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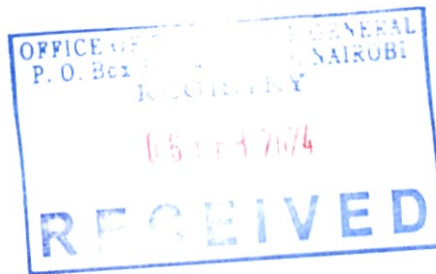
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OF Deputy Majority Whip
CLERK AT THE TABLE: Finlay's

THE AUDITOR-GENERAL

ON

**INSTITUTE OF HUMAN RESOURCE
MANAGEMENT**

**FOR THE YEAR ENDED
30 JUNE, 2023**



INSTITUTE OF HUMAN RESOURCE MANAGEMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

Institute of Human Resource Management
Annual Report and Financial Statements
For the year ended June 30, 2023

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Institute of Human Resource Management
Annual Report and Financial Statements
For the year ended June 30, 2023

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1. Acronyms, Abbreviations and Glossary of Terms

A. Acronyms and Abbreviations

CHRM	- College of Human Resource Management
ED	- Executive Director
HRMPEB	- Human Resource Management Professional Examinations Board
IHRM	- Institute of Human Resource Management
IPSAS	- International Public Sector Accounting Standards
OAG	- Office of the Auditor General
OSHA	- Occupational Safety and Health Act of 2007
PFM	- Public Finance Management
PPE	- Property Plant & Equipment
SAGAs	- Semi-Autonomous Government Agencies

B. Glossary of Terms

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

Comparative Year - Means the prior period.

2. Key Institute 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 objectives

- Transparency & Accountability
- Professionalism
- Innovation
- Compliance & Green practices
- Business Acumen

The functions of the Institute are;

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

- 1) National Council
- 2) Committees
 - i) Finance, Administration and Resource Mobilization Committee
 - ii) Registration, Compliance and Quality Assurance Committee
 - iii) Complain, Investigation & Disciplinary Committee
 - iv) Human Resource (HR), Public Policy & Lobbying Committee
 - v) Governance, Integrity, Audit and Risk Committee
 - vi) CPD & Membership Services Committee

(f) Institute Headquarters

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

(g) Institute Contacts

Telephone: (254) 020 221 3745, 224 0213

E-mail: info@ihrm.or.ke

Website: www.ihrm.or.ke

(h) Institute 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 and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya




3. Council Members

Ref	Councils	Details
1.	<p>CHRP Odera Phillip Dalmas</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>Ms. 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).</p> <p>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> <p>Date of Birth – 06/01/1965</p>
6.	<p>Mr. Jackson S. Alwanga</p> 	<p>Council Member – State Department for Public Service, Ministry for Public Service, Gender and Affirmative Action Representative. Qualification - Master of Science in Human Resource Development, Bachelor in Education and several Senior Management Courses.</p> <p>Date of Birth – 21/07/1964</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> <p>Date of Birth – 09/02/1980</p>

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

4. Management Team

Ref	Management	Details
1.	<p>CHRP Quresha Abdullahi</p> 	<p>Title - Executive Director</p> <p>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</p> <p>Qualification – Bachelor of Arts in Communication (Electronic Media), HND Human Resource</p>
3.	<p>Fredrick Karani</p> 	<p>Title - Head of Operations & Shared Services</p> <p>Qualification – Bachelor of Science in Actuarial Science, HND Human Resource</p>
4.	<p>Milka Owao</p> 	<p>Title - Manager, Training & Membership Registration Services</p> <p>Qualification – Bachelor of Human Resource Management/ Dip. In Business Management, HND Human Resource & CHRP</p>
5.	<p>Job Akuno</p> 	<p>Title - Manager, Finance</p> <p>Qualification – Bachelor of Commerce (Accounting Option) & CPA (K)</p>

5. National Chairman's Statement

I am honored, on behalf of the Council, to present the Institute of Human Resource Management's Annual Report and Financial Statement for the fiscal year ending on June 30, 2023. This year has been marked by significant achievements as we have striven to fulfil our core mission: to regulate the human resource profession in Kenya, foster competence and capability development, and champion innovative and transformative HR practices and standards. We have remained resolute in adhering to the strategic priorities set forth in our 2020-2023 Strategic Plan.

The close of this fiscal year also marks the culmination of the Strategic Plan (2020-2023), which introduced substantial reforms across four vital institutional facets: structural, human resource, governance, and symbolic components. Our commitment to rigorous evaluation processes has yielded tangible results, exemplified by increased efficiency and effectiveness in delivering precise and high-quality services to our esteemed clients and stakeholders, particularly our dedicated membership. As we transition into the future, we are dedicated to shaping the Strategic Plan (2023-2027), with a particular focus on adapting our policies and operations to align with our current status as a State Corporation.

Let me provide an overview of the significant activities undertaken by the Council and the Institute over the past year: We have taken steps to expand our branch network, a move that enhances member engagement through branch visits. Our institute has fostered close collaboration with the ministry and other stakeholders to critically review essential policies and regulations, ensuring the enduring prominence and strategic relevance of the human resource profession. Despite the challenging economic climate that has affected the livelihoods of many, we have witnessed continued growth in active membership, a testament to the resilience and unwavering commitment of our members. We have solidified our collaboration with County Governments, reinforcing IHRM's position as the leading authority on HRM matters and elevating our visibility.

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Looking ahead, we have outlined several strategic plans and initiatives for the future: Our aim is to diversify our revenue streams, guaranteeing the institute's operational sustainability. We plan to decentralize the provision of specific services by establishing regional offices, enhancing our ability to serve our members and stakeholders more effectively. We will streamline our welfare program for members, ensuring its efficiency and extending its reach. The Council is unwavering in its commitment to expedite the review of the HRMP Act Amendment, a critical step toward facilitating the effective implementation of this vital legislation.

In closing, I extend my heartfelt appreciation to the Council for their exceptional leadership, guiding the institute and the HR profession towards national and regional recognition. Furthermore, I wish to express our sincere gratitude to the Government of Kenya, our parent Ministry, the secretariat, and all stakeholders for their steadfast support and invaluable contributions to the growth and success of the Institute of Human Resource Management. Together, we look forward to an even more promising future.



.....
Odera Phillip Dalmas
National Council Chairman

6. Report of the Executive Director

I am pleased to present the Institute of Human Resource Management's financial and annual statements for the year 2022/2023. Over this period, IHRM has made remarkable strides, solidifying its position as the regulator of the HR profession in Kenya. Both the Council and the Secretariat take great pride in the advancements we have achieved in promoting sound financial reporting practices, thereby ensuring accountability.

The landscape of human resource management is continually evolving, demanding that professionals stay adaptable and up-to-date. Recognizing this need, we have diligently developed relevant content to nurture and enhance the skills and competencies of HR professionals. Our dynamic training calendar caters to individuals at various stages of their professional journey and addresses emerging trends in the HR field. This commitment has empowered us to conduct valuable research, publish insightful findings, and engage in consultancy services that contribute to the growth of various sectors of the economy.


None of these achievements would have been possible without the invaluable collaboration of various stakeholders who play a pivotal role in advancing HR practice while adhering to the HRMP Act. Additionally, we have actively participated in policy formulation and provided advisory services on best HR practices and current industry trends. Leveraging technology, we have enhanced member services, allowing each member to conveniently access various services including; invoices, making payments, retrieving certificates, and registering for training events from the comfort of their desks. We have also integrated systems to facilitate seamless tracking of CPD credit points. Moreover, we have established a knowledge-sharing hub of excellence called "Transcend" to foster knowledge-sharing and mentorship.

In our pursuit of greater visibility, we employ a range of technologically advanced strategies and channels, including the Internet and various electronic and print media outreach efforts. These endeavours have effectively promoted both the Institute and our products and services. We are delighted to report continued member retention as well as an increase in new members, a testament to our growing influence and relevance.

