council Members</b>	<b>Details</b>
1.	 <b>John Karani, M.B.S Chairman</b>	He is a seasoned Pan-African Supply Chain professional with over 30 years of experience in major blue-chip multinationals among them Coca-Cola Africa, Wrigley's East Africa, Glaxo-Smithkilne, Diageo, Kenya Cooperative Creameries, and Kenya Meat Commission. Board Member/Chairman of several public & private sector organizations. He is currently a Supply Chain Consultant with several Regional & International Organizations. He is the Chairman of the Council.
2.	 <b>Jeremiah Nthusi, OGW Council Member</b>	He is a seasoned SCM practitioner with over 28 years of experience in Financial Management, Procurement & Logistics Management and a Certified Trainer of Trainers. Currently Director, SCM at the Judiciary. Pursuing PhD in SCM. He is the Chair, of the Strategy Committee of the KISM Council.
3.	 <b>Moses A. Omondi Council Member</b>	He has over 25 years' experience in SCM, Previous Head of SCM at Intercontinental Hotel & Group, Procurement Manager Access Kenya Group. Also served in Daystar University and Tibbet & Britten Africa (now DHL SCM). Serves as International Consultant with various development agencies, (past & present) UNCTAD, ESDA, USDA, IGAD, and CDE amongst others. Chairs the Registration & Licensing Committee.



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

4.	 <p><b>Maryanne Karanja</b> <b>Council Member</b></p>	<p>She is a business leader with over 20 years of track record in Supply Chain and Business strategy development and execution support across Africa. Worked with cross-functional-multi-cultural teams and in matrix organizational structures and developed an appreciation of management of multidisciplinary and diverse teams. She holds B. Com (Finance &amp; Banking major), an MBA (Henley, UK), is a Fellow of CIPS (UK) with an Accountancy qualification, CPA (K). She is a member of the Institute of Directors of Kenya (IOD) and the Women on Boards Network (WOBN). She is the Chair Disciplinary Committee</p>
5.	 <p><b>Jennifer Cirindi</b> <b>Council Member</b></p>	<p>She holds a Bachelor of Education degree and MBA. Currently the Procurement and Supplies Manager at Kenya Ports Authority. She is a qualified supply chain professional, highly impactful leader, CP3P, and member of CIPS UK with over 19 years' experience in supply chain management and Public Finance Management. She is the Chair Professional Standard Committee</p>
6.	 <p><b>Fidel Muema</b> <b>Council Member</b></p>	<p>A vibrant SCM practitioner with over 9 years' experience in Procurement &amp; Supply Chain Management and winner of the KISM Best Supply Chain Research Paper Award 2022. Currently Ag. Director, Supply Chain Management Services, Makeni County Government. He is a mentor, researcher, and consultant on AGPO and SCM best practices in both public &amp; private sector institutions. He holds a Bachelor of Science degree in Purchasing and Supplies Management, an MSc in Procurement and Logistics, a PhD in Supply Chain Management (Finalist), and a Diploma in Procurement and Supply CIPS-UK. He is the Chair Audit &amp; Risk Management Committee.</p>





**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

7.	 <p><b>Mark Kanda</b> <b>Council Member</b></p>	<p>He is a public procurement practitioner with over 17 years in supply chain management in higher institutions of learning (JKUAT) and the water sector. Currently HoP of North Rift Valley Water Works Development Agency. He holds a Master's Degree in Procurement and logistics from JKUAT and a Bachelor's degree in purchasing and supplies management from Moi University. He is the Chair Finance Corporate and Human Resource Committee</p>
8.	 <p><b>Ainea Martin Omuse</b> <b>CS National Treasury Representative</b></p>	<p>He holds a Master's Degree in Business Administration (MBA). He has undergone training on Strategic Leadership and Senior Management. Member of the following professional bodies, Institute of Certified Public Accountants (CPAK), Institute of Internal Auditors (IIA), Kenya Institute of Management (KIM), and Certified Fraud Examiners (CFE).</p>
9.	 <p><b>Henock Kirungu</b> <b>DG Public Procurement Regulatory Authority Representative</b></p>	<p>B. Com, Diploma (Supplies Mgt), MBA He has over 25-years' experience in public procurement. He has 25-year experience in public service and was involved in the development of Kenya's public procurement and asset disposal system through initiating, implementing and enforcing public procurement laws, policies, strategies and guidelines at different dispensations.</p>



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

10.	 <b>Nicholas Wafula Ag. Chief Executive Officer</b>	<p>The acting Chief Executive Officer and the KISM Finance Manager. He is a holder of Bachelor of Commerce (Finance), Certified Public Accountant (K) and a full member of ICPAK and IIAK with over 19 years of experience.</p>
11	 <b>Serah Okumu Corporation Secretary &amp; Director Legal Services</b>	<p>Ag. CEO to June 2023. She has Master of law (LLM), a Post-graduate Diploma in Law (KSL) and a Bachelor of Law (CUEA). A Licensed member of Law Society of Kenya and Institute of Certified Secretaries with over 14 years' experience.</p>





**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**4. MANAGEMENT TEAM**

Ref	Management	Details
1.		<b>CPA. Nicholas Wafula Otsieno</b> Ag. Chief Executive Officer. Prior to acting is the substantive Deputy Director, Finance and Accounts. He is a holder of Bachelor of Commerce (Finance), Certified Public Accountant (K) and a full member of ICPAK and IIAK with 19 years of experience.
2.		<b>Cs. Serah Esendi Okumu</b> Corporation Secretary and Director, Legal Services. She has Master of law (LLW), Post-graduate Diploma in Law (KSL) and Bachelor of Law (CUEA). A Licensed member of Law Society of Kenya and Institute of Certified Secretaries with 15 years experience.
1.		<b>Dr. Martin Gachukia</b> The Institute's Registrar. He has PhD (Supply Chain Management), Msc in Procurement and Logistic, Bachelor in Philosophy. He is a licensed member of Kenya Institute of Supplies Management with 14 years experience.
4.		<b>Edith Njeri Kariuki,</b> The Ag. Deputy Director Capacity Development and Accreditation. She has a Master's Degree in Communication Studies - Communication Development, Bachelor of Arts - Communication. She is a full member of PRSK.
5.		<b>CPA. Douglas Gikunda</b> Deputy Director, Internal Audit. He holds an MBA (Strategic Management), Bachelor's degree - Economics & Finance, Certified Public Accountant (K). He is a full member of ICPAK and IIAK with over 11 years of experience.
6.		<b>Chilion Ogol</b> Ag. Deputy Director Supply Chain Management. MSC Procurement and Logistics, Bachelor of Business Administration (Marketing), Diploma in Purchasing & Supplies Management, CIPS. He is a licensed member of KISM and Associate member CIPS, UK.



**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

Ref	Management	Details
7.		<b>CHRP Stella Mutanu</b> Deputy Director HR and Administration. MBA (Human Resource Management), BCOM, Certified Human Resource Professional (CHRP) and Diploma in Information Studies. She is a full member of IHRM with a Practising licence.
8.		<b>Timothy Seurey</b> Ag. Deputy Director, Standards and Compliance Holds a Master of Science degree in Procurement & Logistics, Bachelor's degree in Procurement and Supply chain Management. He is a CIPS holder and a licensed member of KISM and Quality Management System.



**5. CHAIRMAN’S STATEMENT**

In reflecting upon the performance and key highlights of 2023, KISM, the national body for professionals in procurement and supply chain management in Kenya, showcasing our achievements and challenges in the same measure by the enabling Act. The annual report provides a transparent assessment of the Institute's progress during the year, covering the impact of Council and Statutory Committees, operational and governance performance, and Management's initiatives.

The report outlines the Institute performance for the period ended 31<sup>st</sup> December 2023, highlighting the its achievements in realising its mandate. It delineates significant activities undertaken by the Institute, to provide a comprehensive overview of its financial endeavours. Internal assurance on the execution of strategic pillars is provided by the Council's Audit and Risk Committee and the Finance, Corporate Affairs, and Human Resource Committee.

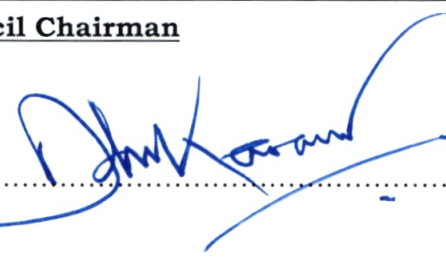
In 2023, pivotal milestones were achieved in transforming both the Institute and the Supply Chain Profession on a broader scale, underscoring the vital role of supply chain in Kenya and beyond. Notably, electronic voting in Council elections, introduced in compliance with the gazetted regulations, led to a substantial increase in voter turnout, exemplifying a commitment to enhancing member engagement.

Despite encountering challenges, such as the nullification of the Continuous Professional Development Policy due to lack of public participation, the Institute took with stride the setback as opportunities for improvement. The approval of internal policies aimed at enhancing Secretariat efficiency and performance, alongside a mid-term review of the Strategic Plan 2020-2024, underscored a commitment to strategic alignment and adaptability.

The commendable performance of 2023 demonstrates our increased compliance in license uptake and member attendance at professional development programs. However, challenges still persist, including the accumulation of pending bills related to the construction of KISM Towers. The Council and Management remains resolute in settling these bills and mitigate associated interest demands.

Looking forward to 2024, KISM's focus will include the adoption of the revised Continuous Professional Development Guidelines, continued strategic alignment through performance contracting, and diligent financial management to address outstanding liabilities effectively.

**Mr. John Karani MBS, MKISM, MCIPS**  
**Council Chairman**

Sign .....  .....

Date.....  .....



**6. REPORT OF THE CHIEF EXECUTIVE OFFICER**

In the overview of the performance for the period 2023, the Institute demonstrated its continued prowess and commendable progress, in line with its mandate. The annual report provides a transparent demonstration of the Institute's growth, indicating continued growth and increased surplus attributed to prudent implementation of cost-saving measures and meticulous financial management.

Throughout 2023, significant milestones were achieved. The Institute was categorized under category 6C by the National Treasury and acquired essential Human Resource Instruments, albeit with reservations about the initial structure. Despite this, adherence to directives has been taken up by the management and sensitizing staff to its adoption and compliance, which further necessitated new staff recruitment.

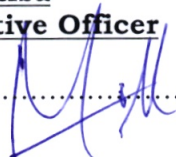
Moreover, the successful Council elections conducted, leveraged on inaugural electronic voting that realized a remarkable increase in voter turnout, thus projecting the Institute's commitment to technological advancement in the promotion of the democratic processes. Legislative advancements were also notable, with the Supply Chain Professionals Management Bill progressing through stages in the National Assembly, alongside redrafting and approval of the Continuous Professional Development guidelines.


In the realm of Capacity Development, inaugural conferences bringing together the Heads of Procurement graced by the Head of Public Service and the National Dialogue Conference graced by H.E. Deputy President of the Republic of Kenya, Hon Rigathi Gachagua as Chief Guest significantly contributed to the surplus, drawing esteemed attendees and reflecting enhanced marketing efforts by the Secretariat.

Financially, diligent controls and policy implementations led to a surplus of KShs 26.5M, primarily attributed by the increased income streams and improved revenue collection. Efforts to settle outstanding trade payables and enhance credit controls have been prioritized, with a focus on reducing exposure to enhance financial probity. Additionally, training initiatives such as the Sustainable Procurement module underscore the Institute's commitment to embrace sustainable procurement practices, ensuring relevance and leadership in contemporary supply chain management paradigms.

Overall, the accomplishments of 2023 signify a platform for continued growth and excellence in fulfilling the Institute's vision to promote professionalism in supply chain management that instills stakeholders' confidence for a prosperous trajectory.

**Kenneth Matiba**  
**Chief Executive Officer**

Sign ..... 

Date ..... 



## **Annual Report and Financial Statements For the Year ended 31st December, 2023**

---

### **7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023**

The strategic plan delineates strategic initiatives and activities within various strategic objectives aligned with corresponding strategic focus areas. Each initiative will be clearly defined with a RACI framework to ensure accountability throughout implementation, monitoring, evaluation, and follow-up.

