

REPUBLIC OF KENYA



OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 APR 2023	DAY.
TABLED BY:	Hon. Naomi Waco, M.P.
CLERK-AT THE-TABLE:	Deputy Majority Whip Christine Ndlovu

OF

THE AUDITOR-GENERAL

ON

**KENYA INSTITUTE OF SUPPLIES
MANAGEMENT**

**FOR THE YEAR ENDED
31 DECEMBER, 2021**





KENYA INSTITUTE OF SUPPLIES MANAGEMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

31ST DECEMBER 2021

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



**Kenya Institute of Supplies Management
Annual Report and Financial Statements
For the Period ended 31st December, 2021**

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1. KEY INSTITUTE INFORMATION AND MANAGEMENT

A) BACKGROUND INFORMATION

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

B) PRINCIPAL ACTIVITIES

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

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

Vision of the Institute

Competent and ethical Supply Chain Management Practitioners

Mission of the Institute

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



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Core Values

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

C) FIDUCIARY MANAGEMENT

I. COUNCIL

SN	NAME	DESIGNATION
1.	Mr. John Karani Ndiwa	Chairman
2.	Mr. Moses Allan Omondi	Council Member
3.	Mr. Jeremiah Kiio Nthusi	Council Member
4.	Dr. Vincensia Anyango Apopa	Council Member
5.	Ms. Grace Murichu	Council Member
6.	Ms. Diana Mwacharo	Council Member
7.	Ms. Nimo Hussein	Council Member
8.	Mr. Hennock Kirungu	Rep. Director General PPOA
9.	-	Rep. PS The National Treasury

II .MANAGEMENT

SN	NAME	DESIGNATION
1.	Dr. Martin Gachukia	Ag Chief Executive Officer
2.	CPA Nicholas Wafula	Finance Manager
3.	Mr. Reuben Ebei	Supply Chain Manager
4.	Ms. Emmah Kinuthia	Training Manager
5.	CS. Serah Okumu	Corporation Secretary
6.	CPA Douglas Gikunda	Internal Auditor



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D) FIDUCIARY OVERSIGHT ARRANGEMENTS

The Council undertakes its role through the following Committees

a) Audit and Risk Management Committee

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

b) Professionals Standards Committee

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

c) Strategy Committee

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

d) Finance, Corporate Affairs and Human Resource committee

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

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

Statutory Committees

a) Registration Committee

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

b) Disciplinary Committee

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



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E) ENTITY HEADQUARTERS

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

F) ENTITY CONTACTS

Cellphone: +254 111 024 800
Email admin@kism.or.ke
Website. www.kism.or.ke

G) ENTITY BANKERS

1. Standard Chartered Bank
Westlands Branch
Woodvale Groove
P.O. Box 14438-00800, NAIROBI
Tel:4443018/2/20,4448956
2. National Bank of Kenya
Ngong Road Branch
P.O Box 72866-00200, NAIROBI
Tel. No. 020-282 8900 | 0703 088 900 | 0732 118 900

H) INDEPENDENT AUDITORS

Office Of Auditor-General
Anniversary Towers
Monrovia Street
P.O. Box 30084 – 00100, NAIROBI
Tel: 0203214000
Email. info@oagkenya.go.ke
Website. www.oagkenya.go.ke



PRINCIPAL LEGAL ADVISOR

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






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2. COUNCIL MEMBERS

Ref	Directors	Details
1.		John Karani, KISM Chairman, John Karani is a seasoned Supply Chain professional with over 27 years' experience in major blue-chip multinationals. Worked with Coca-Cola Africa for 18 years, Wrigley's East African Limited, Kenya Cooperative Creameries and Kenya Meat Commission. He is an elected Chairperson of the Council.
2.		Grace Catherine Njeri Murichu, Council Member, Has 20 years' experience in leading the human resource and supply chain functions at Kenya Revenue Authority. She is the Chairperson of Finance Corporate Affairs and Human Resource Committee of the Council and an elected member of the Council
3.		Moses Allan Omondi, KISM Council Member Presently listed as a Consultant (SM) with UNCTAD and similarly been engaged with other development agencies, being ESDA, EU/CDE, Horti-Green (fundacion Sustalde), USDA, IGAD(AfDB). Previously served as head of SCM at Intercontinental Hotel Group, Group Procurement Manager AccessKenya Group as well as Daystar University, Tibett & Britten & G4S, has 25 years' experience in SCM, from private sector with multi-industry exposure in both local and multinational firms. He is the chairperson of Registration & Licensing Committee and elected member of Council
4.		Jeremiah Kiio Nthusi, Council Member Currently the Director of SCM at the Judiciary. Pursuing a PhD in Supply Chain Management. He is the Chairperson of Strategy Committee and an elected member of the Council.
5.		Nimo Abdullahi Hussein, Council Member Has 11 years experience in the public, leading SCM teams at Kengen and Retirement Benefits Authority, Chairperson of the Professional Standards Committee and an elected member of the Council.
6.		Dr. Vincensia Anyango Apopa, Council Member Head of the supply chain department at the National Construction Authority. PhD in Supply Chain Management. She is Chairperson of the Disciplinary Committee and an elected member of the Council.
7.		Diana Nadzua Mwacharo, Council Member Has 15 years SCM experience in the public sector, serving at the Postal Corporation of Kenya, the IEBC and SASRA. Currently the head of procurement at SRC. She is Chairperson of the Audit and Risk Management Committee of the Council and an elected member of the Council.