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I would like to express my sincere gratitude to the dedicated IHRM secretariat, whose commitment often goes above and beyond the call of duty in serving our diverse stakeholders. Special thanks are also extended to our esteemed members for their active participation in various activities, the dedicated branch leadership, and the Council for their unwavering commitment and exemplary leadership.

I anticipate another fruitful year ahead, filled with enhanced engagement and collaboration from all stakeholders.



.....
Mr. Fredrick Karani
Ag. Executive Director

7. Statement of Performance against Predetermined Objectives for FY 2022/23

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 FY 2022/2023. These themes are as follows:

Strategic Theme 1: Strengthening Member Services

Strategic Theme 2: Enhancing Member Welfare

Strategic Theme 3: Operationalize Consultancy Services

Strategic Theme 4: Institutional sustainability and Growth

Strategic Theme 5: Linkages and Stakeholder Engagement

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 2022/2023 period for its 5 strategic themes, as indicated in the diagram below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
1. Strengthening Member Services	Innovate value propositions to meet new and emerging needs along with creating long 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 - Partnerships with various stakeholders 	<ul 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. Establishment of new branches 5. Vibrant branch forums

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2. Enhancing Member Welfare	Establish an association to promote member welfare and offer financial support. Promote the Huduma HR SACCO to enhance members' quality of life	<ul style="list-style-type: none"> - Develop a framework for the association and establish mechanisms to manage expected change - Product diversification - Member sensitization 	<ul style="list-style-type: none"> - Increase number of products - Marketing and membership drives 	<ol style="list-style-type: none"> 1. Increased member enrolment 2. Establishment of governance structure 3. Introduction of new products
3. Operationalize Consultancy Services	Establish HR standards to enhance professional practice Engage in public policy formulation, research and advisory in best HR practice	<ul style="list-style-type: none"> - Participate in national discourse - Establish a research and consultancy unit 	<ul style="list-style-type: none"> - Offer advisories - Carry our research - Bid for consultancy service jobs - Develop standards 	<ol style="list-style-type: none"> 1. Standardization for HR practice 2. Increased spun of influence 3. Increased number of standards developed 4. Increase in number of consultancies offers
4. Institutional Sustainability and Growth	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. Enhance governance	<ul style="list-style-type: none"> - Establishing various committees and to perform regulatory tasks - Enactment of various rules and regulations Council meetings - Branch Activities 	<ul style="list-style-type: none"> - Effective Council meetings - Continuous monitoring and evaluation of the Strategic Plan - Review and gazettment of Code of Conduct 	<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. Sustaining vibrant committees to take up various tasks from time to time.

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	by putting up structures of the Council, efficient and sustainable institutional management			<ol style="list-style-type: none"> 5. Handling several professional issues 6. Promoting the amendment of the HRMP Act
5. Linkages and Stakeholder Engagement	To ensure that the Institute's statutory roles, its mission, values and its work receive support from various stakeholders	<ul style="list-style-type: none"> - Level of engagement with stakeholders - Enter MoUs with like-minded stakeholders - Response to various communication to members and public 	<ul style="list-style-type: none"> - Online Activities including portal - Branch networks - Publications - Courtesy calls 	<ol style="list-style-type: none"> 1. Enhanced advocacy and lobbying 2. Increased visibility 3. Relentless communication with the stakeholders. 4. Actively engage the stakeholders in increasing awareness. 5. Improved network through partnership and collaboration 6. Increase in number of MoUs signed

8. Corporate Governance Statement

The Council and Committee Members are entrusted with the responsibility of overseeing the Institute's management in the best interests of members. The current Council comprises 10 members and is entrusted with several key functions, which can be summarized as follows:

- a) **Financial Management:** Ensuring the maintenance of robust financial management arrangements that remain effective throughout the reporting period.
- b) **Accounting Records:** Ensuring the proper maintenance of accounting records that accurately reflect the Institute's financial position at any given time.
- c) **Internal Controls:** Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements, ensuring their freedom from misstatements, whether arising from error or fraud.
- d) **Asset Protection:** Safeguarding the assets of the Institute.
- e) **Accounting Policies:** Selecting and applying appropriate accounting policies.
- f) **Accounting Estimates:** Making reasonable accounting estimates in the circumstances.

The Council is unwavering in its commitment to upholding the highest standards of behaviour and accountability to members. Consequently, we endorse the principles outlined in our code of ethics, which provides guidance on the conduct expected of Members. The composition of the Council is governed by the HRMP Act and the Election to Council Regulations 2015, which also outlines the procedures for appointing, removing, or replacing Council Members at the end of their term.

The composition of the Council reflects the duties and responsibilities it is tasked with as the representatives of members. Council members maintain their independence from management and are free from any other relationships that might materially interfere with their ability to exercise independent judgment. The Council and its committees typically convene quarterly, and the meetings held between July 1, 2022, and June 30, 2023, are summarized below:

The Composition of the Council and Committee reflects the duties and responsibilities they are discharging and performing 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 judgement.

The Council and Committee members do not have a standing remuneration but would be paid facilitation costs and sitting allowances whenever they are called upon for meetings. For the financial year under review, a total of KES. 18.855 million was spent in various Council and Committees assignments.

The key changes in the Council composition during the financial year under review are as below;

	Council Members whose term expired	Position
1	Dr. Jacob Mbijjiwe	Ministry of Public Service Representative
Members joining the Council		
1	Mr. Jackson Alwanga	Ministry of Public Service Representative

The Institute with the approval of Cabinet Secretary for Public Service, Gender, Senior Citizens Affairs and Special Programmes has a Code of Conduct set out in the schedule to apply in respect of Human Resource Management Professionals. The purpose of this Code of Conduct is to;

- a) Provide clear parameters on the acceptable principles and behaviour within which human resource professionals are empowered to make decisions and act,
- b) Enhance the value, credibility and strategic importance for the human resource profession within organisation, the business community and the society, and
- c) Promote a culture that places great value on upholding the highest ethical standards at the work place.

This Council Charter defines the Council's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Council members with an opportunity to think creatively and critically about how their strategic and operational plans align with the organization's strategic direction and expectations with governance. The Council has adopted high standards and applies strict rules of conduct, based on the best corporate practices.

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As part of this commitment, the Council adheres to good corporate governance by embracing the following principles:

- a) To observe high standard of ethical and moral behaviour;
- b) To act in the best interests of the Institute;
- c) To remunerate and promote fairly and responsibly;
- d) To recognise the legitimate interests of all stakeholders;
- e) To ensure that the Institute acts as good corporate citizen.

	Particulars	No. of Meetings
1.	Council Meetings	12
2.	HR, Public Policy & Lobbying Committee	1
3.	Governance, Integrity, Audit & Risk Committee	5
4.	Finance, Administration & Resource Mobilization Committee	5
5.	Registration, Compliance & Quality Assurance Committee	3
6.	Membership & CPD Committee	1
7.	Complain, Investigation & Disciplinary Committee	1

9. Management Discussion and Analysis

Revenue

In the year, 2022/2023 the total revenue realised was Kshs. 267.7 Million from Kshs. 224 Million in the year 2021/2022. This represent an increase of 19.5% from the previous year. Increase in revenue was noted across all revenue streams except for finance income.

Operating Costs

The total operating costs for the year 2022/2023 stood at Kshs. 237.9 Million having increased from Kshs. 208.9 Million in the year 2021/2022. This attribute relates mainly to increase membership activities during the period translating to increase in operating costs.

Profit

The summaries above therefore translate to increase in operating surplus of Kshs. 14.74 Million. In the year 2021/2022, the Institute realised operating surplus of Kshs. 15.1 Million compared to operating surplus of Kshs. 29.8 Million for the year 2022/2023.