Strategic Focus Area 1: Seamless Member Onboarding

Strategic Focus Area 2: Membership Discipline

Strategic Focus Area 3: Regulation of Practitioners

Strategic Focus Area 4: Membership Welfare and Advocacy

Strategic Focus Area 5: Financial Sustainability

Strategic Focus Area 6: Institutional Strengthening

Strategic Focus Area 7: Training and Professional Capacity Development

KISM constructs its annual work plans based on the aforementioned strategic plan spanning 2020 to 2024, with pillars corresponding to the listed strategic focus areas. Quarterly assessments evaluate the Council's performance against its annual work plan. KISM successfully attained its performance targets for the FY 2023 period aligned with its 2020 - 2024 strategic pillars.

#### **i) PROGRAMME AND PERFORMANCE REVIEW 2023**

The following table illustrates the performance of each functional and strategic business unit throughout the specified period. The report delineates performance metrics by assessing key outputs and indicators of programs and sub-programs against predetermined targets. Additionally, it evaluates financial performance and examines the progress of the construction of KISM Towers for the Institute during the reviewed period.

In 2023, the Institute established multiple targets as key performance indicators, as detailed below:



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Ensure seamless onboarding of members	<ul style="list-style-type: none"> <li>• Growth in membership and licensed practitioners</li> <li>• Sustained compliance levels</li> </ul>	<ul style="list-style-type: none"> <li>• Renewal of 9,000 members</li> <li>• Increased membership to 10,000</li> <li>• License all members 9,000</li> <li>• Automation of member processes</li> </ul>	<ul style="list-style-type: none"> <li>• Grow membership base</li> <li>• Register 100% CPS Finalists</li> <li>• Establish robust member recruitment initiatives</li> <li>• Compliance assessments,</li> <li>• Publish all the licensed and registered member</li> <li>• Hold customer service events</li> <li>• automate all member application and onboarding</li> </ul>	<ul style="list-style-type: none"> <li>• Membership 8,584</li> <li>• Licensed 2,762 (individual and firm)</li> <li>• Visited by Meru Polytechnic, Maseno University, Kitale Polytechnic, Eldoret Polytechnic</li> <li>• Held 2 customer service week</li> <li>• Fully automated self-service portal</li> </ul>
Pillar 2: Membership Discipline	Enforce compliance to Disciplinary Policy, Code of Ethics, Regulations Guidelines and Standards of Professional Practice	<ul style="list-style-type: none"> <li>• Investigation reports,</li> <li>• Interview reports,</li> <li>• Letters to all MDA's and County Government/Government agencies</li> <li>• Sensitisation reports,</li> <li>• Implementation of the Code of Ethics and Disciplinary Policy and Procedures, Standards of Professional Practice,</li> <li>• Advisories to recruiting agencies;</li> <li>• Reconstitution of the Disciplinary Committee Fellowship Policy</li> <li>• RPL Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Investigate all reported cases of professional misconduct and conduct disciplinary proceedings where necessary</li> <li>• Continuously sensitize members on the SPMA, and other rules, laws and regulations applicable to members;</li> <li>• Implement the Code of Ethics and Disciplinary Policy and Procedures,</li> <li>• Develop Standards of Professional Practice</li> </ul>	<ul style="list-style-type: none"> <li>• Reconstituted the Disciplinary Committee, and trained;</li> <li>• Trained on alternative dispute resolution and</li> <li>• Development of the Fellowship Policy</li> <li>• Adoption of a team to extensively review the RPL Policy</li> <li>• Implementation of the Code of Ethics and Disciplinary Policy and Procedures;</li> </ul>



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 3: Regulation of Practitioners	safeguard the public interest through regulation	<ul style="list-style-type: none"> <li>Standards of Professional Practice;</li> <li>Legal regime,</li> <li>Brand Survey report</li> </ul>	<ul style="list-style-type: none"> <li>Develop the Standards of Professional Practice,</li> <li>Competency audit</li> <li>Review SPMA, 2007 to align to the Constitution, 2010</li> <li>Conduct a Brand Survey</li> </ul>	<ul style="list-style-type: none"> <li>Developed draft Standards of Professional Practice</li> <li>Conducted a Brand Survey</li> <li>Draft SCM Practitioners Bill, 2023</li> </ul>
Pillar 4: Membership Welfare and Advocacy	Review the Institute's membership welfare and enhance the SCM Brand through strategic partnerships, devolution.	<ul style="list-style-type: none"> <li>SPURS Awards;</li> <li>Corporate visits</li> <li>Sensitization on Compliance</li> <li>Regional Chapters</li> </ul>	<ul style="list-style-type: none"> <li>Organise and convene SPURS Awards and Dinner;</li> <li>Develop SPURS Awards Policy</li> <li>Conduct corporate visits</li> <li>sensitization on Compliance</li> <li>Public Participation on Regional Chapter Policy</li> </ul>	<ul style="list-style-type: none"> <li>Convened the 4<sup>th</sup> SPURS Awards and Dinner on 8<sup>th</sup> December 2023 with 43 entries;</li> <li>Developed SPURS Awards Policy</li> <li>15 Corporate visits,</li> <li>Members sensitized on compliance</li> <li>Regional Chapter Policy developed</li> <li>Students forum at Maseno University</li> </ul>
Pillar 5: Financial Sustainability	Enhance financial probity through revenue maximization and prudent utilization of resources	<ul style="list-style-type: none"> <li>Grow income by 25%</li> <li>Optimise utilization of the budget</li> </ul>	<ul style="list-style-type: none"> <li>Diversify revenue streams;</li> <li>Control costs and reduce wastage</li> </ul>	<ul style="list-style-type: none"> <li>Rental income</li> <li>Increased revenue growth from membership, Licenses and workshops</li> <li>sustained productivity levels and in keeping with the industry trends kept the labour ratio within the 35% ration</li> <li>Enhanced business opportunities from both conventional and emerging markets to sustain the growth trajectories which</li> </ul>



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
				kept the OPEX ratio within reach of the strategic levels of 55%
Pillar 6: Institutional Strengthening	Strengthen the capacity of the institute in line with the relevant regulations to support its delivery of its mandate.	<ul style="list-style-type: none"> <li>• Net Promoter Index</li> <li>• Governance instruments</li> <li>• Staff Satisfaction Index</li> <li>• Infrastructure</li> <li>• Benchmarking reports</li> <li>• Recruitment of additional staff</li> <li>• Corporate Social Responsibility</li> <li>• MoUs and Collaboration Agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Develop manuals and Governance instruments- Diversity and Inclusivity, Succession Planning Policy and Work-Life Balance Policy, Communication Policy</li> <li>• Follow up approvals on categorisation</li> <li>• Operationalise the KISM School</li> <li>• Undertake recruitment of staff</li> <li>• Undertake benchmarking</li> <li>• Establish a structured approach for KISM model of community engagement</li> <li>• Negotiate and collaborate with Strategic Partners and other agencies/stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• operationalised all approved policies</li> <li>• Institute categorisation and Implementation of the HR Instruments</li> <li>• Internally assessed positions that required additional personnel and deployed 10 staff to various positions on permanent and pensionable terms</li> <li>• School partitioning</li> <li>• Upgraded ICT System and purchase of ICT equipment</li> <li>• Benchmarking locally with IHRM, ICPAK, ICS and internationally, IFPSM</li> <li>• Partnered with SIDA, Malawi Institute of Procurement, CARRISCA, ICS, CiARB, Strathmore University, Fortinus</li> <li>• Tree planting in partnership with the National Treasury on the 7<sup>th</sup> Edition at Kaptagat Forest (122 seedlings planted)</li> <li>• Involvement of staff in the Brand Survey</li> </ul>



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 7: Training and Professional Capacity Development	Develop Proficiency of the supply chain professionals	<ul style="list-style-type: none"> <li>• Quality training programs</li> <li>• 25 Hybrid training Programs</li> <li>• 4000 supply chain professionals trained</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and administer annual market driven CPD programs</li> <li>• Continuously review the CPD Policy</li> <li>• Organise at least two specialised workshops</li> <li>• Market the training programs</li> <li>• Develop the capacity of trainers</li> <li>• Evaluate the training programs and trainers</li> </ul>	<ul style="list-style-type: none"> <li>• 25 training programs held physically and 26 held virtually</li> <li>• 45 inhouse trainings with 1401 professionals trained</li> <li>• 51 training programs mounted across the country with total participation of 7329 professionals trained.</li> <li>• 1 ToT held</li> <li>• Reviewed CPD Guidelines to address emerging issues and align with Statutory requirements</li> <li>• Undertook specialised workshops in HealthCare, water sector, construction and upcoming professionals</li> <li>• 93 facilitators/trainers and programs evaluated by participants</li> </ul>



## Annual Report and Financial Statements For the Year ended 31st December, 2023

### 7. CORPORATE GOVERNANCE STATEMENT

#### 7.1 Role of the Council

The Kenya Institute of Supplies Management upholds the highest standards of corporate governance and ethical conduct in fulfilling its duties. Recognizing its diverse stakeholders, particularly its members and government agencies, the Institute adheres to its obligations outlined in the Supplies Practitioners Management Act of 2007. The Council holds responsibility for overseeing the governance of the Institute.

Guided by the Mwongozo Code of Governance, the Council ensures the proper management of Institute affairs, including policy development, strategic planning, performance monitoring, finance, audit, human resources, equality, diversity, member welfare, and officer appointments. To facilitate efficient operation, the Council has established several committees: the Full Council consisting of all Council members, the Audit Committee, Finance, Corporate Affairs, and Human Resource Committee, the Professional Standards Committee, and the Strategy Committee. These committees report their findings and recommendations to the Full Council, presented by their respective Chairpersons. The execution of Council resolutions is the responsibility of the Council Secretary, who serves as the Chief Executive Officer through the Institute Management Board.

Following the expiration of the term of the retiring Council members on January 9, 2023, newly elected Council members assumed their positions on January 24, 2023.

#### 7.2 Council Terms

S/N	COUNCIL MEMBER	POSITION	APPOINTMENT	EXIT	TERM
1.	Mr. John Karani MBS	Chairman	24.01.23	23.01.26	3 years
2.	Mr. Moses Omondi	Elected Member			
3.	Mr. Jeremiah Nthusi OGW				
4.	Ms. Maryanne Karanja				
5.	Ms. Jennifer Cirindi				
6.	Mr. Mark Kanda				
7.	Mr. Fidel Muema				
8.	Mr. Henock Kirungu	PPRA Representative	14.01.20		
9.	Mr. Martin Omuse	National Treasury Representative	01.08.22		



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**7.3 COUNCIL COMMITTEES & MEMBERSHIP FY 2023**

<b>COUNCIL COMMITTEE</b>	<b>DESCRIPTION</b>	<b>MEMBERSHIP</b>
<i>Finance, Corporate Affairs &amp; Human Resource Committee</i>	This committee provides oversight with respect to the financial, administrative and human resource policies of the Institute. It formulates and makes recommendations on budgets, asset management, financial transactions, recruitment and general management of staff-related issues.	<ol style="list-style-type: none"> <li>1. Mark Kanda – Chairperson</li> <li>2. Moses Omondi – Member</li> <li>3. Martin Omuse – Member</li> <li>4. Nicholas Wafula - Secretary</li> </ol>
<i>Professional Standard's Committee</i>	Responsible for promoting capacity development in the procurement and supply chain management profession by developing policies and providing oversight in training and research. It also assesses the syllabus, conducts equivalency and develops Continuous Professional Development (CPD) programs.	<ol style="list-style-type: none"> <li>1. Jennifer Cirindi – Chairperson</li> <li>2. Fidel Muema – Member</li> <li>3. Henock Kirungu – Member</li> <li>4. Nicholas Wafula - Secretary</li> </ol>
<i>Strategy Committee</i>	This committee spearheads the oversight of the implementation of the strategic plan and overall performance management. It monitors key strategy matters of concern to the Institute.	<ol style="list-style-type: none"> <li>1. Jeremiah Nthusi, OGW – Chairperson</li> <li>2. Mark Kanda – Member</li> <li>3. Henock Kirungu – Member</li> <li>4. Nicholas Wafula - Secretary</li> </ol>



