




OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

 THE NATIONAL ASSEMBLY OF KENYA	
DATE:	02 MAR 2023 Thursday
TABLED BY:	Leader of the Majority Party
CLERK-AT THE-TABLE:	Joyce Kemerele

THE AUDITOR-GENERAL

ON

**INSTITUTE OF HUMAN RESOURCE
MANAGEMENT**

**FOR THE YEAR ENDED
30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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The Professional Body of HR Practitioners in Kenya

INSTITUTE OF HUMAN RESOURCE MANAGEMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2020

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

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2020**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

Vision

Ethical, people-centric HR professionals

Mission

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

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

Core Values

- Transparency
- Professionalism
- Innovation
- Compliance and Green Practices
- Business Acumen

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The functions of the Institute are;

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

(c) Key Management

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

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

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(d) Fiduciary Management

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

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

The following are the key management team who served during the financial year 2019/2020.

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

(e) Fiduciary Oversight Arrangements

- National Council
- Committees
 - a) Finance & HR Committee
 - b) Continuous Professional Development (CPD) & Training Committee
 - c) Registration Committee
 - d) Disciplinary Committee
 - e) Audit, Risk & Compliance

(f) Entity Headquarters

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

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(g) Entity Contacts

Telephone: (254) 020 221 3745, 224 0213

E-mail: info@ihrm.or.ke

Website: www.ihrm.or.ke

(h) Entity Bankers

1. Absa Bank

Harambee Avenue Branch

P.O. Box 30120

GPO 00100

NAIROBI, KENYA

2. Kenya Commercial Bank of Kenya

Kipande House Branch

P.O. Box 30012

GPO 00100

NAIROBI, KENYA

(i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya





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2. COUNCIL MEMBERS



The following are the Council Members serving at the time when these financial statements were prepared.

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

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

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





The following are the Council Members who served during the financial year 2019/2020.

Ref	Councils	Details
1.	Mr. Joseph Vincent Onyango, MBS	National Chairman
2.	Mr. Stephen K. Malakwen	Vice Chairman
3.	Mr. Wycliffe Osoro	Member
4.	Bildad Kisero	Member
5.	Ms. Patricia Okello	Member
6.	Ms. Hellen Apiyo	Member
7.	Ms. Catherine Mwangi	Member
8.	Dr. Jacob Mbijjiwe	Member
9.	Ms. Irene Kimacia	Council Secretary/ Ag. Executive Director


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3. MANAGEMENT TEAM

The following are the key management team who are serving at the time these financial statements were prepared.

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

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5.	<p>Job Akuno</p> 	<p>Title - Finance Manager Qualification – Bachelor of Commerce (Accounting Option) & CPA (K).</p>
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The following are the key management team who served during the financial year 2019/2020.

Ref	Management	Details
6.	Ms. Irene Kimacia	Ag. Executive Director
7.	Fredrick Karani	Member Services
8.	Milka Owao	Training Manager
9.	Irene Kimacia	Communications Officer
10.	Vincent Nyarige	Accountant, CPA

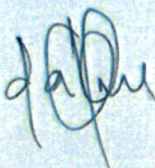
4. CHAIRMAN'S STATEMENT

It is with pleasure gracing this period with numerous activities and membership developments. The human resource profession in Kenya is in a new trajectory. Since 2012, Institute of Human Resource Management has made several strides in respect to enacting various regulations such as; training and membership registration, elections to the council regulations, competency based criteria, branch networks policy among others.

The Institute provides knowledge, skills and attitudes that have become a key driver of growth and development globally. Production of qualified human resource professionals has become intensive and has led to training, coaching and mentorship to get higher value services to manage labour force with the appropriate mix of technical and soft skills. We are happy to revamp the HRM Magazine. The Institute is still calling on members to write articles for publication on the magazine as a way of sharing knowledge on a professional platform.

The Strategic Plan (2020-2023) marks yet another milestone in the life of the Institute of Human Resource Management. This Plan takes off from a successful implementation regime of the previous Strategic Plan (2016-2020). It guarantees continuity and succession and further takes a bold initiative to chart a new path, introducing a new critical dimension in the conceptual framework of the Institute's mandate.

A lot of initiatives and partnerships are also in place to ensure continuous engagement among members and their professional growth.



CHRP Phillip Dalmas Odera

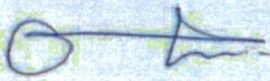
Council National Chairman

5. REPORT OF THE EXECUTIVE DIRECTOR

It is my pleasure to present Institute of Human Resource Management 2019/2020 annual report and financial statements. The Council Members of the Institute and Secretariat are proud of the achievements realized in this period towards enhancing and promoting human resource practices. Considering the dynamic needs in the employees' welfare and organizations operation space, managing an effective and efficient work force can be tasking.

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

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



CHRP Quresha Abdullahi
Executive Director

6. STATEMENT OF INSTITUTE OF HUMAN RESOURCE MANAGEMENT

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2019/2020

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

Institute of Human Resource Management has 5 strategic themes and objectives within the current Strategic Plan for the 2019/2020. These themes are as follows:

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

The Institute develops its annual work plans based on the above 5 themes. Assessment of the Council's performance against its annual work plan is done periodically. The Institute achieved its performance targets set for the FY 2019/2020 period for its 5 strategic themes, as indicated in the diagram below:

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

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

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

7. CORPORATE GOVERNANCE STATEMENT

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

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

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

The composition of the council member reflects the duties and responsibilities it is to discharge and perform as the representatives of the members. The Council members are independent of management and free from other relationships which could materially interfere with the exercise of their independent judgment. The council and committee normally meets quarterly and has as tabulated below between 1 July 2019 and 30 June 2020. Special purpose meetings are held as required.