Five Years Performance Summary & Trend

Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	(Amount KES)	(Amount KES)	(Amount KES)	(Amount KES)	(Amount KES)
Revenue	229,603,791	181,967,387	185,295,180	223,993,708	267,712,928
Expenses	138,632,865	154,442,710	160,563,484	208,941,167	237,920,144
Surplus/(Deficit)	90,970,926	27,524,677	24,731,696	15,052,541	29,792,784

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

The Institute of Human Resource Management is a leading professional membership organisation in advancing growth and development in human resource activities. The Strategic Plan (2020 – 2023) marks yet another milestone in the life of the Institute, a visible high point in a long and eventful journey that began over 30 years ago. The successful implementation of this plan has been demonstrated by the efficiency and effectiveness in terms of quality, accuracy, speed and real time capability for interactive feedback with the various stakeholders.

The institute has been doing continuous situation analysis to identify the micro and macro thematic areas of competitiveness, the value the Institute can derive from the identified areas in order to reposition strategically going forward. This has enabled exploring operational and systemic weakness that may have led to underperformance with a view of acknowledging, appreciating, learning and creating room for improvement. The basic model of analysis applied is a reflection on the current Institute's structure, systems, strategy, people and environment (S3PE). The people component of the Institute is further disintegrated into Institute's staff, skills, styles and shared values.

The sustainability landscape is constantly changing and requires taking a wide angled view of the Institute and the context in which it operates namely; employees, stakeholders and members.

- a) Sustainability assessment to identify current activities and potential gaps,
- b) Benchmarking against other professional bodies, membership entities and human resource profession to identify areas of strength, weakness, opportunity and risk,
- c) Horizon scanning to identify upcoming risks and opportunities on a timescale,
- d) Materiality assessment to identify the issues that matter and new guidelines,
- e) Stakeholder engagement to hold a meaningful dialogue and receive constructive feedback through activities,
- f) Reporting and engagement to communicate and explain progress to stakeholders

ii) Environmental performance

Institute of Human Resource Management takes responsibility and compelled to create a link between disclosure on environmental performance. The Institute takes pride as this is the instrument to report on indicators of environmental performance, highlight achievements and engage readers of the degree of involvement. The Institute also uses this as a tool to communicate with various target groups namely; members, general public, employees and other stakeholder highlight the various linkages to the report. This analysis has enabled the Institute to;

- a) Continue to strengthen environmental institutions and environmental management systems at all levels, and ensure the effective implementation of environmental protection policies.
- b) Ensure that the green growth strategy is a central pillar of development that involves the Government plans and contributes to the environmental impact of their policies.
- c) Promote greater use of economic instruments for environmental management, particularly environmental taxes, and eliminate damaging subsidies.
- d) Continue strengthening information systems, education, participation and justice in environmental matters with a view to raising awareness of sustainable development throughout the country.

The Institutes main objectives on environmental performance are; identify and evaluate environmental effects in its activities, adopt a mitigation hierarchy to anticipate and avoid negative impact, promote improved environmental and social performance through the effective use of management systems, ensure that grievances are responded to and managed appropriately, promote and provide means for adequate engagement with communities and to ensure that relevant environmental and social information is disclosed and disseminated. Environmental performance has benefited the Institute by; providing management with information to help exploit the cost savings that good environmental performance brings and secondly, giving a chance to set out what we believe is significant in the Institute's environmental performance.

iii) Employee welfare

The Institute of Human Resource Management designed a performance management scheme to encourage career development, enhance employee skills and competencies, improve on service delivery and appropriately reward employees' performance. The system provides for the establishment and communication of employees' performance plans and procedures for evaluating employee' performance. In addition to Human Resource Policies & Procedure Manual, the Institute has in place other documents such as Career Progression Guideline and Staff Grading & Establishment Guidelines which all support the employee welfare.

Over the period, the Institute has incurred costs as tabulated below towards Employee Training & Development as a commitment to enriching the engagement terms.

Period	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Amount (KES)	110,100	283,950	112,500	290,140	201,400

The need and importance of employee welfare is being increasingly appreciated at the Institute which is why, the Council have continuously improved the working environment facilities and amenities, healthy and peaceful surroundings, improved the living standards of the employees and keep them contented under the realm of employee welfare. The Institute's employee retention has been good for the period under review and the gender ratio is as below.

Number of Employees	July 2021	June 2022	2022/2023 Hires	2022/2023 Exits	June 2023
Female	12	10	3	1	13
Male	10	7	5	1	11
Total	22	17	8	2	24

The Institute is committed to producing a caring and supportive working environment which is conducive to the welfare of all employees, and which enables them to develop towards their full potential. These have been achieved through policies and procedures relating to staff health and welfare, legislation relating safety and compliance with Occupational Safety and Health Act of 2007 (OSHA) as well as appropriate medical cover.

iv) Market place practices

a) Responsible competition practice.

In the realm of business ethics, certain critical principles hold paramount importance. As a business entity, the Institute of Human Resource Management is unwavering in its commitment to upholding legal and regulatory standards, advocating for fair competition, and steering clear of unethical conduct. The institute places a profound emphasis on the significance of ethical competition for several compelling reasons:

1. Reputation - Responsible competition practices are instrumental in cultivating a favourable reputation for the Institute, thereby attracting clients and the right talent, a valuable resource in the human resource domain.
2. Longevity - Ethical conduct ensures the institute's enduring success and sustainability.
3. Trust - By engaging in responsible competition, the Institute fosters trust among its stakeholders, including employees, clients, and other interested parties.
4. Compliance - Adhering to responsible competition practices guarantees that the Institute operates within the bounds of legal and regulatory frameworks, mitigating operational risks.

To instil a culture of responsible competition, the institute's leadership sets a top-down ethical tone. It operates under policies that underscore clear ethical guidelines, provides ongoing ethics training opportunities, and incentivizes ethical behavior through recognition and rewards.

Furthermore, the institute actively educates the HR community about the pivotal role they play in championing these practices for an organization's long-term success. This educational outreach takes various forms, facilitated by the institute's range of products and services. Additionally, the institute conducts its operations with a commitment to offering competitive market prices while fostering an environment conducive to local and global collaborations.

b) Responsible Supply chain and supplier relations

The Institute of Human Resource Management (IHRM) recognizes the significance of responsible supply chain management and strong supplier relations in achieving its mission and upholding its commitment to ethical, sustainable, and socially responsible business practices. This overview provides a comprehensive insight into IHRM's initiatives and achievements in managing its supply chain responsibly and fostering positive supplier relations.

Supply Chain Transparency and Traceability: IHRM prioritizes supply chain transparency and traceability by:

- a) Conducting regular supplier audits to ensure adherence to ethical and environmental standards.
- b) Implementing a robust supplier selection process that considers ethical, social, and environmental criteria.
- c) Collaborating with suppliers to improve traceability and visibility across the supply chain.

Sustainable Procurement: IHRM committed to sustainable procurement practices:

- a) Procuring products and services that prioritize environmental sustainability and minimize the carbon footprint.
- b) Encouraging suppliers to reduce waste and adopt eco-friendly packaging solutions.
- c) Promoting fair labor practices by engaging suppliers that uphold ethical labor standards.

Supplier Diversity and Inclusion: IHRM continued to champion supplier diversity and inclusion:

- a) Actively seeking partnerships with diverse suppliers, including minority-owned, women-owned, and small businesses.
- b) Providing training and support to help diverse suppliers meet IHRM's quality and sustainability requirements.
- c) Ensuring equal opportunities for all suppliers to participate in procurement processes.

Ethical Sourcing and Fair Trade: IHRM remained committed to ethical sourcing:

- a) Promoting fair trade principles by sourcing products that support marginalized communities.
- b) Monitoring supply chains to prevent the use of child labor, forced labor, or unethical practices.
- c) Collaborating with industry associations to advance ethical sourcing standards.