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

<b>COUNCIL COMMITTEE</b>	<b>DESCRIPTION</b>	<b>MEMBERSHIP</b>
<i>Audit Committee</i>	The committee has oversight over policies governing internal controls in all functions and processes. It develops audit strategies and enforces audit controls, reviews reports on internal audits then advices on appropriate interventions.	<ol style="list-style-type: none"><li>1. Fidel Muema – Chairperson</li><li>2. Maryanne Karanja – Member</li><li>3. Martin Omuse – Member</li><li>4. Douglas Gikunda - Secretary</li></ol>
<i>Full Council</i>	The full board membership responsible for approving policies and undertaking the oversight role in management of the Institute’s affairs.	<ol style="list-style-type: none"><li>1. Mr. John Karani MBS – Chairperson</li><li>2. Moses Omondi - Member</li><li>3. Jeremiah Nthusi, OGW–Member</li><li>4. Mark Kanda - Member</li><li>5. Fidel Muema - Member</li><li>6. Maryanne Karanja - Member</li><li>7. Jennifer Cirindi - Member</li><li>8. Henock Kirungu – Member</li><li>9. Martin Ainea Omuse - Member</li></ol>



**7.4 STATUTORY COMMITTEES & MEMBERSHIP FOR THE FY 2023**

<b>COUNCIL COMMITTEE</b>	<b>DESCRIPTION</b>	<b>MEMBERSHIP</b>
<i>Registration Committee</i>	This committee has the mandate to receive and approve applications for registration, grant practicing certificates and licenses, monitor compliance of professional standards, prescribe quality assurance regulations, and investigate members' conduct.	<ol style="list-style-type: none"> <li>1. Moses Omondi – Chair</li> <li>2. Paul Nthiga - Member</li> <li>3. Samson Mugwe - Member</li> <li>4. Hosea Kemboi - Member</li> <li>5. Joyce Simiyu - Member</li> <li>6. Peter Ndung'u – Member</li> <li>7. Mercy Mburugu – Member</li> <li>8. Dr. Martin Gachukia – Registrar/ Secretary</li> </ol>
<i>Disciplinary Committee</i>	This committee receives and investigates complaints against supplies practitioners. It has the mandate to remove from the register, or suspend registration or, revoke practicing licenses of supplies practitioners or impose fines.	<ol style="list-style-type: none"> <li>1. Maryanne Karanja - Chair</li> <li>2. Judith Chimau - Member</li> <li>3. Samson Masila – Member</li> <li>4. Evans Ongati - Member</li> <li>5. Kennedy Ariembi - Member</li> <li>6. Thomas Otieno – Member</li> <li>7. Rebecca Mutia - Member</li> <li>8. Paraag Devani - Member</li> <li>9. Nicholas Wafula - Secretary</li> </ol>



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**7.5 COUNCIL COMMITTEES & MEMBERSHIP FY 2023**

<b>FULL COUNCIL</b>			
<b>Name</b>	<b>Role</b>	<b>When appointed</b>	<b>Meetings attended</b>
John Karani MBS	Chair	24.01.2023	17/17
Jeremiah Nthusi OGW	Member	24.01.2023	14/17
Moses Omondi	Member	24.01.2023	16/17
Mark Kanda	Member	24.01.2023	17/17
Fidel Muema	Member	24.01.2023	16/17
Jennifer Cirindi	Member	24.01.2023	15/17
Maryanne Karanja	Member	24.01.2023	13/17
Ainea Martin Omuse	Member	24.01.2023	15/17
Henock Kirungu	Member	24.01.2023	13/17
Nicholas Wafula	Member	24.01.2023	5/17
Serah Okumu	Member	24.01.2023	9/17
Patrick Wanjuki	Member	24.01.2023	1/17

<b>Registration Committee</b>			
<b>Name</b>	<b>Role</b>	<b>When appointed</b>	<b>Meetings attended</b>
Moses Omondi	Chair	24.01.2023	12/13
Samson Mugwe	Member	24.01.2023	10/13
Paul Nthiga	Member	24.01.2023	13/13
Hosea Kemboi	Member	24.01.2023	12/13
Joyce Simiyu	Member	24.01.2023	12/13
Peter Ndungu	Member	24.01.2023	5/13
Mercy Mburugu	Member	24.01.2023	8/13

<b>Disciplinary Committee</b>			
<b>Name</b>	<b>Role</b>	<b>When appointed</b>	<b>Meetings attended</b>
Maryanne Karanja	Chair	24.01.2023	1/1
Paraag Devani	Member	24.01.2023	1/1
Judith Chimau	Member	24.01.2023	1/1
Samson Masila	Member	24.01.2023	1/1
Kennedy Ariembi	Member	24.01.2023	1/1
Evance Ongati	Member	24.01.2023	1/1
Lawrence Gumbe	Member	24.01.2023	1/1
Rebecca Mutia	Member	24.01.2023	1/1
Nicholas Wafula	Member	24.01.2023	1/1



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

<b>Professional Standards Committee</b>			
<b>NAME</b>	<b>Role</b>	<b>When Appointed</b>	<b>Meeting Attendance</b>
Jeniffer Cirindi	Chair	24.01.2023	5/5
Henock Kirungu	Member	24.01.2023	5/5
Fidel Muema	Member	24.01.2023	5/5
Nicholas Wafula	Member	24.01.2023	2/5
Serah Okumu	Member	24.01.2023	3/5

<b>STRATEGY COMMITTEE</b>			
<b>Name</b>	<b>Role</b>	<b>When appointed</b>	<b>Meetings attended</b>
Jeremiah Nthusi OGW	Chair	24.01.2023	3/3
Henock Kirungu	member	24.01.2023	3/3
Mark Kanda	member	24.01.2023	3/3
Nicholas Wafula	member	24.01.2023	2/3
Serah Okumu	member	24.01.2023	1/3

<b>AUDIT &amp; RISK MANAGEMENT COMMITTEE</b>			
<b>Name</b>	<b>Role</b>	<b>When appointed</b>	<b>Meeting attended</b>
Fidel Muema	Chair	24.01.2023	6/6
Ainea Martin Omuse	Member	24.01.2023	6/6
Maryanne Karanja	Member	24.01.2023	6/6
Douglas Gikunda	Member	24.01.2023	6/6

<b>FINANCE CORPORATE AFFAIRS &amp; HUMAN RESOURCE COMMITTEE</b>			
<b>Committee Members</b>	<b>Role</b>	<b>When Appointed</b>	<b>Meeting Attendance</b>
Mark Kanda	Chair	24.01.2023	11/11
Moses Omondi	Member	24.01.2023	11/11
Ainea Martin Omuse	Member	24.01.2023	11/11
Nicholas Wafula	Member		6/11
Serah Esendi	Member		3/11

**7.6 ROLES AND FUNCTIONS OF THE COUNCIL AND ITS COMMITTEES**

The roles and functions of the Council are centred on Strategic Direction, Recruitment, Research, Education, Financial and Capital Oversight, Ethical Standards, Corporate Governance and Regulatory Compliance, Risk Oversight and Stakeholder Management. The Council Committees have been apportioned the above roles to ensure that the Council delivers on its mandate.



## Annual Report and Financial Statements For the Year ended 31st December, 2023

### 7.7 BOARD REMUNERATION

The Council receives remuneration as per the set Government Guidelines. During the FY2023 Council members were paid sitting, subsistence and travel allowances as per the Government approved rates.

### 7.8 BOARD EVALUATION

Corporate governance best practices require that the Board conduct self-evaluation of its performance on an annual basis. Further, Mwongozo, the Code of Governance State Corporations, requires that Board carry out annual performance evaluation and file a report thereof with the parent Ministry and the State Corporations Advisory Committee (SCAC). The Kenya Institute of Supplies Management (KISM) Board self-evaluation for the year 2022/2023 was undertaken by SCAC. The evaluation was conducted as a self/peer review with each Board Member completing a form for the Board, the Chairperson, CEO, Corporation Secretary and the Internal Auditor. The results were analysed to obtain a mean score on each rated item and thereafter the results transcribed and presented herein as follows: -

Ref	Name	Position	Raw Score	% Score
1	JOHN NDIWA KARANI, MBS	Chairperson	4.60	92.00
2	CPA. AINEA MARTIN OMUSE	Member	4.39	87.83
3	HENOCK KOROSSO KIRUNGU	Member	4.48	89.67
4	JEREMIAH KIIO NTHUSI, OGW	Member	4.54	90.83
5	MOSES ALLAN OMONDI	Member	4.58	91.50
6	SERAH ESENDI OKUMU	Ag. CEO	4.53	90.56
<b>CORPORATE BOARD PERFORMANCE</b>			4.66	90.40



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

The Kenya Institute of Supplies Management (KISM) plays a pivotal role in shaping the landscape of procurement through various initiatives.

One such initiative is the

**Registration of Members**, which involves strategic advocacy for procurement laws and the provision of guidance on organizational reporting structures to enhance procurement efficiency. This ongoing effort has led to a significant increase in KISM's membership base, with the Full Member category expanding from 6,080 to 8,584 members.

**Licensing of Practitioners** is another critical aspect of KISM's endeavors. By facilitating the licensing process, KISM aims to enhance the recognition and authority of procurement professionals within organizations. This not only elevates the procurement role but also contributes to the regulation of procurement practices. Over the course of 2022 to 2023, the number of individual practitioners license grew from 2,309 to 2,751, signifying a positive trend in the professionalization of procurement.

Furthermore, KISM provides Opportunities for Licensed Firms and Individuals, serving as a conduit between organizations seeking procurement services and licensed professionals capable of providing them. Organizations frequently seek lists of licensed firms and individuals from KISM, indicating a growing acceptance and compliance with the Public Procurement and Asset Disposal Act (PPADA). Additionally, KISM encourages licensed individuals interested in offering advisory services to entities to register their interest with the institute, further bolstering the pool of qualified procurement experts.

**Continuing Professional Development (CPD) Workshops** constitute another cornerstone of KISM's efforts to enhance professional skills and knowledge in procurement. With an annual offering of between twenty and twenty-five workshops, KISM provides professionals with opportunities for continuous learning and skill enhancement. In the past year alone, the institute successfully conducted 25 workshops, underscoring its commitment to fostering a culture of learning and development within the procurement community.



**Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**SECTION A: THE ENTITY FINANCIAL AND OPERATIONAL PERFORMANCE**

KPI'S	2023	2022	EXPLANATION
GOK Grants	49.08M	55.98M	The recurrent grant dropped by 9.8% due to budget cuts from the national government. This led to reduction in recurrent expenditures cutting across all government entities.
Membership Income	50.03M	46.7M	There was an increase of 4% in membership income following enhanced campaigns on renewals and licenses and key partnerships during the year.
Workshop Income	215.4M	177.2M	There was an increase of 22% due to marketing of CPD trainings that resulted in increased attendance in trainings as compared to 2022. Additional trainings conducted during the year included the heads of procurement forum and national dialogue.
Rental Income	20.03M	16.3M	There was increased uptake and onboarding of new tenants in the building. New tenants onboarded during the year resulted in increased income
Council Expenses	32.57M	20.5M	Notably, the Council has six (6) committees against the maximum of four (4) prescribed in Mwongozo. The extra two include the Registration and Disciplinary Committee which are statutory and operational hence the many activities. There was an increase of 58.9% due to increased activities by the council. These endeavors played a crucial role in driving forward the Institute's business objectives. They included tasks such as drafting legal instruments for the review of the enabling Act, providing training and induction for the new Council members, and engaging with additional stakeholders, including the Office of the President. Notably, the participation of the Head of Public Service and the Deputy President in these commercial activities underscored their importance and necessitated the involvement of the Council. The additional expenditure approval was sought from the National Treasury and Economic Planning.
Employment costs	61.94M	55.4M	The increase of 5% was occasioned by the recruitment of additional staff to the institute.
Trade Payables	308.05M	332.7M	There was a decrease of 23% in trade payables following increased absorption of the GoK grants used in the settlement of the Contractors' pending bills. Contractors pending bills form the largest part of the pending bills.
Non-Current Assets	1,249M	1,268M	The decrease in the non-current assets takes into account time and thus provision of wear and tear and depreciation of the building.
Trade Receivables	168.8M	126.2M	The increase in receivables was largely contributed by the increased programs taken up during the year. However, efforts to minimize the exposure are underway to ensure a contained level of losses as a result of bad debts.
Cash and Bank Balances	76.8M	69.6M	Increased cash and bank balances is a result of increased business in the year and collections realized in the year.