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	Particulars	Meetings
1.	Council Members	15
2.	Registration Committee	2
3.	Disciplinary Committee	3
4.	Audit, Risk & Compliance Committee	1
5.	Human Resource & Finance Committee	3
6.	Continued Professional Development & Membership Services Committee	1

The Council has one standing committees, being: Registration Committee. The council and committee members do not have a remuneration but would be paid meeting allowances whenever they are called upon and settlement of associated costs which reflects in this report as 12.9 million for the year 2019/2020.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Membership

In the year 2019/2020, the Institute continued to maintain the membership as well as increase in new members during the period. The Institute has conducted various activities such as holding trainings, seminars, workshops, conference, congress among other annual events to sustain engagement and regular communication with the stakeholders. The Institute also conducted CPD trainings to maintain high reputation of the profession and to protect the various stakeholders' interests.

Revenue

In the year 2019/2020 the total revenue realised was Kshs 181.9 Million up from Kshs.229.6 Million in the year 2018/2019. This represent a decrease of 47.7% from the previous year. Decrease in revenue was noted across all revenue streams except for rental income following exit of the tenant.

Operating Costs

The total operating costs for the year 2019/2020 stood at Kshs.154.4 Million having increased from Kshs.137.0 Million in the year 2018/2019. This attribute relates mainly to increase membership activities during the period translating to increase in operating costs.

Profit

The summaries above therefore translate to decrease in operating surplus of Kshs.65.1 Million. In the year 2018/2019 the Institute realised operating surplus of Kshs.92.6 Million compared to operating surplus of Kshs.27.5 Million for the year 2019/2020.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

The Institute of Human Resource Management is a leading professional membership organisation in advancing growth and development in human resource activities. The successful implementation of the 2016-2020 strategic plan has brought a lot of efficiency and effectiveness in terms of quality, accuracy, speed and real time capacity for interactive feedback on various communication platforms.

Environmental performance

The Institute of Human Resource Management takes responsibility and compelled to creating links between disclosure on environmental performance. The Institute has taken an active part in articles writing campaigns as we believe good environmental gain appropriate recognition and benefits by the larger public.

The Institute has natured a plan for properly implementing and maintaining the compliance to the legal requirements, corrective, preventive, recording and managing information relating to environmental performance from time to time. The Institute is inherently well placed for measuring, managing and communicating their environmental performance for the period. Environmental performance reporting has enabled the Institute to;

- i) Provide Management information helping in exploiting cost saving measures,
- ii) Chance to set out what we believe is significant at the Institute.

ii) Employee welfare

The Institute's strives to provide benefits, facilities, and services to the employees as part of its employee welfare policy. These activities are undertaken by the Institute to ensure that the employees have a comfortable and ethical working environment. Welfare activities enhance employees' morale, create a loyal and satisfied workforce as well as develop an improved image of the Institute. In addition to this, the Institute undertake the well-being activities voluntarily as well as ensuring compliance to the statutory requirements. Some of the areas the Institute has addressed includes;

- i) Provision of various facilities, services and amenities to improve their health, efficiency, economic betterment and social status.
- ii) Regular remuneration and other economic benefits available to employees.
- iii) Introduction of new measures as proposed by the employers, regulations, employees or best practices in the market,
- iv) Bringing about the development of the whole personality of the worker to make them better.

iii) Market place practices

a) Responsible competition practice.

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

- i. Maintaining and promoting competition
- ii. Protecting the interests and safety of consumers, and supporting fair trading in markets affecting consumers and other entities,
- iii. promoting the economically efficient operation,
- iv. undertaking market studies to support competition, consumer and regulation.

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

b) Responsible Supply chain and supplier relations

Supplier relationship is very important and remains most basic level the resources for the products or services the Institute would provide to run the business. The key advantages of strong and healthy supplier relationship include; dedicated service, preferential pricing and special credit terms. Through this, your supply chain becomes more efficient, cost effective and productive.

- i) Effective, open two-way communication is at the heart of any strong business relationship,
- ii) A mutual appreciation and willingness to consider the needs and opinions of suppliers,
- iii) Being open and honest with the suppliers,
- iv) Ensuring all benefits are split straight down the line,
- v) Trust is the cement holding a strong relationship with our suppliers,
- vi) Adapting and embracing innovation as a means of improving services

The Institute is aiming at forming longer, stronger bonds with suppliers. This offers better value through quality, reliability, value for money, and clear communication.

c) Responsible marketing and advertisement

The Institute has maintained a very high standard in marketing and advertising for the various services so far put in the market. Ethical marketing involves everything from ensuring that advertisements are ethically sounding to building meaningful relationships with customers. The Institute has ensured this through various principles:

- i) Empathy – Deep understanding of consumer needs,
- ii) Honesty – Avoiding manipulation and exaggeration in the promotions,
- iii) Sustainability – Commitment to public, environmental and social well-being,
- iv) Transparency – openness about business operations used in the market,
- v) Promise-keeping – genuine intention to keep the promise given to consumers and society

We believe that ethical marketing and advertisement is important and it works.

d) Product stewardship

The Institute of Human Resource management ensures the products and services offered have the greatest ability to minimize adverse impacts to the consumers. It is at a minimum expected the product responsibility extends to post consumer utilization of the product and/or service. We know what goes into our products is important to our consumers, which is why contents are properly analysed for both effective and safety. The Institute continue to be a leading pillar in the human resource regulations through initiatives in product safety and content sharing. When appropriate, the Institute escalates product stewardship issues to the regulatory bodies and Council of Members for appropriate guidance.