Supplier Relations and Collaboration: IHRM emphasized building strong supplier relationships:

- a) Maintaining open and honest communication channels with suppliers to address concerns and share best practices.
- b) Collaborating with suppliers to identify opportunities for cost reduction, quality improvement, and innovation.
- c) Recognizing outstanding suppliers through awards and incentives to encourage excellence.

Risk Management: IHRM remained vigilant in managing supply chain risks:

- a) Identifying potential risks such as geopolitical instability, natural disasters, and supply chain disruptions.
- b) Developing contingency plans to mitigate risks and ensure the continuity of operations.
- c) Continuously assessing and improving risk management strategies.

Conclusion:

The Institute of Human Resource Management's commitment to responsible supply chain management and positive supplier relations in the financial year 2022/2023 underscores its dedication to sustainability, ethics, and social responsibility. Through transparency, sustainability, diversity, and collaboration, IHRM continues to make significant strides in ensuring that its supply chain remains a model of ethical and responsible business practices in the field of human resource management.

By embracing responsible supply chain practices, IHRM not only enhances its reputation but also contributes to a more sustainable and inclusive future, aligning its values with those of its stakeholders and partners. In the coming years, IHRM will persist in its efforts to drive positive change in its supply chain and supplier relations, further cementing its position as a responsible and forward-thinking organization.

c) Responsible marketing and advertisement

At the Institute of Human Resource Management, we recognize that our marketing and advertising strategies wield significant influence in shaping our society. Responsible marketing and advertising transcend mere catchphrases; they epitomize the values we cherish. Ethical marketing stands at the core of our approach, grounded in principles that guide our responsible conduct.

Transparency is paramount, and we are unwavering in our commitment to provide clear and accurate information regarding our programs and services. We staunchly eschew deceptive or misleading advertising practices. Privacy ranks high on our list of priorities; respecting the privacy of our clients and stakeholders is non-negotiable. We refrain from sharing personal information without consent, adhering to all data protection laws. Furthermore, social responsibility is a bedrock principle, with a focus on promoting programs and services that make a positive societal impact, while rejecting harmful products or practices.

Responsible marketing and advertising find their genesis in ethical behavior. We uphold the highest standards of honesty, transparency, and integrity, categorically rejecting deceptive or misleading practices. Our code of ethics serves as an unwavering compass, ensuring that every advertising and marketing campaign aligns seamlessly with our values. We pledge to deliver accurate information, protect consumer privacy, and treat competitors with due respect.

Our marketing endeavours are meticulously designed to reach the right audience while championing inclusivity and diversity. We customize our messages to cater to the needs and interests of our audience, ensuring relevance and engagement. Diversity and inclusion are celebrated in our advertising, representing individuals from diverse backgrounds, abilities, and perspectives. Discrimination and harmful stereotypes have no place in our materials, and we fervently advocate for equal opportunities and equitable treatment for all. Responsible marketing is not a static commitment but a dynamic, ongoing endeavour. We perpetually evaluate and refine our practices, welcoming feedback from clients, stakeholders, and the public to improve our marketing efforts.

Authentic testimonials and reviews form a crucial part of this feedback loop, representing unaltered, honest opinions. Sustainability lies at the heart of our marketing practices, as we strive to minimize our environmental footprint by adopting sustainable materials and eco-friendly practices. Compliance with local, national, and international laws and regulations, including copyright and intellectual property rights, is non-negotiable.

Knowledge is empowerment, and we are fervent believers in empowering consumers through education. We organize workshops, webinars, and seminars to enlighten the public about ethical HR practices. Our website and publications serve as rich sources of information, aiding professionals in making informed decisions about HR management.

For the Institute of Human Resource Management, responsible marketing and advertising practices are not just a commitment; they are an integral part of our identity. We firmly believe that ethical, transparent, and respectful marketing endeavors foster trust and cultivate lasting relationships within our community.

d) Product stewardship

Product and Services Stewardship at the Institute of Human Resource Management revolves around the vigilant management and oversight of our extensive range of offerings. The primary goal of this stewardship is to ensure that our products and services consistently adhere to high-quality standards, align with the Institute's mission and values, and meet the diverse needs of our target audience while also embracing sustainability and ethical considerations.

Key aspects and responsibilities encompassed by Product and Services Stewardship at our institute include:

1. **Quality Assurance** - Rigorous monitoring, evaluation, and improvement efforts are undertaken to ensure that our products and services consistently meet established quality standards.
2. **Alignment with Mission and Values** - We remain steadfast in our commitment to ensure that all our offerings align harmoniously with the institute's mission, values, and strategic objectives.
3. **Customer/User Satisfaction** - Valuable feedback from our clients and members, who are avid users of our products and services, is diligently collected. This feedback informs our efforts to better understand their needs and preferences, driving necessary adjustments.

4. Compliance - We leave no stone unturned in ensuring that every product and service offered complies meticulously with pertinent laws, regulations, and industry standards, encompassing legal, ethical, and environmental dimensions.
5. Sustainability - An integral focus lies in considering the environmental and social impacts of our products and services. We endeavor to minimize waste, energy consumption, and resource utilization while actively promoting sustainable practices.
6. Innovation - In an ever-evolving landscape, we remain committed to constant innovation in the development of new products and services to remain competitive and meet emerging needs.
7. Risk Management - We place paramount importance on identifying and mitigating risks associated with our offerings. This entails addressing potential issues related to safety, security, and reputation.
8. Resource Allocation - The meticulous management of resource allocation, spanning finances, personnel, and technology, is vital in supporting the development and maintenance of our products and services.
9. Continuous Improvement - We embrace a culture of continuous improvement, driven by feedback and performance data. This manifests as regular changes and updates to our offerings to ensure they remain effective and relevant.
10. Communication and Marketing - Effectively communicating the value and benefits of our products and services to our target audience is a core priority. This involves a robust marketing, advertising, and public relations effort.
11. Ethical Considerations - The development and provision of our products and services are underpinned by an unwavering commitment to ethical and socially responsible practices. This encompasses addressing issues such as fairness, equity, and diversity.
12. Financial Management - The financial aspects of our products and services are meticulously managed. We believe in fair and competitive pricing, prudent budgeting, and responsible revenue generation in the market.
13. Evaluation and Reporting - We conduct regular evaluations of the performance of our products and services, providing comprehensive reports to our stakeholders, including leadership, board members, and the larger member community.

Product and Services Stewardship is a pivotal function within the Institute of Human Resource Management. It serves as the bedrock for maintaining the institute's sterling reputation, ensuring the efficient utilization of resources, and nurturing a culture of unceasing improvement and innovation.

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

Corporate Social Responsibility (CSR) is a concept that refers to IHRM'S commitment to operating in an ethical and responsible manner while also contributing to the well-being of society and the environment also it's the corporate citizenship or sustainable business practices. For the period 2022/2023 IHRM was involved in the CSR activities as listed below:

- Visited Tree House Children's Family in Lucky Summer
- Planted trees during the launch of Public Service day at Ngong Hills
- IHRM was part of opening of Mama Aida Odinga Cancer Centre
- Tree planting activities:

IHRM visited different learning institution and as part of contribution to the green economy we planted trees and did Career fair at the:

- University of Nairobi (UON) met 350 final year degree students.
- Career fair at the Nyeri National Polytechnic met 150 final years certificate and diploma students.
- Rift Valley Technical Training Institute (RVTTI) met 5,000 final year certificate and diploma students.
- KCA University met 180 final year degree students.
- Mathioya Technical Vocational College met 120 final year certificate and diploma students.
- IHRM participated in the 2nd National Conference on Alternative Justice Systems (AJS)

11. Report of the Directors

The Council submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Institute of Human Resource Management affairs.

i) Principal activities

The principal activity of the Institute is to promote professional human resource practices in Kenya.

ii) Results

The results of the Institute for the year ended June 30, 2023, are set out on page 1- 5.

iii) Council

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

iv) Surplus remission

The Institute did not make any surplus during the year and hence no 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 for the period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Council



.....
Name: Mr. Fredrick Karani
Ag. Secretary to the Council

12. Statement of Directors 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, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2023, 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.