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

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

The Institute maintain its focus on sustainability as one of the key actors in public finance management reforms, to contribute to government policy direction on procurement. The growth is credited to its focus on financial probity and support from its key markets. The Institute in partnership with SIDA and PPRA developed the first cohort of trainees on Sustainability programs to support the agenda on Climate Smart Infrastructure and COP21 Agenda.

### **ii) Environmental performance**

The adoption of paperless office communication, member onboarding through the self-service portal that allows them to access soft copy invoices, communication, receipts and statements. Generation of quick response codes blasted to delegates; reuse of delegates identification tags holders in the subsequent training. Adoption of vendors who subscribed to environmental sustainability. Hotels are required as part of the process in sourcing to supply products in both biodegradable and reusable bottles. Participation in the National tree planting initiative.

### **iii) Employee welfare**

In addition to qualifications and experience the Institute subjects all candidates to gender, ethnic background and disability checks in recruitment with a summary of staff composition prepared monthly. The Institute's policy on reward, recognition and sanction is used in performance management. Performance appraisals are carried out annually with a midterm review to establish any shortcomings and recommend interventions. The appraisal interventions include capacity building, coaching, counselling and mentorship. The institute has Occupational Safety and Health policy which implements the OSH Act 2007 fully.

### **iv) Marketplace practices**

#### **a) Responsible Competition Practice**

The Institute ensures that there is healthy competition among the supply chain Practitioners through the standards. It has Policy on bribery and Corruption Prevention, which has been used to develop Procedure and identify possible risks then established a reporting mechanism. The institute during the period under review entered into strategic partnerships aligned to strategic goals and aspirations: A number of visits courtesy calls to consumers of the services were carried out.



## **Annual Report and Financial Statements For the Year ended 31st December, 2023**

---

### **b) Responsible Supply Chain and Supplier Relations**

The institute has implemented various government requirements by implementing 30% Access to Government Procurement Opportunities, Promotional of local content, Implementation of the institute sustainability strategies and Framework contracts. The institute has continuously honoured its obligations to their suppliers.

### **c) Responsible Marketing and Advertising**

The institute undertook Public Relations activities to enhance visibility and communicate it activities to the wider membership and general public. Some of the media exploited took in to account the unique market requirements and the nature and form of the information.

### **d) Product Stewardship**

The institute's customers are mainly institutions and Supply Chain Practitioners whose rights and interests are protected through the SPMA and citizen service charter.

### **v) Corporate Social Responsibility / Community Engagement**

#### **Mentorship Programs**

The mentorship initiative was introduced to cultivate a cohort of young professionals equipped with the necessary skills to thrive in the professional arena. Its aim is to bridge the gap between theoretical knowledge and practical application, a challenge often faced by educational institutions. Specifically tailored to address the deficiency in practical skills among graduates entering the supply chain industry, the Mentorship program facilitates a seamless transition from academia to the workplace. The KISM Mentorship, Coaching, and Internship Program (KMCIP) policy was formulated by the Strategy Committee and officially unveiled at the KISM Spurs SCM Excellence Awards 2023 Gala Dinner.

#### **CSR Activities and Community/public engagement**

KISM has prepared various policies and laws that have included public participation. The Supplies Practitioners Management Act 2007 was reviewed to comply with the 2010 constitution with views collected from Kenya Law Reform Commission, National Treasury, Kenya Law Reform, and the KISM members incorporated in the final document. In response to Court ruling on the CPD Policy, the Institute undertook review of the Policy to align to the Statutory instruments. The document has been subjected to public participation whose feedback had been incorporated in the revised Guidelines. Further, the Institute through Stakeholder participation has developed draft RPL Policy and Fellowship Instructive Guidelines that would inform the Statutory instruments to recognise outstanding member contribution into the profession.

As a key actor in Supply Chain Management profession, the Institute has contributed to Government Policy and continuously supports Public Finance Management Reforms in the Country



## Annual Report and Financial Statements For the Year ended 31st December, 2023

### 10. REPORT OF THE COUNCIL

The Directors submit their report together with the audited financial statements for the year ended December 31st, 2023, which show the state of the Institute's affairs.

#### i) Principal activities

The principal activities of the Kenya Institute of Supplies Management are detailed on page 1 in key Institute information

#### ii) Results

The results of the Institute for the year ended December 31<sup>st</sup> 2023, are set out on pages 1 - 6

#### iii) Directors

The members of the Council who served during the year are shown on page viii to x. During the year 2023, all the Council members assumed office following the election held from 11th to 13th<sup>th</sup> January 2023

#### iv) Surplus remission

Kenya Institute of Supplies Management is a semi-autonomous government agency, whose core activity is to regulate procurement and supply chain practitioners. To augment its management the Institute conducts continuous professional development programs together with membership subscriptions. At the infancy stage, the Institute approached the National Treasury for seed capital to develop its critical mass for self-sustenance. The support was granted and expected in the foreseeable future.

#### v) Auditors

The Auditor-General is responsible for the statutory audit of the Kenya Institute of Supplies Management in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *Kenya Institute of Supplies Management* for the year ended December 31, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Council

Name

for: Corporation Secretary



## Annual Report and Financial Statements For the Year ended 31st December, 2023

### 11. STATEMENT OF COUNCIL RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2) require the Directors to prepare financial statements in respect of Kenya Institute of Supplies Management, which give a true and fair view of the state of affairs of the Kenya Institute of Supplies Management at the end of the financial year/period and the operating results of the Kenya Institute of Supplies Management for that year/period. The Directors are also required to ensure that the Kenya Institute of Supplies Management keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kenya Institute of Supplies Management. The Directors are also responsible for safeguarding the assets of the Kenya Institute of Supplies Management.

The Directors are responsible for the preparation and presentation of the Kenya Institute of Supplies Management's financial statements, which give a true and fair view of the state of affairs of the Kenya Institute of Supplies Management for and as at the end of the financial year (period) ended on December 31, 2023. 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 Kenya Institute of Supplies Management;
- (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 Kenya Institute of Supplies Management;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Kenya Institute of Supplies Management'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 and Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2). The Directors think that the Kenya Institute of Supplies Management's financial statements give a true and fair view of the state of Kenya Institute of Supplies Management's transactions during the financial year ended 31<sup>st</sup> December, 2023, and of the Kenya Institute of Supplies Management's financial position as at that date.




## Annual Report and Financial Statements For the Year ended 31st December, 2023

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

The Council remains confident in the Institute's overall financial strength despite its current working capital and is committed to implementing measures to bolster the Institute's working capital and liquidity position, to ensure the Institute operates as a going concern for at least the next twelve months from the date of this statement.

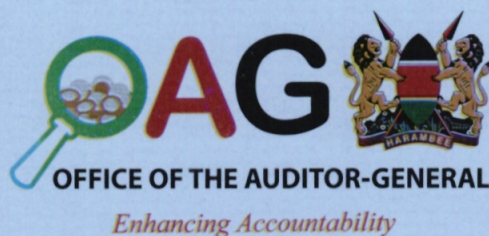
### Approval of the financial statements

The Kenya Institute of Supplies Management's financial statements were approved by the Council on \_\_\_\_\_ 2024 and signed on its behalf by:

  
Name: Josph Karani  
Chairperson of the Council

  
Name: \_\_\_\_\_  
Accounting Officer

# 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 KENYA INSTITUTE OF SUPPLIES MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER, 2023

---

### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute of Supplies Management set out on pages 1 to 42, which comprise of the statement of financial

position as at 31 December, 2023 and the statement of financial performance, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Supplies Management as at 31 December, 2023 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 comply with the Supplies Practitioners Management Act, 2007 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracy in Cash and Cash Equivalents Balance**

The statement cash flows reflects the opening cash and cash equivalents balance as at 01 January, 2023 of Kshs.69,592,032 while the closing balance as per the audited financial statements was Kshs.69,079,013 resulting in unreconciled variance of Kshs.513,019.

In the circumstances, the completeness and accuracy of cash and cash equivalents could not be confirmed.

#### **2. Accuracy of Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions of Kshs.168,820,060 as disclosed in Note 16 to the financial statements. The ageing analysis reflects amount of Kshs.95,582,307 or 57% which has been outstanding for more than 60 days. Management did not recognize loss allowance for expected credit losses in the financial statements. This is contrary to provisions of paragraph 73 of International Public Sector Accounting Standard (IPSAS) 41, which states that an entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

In the circumstances, the completeness and accuracy of receivables from exchange transactions balance of Kshs.168,820,060 could not be confirmed.

#### **3.Unsupported Deferred Income – Asset Grant Balances**

The statement of financial position reflects deferred income-asset grant (current portion) balance of Kshs.17,648,356 and asset grant-deferred asset (non-current portion) balance of Kshs.793,425,879 as disclosed in Note 20 to the financial statements. However,

schedules for each class of asset indicating the assets historical values, accumulated amortization brought forward, amortization for the year and deferred income at the end of the year were not provided for audit.

In the circumstances, the completeness and accuracy of deferred income – asset grant balance of Kshs.17,648,356 and asset grant – deferred asset balance of Kshs.793,425,879 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Institute of Supplies Management in accordance with ISSAI 130 on the 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 qualified opinion.

## **Emphasis of Matter**

### **1. Material Uncertainty Relating to Going Concern**

The statement of financial position reflects total current assets and current liabilities of Kshs.245,638,486 and Kshs.325,703,952 respectively, resulting to a negative working capital of Kshs.80,065,466. This is an indication that the Institute may not be able to settle liabilities when they fall due. Although Management explained that the payables related to contractors involved in construction of a building that generate rental incomes and that it has sought support from The National Treasury and Economic Planning, the liabilities continue to accrue.

### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipt of Kshs.333,224,742 and Kshs.311,517,566 respectively resulting to budget under-performance of Kshs.21,707,176 or 7% of the budget. However, the Institute spent a total of Kshs.256,343,879 (excluding depreciation) compared to the actual receipts of Kshs.311,517,566 resulting to under-utilization Kshs.55,173,687 or 18% of the actual receipts.

The under-performance and under-utilization affected planned activities and may have impacted negatively on the Institute's service delivery.

My opinion is not modified in respect of these matters.

## **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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Non-Compliance with Budget Ceiling on Council Expenses**

The statement of financial performance reflects council expenses of Kshs.32,570,871 as disclosed in Note 12 to the financial statements. The amount represents eleven percent 11% of the total expenditure of Kshs.285,049,731 incurred during the financial year. Management attributed the excess expenditure to unplanned activities of the Institute which were essential to drive business initiatives. However, non-compliance with budget ceiling is contrary to the provisions of Circular no OP/CAB.9/1A of 11 March, 2020 which requires Management to cap Council expenses at Kshs.30 million or 5% of the operations and maintenance budget of the Institute, whichever is less and any exceeding budgets shall require approval of the Cabinet Secretary for The National Treasury.

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

### **2. Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.308,055,595 as disclosed in Note 19 to the financial statements. Ageing analysis provided for audit revealed that creditors with balances totalling Kshs.163,980,961 representing 53% of the payables had been outstanding for over 60 days. Further, payables amounting to Kshs.8,025,220 remained outstanding for more than one year. Although Management indicated that the payables related to contractors involved in construction of a building that generates rental incomes and that it has sought support from The National Treasury and Economic Planning, the payables continue to accrue. This is contrary to provisions of Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020, which requires an entity to make prompt payment within sixty days from the date of receipt of the invoice.

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

### **3. Non-Compliance with the One-Third of Basic Salary Rule**

During the year under review, five (5) employees earned a net salary less than one-third ( $\frac{1}{3}$ ) of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007

which states that all deductions made by an employer from the wages or salaries of his employees at any one time shall not exceed two thirds of such wages or salaries.

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

#### **4. Issuance of Supplies Practitioner's Licenses**

Review of the list of all supplies practitioners' licenses issued during the year revealed that a total of 2,762 licenses were issued. Examination of all the licenses revealed that they were signed by the Chairman of the Council and Chair of the Registration Committee. This was contrary to provisions of Regulation 26(2) of the Supplies Practitioners Management (Registration and Licencing) Regulations, 2015 and the Kenya Institute of Supplies Management career guidelines, 2023 which requires the certificates to be signed by the Chairman - Registration and Secretary (the registrar).