iv) Corporate Social Responsibility / Community Engagements

The Institute of Human Resource Management considers corporate social responsibility an integral part of the activities. Over the period, it is clear that the corporate social responsibilities activities have; attracted and maintained motivated workforce, improved relations with staff, increasing productivity and quality in the long run, increased members' customer service and strengthen the Institutes' brand image and reputation. We are driven by;

- i) Accessible and responsive to applications,
- ii) Transparent and committed to making information widely available,
- iii) Results focused including performance metrics jointly developed with partners,
- iv) Sound management and stewardship of financial resources,
- v) Guidance by our members

10. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2020, which show the state of the Institute's affairs.

i) Principal activities

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

ii) Results

The results of the Institute for the year ended June 30, 2020, are set out on page 1 to page 5.

iii) Council Members

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

iv) Surplus remission

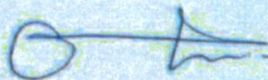
The Institute did not make remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board

Amesha Abdullehi



11/02/2022

Name

Signature

Date

Secretary to the Council

11. STATEMENT OF COUNCILS' RESPONSIBILITIES

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

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

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

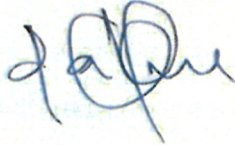
The Councils further confirms the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2020**

Approval of the financial statements

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



Signature:

**Name : Dalmas Odero
Council Chairman**

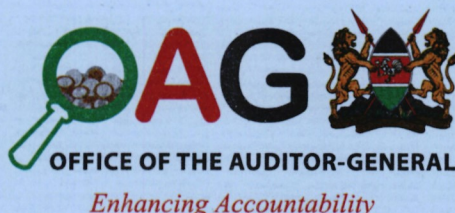


Signature:

**Name : Quresha Abdullahi
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 INSTITUTE OF HUMAN RESOURCE MANAGEMENT FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying Financial Statements of Institute of Human Resource Management set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Institute of Human Resource Management as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Human Resource Management Professionals Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unsupported Revenue

The statement of financial performance reflects total revenue from exchange transactions of Kshs.181,967,387. However, the amount includes receipts totalling Kshs.118,100,079 which were not supported with any verifiable documents and records.

In the circumstances, the accuracy and completeness of revenue of Kshs.118,100,079 could not be confirmed.

2. Unsupported Expenditure

The statement of financial performance reflects total expenses of Kshs.154,442,710. Included in the expenditure, are payments totalling Kshs.28,916,505 whose payment vouchers were not provided for audit. Further, payments amounting to Kshs.10,579,760 were not adequately supported. In addition, payments amounting to Kshs.44,819,801 in respect of various goods and services were not supported with tender advertisements,

bid documents, tender opening minutes, evaluation committee minutes, and professional opinion on procurements, local purchase orders, and contract agreements. Further, payment adjustments done on five (5) items having net credit amount of Kshs.1,410,651 included in total expenses were not supported with approved journal vouchers.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.82,905,415 could not be confirmed.

3. Unreconciled Variance on Corporate Tax Provision

The statement of financial performance reflects corporate tax provision of Kshs.8,257,403. However, the corresponding Note 26 to the financial statements, reflects an amount of Kshs.10,800,411 resulting to an unreconciled variance of Kshs.2,543,008.

In the circumstances, the accuracy and completeness of corporate tax provision of Kshs.8,257,403 could not be confirmed.

4. Cash and Cash Equivalents

4.1 Unsupported Mobile Money Platform Balance

The statement of financial position and as disclosed in Note 17 to the financial statements, reflects cash and cash equivalents balance of Kshs.264,685,133 which includes an amount of Kshs.5,969,200 in respect of mobile money platform balance. However, supporting documents including the mobile account confirmation certificates and cashbooks were not provided for audit.

4.2 Unsupported Treasury Bills

The cash and cash equivalents balance of Kshs.264,685,133 further includes deposits in treasury bills amounting to Kshs.229,736,264. However, and as previously reported, the balance was not supported with a certificate of deposit, approval by The National Treasury or evidence of interest earned, movement schedule and terms and conditions for the investments. Further, the Management did not provide any evidence that an updated list of bank details of the Institute was submitted to the National Treasury. This is contrary to Regulation 87(3) of the Public Finance Management (National Government) Regulations, 2015, which states that an accounting officer of a national government entity shall by the 30 September of each year, submit to The National Treasury up-dated list of bank accounts held by the entity showing bank name, account name, account type, purpose of the account, signatories of the bank account date account was opened and date of the National Treasury letter granting approval for opening and operating the bank account among other details.

4.3 Unbanked Cash Receipts

Review of cash book and revenue records revealed cash receipts totalling to Kshs.2,201,945 recorded in the cashbook, which could not be traced in the bank statements provided. No explanation was provided for the receipts remaining unbanked as at 30 June, 2020.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.264,685,133 could not be confirmed.

5. Unsupported Receivables

The statement of financial position and as disclosed in Notes 18 and 19 to the financial statements, reflects receivables from exchange transactions and non-exchange transactions balances of Kshs.41,460,406 and Kshs.19,064,059 respectively both totalling Kshs.60,524,465. However, the balance was not supported by debtors' schedules, ledger, invoices, and ageing analysis. Further, there are no formal measures that are in place to recover the outstanding debts.

In the circumstances, the accuracy and completeness of receivables totalling Kshs.60,524,465 could not be confirmed.

6. Unsupported Related Parties' Balance

The statements of financial position and as disclosed in Note 20 to the financial statements reflect related parties' balance of Kshs.13,471,403. However, no evidence was provided to support the balance.