Approval of the financial statements

The Institute's financial statements were approved by the Council on _____ 2023
and signed on its behalf by:

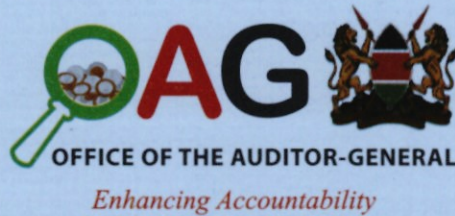


.....
Name: Odero Phillip Dalmas
National Council Chairman



.....
Name: Mr. Fredrick Karani
Ag. Accounting Officer

REPUBLIC OF KENYA



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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, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Institute of Human Resource Management set out on pages 1 to 46, which comprise of the statement of financial

position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Institute of Human Resource Management as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Related Parties' Balance

The statement of financial position reflects related parties' balance of Kshs.13,739,602 as disclosed in Note 19 to the financial statements. However, the balance was not supported with details showing the details and nature of the balance and schedule.

In the circumstances, the accuracy and completeness of the related parties' balance of Kshs.13,739,602 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

As disclosed under follow up on auditor's recommendations on prior year audit issues section of the financial statements, some prior year audit issues remained unresolved as at 30 June, 2023. Although, Management has indicated that some of the issues have been resolved, no explanation has been provided for the delay in resolving all the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unauthorized Over Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on a comparable basis of Kshs.228,118,207 and Kshs.237,920,144 respectively resulting in an over expenditure of Kshs.9,801,937 or 4% of the approved budget. However, the approval for the over expenditure was not provided for audit review. Further, an analysis of the expenditure during the year under review, revealed that the Institute overspent by Kshs.59,283,896 above the approved budget on two expenditure items under the use of goods and contracted consultancy services without approval or authority as follows;

	Details	Approved Budget Kshs.	Actual Expenditure Kshs.	Performance Difference Kshs.	% of Utilization
1	Use of Goods and Services	73,272,749	113,126,448	39,853,699	154%
2	Contracted Professional Services	10,037,520	29,467,717	19,430,197	294%
	Total	83,310,269	142,594,165	59,283,896	

The over-expenditure was contrary to Regulation 113(1) of the Public Finance Management (National Government) Regulations, 2015, which states that if an Accounting Officer finds, after Appropriation Accounts are completed, that he or she has spent more than the total vote, that Accounting Officer shall seek Parliamentary approval of the National Assembly through the Cabinet Secretary for that excess vote.

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

2. Revenue from Consultancy Services- Outsourced Consultancy Services

The statement of financial performance reflects revenue amounting to Kshs.267,712,928 for the year ended 30 June, 2023. The revenue includes Kshs.48,487,456 generated by the Human Resource Management Consultancy and Enterprise Services Limited

(HUREMCES), an affiliate company through consultancy services. The records showed that the Management of the Institute through its Council members and the Secretariat registered a private company called Human Resource Management Consultancy & Enterprise Services (HUREMCES) Limited on 7 December, 2021, approved by the Council vide minutes dated 5 March, 2021, 11 August, 2021 and 15 April, 2021. However, the authority from the Ministry of Public Service as the parent Ministry authorizing the establishment of the private firm and certificate of registration (CR 12) was not provided for review.

Further, the company entered into various consultancy contracts with the National Government, State Agencies and County Governments as the consultancy arm of the IHRM. These sub-contracts were for Human Resource Consultancy services for its contracts with other government bodies based on different contractual engagements for every consultancy work done on behalf of the Institute. However, the procurement records such as tender evaluation minutes, professional opinion, tender award minutes and contract agreements were not provided for audit review. The records provided indicate that the company was registered by the Institute as a consultancy arm of the Institute operating independently and offering consultancy services for a fee shared between the company and the Institute on prorata of 30% and 70%, respectively of the total fees charged. However, the authority and basis for the revenue earned was not provided for audit review.

In the circumstances, the regularity of the operations of the Human Resource Management Consultancy and Enterprise Services (HUREMCES) Limited could not be confirmed.

3. Irregular Procurement of Contracted Services

The statement of financial performance reflects total expenses of Kshs.237,920,144 which includes an amount of Kshs.29,467,717 paid for contracted professional services as disclosed in Note 13 to the financial statements. However, review of records provided for audit revealed the following anomalies:

- i. During the year under review, the Institute paid Kshs.3,518,100 to a consultancy firm for providing Secretarial services to the Council based on an open contract dated 26 August, 2019. The services were procured due to the lack of a company secretary to provide secretarial services to the Council. However, the approval to allow outsourcing of the secretarial services was not provided for our audit review. In addition, it is unclear why the contract issued was open-ended without duration or validity period.
- ii. The Management of the Institute also engaged a consultant for IT-related technical and software maintenance and paid Kshs.1,183,200 during the year under review. However, the payment was not supported with documentation such as job cards of works done, certificate of service, inspection and acceptance certificate.

In the circumstances, the propriety of the expenditure amounting to Kshs.4,701,300 on contracted services could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Internal Audit Function

During the year under review, the Institute did not have an Internal Audit Unit to carry out audit functions as required by Section 73(1) of the Public Finance Management Act, 2012, which requires every public entity to have arrangements in place for internal audit unit to carry out in-depth reviews of Management operations and internal controls. As a result, the Institute did not benefit from the assurance and advisory services from the internal audit.

In the circumstances, the effectiveness of the internal controls could not be confirmed.

2. Lack of Risk Management Policy

Review of the risk management measures revealed that the Institute of Human Resource Management did not have 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 a system of risk management and internal controls that build robust business operations.

In the circumstances, the effectiveness of internal controls, risk management and overall governance of the Institute could not be confirmed.

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

Responsibilities of 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2023

14. Statement of Financial Performance for the year ended 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from exchange transactions			
Revenue from Member Services	5	209,108,401	209,295,923
Rental Income	6	81,254	-
Consultancy	7	48,487,456	5,147,759
Finance Income	8	10,035,817	9,550,026
Total revenue		267,712,928	223,993,708
Expenses			
Use of Goods & Services	9	143,283,631	104,638,339
Employee Costs	10	35,076,190	39,516,612
Repairs & Maintenance	11	360,336	109,878
Depreciation Expense	12	9,638,706	9,226,667
Contracted Professional Services	13	29,467,717	29,162,998
Council & Governance Costs	14	19,684,779	25,920,554
Finance costs	15	408,785	366,120
Total expenses		237,920,144	208,941,167
Other gains/(losses)			
Surplus/(deficit) before tax		29,792,784	15,052,541
Corporate Tax Provision		-	4,515,762
Surplus/(deficit) for the period		29,792,784	10,536,778
Remission to National Treasury		-	-
Net Surplus for the year		29,792,784	10,536,778
Attributable to:			
Surplus attributable to owners of the controlling Institute		29,792,784	10,536,778

The notes set out on pages 6 to 46 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 Members by:



.....
Ag. Accounting Officer
Name: Fredrick Karani

Date: 05/02/2024



.....
Manager, Finance
Name: Job Akuno

ICPAK Member No: 9119

Date: February 05, 2024



.....
Council Chairman
Name: Odera P. Dalmas

Date: 05/02/2024

15. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	171,832,927	173,674,604
Receivables from exchange transactions	17	190,675,355	137,639,459
Receivables from non-exchange transactions	18	29,006,903	27,175,574
Related Parties	19	13,739,603	13,739,603
Total Current Assets		405,254,787	352,229,239
Non-Current Assets			
Property, plant and equipment	20	53,161,038	59,997,811
Investments	21	-	11,233,627
Total Non- Current Assets		53,161,038	71,231,438
Total Assets		458,415,825	423,460,677
Liabilities			
Current Liabilities			
Trade and other payables	22	30,844,223	23,516,139
Employee benefit obligation	23	1,094,984	2,310,647
VAT Control Account	24	30,978,504	23,397,692
Corporate Tax Provision	25	37,613,096	37,613,096
Total current Liabilities		100,530,808	86,837,574
Financed by:			
Accumulated Funds		357,885,018	336,623,103
Total Liabilities		458,415,825	423,460,677