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for 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 controls, 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 the Management and the Council**

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 controls 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, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability 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 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Council is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how 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 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 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 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 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 scepticism 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 Management.
- Conclude on the appropriateness of 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, SBS  
AUDITOR-GENERAL

Nairobi

05 September, 2024

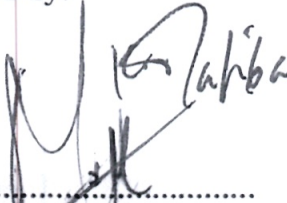


**Kenya Institute of Supplies Management**  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

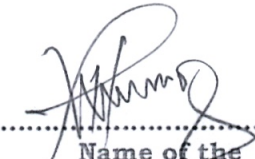
**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Notes	2023	2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	6	-	-
Grants from Partners	7	-	-
<b>Revenue from exchange transactions</b>			
Membership Subscriptions	8	50,034,700	46,752,428
Rendering of Services	9	215,391,211	179,463,515
Other Income	10	46,091,656	40,408,285
<b>Total revenue</b>		<b>311,517,567</b>	<b>266,628,228</b>
<b>Expenses</b>			
Employee costs	11	61,938,737	55,388,474
Council Expenses	12	32,570,871	20,494,263
Use of Goods and Services	13	161,834,271	122,803,362
Depreciation and amortization expenses	14	28,705,852	28,859,325
Finance costs			
<b>Total expenses</b>		<b>285,049,731</b>	<b>227,545,424</b>
<b>Surplus before tax</b>		<b>26,467,836</b>	<b>39,082,804</b>
Taxation			
<b>Surplus/(deficit) for the period/year</b>		<b>26,467,836</b>	<b>39,082,804</b>
Remission to National Treasury			
<b>Net Surplus for the year</b>		<b>26,467,836</b>	<b>39,082,804</b>

The notes set out on pages 7 to 41 form an integral part of these Financial Statements.  
The Financial Statements set out on pages 1 to 6 were signed on behalf of the Council of Directors by:

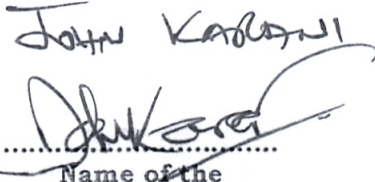
  
.....  
Name of the  
Accounting Officer

Date

  
.....  
Name of the  
Head of Finance  
ICPAK Member No.

10128

Date

  
.....  
Name of the  
Chairman of the Council

Date

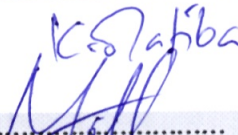
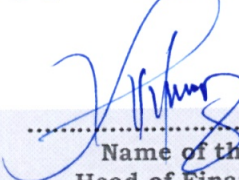
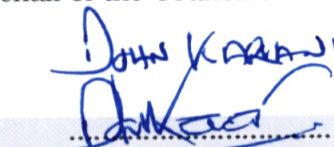


**Kenya Institute of Supplies Management  
Annual Report and Financial Statements  
For the Year ended 31st December, 2023**

**14. STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023**

	Notes	2023	2022
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	15	76,818,426	69,592,032
Receivables from Exch. Transactions	16	168,820,060	122,502,616
Funds due from KISEB	16	0	4,325,464
<b>Total Current Assets</b>		<b>245,638,486</b>	<b>196,420,112</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	1,248,139,844	1,266,484,751
Intangible Assets	18	1,246,541	1,662,055
<b>Total Non- Current Assets</b>		<b>1,249,386,385</b>	<b>1,268,146,806</b>
<b>Total Assets</b>		<b>1,495,024,871</b>	<b>1,464,566,918</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	19	308,055,595	333,333,622
Deferred Income-Asset Grant <sup>1</sup>	20	17,648,356	0
<b>Total Current Liabilities</b>		<b>325,703,952</b>	<b>333,333,622</b>
<b>Total Non- Current Liabilities</b>			
Asset Grant – Deferred Asset <sup>2</sup>	20	793,425,879	780,529,125
<b>Total Liabilities</b>		<b>1,119,129,829</b>	<b>1,113,862,747</b>
<b>Net Assets</b>			
<b>Accumulated Funds</b>			
KISM General Fund	22	347,511,952	322,321,080
Professional Development Fund	22	28,383,091	28,383,091
<b>Total Accumulated Funds</b>		<b>375,895,043</b>	<b>350,704,171</b>
<b>Total Net Assets and Liabilities</b>		<b>1,495,024,871</b>	<b>1,464,566,918</b>

The financial statements set out on pages 1 to 6 were signed on behalf of the Council of Directors by:

		
Name of the Accounting Officer	Name of the Head of Finance ICPAK Member No. 10128	Name of the Chairman of the Council
Date <i>27/12/2023</i>	Date	Date

<sup>1</sup> **Deferred Income-Asset Grant**

From the resultant written down value of Ksh 811,074,233, **Ksh. 17,648,356** in Note 20 determined from the closing written down value and recognized as current liability that will be realized in the next twelve months and equally a non-cash liability and will be available to be written off in the next twelve months.

<sup>2</sup> **Asset Grant – Deferred Asset**

This is the value of the grant funded assets that will be due beyond twelve months from the date of the current financial year. Out of the balance Kshs. 811,074,233 **Ksh 793,425,878.77** will be outstanding for more than twelve months and thus considered as long-term asset grant liability



## Kenya Institute of Supplies Management Annual Report and Financial Statements For the Year ended 31st December, 2023

---

### Note on the Institute's Going Concern

The Institute's financial statements have been prepared on a going concern basis, which assumes that the Institute will continue its operations and meet its obligations as they come due in the foreseeable future.

As of the reporting date, the Institute's current liabilities exceeded its current assets by KES 62,417,111, indicating potential going concern issues. This situation primarily arose from outstanding liabilities owed to contractors who constructed the KISM Towers.

However, management has assessed the Institute's ability to continue as a going concern, considering all available information about the future, which extends at least 12 months from the reporting date. The key factors supporting the Institute's going concern status are:

1. **KISM Towers:** The KISM Towers are valuable assets that can be leveraged to settle the outstanding liabilities owed to the contractors.
2. **Discussions with National Treasury:** The Institute has been engaged in ongoing and supportive discussions with the National Treasury regarding the provision of funding to address its working capital challenges. These discussions indicate the availability of potential sources of financing.
3. **Pending Bills Verification Committee:** The Institute's pending bills, including those owed to contractors, have been reviewed by the Pending Bills Verification Committee. The committee is expected to facilitate the settlement of these outstanding liabilities.
4. **Settlement of Liabilities:** The Institute has already settled over KES 60 million in outstanding liabilities, demonstrating its ability to manage its financial obligations.

Management has developed a plan to address the going concern uncertainties, which includes:

- Leveraging the KISM Towers to settle the liabilities owed to the contractors
- Continuing discussions with the National Treasury to secure necessary funding support
- Collaborating with the Pending Bills Verification Committee to expedite the settlement of outstanding liabilities

Based on these mitigating factors and management's plans, the Institute's management believes that the going concern assumption remains appropriate, and the financial statements can be prepared on this basis.



**Kenya Institute of Supplies Management**  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31ST DECEMBER 2023**

	<b>Asset Grant</b>	<b>KISM General Fund<sup>3</sup></b>	<b>Professional Development Fund<sup>4</sup></b>	<b>Total</b>
<i>As at 1st January 2022</i>	<b>742,884,015</b>	<b>283,238,276</b>	<b>28,383,091</b>	<b>1,054,505,382</b>
<i>Surplus for the year</i>		39,082,804		39,082,804
<i>Net increase in asset grant</i>	37,645,110			37,645,110
<b>As at 31st December 2022</b>	<b>780,529,125</b>	<b>322,321,080</b>	<b>28,383,091</b>	<b>1,131,233,296</b>
				<b>0</b>
<i>As at 1st January 2023</i>	<b>780,529,125</b>	<b>322,321,080</b>	<b>28,383,091</b>	<b>1,131,233,296</b>
<i>Surplus for the year</i>		26,467,836		26,467,836
<i>Prior Year Adjustment<sup>5</sup></i>		(1,276,964)		(1,276,964)
<i>Prior year adjustment</i>	(780,529,125)			<b>(780,529,125)</b>
<b>As at 31st December 2023</b>	<b>0</b>	<b>347,511,952</b>	<b>28,383,091</b>	<b>375,895,043</b>

<sup>3</sup> **The General Funds** represent a key financial reserve built up from accumulated reserves and surpluses realized over the years. These funds are crucial for the Institute's operational stability and its long-term strategic development. They reflect the Institute's financial health and its capacity to invest in its growth and sustainability. General Funds are derived from surplus revenues and accumulated reserves, which have been generated through prudent financial management and successful operations. These funds are not designated for specific purposes but are intended for broad use in supporting and enhancing the Institute's overall operations and development. These funds are vital in the Institute's financial strategy, enabling it to support ongoing operations, invest in development, and manage financial risks. Their effective management and utilization ensure that the Institute remains well-positioned to achieve its objectives and serve its members effectively.

<sup>4</sup> **The Professional Development Fund** (the "Fund") is maintained by the Institute in accordance with the Supplies Practitioners Management Act. This fund is dedicated to the advancement and development of professional practitioners within the industry. It reflects the Institute's commitment to supporting and enhancing the skills and competencies of professionals in the field. The Fund is composed of contributions received over the period when the examination program was administered by the Institute. These contributions are earmarked specifically for professional development purposes and are not utilized immediately but accumulated over time. The Institute plans to continue leveraging on the Professional Development Fund to support ongoing and future professional development initiatives which includes expanding current programs, and ensuring that the resources are used efficiently to maximize their impact on professional practice.

<sup>5</sup> **Prior Year Adjustment** Under IPSAS, the prior year adjustments made to the accumulated funds were in accordance with IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors. In the previous reporting period, invoices were raised and the associated revenue was recognized in the income statement, as per the requirements of IPSAS 9 - Revenue from Exchange transactions. However, it was subsequently determined that the participants linked to these invoiced amounts were classified as "no shows" and did not actually participate. To correct this overstatement of income and the corresponding overstatement of the accumulated funds balance, credit notes were issued retrospectively. This treatment is supported by IPSAS 9, which requires revenue to be recognized only when the performance obligations are satisfied by the entity. The prior year adjustment process ensures the accumulated funds balance is accurately reported on the statement of financial position, in line with the IPSAS principles of faithful representation and relevance. This adjustment provides users of the financial statements with a more accurate and reliable view of the organization's financial position.

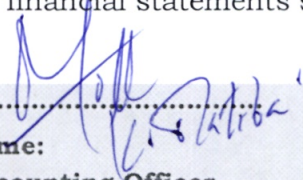
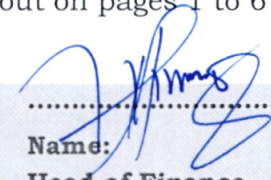
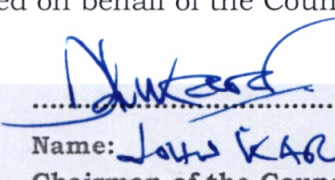
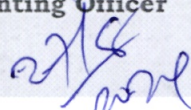


**Kenya Institute of Supplies Management**  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Note	2023	2022
<b>Cash Generated from Operations</b>			
<b>Reconciliation of Surplus before tax to cash generated from operations;</b>			
Surplus(deficit) before tax		26,467,836	39,082,804
Add Non-Cash Adjustments			
Deferred Income		(18,542,392)	(18,335,591)
Prior year adjustment <sup>6</sup>		(1,276,964)	0
Depreciation		28,290,338	28,305,307
Amortisation		415,514	554,018
<b>Cashflow before Changes in Working capital</b>		<b>35,354,332</b>	<b>49,606,538</b>
<b>Changes in Working Capital</b>			
(Increase)/ Decrease in Receivables		(41,991,980)	(29,753,632)
Increase/(Decrease) in Creditors		(25,278,027)	(89,293,251)
Deferred Income-Asset Grant <sup>7</sup>		-	
<b>Net Cash from/(used in) Operating Activities</b>	<b>21</b>	<b>(31,915,675)</b>	<b>(69,440,345)</b>
<b>Investing Activities</b>			
Purchase of Property, Plant and Equipment		(9,945,432)	(6,686,846)
<b>Net Cash from/(used in) Investing Activities</b>	<b>17</b>	<b>(9,945,432)</b>	<b>(6,686,846)</b>
<b>Financing Activities</b>			
Increase/(Decrease) in Grants	6	49,087,500	55,980,701
<b>Net Cash from/(used in) in Financing Activities</b>		<b>49,087,500</b>	<b>55,980,701</b>
As at 1st January	15	<b>69,592,032</b>	89,225,503
Increase/(Decrease) in cash and Cash Equivalents		7,226,394	(20,146,490)
<b>As at 31st December</b>	<b>15</b>	<b>76,818,426</b>	<b>69,592,032</b>