In the circumstances, the existence and accuracy of the related parties of Kshs.13,471,403 could not be confirmed.

7. Property, Plant and Equipment

The statement of financial position, and as disclosed in Note 21 to the financial statements, reflects property, plant and equipment balance of 14,866,096 as at 30 June, 2020. Review of the records revealed the following anomalies:

7.1 Unreconciled Variance between the Financial Statements and Asset Register

Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.29,874,545 relating to cost of the Institute's assets. However, the assets register provided for audit reflected a balance of Kshs.8,180,734 resulting in an unreconciled variance of Kshs.21,693,011. Further, the details of the acquisition, unique identification numbers, cost and location of the assets were not indicated in the asset register.

7.2 Unsupported Assets' Additions

Note 21 to the financial statements reflects additions of assets of Kshs.9,356,704 which were not supported with payment vouchers, requisitions from user departments, invoices, local purchase orders, delivery notes and inspection and acceptance reports.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.14,866,096 could not be confirmed.

8. Unconfirmed Investment Property

The statement of financial position and as disclosed in 22 to the financial statements reflects investment balance of Kshs.30,677,312 which comprised of Kshs.19,443,685 and

Kshs.11,233,627 in respect of investment in property and investment in subsidiary respectively. As previously reported, review of records revealed that the amount is in respect of the purchase of office space at Park Building in Parklands, Nairobi in February, 2014. However, the amount paid as the cost of the property totaled Kshs.16,750,763 resulting in an unexplained and unreconciled variance of Kshs.2,692,922. Further, documents to support the investment in the subsidiary balance of 11,233,627 were not provided for audit.

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

9. Unconfirmed Trade and Other Payables

The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other payables balance of Kshs.4,470,413 which comprises of Kshs.3,120,413 and Kshs.1,350,000 in respect of trade payables and other payables respectively. However, included in the balance are unpaid claims totalling Kshs.1,427,610 which were not supported by documents such as invoices, schedules and evidence of the procurement process used to purchase the goods and services. Further, the trade payables include Kshs.1,131,608 whose respective payment vouchers and related supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of the trade and other payables of Kshs.2,559,218 could not be confirmed.

10. Unsupported VAT Control Account

The statement of financial position and as disclosed in Note 25 to the financial statements, reflects a value added tax (VAT) control account balance of Kshs.14,561,686. As previously reported, Management explained that the liability is the net payable amount in respect of output and input VAT. However, schedules and supporting documents for the balance were not provided for audit.

In the circumstances, the validity and accuracy of the VAT control account balance of Kshs.14,561,686 could not be confirmed.

11. Unsupported Medical Insurance Expenses

The statement of financial performance and as disclosed in Note 10 to the financial statements, reflects employees' costs amount of Kshs.30,931,453 out of which an amount of Kshs.2,760,654 was in respect of medical insurance expenses. However, supporting documents such as the insurance policy, tender advertisement, tender opening and evaluation minutes and contract agreement were not provided for audit.

In the circumstances, the validity, accuracy and completeness of medical insurance expenses of Kshs.2,760,654 could not be confirmed.

12. Unsupported Use of Goods and Services

The statement of financial performance and as disclosed in Note 9 to the financial statements, reflects use of goods and services (direct costs) amount of Kshs.69,542,201 which includes Kshs.1,579,525 described as 'out of station' expenses relating to payments to staff in form of imprests for subsistence allowances. However, the payments were not supported with approvals, the program of activities, imprest warrants, imprest registers and documents for the surrender of imprests. This was contrary to Regulation 94(a) of the Public Finance Management (National Government) Regulations, 2015 which states that an officer holding an imprest shall ensure that the imprest issued to him or her shall be used for the intended purpose only.

In the circumstances, the value for money and propriety of Kshs.1,579,525 expenditure could not be confirmed.

13. Irregular Payment of Special Duty Allowance

The statement of financial performance and as disclosed in Note 10 to the financial statements, reflects employment costs amounting to Kshs.30,931,453 which includes an amount of Kshs.21,784,187 in respect to gross salaries. Review of the payroll and other supporting documents revealed that an officer was appointed to act as the Executive Director vide a letter dated 20 January, 2020. However, the officer was paid in January to May, 2020, special duty allowance of 15% of the Executive Director's salary instead of 15% of the officer's applicable basic salary resulting to overpayment of Kshs.290,700.

Further, another officer was appointed to act as Head of Secretariat but was paid in February to June, 2020 special duty allowance of 15 % of the Head of Secretariat salary instead of 15% of the applicable officer's basic salary resulting to overpayment of Kshs.219,347.

Further, review of payroll, personal files and the respective job group revealed that the two officers were in Job group 4 but were appointed to act in higher job groups 8 and 9. This is contrary to Policy C.15(3) of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 which states that officers shall not be called upon to perform duties of a post that is more than two (2) grades higher than the officer's substantive grade.

In the circumstances, the value for money of expenditure of Kshs.510,047 could not be confirmed and the Management was in breach of the law.

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

Key Audit Matter

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Late Submission of Financial Statements

Management submitted the Institute's financial statements for audit on 24 September, 2021, nearly one (1) year after the legal deadline of 30 September, 2020. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Governance and Risk Management

(i) Lack of Risk Management Policy

During the year under review, the Institute of Human Resource Management did not have in place an approved risk management policy. This is contrary to Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which stipulates that an accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanisms and system of risk management and internal controls that build robust business operations.