The financial statements set out on pages 1 to 5 were signed on behalf of the Council Members by:



.....
Name: Fredrick Karani
Ag. Accounting Officer

Date: 05/02/2024



.....
Name: Job Akuno
Manager, Finance

ICPAK Member No: 9119

Date: February 05, 2024



.....
Name: Odera P. Dalmas
Council Chairman

Date: 05/02/2024

16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
As at June 30, 2020	-	-	-	299,006,683	-	299,006,683
Surplus/ (Deficit) for the year	-	-	-	18,548,772	-	18,548,772
As at June 30, 2021	-	-	-	317,555,455	-	317,555,455
Surplus/ (Deficit) for the year	-	-	-	10,536,778	-	10,536,778
As at June 30, 2022	-	-	-	328,092,233	-	328,092,233
Surplus/ (Deficit) for the year	-	-	-	29,792,784	-	29,792,784
As at June 30, 2023	-	-	-	357,885,018	-	357,885,018

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17. Statement of Cash Flows for the year ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Receipts			
Revenue from Member Services		240,279,891	287,133,658
Total		240,279,891	287,133,658
Payments			
Use of Goods & Services		153,238,948	149,440,866
Employee Costs		40,306,122	34,546,966
Repairs & Maintenance		403,778	189,706
Contracted Professional Services		32,083,494	22,833,530
Council & Governance Costs		11,362,545	20,294,214
Finance costs		404,436	366,120
Taxes		10,201,697	32,074,642
Total		248,001,020	259,746,045
Net Cash Flow from Operating Activities	26	(7,721,129)	27,387,614
Cash Flow from Investing Activities			
Finance Income		10,072,367	9,550,026
Treasury Bills		36,550	24,212,605
Fixed Assets		(4,229,465)	(10,716,357)
Funds Transfers		-	(70,786,401)
Net Cash flows from investing activities		5,879,452	(47,740,127)
Net Increase/(Decrease) in Cash		(1,841,677)	(20,352,514)
Cash and cash equivalents at 1 July	16	173,674,604	194,027,118
Cash and cash equivalents at 30 June	16	171,832,927	173,674,604

The financial statements set out on pages 1 to 5 were signed on behalf of the Council Members by:



.....
Name: Fredrick Karani
Ag. Accounting Officer

Date: 05/02/2024



.....
Name: Job Akuno
Manager, Finance

ICPAK M/No: 9119

Date: February 05, 2024



.....
Name: Odera P. Dalmas
Council Chairman

Date: 05/02/2024

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	B	c = (a+b)	d	e = (c-d)	f = d/c
Revenue						
Revenue from Member Services	201,062,900	-	201,062,900	209,108,401	(8,045,501)	104%
Consultancy	50,000,000	-	50,000,000	48,487,456	1,512,544	97%
Rent income	540,000	-	540,000	81,254	458,746.00	15%
Finance income	9,500,000	-	9,500,000	10,035,817	(535,817)	106%
Total Revenue	261,102,900	-	261,102,900	267,712,928	(6,610,028)	103%
Expenses						
Use of Goods & Services	73,272,749	-	73,272,749	113,126,448	(39,853,699)	154%
Employee Costs	53,786,677	-	53,786,677	35,076,190	18,710,487	65%
Repairs & Maintenance	450,000	-	450,000	360,336	89,664	80%
General Expenses	50,012,424	-	50,012,424	30,157,183	19,855,241	60%
Depreciation & Amortization	6,977,662	-	6,977,662	9,638,706	(2,661,044)	138%
Contracted Professional Services	10,037,520	-	10,037,520	29,467,717	(19,430,197)	294%
Council & Governance Costs	33,131,175	-	33,131,175	19,684,779	13,446,396	59%
Finance Costs	450,000	-	450,000	408,785	41,215	91%
Total Expenses	228,118,207	-	228,118,207	237,920,144	(9,801,937)	104%
Surplus/(Deficit) for the period	32,984,693	-	32,984,693	29,792,784	3,191,909	90%

Notes

1. Revenue - Rental Income has 15% utilization since the Institute did not manage to get the office apartment occupied for 11 months in the financial year. The Rental Income recognised is for the month of June 2023 against budgeted Rental Income for 6 months (Kshs. 450,000).
2. Expenses – Use of Goods & Services increased due to increase in attendance of events and higher cost of goods. Depreciation amounts are affected by recalculation of the depreciation charge for the period. The Institute incurred significantly of contracted Professional Services of which some had not been budgeted.

19. 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 Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

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 Institute'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>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>a) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) 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>c) 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>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. *New and amended standards and interpretation in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

The Institute did not early – adopt any new or amended standards in year 2022/2023.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Institute 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 or service potential related to the asset will flow to the Institute and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Institute recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of 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 Institute.

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.

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022/2023 was not approved by the National Assembly. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No 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 recorded no additional appropriations 2022/2023 budget following the governing Council's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The Institute'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 basic difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

c) Taxes

Current income tax

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Research and development costs

The Institute 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

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Institute does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Institute's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity did not assess, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are note set out.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

j) Inventories

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) Provisions

Provisions are recognized when the Institute 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) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) 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.

n) Contingent assets

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

o) Nature and purpose of reserves

The Institute create and maintain reserves in terms of specific requirements.

p) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

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

r) 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.

s) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

t) 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the Council, the Executive Director and senior managers.

u) Service concession arrangements

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

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

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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. State all judgements, estimates and assumptions made:

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Institute.
- 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 24. 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)

5. Revenue from Membership Services

Description	2022-2023	2021-2022
	KShs	KShs
Application & Upgrades	860,500	87,450
Seminars, Workshops & Trainings	63,957,672	41,264,251
Conference & Congress	95,178,328	91,423,040
Membership Fees	40,962,039	71,686,782
CPD Accreditation	1,672,000	1,665,000
Other Income – Sponsorship/Award/Branch/Election	6,477,862	3,169,400
Total revenue from the Rendering of services	209,108,401	209,295,923

6. Rental Income

Description	2022-2023	2021-2022
	KShs	KShs
Rental Income	81,254	-
Total Revenue from Rental Income	81,254	-

7. Consultancy

Description	2022-2023	2021-2022
	KShs	KShs
Consultancy	48,487,456	5,147,759
Total Revenue from Consultancy	48,487,456	5,147,759

8. Finance Income

Description	2022-2023	2021-2022
	KShs	KShs
Interest income from Treasury Bills	10,035,817	9,550,026
Total finance income	10,035,817	9,550,026

9. Use of Goods & Services

Description	2022-2023	2021-2022
	KShs	KShs
Direct Costs		
Materials & Publication	20,574,332	24,723,504
Venue & Accommodation	63,928,671	28,395,217
Out of Station	5,122,296	3,426,466
Transport & Mileage	3,091,097	1,647,839
Travelling Costs	5,040,902	3,506,020
Consultancy	8,193,656	12,560,248
Other Costs	7,175,494	292,212
Total Direct Costs	113,126,448	74,551,507

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Notes to the Financial Statements (Continued)