The financial statements set out on pages 1 to 6 were signed on behalf of the Council by:

		
.....	.....	.....
Name:	Name:	Name: <b>John KARANI</b>
Accounting Officer	Head of Finance	Chairman of the Council
Date: 	ICPAK M/No:	Date
	Date	

*Prior Year Adjustment IPSAS, were made to the accumulated funds as per IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors. In the previous reporting period, invoices were raised and the associated revenue was recognized in the income statement, in line with IPSAS 9 - Revenue from Exchange transactions. However, we subsequently determined that the participants linked to these invoiced amounts were classified as "no-shows" and did not participate. Credit notes were issued to correct this overstatement and the corresponding overstatement of the accumulated funds balance in line with IPSAS 9, which requires revenue to be recognized only when the performance obligations are satisfied by the entity See Note above.*

<sup>7</sup> Deferred Income-Asset Grant is a non-cash item and so does not affect the movement of cash in the cash flow statement



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
 For the Period ended 31st December, 2023

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Membership Subscriptions	56,952,000		56,952,000	50,034,700	6,917,300	88%
Workshop receipts	222,283,626		222,283,626	215,391,211	6,892,415	97%
Other income	53,989,116		53,989,116	46,091,655	7,897,461	85%
<b>Total income</b>	<b>333,224,742</b>		<b>333,224,742</b>	<b>311,517,566</b>	<b>21,707,176</b>	<b>93%</b>
<b>Expenses</b>						
Employee costs	91,590,500		91,590,500	61,938,737	29,651,763	68%
Remuneration of directors	25,935,942		25,935,942	32,570,871	-6,634,929	126%
Administrative Expenses	62,373,013		62,373,013	49,859,570	12,513,443	80%
Operating Expenses	129,097,955		129,097,955	111,974,701	17,123,254	87%
Depreciation and amortization expense	28,697,437		28,697,437	28,705,852	0	100%
<b>Total expenditure</b>	<b>337,694,848</b>		<b>337,694,848</b>	<b>285,049,731</b>	<b>52,653,531</b>	<b>84%</b>
<b>Surplus for the period</b>	<b>4,470,106</b>		<b>4,470,106</b>	<b>26,467,836</b>	<b>-21,997,729</b>	<b>492%</b>
<b>Capital Expenditures</b>			<b>43,000,000</b>	<b>9,945,432</b>	<b>-33,054,568</b>	<b>23%</b>

The income variance stemmed from government budget cuts affecting staff training and the non-operational status of the KISM school.

As for variances in the expense's, they were mainly due to certain programs scheduled for implementation that either didn't materialize or exceeded the allocated budget. Factors contributing to overspending or underspending include the non-operational status of the KISM school, the absence of additional staff recruitment, and unforeseen Council activities that arose outside the threshold, resulting in expenses surpassing the predetermined limit. These endeavours played a crucial role in driving forward the Institute's business objectives. They included tasks such as drafting legal instruments for the review of the enabling Act, providing training and induction for the new Council members, and engaging with additional stakeholders, including the Office of the President. Notably, the participation of the Head of Public Service and the Deputy President in these commercial activities underscored their importance and necessitated the involvement of the Council. The additional expenditure in the Council expenses were sought from the National Treasury and Economic Planning in line with the government circulars and directives.



## **Notes to the Financial Statements**

### **1. General Information**

Kenya Institute of Supplies Management is established by and derives its authority and accountability from Supplies Practitioners Management Act of 2007. The Kenya Institute of Supplies Management is wholly owned by the Government of Kenya and is domiciled in Kenya. The Kenya Institute of Supplies Management's principal activity is provided on page 1. Kenya Institute of Supplies Management is a semi-autonomous government agency established to regulate procurement and supply chain management in Kenya. The Institute is established with sole mandate enshrined in Supplies Practitioners Management Act, with its source of funds from training, membership subscription. During the formative stages, the Institute has partnered with a number of development partners and the government of Kenya in accelerating its uptake and fulfilling its mandate. The support from the GoK is term based whose support is expected to come to an end in the near future. The Institute is a self-sustaining professional body.

### **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 *Kenya Institute of Supplies Management'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 *Kenya Institute of Supplies Management*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act 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 31ST DECEMBER 2021.*
- ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 31ST DECEMBER 2021.***

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <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.</p> <p>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.</p> <p>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).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p><i>Kenya Institute is for the first time adopting accrual based IPSAS and thus restated its standards to comply with the requirements.</i></p>

iii. ***Early adoption of standards***

The Kenya Institute of Supplies Management did not early – adopt any new or amended standards in the year 2022/2023.



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

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

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

**Rendering of services**

The Kenya Institute of Supplies Management 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.



**Notes to the Financial Statements (Continued)**

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

**Sale of services**

Revenue from the sale of services 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 Kenya Institute of Supplies Management.

**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.

**ii) Revenue from exchange transactions**

**Dividends**

Kenya Institute of Supplies Management is not a company limited by shares or has no shareholding interest in any listed companies.

**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 2023 was approved by the National Assembly in June 2022. 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 Kenya Institute of Supplies Management upon receiving the respective approvals in order to conclude the final budget. The Kenya Institute of Supplies Management's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.



**Notes to the Financial Statements (Continued)**

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

**Budget information (continued)**

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.

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 Section 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 Kenya Institute of Supplies Management 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.



**Notes to the Financial Statements (Continued)**

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

**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 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



**Notes to the Financial Statements (Continued)**

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

current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Kenya Institute of Supplies Management 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. 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 an agreed period or years. 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.



**Notes to the Financial Statements (Continued)**

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

**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 Kenya Institute of Supplies Management 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.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Kenya Institute of Supplies Management. 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 Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management 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 Kenya Institute of



**Notes to the Financial Statements (Continued)**

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

Supplies Management. 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.

**h) Research and development costs**

The Kenya Institute of Supplies Management expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Kenya Institute of Supplies Management 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.



**Notes to the Financial Statements (Continued)**

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

**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 Kenya Institute of Supplies Management 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. 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 Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management assesses at each reporting date whether there is objective evidence that a financial asset or an Kenya Institute of Supplies Management of financial assets is impaired. A financial asset or an Kenya Institute of Supplies Management of financial assets is deemed to be



**Notes to the Financial Statements (Continued)**

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

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 Kenya Institute of Supplies Management of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management 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.



**Notes to the Financial Statements (Continued)**

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

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

**k) Provisions**

Provisions are recognized when the Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management 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.



**Notes to the Financial Statements (Continued)**

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

**m) Contingent assets**

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

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

The Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which Kenya Institute of Supplies Management pays fixed contributions into a separate Kenya Institute of Supplies Management (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



## **Notes to the Financial Statements (Continued)**

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

of retirement benefits are charged against income in the year in which they become payable. 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 the 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.

#### **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 any 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 CEO and senior managers*.

#### **t) Service concession arrangements**

The *Institute* 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 *Institute* 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



**Notes to the Financial Statements (Continued)**

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

of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Institute* 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 with an 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. 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, 2023.

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

The preparation of the Kenya Institute of Supplies Management'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



**Notes to the Financial Statements (Continued)**

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

carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: c

**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 Kenya Institute of Supplies Management based its assumptions and estimates on parameters available when the consolidated 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 the Kenya Institute of Supplies Management. Such changes are reflected in the assumptions when they occur.  
IPSAS 1.140

**Useful lives and residual value**

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 Kenya Institute of Supplies Management.
- 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 40.

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.



**Notes to the Financial Statements (Continued)**

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

**Provisions, Contingent Liabilities and Contingent Assets**

**IPSAS 19** provides that a liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity embodying economic benefits or service potential. IPSAS 19.18 defines a contingent liability as:

a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or

b) A present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Contingent liabilities do not get recorded in the financial statements. These are obligations that are yet to occur, but there is a probability that it may occur in future. Therefore, no accounting treatment exists for contingent liabilities. During the year ended 31<sup>st</sup> December 2023, the Institute had the following cases pending in court.

1. CASE DETAILS CONSTITUTIONAL CAUSE NO. HCCHRPET/E551/2021 MWANIKI GACHUBA VS KISM, KISEB & CS TREASURY ELRCPET/4/2022 MWANIKI GACHUBA VS KISM AND 5 OTHERS

FIRM LUMUMBA & AYIEKO ADVOCATES

ISSUE The Applicant raises an issue over the ability of the Institute to appoint directors to the KISEB Board.

STATUS The Institute has instructed the advocates on record to make an application for termination of the case as it has been overtaken by events.

2. CASE DETAILS NAIROBI ELRC CONST. PET E133 OF 2023: DR MARTIN GACHUKIA VERSUS KENYA INSTITUTE OF SUPPLIES MANAGEMENT

FIRM JP NGOYA & AUSTINE ADVOCATES LLP

ISSUE The Registrar moved to court to stop the Institute from undertaking disciplinary action against him. He is currently on suspension.

STATUS The Institute is currently operating without a Registrar and therefore parties needed an expedited resolution of this matter. The Court therefore reserved the matter for judgment on 20th June 2024 which was the earliest available date as the Honourable Judge shall not be sitting from 12th April 2024 to 30th May 2024.



**Notes to the Financial Statements (Continued)**

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

3. CASE JUDICIAL REVIEW APPLICATION NO. E138 OF 2023 R VS KISM, CA, DG-CA, EXPARTE GLOBAL PROCUREMENT ACADEMY LTD  
FIRM MUNYAO MUTHAMA AND KASHINDI ADVOCATES  
ISSUE The Applicant moved to court to bar the Competition Authority and KISM from undertaking a review of the CPD Policy.  
STATUS The Respondents will file submissions within 14 days from the date of service. The matter is scheduled for highlighting of submissions on 30th May 2024.
4. CASE MCELCE/E432/2023 KENYA INSTITUTE OF SUPPLIES MANAGEMENT VS BUNISHA LIMITED  
FIRM MOSONGO & CO. ADVOCATES  
ISSUE The Institute filed a case to evict the tenant from the premises i.e KISM Towers  
STATUS The Institute now has access to the premises and the matter was mentioned on 11th April 2024 where the court set the date of 19th June 2024 for interlocutory judgement and formal proof of non-defence of the matter.

**KISM Going concern within Foreseeable future**

While preparing these financial statements, and in accordance with IPSAS 1, the management assessed the Institute's ability to continue as a going concern. This standard stipulates that financial statements should be prepared on a going concern basis unless management intends to liquidate the Institute or cease trading, or has no realistic alternative but to do so. As outlined in IPSAS 1, the management considered factors such as the Institute's current and projected profitability, the timing of repayment of existing financing facilities, and potential sources of replacement financing in their assessment. The Institute's financial statements have been prepared on a going concern basis, which assumes that the Institute will continue its operations and meet its obligations as they come due in the foreseeable future.

As of the reporting date, the Institute's current liabilities exceeded its current assets by KES 62,417,111, indicating potential going concern issues. This situation primarily arose from outstanding liabilities owed to contractors who constructed the KISM Towers.



## **Notes to the Financial Statements (Continued)**

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

However, management has assessed the Institute's ability to continue as a going concern, considering all available information about the future, which extends at least 12 months from the reporting date. The key factors supporting the Institute's going concern status are:

- a) **KISM Towers:** The KISM Towers are valuable assets that can be leveraged to settle the outstanding liabilities owed to the contractors.
- b) **Discussions with National Treasury:** The Institute has been engaged in ongoing and supportive discussions with the National Treasury regarding the provision of funding to address its working capital challenges. These discussions indicate the availability of potential sources of financing.
- c) **Pending Bills Verification Committee:** The Institute's pending bills, including those owed to contractors, have been reviewed by the Pending Bills Verification Committee. The committee is expected to facilitate the settlement of these outstanding liabilities.
- d) **Settlement of Liabilities:** The Institute has already settled over KES 60 million in outstanding liabilities, demonstrating its ability to manage its financial obligations.