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

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

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

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

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

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

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public

resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 September, 2022


**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2020**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2020**

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Revenue from exchange transactions			
Revenue from Member Services	6	168,940,283	220,888,681
Rental Revenue from Property	7	614,600	1,079,900
Finance Income	8	12,412,504	7,635,210
Total revenue		181,967,387	229,603,791
Expenses			
Direct Costs	9	69,542,201	85,992,707
Employee Costs	10	30,931,453	24,321,002
Repairs & Maintenance	11	48,808	99,210
General Expenses	12	19,962,598	14,151,569
Depreciation Expense	13	3,980,029	2,059,745
Contracted Professional Services	14	16,640,530	6,102,633
Council & Governance Costs	15	13,100,209	5,705,333
Finance costs	16	236,882	200,666
Total expenses		154,442,710	138,632,865
Other gains/(losses)			
Surplus/(deficit) before tax		27,524,677	90,970,926
Corporate Tax Provision		8,257,403	27,291,278
Surplus/(deficit) for the period		19,267,274	63,679,648
Remission to National Treasury		-	-
Net Surplus for the year		19,267,274	63,679,648
Attributable to:			
Surplus attributable to owners of the controlling Institute		19,267,274	63,679,648


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

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



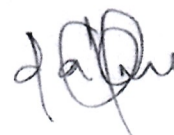
Accounting Officer
Name: Quresha Abdullahi

Date 11/08/2022



Finance Manager
Name : Job Akuno
ICPAK Member No: 9119

Date August 11, 2022



National Chairman
Name: Dalmas Odero

Date 11/08/2022

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2020**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
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	Notes	2019-2020	2018-2019
		Kshs	Kshs
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Council & Governance Costs	15	13,100,209	5,705,333
Finance costs	16	236,882	200,666
Total expenses		154,442,710	138,632,865
Other gains/(losses)			
Surplus/(deficit) before tax		27,524,677	90,970,926
Corporate Tax Provision		8,257,403	27,291,278
Surplus/(deficit) for the period		19,267,274	63,679,648
Remission to National Treasury		-	-
Net Surplus for the year		19,267,274	63,679,648
Attributable to:			
Surplus attributable to owners of the controlling Institute		19,267,274	63,679,648

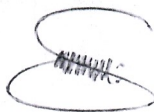
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Accounting Officer
Name: Quresha Abdullahi

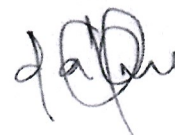
Date 11/08/2022



Finance Manager
Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022



National Chairman
Name: Dalmas Odero

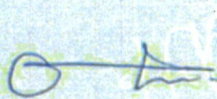
Date 11/08/2022

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2020**

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	17	264,685,133	266,115,838
Receivables from exchange transactions	18	41,460,406	24,492,195
Receivables from non-exchange transactions	19	19,064,059	17,725,402
Related Parties	20	13,471,404	10,871,703
Total Current Assets		338,681,002	319,205,138
Non-Current Assets			
Property, plant and equipment	21	14,866,096	9,489,421
Investments	22	30,677,312	30,677,312
Total Non- Current Assets		45,543,408	40,166,733
Total Assets		384,224,409	359,371,871
Liabilities			
Current Liabilities			
Trade and other payables	23	4,470,413	6,211,038
Employee benefit obligation	24	564,231	837,872
VAT Control Account	25	14,561,686	17,717,566
Corporate Tax Provision	26	64,554,694	53,754,283
Total Current and Non- Current Liabilities		84,151,024	78,520,759
Financed by:			
Accumulated Funds		300,073,386	280,851,112
Total Liabilities		384,224,409	359,371,871

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



Accounting Officer

Name: Quresha Abdullahi

Date 11/08/2022

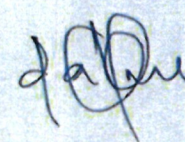


Finance Manager

Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022



National Chairman

Name: Dalmas Odero

Date 11/08/2022

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

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


	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2019		-	-	-	280,851,112	-	-	280,851,112
Surplus/ (Deficit) for the year		-	-	-	19,267,274	-	-	19,267,274
As at June 30, 2020		-	-	-	300,118,386	-	-	300,118,386

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	2019-2020	2018-2019
	Kshs	Kshs
Receipts		
Revenue from Member Services	151,609,552	229,809,946
Total	151,609,552	229,809,946
Payments		
Direct Costs	71,021,999	92,904,880
Employee Costs	31,205,094	23,947,471
Repairs & Maintenance	48,808	99,210
General Expenses	24,457,135	13,436,458
Contracted Professional Services	16,640,530	6,102,633
Council & Governance Costs	13,100,209	5,705,333
Finance costs	236,882	200,666
Total	156,710,657	142,396,651
Net Cash Flow from Operating Activities	(5,101,105)	87,413,295
Cash Flow from Investing Activities		
Rental Revenue from Property	614,600	1,079,900
Finance Income	12,412,504	7,635,210
Purchase of Assets	(9,356,704)	(3,286,664)
Net Cash flows from investing activities	3,670,400	5,428,446
Net Increase/(Decrease) in Cash	(1,430,705)	92,841,741
Cash and cash equivalents at 1 July 2019	266,115,838	173,274,097
Cash and cash equivalents at 30 June 2020	264,685,133	266,115,838