Description	2022-2023	2021-2022
	KShs	KShs
a) Administrative Expenses		
Office Supplies	2,482,173	3,626,583
Office Cleaning	594,766	590,283
Transport & Mileage	100,737	293,605
Postage & Courier	803,920	854,575
Printing & Stationery	555,732	112,799
Advertisement & Publicity	2,190,711	825,621
Motor Vehicle	1,961,369	1,501,028
Corporate Social Responsibilities	299,800	594,500
Recruitment	-	12,931
General Insurance	894,623	500,258
License & Permits	367,900	254,510
Penalty & Fines	-	-
	10,251,729	9,166,692
b) Office Rent		
Office Rent	10,169,429	9,407,216
Service Charge	2,920,290	2,882,468
Parking Fees	960,000	960,200
	14,049,719	13,249,884
c) Office Utilities		
Telephone & Internet	1,835,488	1,738,460
Office Utilities/Electricity	303,156	429,209
	2,138,644	2,167,668
d) Travelling & Accommodation		
Out of Station	351,100	1,152,835
Accommodation Costs	2,146,150	1,701,078
Ground Transport & Mileage	836,500	1,928,657
Flight Costs	383,340	720,018
	3,717,090	5,502,588
Total General Costs (a+b+c+d)	30,157,183	30,086,832
Total Use of Goods & Services	143,283,631	104,638,339

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Notes to the Financial Statements (Continued)

10. Employee Costs

	2022-2023	2021-2022
	KShs	KShs
Gross Salaries	28,824,824	33,605,989
Wages	543,470	506,800
Training & Professional Development	201,400	290,140
Medical Cover	3,527,006	3,201,135
Employee Welfare	691,140	616,500
Employer Costs	1,288,350	1,296,048
Employee costs	35,076,190	39,516,612

11. Repairs & Maintenance

Description	2022-2023	2021-2022
	KShs	KShs
Repairs & Maintenance	360,336	109,878
Total Repairs & Maintenance	360,336	109,878

12. Depreciation & Amortization Expense

Description	2022-2023	2021-2022
	KShs	KShs
Furniture & Equipment	223,157	194,994
Fixtures & Fittings	6,732,223	6,723,973
Computers & Printers	738,639	632,700
Motor Vehicle	1,362,500	1,362,500
Intangible	582,188	312,500
Total Depreciation and Amortization	9,638,706	9,226,667

13. Contracted Professional Services

Description	2022-2023	2021-2022
	KShs	KShs
Financial & Compliance	2,264,466	3,193,369
Legal & Secretarial	3,518,100	4,159,176
Audit	387,931	450,000
Other Consultancy	23,297,220	21,360,452
Total Contracted Professional Services	29,467,717	29,162,998

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Notes to the Financial Statements (Continued)

14. Council & Governance Costs

Description	2022-2023	2021-2022
	KShs	KShs
Venue & Accommodation	2,256,544	15,450,588
Meeting Allowances	13,339,320	2,661,900
Transport & Travelling	202,650	1,639,885
Elections	730,000	3,245,845
Flights	364,690	1,190,869
Others	2,791,575	1,731,468
Total Council & Governance Costs	19,684,779	25,920,554

15. Finance Costs

Description	2022-2023	2021-2022
	KShs	KShs
Finance costs	408,785	366,120
Total finance costs	408,785	366,120

16. Detailed Analysis of Cash & Cash Equivalents

Financial institution	Account number	2022-2023	2021-2022
		KShs	KShs
a) Current account			
Absa bank	821498910	5,455,871	5,813,557
Kenya Commercial bank	1203884745	18,500,841	3,035,612
Sub- total		23,956,712	8,849,169
b) Others(specify)			
Petty Cash	-	79,928	93,423
M-Pesa	-	11,546,287	1,482,012
Treasury Bills	-	136,250,000	163,250,000
Sub- total	-	147,876,215	164,825,435
Grand total	-	171,832,927	173,674,604

17. Receivable from Exchange Transactions

(a) Current Receivables from Exchange Transactions

	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Other exchange debtors	190,675,355	137,639,459
Total current receivables	190,675,355	137,639,459

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Notes to the Financial Statements (Continued)

(b) Long- term Receivables from Exchange Transactions

Description	2022-2023	2021-2022
	KShs	KShs
Total Receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	190,675,355	137,639,459

18. Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	KShs	KShs
Deposit – Fuel	120,000	120,000
Deposit - Car Park	13,075	13,075
Rent Deposit – IHRM	6,705,536	6,705,536
Rent Deposit – HRMPEB	221,529	2,459,273
Deposit – Security	20,000	10,000
Deposit – Telephone	20,000	20,000
5% Corporate Tax Withheld	12,919,338	11,239,333
Loan Account – Borrowing	1,000,000	1,000,000
M/V Disposal Deposit	956,250	956,250
Salary Advance	227,100	122,089
General Insurance	353,244	434,987
Medical Inpatient	214,160	286,700
Medical Outpatient	243,259	239,846
Prepaid Rent	2,317,605	103,745
Employee	2,862,000	1,636,641
Council	722,770	1,826,441
Debit Card	9,784	1,659
Deferred Revenue	81,254	-
Receivables from Non-Exchange	29,006,903	27,175,574

19. Related Parties Disclosures

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
Opening Balance	13,739,603	13,739,602
Payments made by IHRM on behalf of related parties		
Total	13,739,603	13,739,603
Total	13,739,603	13,739,602

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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

	Land & Buildings	Motor vehicles	Office Equipments	Computers & Printers	Fixtures & Fittings	Intangible	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1st July 2022	12,200,000	5,450,000	1,559,948	2,109,000	53,791,787	2,500,000	77,610,736
Additions	-	-	225,304	353,129	66,000	2,157,500	2,801,933
Adjustments	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
As at 30th June 2023	12,200,000	5,450,000	1,785,252	2,462,129	53,857,787	4,657,500	80,412,669
Depreciation and Impairment							
As at 1st July 2022	-	1,362,500	194,994	632,700	15,110,230	312,500	17,612,925
Depreciation	-	1,362,500	223,157	738,639	6,732,223	582,188	9,638,706
Depreciation	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
As at 30th June 2023	-	2,725,000	418,150	1,371,339	21,842,454	894,688	27,251,630
Net book values							
As at 30th June 2022	12,200,000	4,087,500	1,364,955	1,476,300	38,681,556	2,187,500	59,997,811
As at 30th June 2023	12,200,000	2,725,000	1,367,102	1,090,791	32,015,333	3,762,813	53,161,039

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Notes to the Financial Statements (Continued)

Valuation

Land and buildings/ Equipment (be specific) were valued by in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30th June 2021). These amounts were adopted on 1st July 2021.

Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land & Buildings	12,200,000	-	12,200,000
Motor Vehicle	5,450,000	2,725,000	2,725,000
Office Equipment	1,785,252	418,150	1,367,102
Computers & Printers	2,462,129	1,371,339	1,090,791
Furniture & Fittings	53,857,787	21,842,454	32,015,333
Intangible Assets	4,657,500	894,688	3,762,813
Total	80,412,669	27,251,630	53,161,039

Intangible Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At beginning of the year	2,500,000	2,824,048
Additions	2,157,500	-
Adjustment	-	(2,824,048)
Valuation	-	2,500,000
At end of the year	4,657,500	2,500,000
Amortization and impairment		
At beginning of the year	312,500	1,411,087
Adjustment	-	(1,411,087)
Depreciation	582,188	312,500
At end of the year	894,688	312,500
NBV	3,762,813	2,187,500

Notes to the Financial Statements (Continued)

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21. Investment Property

Description	2022-2023	2021-2022
	KShs	KShs
Investment in Property	-	-
Investment in Subsidiary	-	11,233,627
At end of the year	-	11,233,627

22. Trade and Other Payables

Description	2022-2023	2021-2022
	KShs	KShs
Trade Payables	26,648,508	8,137,127
Other Payables	4,195,714	15,379,013
Total Trade & Other Payables	30,844,223	23,516,139

23. Employee Benefit Obligations

Description	2022-2023	2021-2022
	KShs	KShs
P.A.Y.E	578,612	519,286
N.H.I.F	32,600	23,500
N.S.S.F	54,000	36,720
SACCO	188,074	186,746
PENSION	230,336	203,075
N.I.T.A	11,362	6,550
NET PAY	-	1,334,771
Total trade and other payables	1,094,984	2,310,647