Management has developed a plan to address the going concern uncertainties, which includes:

- Leveraging the KISM Towers to settle the liabilities owed to the contractors
- Continuing discussions with the National Treasury to secure necessary funding support
- Collaborating with the Pending Bills Verification Committee to expedite the settlement of outstanding liabilities

Based on these mitigating factors and management's plans, the Institute's management believes that the going concern assumption remains appropriate, and the financial statements can be prepared on this basis.

Despite the current stressed economic environment, the Institute affirms that there are no indications that could jeopardize its ongoing operations in the foreseeable future. Additionally, external factors are not expected to impair its financial stability or its ability to deliver services.



*Kenya Institute of Supplies Management*  
Annual Report and Financial Statements  
For the Period ended 31st December, 2023

**Notes to the Financial Statements (Continued)**

**6. Transfers from Ministries, Departments and Agencies (MDAs)**

Name of the Institution sending the grant	Amount recognized in the Statement of Financial Performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the period KShs	Comparative Period KShs
The National Treasury	0	0	49,087,500	49,087,500	55,980,700
<b>Total</b>			49,087,500	49,087,500	55,980,700

**NB:**

The grants disbursed by the Government of Kenya during the year were capitalized and added to the capital assets. These funds were subsequently used to settle the outstanding accounts payable to the contractors involved in constructing KISM Towers, as detailed in Note 20.



*Kenya Institute of Supplies Management*  
Annual Report and Financial Statements  
For the Period ended 31st December, 2023

**Notes to the Financial Statements (Continued)**

**Revenue**

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
<b>7. Grants from Partners</b>		
Grant from GoK	0	0
<b>Grant Income for the Year</b>	<b>0</b>	<b>0</b>
<b>8. Subscriptions</b>		
Individual Membership	31,286,500	27,727,000
Corporate Membership	347,000	500,000
Membership Dinner Income	1,851,200	1,431,428
Licence Fees	16,550,000	17,098,000
<b>Total Subscriptions</b>	<b>50,034,700</b>	<b>46,756,428</b>
<b>9. Rendering of Services</b>		
Workshop Income	189,997,676	153,059,377
Inhouse training fees	25,393,535	26,404,138
<b>Total Rendering of Services</b>	<b>215,391,211</b>	<b>179,463,515</b>
<b>10. Other Incomes</b>		
Procurement Consultancy	2,524,500	3,311,000
Interest Income	30,959	329,138
Deferred Income – Note 20	18,542,392	18,335,591
Foreign Exchange Gain	4,962,447	2,152,024
Rental Income	20,031,357	16,280,532
<b>Total Other Income</b>	<b>46,091,656</b>	<b>40,408,285</b>

**11. Employee Costs**

	<b>Kshs</b>	<b>Kshs</b>
	<b>2023</b>	<b>2022</b>
Salaries and wages	41,367,957	41,078,896
Employer contribution to health insurance schemes	3,781,432	3,684,130
Domestic Travel and Subsistence Allowances	16,541,638	10,502,748
Staff Membership Subscription	229,660	105,800
Training levies	18,050	16,900
<b>Employee costs</b>	<b>61,938,737</b>	<b>55,388,474</b>



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

**Notes to the Financial Statements (Continued)**

**12. Council Expenses**

Description	2023	2022
	Kshs	Kshs
Council Sitting Allowances	16,344,777	7,882,872
Travel and Accommodation	2,780,392	545,505
Other Council Expenses	13,445,703	12,065,886
<b>Total</b>	<b>32,570,871</b>	<b>20,494,263</b>

**13. Use of Goods and Services**

**13.1 Administrative Expenses**

Description	2023	2022
	Kshs	Kshs
Subscriptions	1,167,476	612,137
Donations	100,000	0
Staff Team Building	829,584	930,697
Staff Training	1,531,566	1,096,310
Photocopy and Stationery	2,487,183	6,625,669
Printing Expenses	2,035,231	3,190,708
Telephone and Postage	1,027,695	948,974
Rent & Rates	4,063,822	4,593,891
Consultancy	12,642,478	7,940,000
Decoration Expenses	0	1,595,000
Legal Fees	1,080,203	2,702,269
Audit Fees	200,000	613,793
Security Services	0	1,599,000
Licences	1,329,086	5,000
Office Expenses	2,399,635	1,759,438
Facility Management costs	410,785	1,662,030
AGM Costs	2,250,031	684,812
Cleaning Services	715,862	1,875,778
Travelling Expenses	10,961,400	9,197,842
Motor Vehicle Fuel	174,000	326,200
Events Merchandise expenses	4,453,534	
<b>Total Administrative Expenses</b>	<b>49,859,570</b>	<b>47,959,548</b>



**Notes to the Financial Statements (Continued)**

**13.2 Operating Expenses**

<b>Description</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank Charges	1,580,581	1,300,430
Promotion & Advertisements	1,725,093	2,877,251
Promotional Materials	9,036,525	874,009
Insurance	1,836,557	1,517,710
Car Hire	941,136	997,847
Utilities	1,090,538	1,419,981
Software Costs	0	718,621
Workshop Expenses	3,997,535	1,105,745
ERP Support Expenses	590,800	669,600
Workshop Facilitation Expenses	14,131,000	15,830,685
Website Expenses & Internet expenses	742,402	608,231
Taskforce Allowance	421,000	0
Provision for Bad Debts	3,564,280	
School Expenses	0	83,520
Workshop & Membership Venue Expenses	72,317,254	46,840,184
<b>Total Operating Expenses</b>	<b>111,974,701</b>	<b>74,843,814</b>
<b>Total Use of Goods and Services</b>	<b>161,834,271</b>	<b>122,803,362</b>

**14. Depreciation and Amortization Expense**

<b>Description</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, plant and equipment	28,290,338	28,305,307
Intangible assets	415,514	554,018
<b>Total depreciation and amortization</b>	<b>28,705,852</b>	<b>28,859,325</b>

**15. Cash and Cash Equivalents**

<b>Description</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Current Account	72,326,562	65,297,290
Safaricom Paybill	4,447,454	4,249,157
On - Call Deposits	44,410	44,032
Petty Cash	0	1,053
<b>Total Cash and Cash Equivalents</b>	<b>76,818,426</b>	<b>69,592,032</b>



*Kenya Institute of Supplies Management*  
Annual Report and Financial Statements  
For the Period ended 31st December, 2023

**Notes to the Financial Statements (Continued)**

**Detailed Analysis of the Cash and Cash Equivalents**

		<b>2023</b>	<b>2022</b>
	<b>Account Number</b>	<b>Kshs</b>	<b>Kshs</b>
National Bank 001	1071220247001	19,790,874	12,353,443
National Bank 000	1071220247000	11,241,526	3,277,104
Safaricom MPESA Paybill 552500	552500	4,447,454	4,249,157
Standard Chartered Bank Ac 00	102096929100	16,154,315	33,542,000
Standard Chartered Bank Ac 01	102096929101	2,016,238	1,930,478
Standard Chartered Bank Ac USD	8702096929100	23,123,539	14,194,264
Standard Chartered Bank Call Account		44,410	44,032
KISM Petty cash		0	1,053
		<b>76,818,426</b>	<b>69,592,032</b>

**16. Receivables from Exchange Transactions**

**a) Receivables from Exchange Transactions**

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	168,820,060	121,758,575
Deposits and prepayments		267,022
Staff receivables		477,019
Dues from KISEB		4,325,464
Other receivables		0.00
<b>Gross Trade and Other Receivables</b>	<b>168,820,060</b>	<b>126,828,080</b>
<b>Gross trade and other receivables</b>	<b>168,820,060</b>	<b>126,828,080</b>
<b>Net trade and other receivables</b>	<b>168,820,060</b>	<b>126,828,080</b>



Notes to the Financial Statements (Continued)

**b) Ageing analysis for Receivables from exchange transactions**

	2023	2022
	Kshs	Kshs
Gross trade receivables	168,820,060	121,758,575
Provision for Doubtful Debts		
Deposits and Prepayments	0	267,022
<b>Net trade receivables</b>	<b>168,820,060</b>	<b>122,025,597</b>
<b>At December 31st, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	31,717,621	-15,186,768
Between 30 and 60 days	41,520,125	26,546,184
Between 61 and 90 days	9,506,443	9,435,334
Between 91 and 120 days	4,543,902	5,430,310
Over 120 days	81,531,962	95,800,537
<b>Total</b>	<b>168,820,060</b>	<b>122,025,597</b>



Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment  
a) Property Plant and Equipment

Asset	Land	Building	Motor Vehicle	Computers & other Electronics	Other Office Equipment	Furniture	Total (Kshs)
<b>Rate</b>		2%	25%	30%	12.50%	12.50%	
As at 1st Jan 2022	104,000,040	1,186,956,299	2,544,000	12,292,430	3,072,812	29,042,868	1,337,993,508
Additions				6,686,845			6,686,845
Disposals							
<b>As at 31st Dec 2022</b>	<b>104,000,040</b>	<b>1,186,956,299</b>	<b>2,544,000</b>	<b>18,979,275</b>	<b>3,072,812</b>	<b>29,042,868</b>	<b>1,344,595,294</b>
As at 1st Jan 2023	104,000,040	1,186,956,297	2,544,000	18,979,277	3,072,812	29,042,868	1,344,595,294
Additions		0		1,803,879	603,104	7,538,448	9,945,432
Disposals							
<b>As at 31st Dec 2023</b>	<b>104,000,040</b>	<b>1,186,956,297</b>	<b>2,544,000</b>	<b>20,783,156</b>	<b>3,675,916</b>	<b>36,581,316</b>	<b>1,354,540,725</b>
As at 1st Jan 2022		23,739,126	2,483,561	9,915,831	2,371,655	11,295,863	49,806,036
Charge for the Year		23,264,343	15,110	2,719,034	87,645	2,218,376	28,304,507
Disposal							
<b>As at 31st Dec 2022</b>	<b>0</b>	<b>47,003,469</b>	<b>2,498,671</b>	<b>12,634,865</b>	<b>2,459,300</b>	<b>13,514,239</b>	<b>78,110,543</b>
As at 1st Jan 2023	0	47,003,469	2,498,671	12,634,865	2,459,300	13,514,239	78,110,543
Charge for the Year		22,799,057	11,332	2,444,487	152,077	2,883,385	28,290,338
Disposal							
<b>As at 31st Dec 2023</b>	<b>0</b>	<b>69,802,526</b>	<b>2,510,003</b>	<b>15,079,352</b>	<b>2,611,377</b>	<b>16,397,623</b>	<b>106,400,881</b>
<b>Net Book Value</b>							
As at 31st Dec 2023	104,000,040	1,117,153,771	33,997	5,703,804	1,064,539	20,183,693	1,248,139,844
As at 31st Dec 2022	104,000,040	1,139,952,830	45,329	6,344,410	613,512	15,528,629	1,266,484,751



**Notes to the Financial Statements (Continued)**

**b. Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Land	104,000,040	0	104,000,040
Buildings	1,186,956,297	69,802,526	1,117,153,771
Motor vehicles	2,544,000	2,510,003	33,997
Computers and related equipment	20,783,156	15,070,481	5,712,675
Office equipment, furniture, & fittings	40,342,292	19,094,516	21,247,776
	<b>1,354,625,785</b>	<b>106,477,526</b>	<b>1,248,148,261</b>

**18. Intangible Assets**

25%

**At cost**

As at 1st Jan 2022

3,900,000

Additions

250,557

Disposals

**Total Cost**

**4,150,557**

As at 1st Jan 2023

**4,150,557**

Additions

Disposals

**Total Cost**

**4,150,557**

**Amortisation**

As at 1st Jan 2022

1,934,484

Charge for the Year

554,018

Disposal

-

**As at 31st Dec 2022**

**2,488,502**

As at 1st Jan 2023

2,488,502

Charge for the Year

415,514

Disposal

**As at 30th Dec 2023**

**2,904,016**

**Net Book Value**

As at 31st Dec 2023

**1,246,541**

As at 31st Dec 2022

**1,662,055**

**Valuation**

Land and buildings/ Equipment are valued at the written down values as at the close of the financial year in line with the National Assets and Liabilities Management Policy and Guidelines. The carrying amount for land has been valued at cost.