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



Accounting Officer

Name: Quresha Abdullahi

Date 11/08/2022

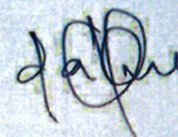


Finance Manager

Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022



National Chairman

Name: Dalmas Otero

Date 11/08/2022

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs a	Kshs B	Kshs c = (a+b)	Kshs d	Kshs e = (c-d)	f = d/c
Revenue						
Revenue from Member Services	261,094,500	-	261,094,500	168,940,283	92,154,217	65%
Rental Revenue from Property	1,318,041	-	1,318,041	614,600	703,441	47%
Finance Income	8,121,881	-	8,121,881	12,412,504	(4,290,623)	153%
Total income	270,534,422	-	270,534,422	181,967,387	88,567,035	67%
Expenses						
Direct Costs	109,737,626	-	109,737,626	69,542,201	40,195,425	63%
Employee Costs	37,159,883	-	37,159,883	30,931,453	6,228,430	83%
Repairs & Maintenance	325,000	-	325,000	48,808	276,192	15%
General Expenses	21,250,000	-	21,250,000	19,962,598	1,287,402	94%
Depreciation & Amortization	4,150,000	-	4,150,000	3,980,029	169,971	96%
Contracted Professional Services	5,100,000	-	5,100,000	16,640,530	(11,540,530)	326%
Council & Governance Costs	6,367,810	-	6,367,810	13,100,209	(6,732,399)	206%
Finance Costs	315,000	-	315,000	236,882	78,118	75%
Total expenses	184,405,319	-	184,405,319	154,442,710	29,962,609	84%
Surplus/(deficit) for the period	86,129,103	-	86,129,103	27,524,677	58,604,426	32%

Note

Revenue - Membership revenue was budgeted for all registered members but only a fraction paid up. Secondly, the apartment tenant vacated in the period.
Expenses - Increase in membership activities at branch levels and additional contracted professional services to address various needs.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

iii. Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

Rendering of services

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

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

Sale of goods

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

Interest income

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

ii) Revenue from exchange transactions

Dividends

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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 2019-2020 was not approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Institute upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Institute did not record additional appropriations on the 2019-2020 budget following the governing body's approval.

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

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

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 number 17 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

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

Deferred tax

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

Sales tax

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

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

d) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

e) Property, plant and equipment

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

The applicable depreciation rates are as below;

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

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

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

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

g) Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

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

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

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

j) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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 Entity.

k) Provisions

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

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

l) Contingent liabilities

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

m) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

q) Foreign currency transactions

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

r) Borrowing costs

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

s) Related parties

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

t) Service concession arrangements

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

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments in Treasury Bills with an original maturity of six months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Absa Bank Kenya Plc, KCB Bank Kenya and M-Pesa at the end of the financial year. 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, 2020.

5. Significant Judgments and Sources of Estimation Uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Revenue from Member Services

Description	2019-2020	2018-2019
	KShs	KShs
Application & Upgrades	7,194,350	3,732,897
Seminars, Workshops & Trainings	98,493,225	160,544,909
Membership Fees	63,252,708	56,610,875
Consultancy	-	-
Total revenue from the Rendering of services	168,940,283	220,888,681

7. Rental Revenue from Property

Description	2019-2020	2018-2019
	KShs	KShs
Rental Income	614,600	1,079,900
Total rentals	614,600	1,079,900

8. Finance Income

Description	2019-2020	2018-2019
	KShs	KShs
Interest income from Treasury Bills	12,412,504	7,635,210
Total finance income	12,412,504	7,635,210

9. Use of Goods and Services

Description	2019-2020	2018-2019
	KShs	KShs
Direct Costs		
Materials & Publication	15,216,917	22,339,508
Venue & Accommodation	41,219,837	45,944,820
Out of Station	1,579,525	4,964,545
Transport & Mileage	706,160	802,825
Travelling Costs	1,668,290	3,328,525
Consultancy	7,879,674	7,956,654
Other Costs	1,271,798	655,830
Total Direct Costs	69,542,201	85,992,707

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Employee Costs

	2019-2020	2018-2019
	KShs	KShs
Gross Salaries	21,784,187	19,416,563
Wages	290,100	468,900
Training & Professional Development	283,950	110,100
Medical Cover	2,760,654	3,228,329
Employee Welfare	5,812,562	1,097,110
Employee costs	30,931,453	24,321,002

11. Repairs and Maintenance

Description	2019-2020	2018-2019
	KShs	KShs
Repairs & Maintenance	48,808	99,210
Total Repairs & Maintenance	48,808	99,210

12. General Expenses

Description	2019-2020	2018-2019
	KShs	KShs
Administrative Expenses		
Office Supplies	950,232	735,339
Office Cleaning	376,209	331,600
Transport & Insurance	1,820,270	1,560,964
Postage & Courier	516,666	301,932
Printing & Stationery	1,991,801	2,121,142
Advertisement & Publicity	3,153,558	628,968
Motor Vehicle	1,895,119	1,736,271
Corporate Social Responsibilities	2,450,000	325,000
License & Permits	326,354	149,200
Total Administrative Expenses	13,480,209	7,890,416
Office Rent		
Office Rent	4,036,355	3,275,184
Service Charge	261,734	217,864
Parking Fees	-	557,684
Hall Hire	157,890	240,120
Total Office Rent	4,455,979	4,290,852
Office Utilities		
Telephone & Internet	1,715,566	1,394,366
Office Utilities/Electricity	310,844	575,935
Total Office Utilities	2,026,410	1,970,301
Total General Expenses	19,962,598	14,151,569

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Depreciation Expense

Description	2019-2020	2018-2019
	KShs	KShs
Furniture & Equipment	458,459	503,410
Fixtures & Fittings	281,434	321,638
Computers & Printers	125,467	87,439
Motor Vehicle	2,793,169	807,559
Intangible	321,500	339,699
Total Depreciation and Amortization	3,980,029	2,059,746