24. VAT Control Account

Description	2022-2023	2021-2022
	KShs	KShs
VAT Control Account	30,978,504	23,397,692
Total VAT Control Account	30,978,504	23,397,692

25. Corporate Tax Provision

Description	2022-2023	2021-2022
	KShs	KShs
Balance brought down	37,613,096	61,918,073
Corporate Tax Paid (On Account)	-	(28,820,739)
Corporate Tax Provision	-	4,515,762
Total Corporate Tax Provision	37,613,096	37,613,096

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Notes to the Financial Statements (Continued)

Current Provision

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 01.07.2022	4,126,341	-	-	11,302,736	15,429,077
Additional Provisions	3,669,259	-	-	387,931	4,057,190
Provision utilised	(4,126,341)	-	-	(11,302,736)	(15,429,077)
Change due to discount and time value for money	-	-	-	-	-
Transfers from non - current provisions	-	-	-	-	-
Total as at 30.06.2023	3,669,259	-	-	387,931	4,057,190

26. Cash generated from operations

	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the year before tax	29,792,784	15,052,541
Adjusted for Cash Flow from Operating Activities		
Depreciation	9,638,706	9,226,667
Investment Income	(10,035,817)	(9,550,026)
Provisions	4,057,190	14,947,158
Operating Profit Before Working Capital Adjustments	33,452,863	29,676,339
Working Capital Adjustments		
Change in Receivables from Exchange Transactions	(53,035,896)	(28,448,637)
Change in Receivables from non-Exchange Transact	(1,831,329)	(3,567,708)
Change in Trade and Other Payables	7,328,083	10,779,410
Change in Related Parties	-	-
Change in VAT Control	7,580,813	(5,387,979)
Change in Employee Benefit	(1,215,663)	31,211
Change in Corporate Tax	-	24,304,977
Total Cash Flow from Operating Activities	(7,721,129)	27,387,614

Notes to the Financial Statements (Continued)

Retirement Benefit Asset/ Liability

The Institute did operate a defined benefit scheme for all full-time employees from July 1, 2023. The scheme is administered by ICEA Lions Life Assurance while ICEA Lions Life Assurance are the custodians of the scheme. The scheme is based on 7.5% percentage of salary of an employee at the time of retirement. There was no actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at 30th June, 2023. On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The Institute also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Institute's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1,080 per employee per month. Other than NSSF the Institute also has a defined contribution scheme operated by ICEA Life Assurance Pension Fund. Employees contribute 7.5% while employers contribute 7.5% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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.

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Notes to the Financial Statements (Continued)

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 2023				
Receivables from exchange transactions	190,675,355	190,675,355	-	-
Receivables from non-exchange transactions	29,006,903	29,006,903	-	-
Bank & Cash Equivalent	171,832,927	171,832,927	-	-
Total	391,515,185	391,515,185	-	-
As at 30 June 2022				
Receivables from exchange transactions	137,639,459	137,639,459	-	-
Receivables from non-exchange transactions	27,175,574	27,175,574	-	-
Bank balances	173,674,604	173,674,604	-	-
Total	338,489,636	338,489,636	-	-

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.

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Notes to the Financial Statements (Continued)

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 2023				
Trade payables	-	-	26,648,508	26,648,508
Provisions	4,057,190	-	-	4,057,190
Employee benefit obligation	1,094,984	-	-	1,094,984
Total	5,152,174	-	26,648,508	31,800,683
As at 30 June 2022				
Trade payables	-	-	8,137,127	8,137,127
Provisions	10,201,012	-	1,800,000	12,001,012
Employee benefit obligation	2,310,647	-	-	2,310,647
Total	12,511,659	-	9,937,127	22,448,786

iii) Market risk

The Institute 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. 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.

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Notes to the Financial Statements (Continued)

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 2022/2023

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2023			
Financial assets			
Investments	-	-	-
Bank & Cash Balances	171,832,927	-	171,832,927
Debtors	190,675,355	-	190,675,355
Total financial assets	362,508,282	-	362,508,282
Financial Liabilities			
Trade and other payables	30,844,223	-	30,844,223
Total financial liabilities	30,844,223	-	30,844,223
Net foreign currency asset/(liability)	331,664,059	-	331,664,059

FY 2021/2022

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2022			
Financial assets			
Investments	11,233,627	-	11,233,627
Bank & Cash Balances	171,550,017	-	171,550,017
Debtors	190,691,348	-	190,691,348
Total financial assets	373,474,991	-	373,474,991
Financial Liabilities			
Trade and other payables	29,989,472	-	29,989,472
Total financial liabilities	29,989,472	-	29,989,472
Net foreign currency asset/(liability)	343,485,520	-	343,485,520

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Notes to the Financial Statements (Continued)

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:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	357,885,018	336,623,103
Capital reserve	-	-
Total funds	357,885,018	336,623,103
Total borrowings	-	-
Less: Cash and Bank Balances	171,832,927	173,674,604
Net debt/(excess cash and cash equivalents)	186,052,091	162,948,499
Gearing	52%	48%

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Notes to the Financial Statements (Continued)

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

	2022-2023	2021-2022
	Kshs	Kshs
Payments made by IHRM on behalf of related parties		
Benevolent	-	-
Huduma	-	-
Total	-	-
a) Key management compensation		
Directors' emoluments	19,684,779	25,920,554
Compensation to key management	18,253,083	17,877,545

Events after the Reporting Period

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

Ultimate and Holding Institute

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

Inter-Entity Transfers

Institute of Human Resource Management				
Break down of Transfers from the State Department for Public Service				
FY 2022/2023				
a.	Recurrent Grants	-	-	-
b.	Development Grants	-	-	-
c.	Direct Payments	-	-	-
d.	Donor Receipts	-	-	-
	Total	-	-	-

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Notes to the Financial Statements (Continued)

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

Manager, Finance
Institute of Human Resource Management



Sign -----

Head of Accounting Unit
State Department for Public Service

Sign-----

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Notes to the Financial Statements (Continued)

Contingent Assets and Contingent Liabilities

Contingent Assets

	2022-2023	2021-2022
	Kshs	Kshs
Contingent Assets	-	-
Total	-	-

Contingent Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Contingent Liabilities		
ELRCC No. E001 of 2020	52,000,000	52,000,000
Total	52,000,000	52,000,000

Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Entity did not make any remittance to the Consolidated Fund.

Events after the Reporting Period

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

Ultimate and holding Entity

The Institute is a Semi – Autonomous government agency under the Ministry of Public Service, Gender and Affirmative Action. Its ultimate parent is the Government of Kenya.

Currency

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

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Notes to the Financial Statements (Continued)

20. Appendix

Appendix I: Projects implemented

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

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

Appendix II: Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
-	-	-	-	-	-	-

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Appendix III: Transfers from Other Government Entities

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

Appendix IV: Inter-Entity Confirmation Letter

The Institute of Human Resource Management wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2023				Amount Received by IHRM (Kshs) as at 30 th June 2021 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter –Ministerial (C)	Total (D)=(A+B+C)		
Total	-	-	-	-	-	-	-

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Sign Date

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Appendix V: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
-	-	-	-	-	-	-	-	-	-

Appendix VI: Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub Programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
-	-	-	-	-	-	-

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Appendix VII: Implementation Status of Auditor-General's 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)
1	Inaccuracy in use of Goods and Services	Erroneously raised on report.	Resolved	N/A
2	Unsupported Investment Property	Balance brought forward from prior years.	Resolved	N/A
3	Irregular advance payments to supplier of Goods and Services	Corrective measures taken and advance payments to suppliers suspended.	Resolved	N/A
4	Lack of Risk Management Policy	Work in Progress.	Not Resolved	31/03/2024



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Ag. Executive Director

Date.. 05/02/2024