**Kenya Institute of Supplies Management**  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

**Notes to the Financial Statements (Continued)**

**19. Trade and Other Payables**

	2023	2022
	Kshs	Kshs
Trade payables	199,315,264	279,669,796
Customer refunds	15,890,406	682,581
Deposits	4,215,981	3,388,095
Prepayments	2,965,403	2,965,403
Withheld taxes	2,174,268	2,406,916
Other payables	1,827,643	803,374
VAT Payable	45,509,726	43,417,457
Customer Prepayments	36,156,904	
<b>Total</b>	<b>308,055,595</b>	<b>333,333,622</b>

**20. Deferred Assets-Asset Grant**

Asset	Building	Motor Vehicle	Computers & other Electronics	Furniture	Software & Intangible	Total
Rate	2%	25%	30%	12.50%	25.00%	
As at 1st Jan 2022	746,538,686	2,544,000	4,289,878	5,749,231	2,766,281	761,888,076
Additions	55,980,701		5,090,619			62,054,076
Disposals						
<b>As at 31st Dec 2022</b>	<b>802,519,387</b>	<b>2,544,000</b>	<b>9,380,497</b>	<b>5,749,231</b>	<b>2,766,281</b>	<b>822,959,397</b>
As at 1st Jan 2023	802,519,387	2,544,000	9,380,497	5,749,231	2,766,281	822,959,397
Additions	49,087,500		0	0	982,755	50,070,255
Disposals						
<b>As at 31st Dec 2023</b>	<b>851,606,887</b>	<b>2,544,000</b>	<b>9,380,497</b>	<b>5,749,231</b>	<b>3,749,040</b>	<b>873,029,652</b>
As at 1st Jan 2022	14,930,774	2,483,561	2,713,348	3,166,231	1,783,522	25,077,435
Amortization for the Year	15,751,772	15,110	2,000,145	322,875	245,690	18,335,592
Disposal						
<b>As at 31st Dec 2022</b>	<b>30,682,546</b>	<b>2,498,671</b>	<b>4,713,492</b>	<b>3,489,106</b>	<b>2,029,212</b>	<b>43,413,027</b>
As at 1st Jan 2023	30,682,546	2,498,671	4,713,492	3,489,106	2,029,212	43,413,027
Amortization for the Year	16,418,487	11,332	1,400,101	282,516	429,957	18,542,393
Disposal						
<b>As at 31st Dec 2023</b>	<b>47,101,033</b>	<b>2,510,003</b>	<b>6,113,594</b>	<b>3,771,621</b>	<b>2,459,169</b>	<b>61,955,420</b>
<b>Net Book Value</b>						
As at 31st Dec 2023	<b>804,505,854</b>	<b>33,997</b>	<b>3,266,903</b>	<b>1,977,610</b>	<b>1,289,871</b>	<b>811,074,232</b>
As at 31st Dec 2022	<b>771,836,841</b>	<b>45,329</b>	<b>4,667,004</b>	<b>2,260,126</b>	<b>1,719,828</b>	<b>780,529,128</b>
<b>Asset Grant Current Liability</b>	<b>16,090,117</b>	<b>8,499</b>	<b>980,071</b>	<b>247,201</b>	<b>322,468</b>	<b>17,648,356</b>

The asset grant has been obtained from the depreciable's assets carrying amounts, procured from grants. From the opening value of Ksh. 780,529,125, during the year, grants of Ksh 49,087,500 were received to settle the contractors dues, resulting in a closing WDV of Ksh 811,074,233. From the resultant written down value of Ksh 811,074,233, **Ksh. 17,648,356** determined from the closing written down value is recognized as current liability and equally a non-cash liability and will be available to be written off in the next twelve months, and **Ksh 793,425,878.77** will be considered a long-term asset grant liability



Notes to the Financial Statements (Continued)

**21. Cash Generated from Operations**

	Note	2023	2022
<b>Cash Generated from Operations</b>			
<b>Reconciliation of Surplus before tax to cash generated from operations;</b>			
Surplus(deficit) before tax		26,467,836	39,082,804
<b>Add Non-Cash Adjustments</b>			
Deferred Income		-18,542,392	-18,335,591
Prior year adjustment		-1,276,964	0
Depreciation		28,290,338	28,305,307
Amortisation		415,514	554,018
<b>Cashflow before Changes in Working capital</b>		<b>35,354,332</b>	<b>49,606,538</b>
<b>Changes in Working Capital</b>			
(Increase)/ Decrease in Receivables		-41,991,979	-29,753,632
Increase/ (Decrease) in Creditors		-25,278,026	-89,293,251
<b>Net Cash from/(used in) Operating Activities</b>	<b>24</b>	<b>31,915,673</b>	<b>69,440,345</b>

**22. KISM General Fund and Professional Development Fund**

	<i>KISM General Fund</i>	<i>Professional Development Fund</i>	<i>Total</i>
<i>As at 1st January 2022</i>	<b>283,238,276</b>	<b>28,383,091</b>	<b>311,621,367</b>
<i>Surplus for the year</i>	39,082,804		39,082,804
<b><i>As at 31st December 2022</i></b>	<b>322,321,080</b>	<b>28,383,091</b>	<b>350,704,171</b>
<i>As at 1st January 2023</i>	<b>322,321,080</b>	<b>28,383,091</b>	<b>350,704,171</b>
<i>Surplus for the year</i>	26,467,836		26,467,836
<i>Prior Year adjustment[1]</i>	-1,276,964.00		-1,276,964
<b><i>As at 31st December 2023</i></b>	<b>347,511,952</b>	<b>28,383,091</b>	<b>375,895,043</b>



**Notes to the Financial Statements (Continued)**

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

**23. Financial Risk Management**

The Kenya Institute of Supplies Management's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Kenya Institute of Supplies Management'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 Kenya Institute of Supplies Management 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 Kenya Institute of Supplies Management's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The Kenya Institute of Supplies Management 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 directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Kenya Institute of Supplies Management'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 Kenya Institute of Supplies Management's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:



**Notes to the Financial Statements (Continued)**

	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 31st December 2022</b>				
Receivables from exchange transactions	120,654,216	59,840,140	60,814,076	-
Bank balances	69,590,979	69,590,979		
<b>Total</b>	<b>190,245,195</b>	<b>129,431,119</b>	<b>60,814,076</b>	<b>-</b>
<b>As at 31st December 2023</b>				
Receivables from exchange transactions	128,337,691	42,261,827	86,075,864	-
Bank balances	76,818,426	76,818,426		
<b>Total</b>	<b>205,156,117</b>	<b>119,080,253</b>	<b>86,075,864</b>	<b>-</b>

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 Kenya Institute of Supplies Management has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Kenya Institute of Supplies Management has a significant concentration of credit risk on amounts due from 2023.

The Council sets the Kenya Institute of Supplies Management’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 Kenya Institute of Supplies Management’s directors, who have built an appropriate liquidity risk management framework for the management of the Kenya Institute of Supplies Management’s short, medium and long-term funding and liquidity management requirements. The Kenya Institute of Supplies Management manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Kenya Institute of Supplies Management 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.



**Kenya Institute of Supplies Management**  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 31<sup>st</sup> December 2022</b>				
Trade payables	33,333,362	43,333,371	256,666,889	333,333,622
Employee benefit obligation	0			
<b>Total</b>	<b>33,333,362</b>	<b>43,333,371</b>	<b>256,666,889</b>	<b>333,333,622</b>
<b>As at 31<sup>st</sup> December 2023</b>				
Trade payables	34,333,053	38,002,204	235,720,338	308,055,595
Employee benefit obligation	0			
<b>Total</b>	<b>34,333,053</b>	<b>38,002,204</b>	<b>235,720,338</b>	<b>308,055,595</b>

**iii) Market risk**

The Kenya Institute of Supplies Management has put in place an internal audit function to assist it in assessing the risk faced by the Kenya Institute of Supplies Management 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 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 Kenya Institute of Supplies Management'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



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

**Notes to the Financial Statements (Continued)**

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 2023**

	<b>In Kshs</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 31ST DECEMBER 2023</b>			
Investments			-
Cash	76,818,426		76,818,426
Debtors	128,337,691		128,337,691
<b>Total Financial Assets</b>	<b>205,156,117</b>		<b>205,156,117</b>
<b>Financial Liabilities</b>			-
Trade And Other Payables	271,898,692		271,898,692
Borrowings	-		-
<b>Total Financial Liabilities</b>	<b>271,898,692</b>		<b>271,898,692</b>
<b>Net Foreign Currency Asset/(Liability)</b>	<b>-66,742,575</b>		<b>-66,742,575</b>

**24. Prior Year Adjustment**

Under IFRS, the prior year adjustments made to the accumulated funds were by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. In the previous reporting period, invoices were raised and the associated revenue was recognized in the income statement, as per the requirements of IFRS 15 - Revenue from Contracts with Customers. However, it was subsequently determined that the participants linked to these invoiced amounts were classified as "no-shows" and did not participate. To correct this overstatement of income and the corresponding overstatement of the accumulated funds balance, credit notes were issued retrospectively. This treatment is supported by IFRS 15, which requires revenue to be recognized only when the performance obligations are satisfied by the entity. The prior year adjustment process ensures the accumulated funds balance is accurately reported on the statement of financial position, in line with the IFRS principles of faithful representation and relevance. This adjustment provides users of the financial statements with a more accurate and reliable view of the organization's financial position.



*Kenya Institute of Supplies Management*  
Annual Report and Financial Statements  
For the Period ended 31st December, 2023

**Notes to the Financial Statements (Continued)**

**25. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *Institute* 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.

**26. Government of Kenya**

The Government of Kenya is the principal owner of the *Institute*. The Government has provided full guarantees to all long-term lenders of the Institute, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry.
- ii) Key management.
- iii) Council.
- iv) Kenya Institute of Supplies Examination Board

Description	2023	2022
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) purchases from related parties</b>		
Kenya Institute of Supplies Examination Board	4,325,464	4,325,464
<b>Total</b>	<b>4,325,464</b>	<b>4,325,464</b>
<b>b) Grants /transfers from the government</b>		
Grants from national govt	49,087,500	55,980,070
<b>Total</b>	<b>49,087,500</b>	<b>55,980,070</b>
<b>c) Key management compensation</b>		
Directors' emoluments	32,570,871	20,494,265
Compensation to key management	30,969,369	10,247,133
<b>Total</b>	<b>63,540,240</b>	<b>30,741,398</b>



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2023**

---

**Notes to the Financial Statements (Continued)**

**27. Surplus Remission**

The Institute, a semi-autonomous government entity, is tasked with regulating procurement and supply chain management in Kenya. Its mandate, outlined in the Supplies Practitioners Management Act, is funded through training fees and membership subscriptions. In its early stages, the Institute collaborated with various development partners and the Kenyan government to expedite its establishment and fulfill its objectives. However, government support is temporary and expected to conclude soon. Moving forward, the Institute aims to become self-sufficient as a professional organization.

**28. Events after the Reporting Period**

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

**29. Ultimate And Holding Entity**

The Kenya Institute of Supplies Management is a Semi-Autonomous Government Agency under the Ministry of Finance. Its ultimate parent is the Government of Kenya.

**30. Currency**

The financial statements are presented in Kenya Shillings (Kshs)



**Appendix 1: Audit Findings and Responses**

Ref No.	Issue / Observations	Management comments	Status:	Timeframe:
1.	Inaccuracies in Receivables from exchange transactions	Management will rectify the misclassification of receivables with credit balances and ensure adherence to IPSAS requirements in the presentation of financial statements. Any excess payments made will be reassessed and reclassified as current assets for proper recognition.	Resolved	
2.	Material uncertainty on going concern and sustainability of services	While the institute's working capital currently falls below the recommended ratio, it's important to note that a substantial portion of the current liabilities are owed to contractors responsible for constructing KISM Towers hence the negative Working Capital.	Partially resolved	31/12/2024
3.	Budgetary control and performance	This was sorted.	Resolved	
4.	Non-Compliance with Budget ceiling on council expenses	The institute will take proactive measures in seeking for approval from the Cabinet Secretary for the National Treasury for any expenditures exceeding the stipulated limits.	Resolved	
5.	Long Outstanding Trade and other payables	Measures are being taken to expedite the closure of these outstanding liabilities before the end of 2024.	Partially resolved	31/12/2024

**Approved by: Chief Executive Officer**

Signature.....