14. Contracted Professional/Consultancy Expenses

Description	2019-2020	2018-2019
	KShs	KShs
Professional Fees	2,693,060	614,600
Audit Fees	450,000	450,000
Legal & Secretarial	3,517,107	246,667
Other Consultancy	9,980,363	4,791,366
Total Contracted Professional Services	16,640,530	6,102,633

15. Council and Governance Costs

Description	2019-2020	2018-2019
	KShs	KShs
Venue & Accommodation	2,219,779	504,550
Meeting Allowances	5,632,966	1,928,498
Transport & Travelling	2,999,954	1,480,107
Elections	1,031,168	1,595,426
Others	1,216,342	196,752
Total Council & Governance Costs	13,100,209	5,705,333

16. Finance Costs

Description	2019-2020	2018-2019
	KShs	KShs
Finance costs	236,882	200,666
Total finance costs	236,882	200,666

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Detailed Analysis of Cash and Cash Equivalents

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Absa bank	0821498910	24,781,394	31,704,115
Kenya Commercial bank	1203884745	4,099,831	1,625,205
Sub- total		28,881,225	33,329,320
b) Others(specify)			
Petty Cash	N/A	98,444	-
M-Pesa	N/A	5,969,200	6,096,746
Treasury Bills	N/A	229,736,264	226,689,772
Sub- total		235,803,908	232,786,518
Grand total		264,685,133	266,115,838

18. Receivables from Exchange Transactions

(a) Current Receivables from Exchange Transactions

	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Other exchange debtors	41,460,406	24,492,195
Total current receivables	41,460,406	24,492,195

(b) Long- term Receivables from Exchange Transactions

Description	2019-2020	2018-2019
	KShs	KShs
Long-term Receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	41,460,406	24,492,195

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Receivables from Non-Exchange Transactions

Description	2019-2020	2018-2019
	KShs	KShs
Deposit - Fuel	120,000	120,000
Deposit - Car Park	13,075	13,075
Rent Deposit - IHRM	2,656,776	2,656,776
Rent Deposit - HRMPEB	2,459,273	2,459,273
Deposit - Security	10,000	10,000
Deposit - Telephone	20,000	20,000
5% Corporate Tax Withheld	11,239,333	9,793,992
Loan Account - Borrowing	1,000,000	1,000,000
M/V Disposal Deposit	956,250	956,250
Salary Advance	178,000	199,000
Medical Inpatient	411,352	413,703
Medical Outpatient	-	83,333
Rent and other deposits	19,064,059	17,725,402

20. Related Parties

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
Opening Balance	10,871,703	8,495,228
a) Receipts received by IHRM on behalf of related parties		
HRMPEB	(125,000)	(4,516,698)
CHRM	(45,500)	(19,000)
Total	(170,500)	(4,535,698)
b) Payments made by IHRM on behalf of related parties		
HRMPEB	183,280	6,434,223
CHRM	2,586,920	477,950
Total	2,770,200	6,912,173
Total	13,471,403	10,871,703

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Property, Plant and Equipment

Cost	Land & Buildings	Motor vehicles	Office Equipment	Computers & Printers	Fixtures & Fittings	Intangible	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 th June 2019	-	4,590,000	6,514,917	3,014,359	4,337,621	2,060,944	20,517,841
Additions	-	8,750,000	143,800	214,200	-	248,704	9,356,704
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
As at 30 th June 2020	-	13,340,000	6,658,717	3,228,559	4,337,621	2,309,648	29,874,545
Depreciation and impairment							
As at 30 th June 2019	-	2,167,323	2,991,048	2,810,334	2,357,569	702,147	11,028,421
Depreciation	-	2,793,169	458,459	125,467	281,434	321,500	3,980,029
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
As at 30 th June 2020	-	4,960,492	3,449,507	2,935,801	2,639,003	1,023,647	15,008,450
Net book values							
As at 30 th June 2020	-	8,379,508	3,209,210	292,758	1,698,619	1,286,001	14,866,096
As at 30 th June 2019	-	2,422,677	3,523,869	204,025	1,980,053	1,358,797	9,489,421

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cost	Land & Buildings	Motor vehicles	Office Equipment	Computers & Printers	Fixtures & Fittings	Intangible	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 th June 2018	-	2,160,000	6,233,917	2,841,320	4,183,621	1,812,240	17,231,177
Additions	-	2,430,000	281,000	172,960	154,000	248,704	3,286,664
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
As at 30 th June 2019	-	4,590,000	6,514,917	3,014,359	4,337,621	2,060,944	20,517,841
Depreciation and impairment	-	-	-	-	-	-	-
As at 30 th June 2018	-	1,359,764	2,487,638	2,722,895	2,035,930	362,448	8,968,675
Depreciation	-	807,559	503,410	87,439	321,639	339,699	2,059,746
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
As at 30 th June 2019	-	2,167,323	2,991,048	2,810,334	2,357,569	702,147	11,028,421
Net book values	-	-	-	-	-	-	-
As at 30 th June 2019	-	2,422,677	3,523,869	204,025	1,980,052	1,358,798	9,489,421
As at 30 th June 2018	-	800,236	3,746,279	118,504	2,147,691	1,449,792	8,262,502

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Investment in Property

Description	2019-2020	2018-2019
	KShs	KShs
Investment in Property	19,443,685	19,443,685
Investment in Subsidiary	11,233,627	11,233,627
At end of the year	30,677,312	30,677,312

23. Trade and Other Payables

Description	2019-2020	2018-2019
	KShs	KShs
Trade Payables	3,120,413	4,528,379
Accrued Expenses - Suppliers	-	332,659
Other Payables (Audit fee Provisions)	1,350,000	1,350,000
Total Trade & Other Payables	4,470,413	6,211,038

24. Employee benefit obligation

Description	2019-2020	2018-2019
	KShs	KShs
PAYE	313,874	345,041
NHIF	17,700	17,100
Elimu/Stima SACCO	100,211	139,515
NSSF	28,080	14,040
Pension	96,566	104,468
Net Pay	-	217,708
NITA	7,800	-
Total trade and other payables	564,231	837,872

25. VAT Control Account

Description	2019-2020	2018-2019
	KShs	KShs
Tax Accrued – PAYE & VAT	-	-
VAT Control Account	14,561,686	17,717,566
Total VAT Control Account	14,561,686	17,717,566

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Corporate Tax Provision

Description	2019-2020	2018-2019
	KShs	KShs
Balance brought down	53,754,283	27,917,551
Corporate Tax provision	10,800,411	25,836,732
Total Corporate Tax Provision	64,554,694	53,754,283

27. Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	KShs	KShs	Kshs	KShs	KShs
Balance b/d as at 01.07.2019	-	-	-	1,350,000	1,350,000
Additional Provisions	-	-	-	450,000	450,000
Provision utilised	-	-	-	450,000	450,000
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions as at 30.06.2020	-	-	-	1,350,000	1,350,000

28. Cash generated from operations

	2019-2020	2018-2019
	Kshs	Kshs
Surplus for the year before tax	27,524,677	90,970,926
Adjusted for Cash Flow from Operating Activities		
Depreciation	3,980,029	2,059,745
Investment Income	(12,412,504)	(1,079,900)
Rental Income	(614,600)	(7,635,210)
Provision for Audit Fees	450,000	450,000
Operating Profit Before Working Capital	18,927,602	84,765,561
Working Capital adjustments		
Increase Receivables from Exchange Transactions	(16,968,211)	5,683,943
Increase in Receivables from non-Exchange	(1,338,657)	(3,504,673)
Decrease Trade and Other Payables	(1,740,625)	2,765,237
Increase Related Parties	(2,599,701)	(2,376,475)
Decrease in VAT Control	(1,107,872)	(293,829)
Decrease Employee Benefit	(273,641)	373,531
Total Cash Flow from Operating Activities	(5,101,105)	87,413,295

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Financial Risk Management

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

i) Credit risk

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2020				
Receivables from exchange transactions	41,460,406	41,460,406	-	-
Receivables from non-exchange transactions	19,064,059	19,064,059	-	-
Bank balances	264,685,133	264,685,133	-	-
Total	325,209,598	325,209,598	-	-
As at 30 June 2019				
Receivables from exchange transactions	24,492,195	24,492,195	-	-
Receivables from non-exchange transactions	17,725,402	17,725,402	-	-
Bank balances	266,155,838	266,155,838	-	-
Total	308,333,435	308,333,435	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2020				
Trade payables	-	3,120,413	-	3,120,413
Current portion of borrowings	-	-	-	-
Provisions	-	450,000	900,000	1,350,000
Deferred income	-	-	-	-
Employee benefit obligation	564,231	-	-	564,231
Total	564,231	3,570,413	900,000	5,034,644
As at 30 June 2019				
Trade payables	-	332,659	4,528,379	4,861,038
Current portion of borrowings	-	-	-	-
Provisions	-	450,000	900,000	1,350,000
Deferred income	-	-	-	-
Employee benefit obligation	837,872	-	-	837,872
Total	837,872	782,659	5,428,379	7,048,910

iii. Market Risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

a) Foreign currency risk

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

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

FY 2020

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2020			
Financial assets			
Investments	30,677,312	-	30,677,312
Bank & Cash Balances	264,685,133	-	264,685,133
Debtors	41,460,406	-	41,460,406
Total financial assets	336,822,851	-	336,822,851
Financial Liabilities			
Trade and other payables	4,470,413	-	4,470,413
Borrowings	-	-	-
Total financial liabilities	4,470,413	-	4,470,413
Net foreign currency asset/(liability)	332,352,438	-	332,352,438

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FY 2019

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

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

b) Interest rate risk

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

Management of interest rate risk

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

Financial Risk Management

Sensitivity analysis

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

iv) Capital Risk Management

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve		
Retained earnings	300,118,386	280,851,112
Capital reserve	-	-
Total funds	300,118,386	280,851,112
Total borrowings	-	-
Less: Cash and Bank Balances	264,685,133	266,115,838
Net debt/(excess cash and cash equivalents)	35,433,253	14,735,274
Gearing	11.8%	5.2%

30. Related Parties Disclosure

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

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

	2019-2020	2018-2019
	Kshs	Kshs
a) Receipts received by IHRM on behalf of related parties		
HRMPEB	(125,000)	(4,516,698)
CHRМ	(45,500)	(19,000)
Total	170,500	(4,535,698)
b) Payments made by IHRM on behalf of related parties		
HRMPEB	183,280	6,434,223
CHRМ	2,586,920	477,950
Total	2,770,200	6,912,173
c) Key management compensation		
Directors' emoluments	13,100,209	5,705,333
Compensation to key management	8,166,968	9,670,452

31. Events after the Reporting Period

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Ultimate and Holding Institute

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

33. Currency

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

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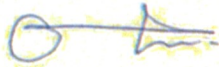
APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Annual Audit Report by Office of the Auditor General not yet available	N/A	N/A	N/A	N/A

Executive Director



Date 11/08/2022

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the Institute

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

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Public Service			
FY 202 2019/2020			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>2019-2020</u>
	None	None	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>2019-2020</u>
	None	None	

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

Finance Manager

IHRM



Sign -----

Head of Accounting Unit

State Department for Public Service

Sign-----

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