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8.		Henock Kirungu, Council Member, Rep DG PPRA Mr. Kirungu, is currently the Acting General Manager, Technical Services who is also the principal deputy to the Director General of Kenya's Public Procurement Regulatory Authority (PPRA). He has 25-year experience in public service. Represents the Director General PPRA in the Council
9.		Permanent Secretary representing the National Treasury
10.		Dr. Martin Gachukia The acting Chief Executive Officer and the Secretary to the Council of the Institute. Doubles as the Institute Registrar

3. MANAGEMENT TEAM

Ref	Management	Details
1.		Dr. Martin Gachukia The Institute's Registrar. He has PhD (Supply Chains Management), Msc in Procurement and Logistic, Bachelor in Philosophy. He is a licensed member of Kenya Institute of Supplies Management with 13 years' experience.
2.		Nicholas Wafula Otsieno, Finance Manager KISM Finance Manager. He is a holder of Bachelor of Commerce (Finance), Certified Public Accountant (K) and a full member of ICPAK and IIAK with over 15 years of experience.
3.		Emmah Wahu Kinuthia, Training Manager Currently the Training Manager for over eight years. She holds MBA in Supply Chain Management, Bachelor of Education and a Member of Kenya Institute of Supplies Management
4.		Douglas Gikunda Internal Audit and Risk Manager. He holds an MBA (Strategic Management), Bachelor's degree - Economics & Finance, Certified Public Accountant (K). He is a full member of ICPAK and IIAK with eight years of experience.



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4. CHAIRMAN'S STATEMENT

KISM is the national body for professionals in the practice of procurement and supply chain management in Kenya. The Institute draws its mandate from the "Supplies Practitioners Management Act No.17 of 2007. The financial statements provide a concise, material and honest assessment of how KISM has grown over the last year. It provides an overview of the impact made through the Council and Statutory Committees, operational and governance performance, and activities undertaken by Management for the Institute during the financial year 2021.

The report provides the financial perspective of the strides made by the Institute in the achievement of its mandate in the financial year 2021. It presents the identified material information through a clearly-structured narrative that provides a financial overview of the key activities undertaken by the Institute in the financial year 2021. The Council's Audit and Risk Committee and the Corporate Affairs Committee provide internal assurance to the Council on the execution of the 7 strategic pillars. The Institute's financial, operating, compliance and risk management controls are assessed by the Internal Audit function, which is overseen by the Council's Audit and Risk Committee.

In the year in review, we achieved critical milestones in the journey to transform both our Institute and the Supply Chain Profession at large by amplifying the critical role supply chain plays in our nation and beyond. Notwithstanding the ravaging aftermath of the effects of Covid-19 pandemic on our economy, the Institute detailed performance report is a reflection of the efforts put in place to sustain efforts in upward financial growth.

At the Institute, we began the year 2021 with great aspirations and gusto to overcome the ravaging challenges occasioned by COVID-19. The efforts were carefully selected to support our quest in achieving our corporate and individual targets. However, the lockdowns to contain the re-emergence of COVID-19 our operations were disrupted by the containment restrictions from June 2021 to August 2021 when partial lockdowns were relaxed by the government. The containment measures resulted in



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an initial 30% decline in our revenues given that bulk of our income comes from physical trainings and related activities. The Institute quickly recalibrated its operations to survive the emerging challenges. As we settle into what is now deemed to be our new “normal”, as an Institute, we must assess how our strategy fared, how our people and processes adapted, and how service quality and commitment to our members has helped us respond, recover, and thrive under the strain of extraordinary circumstances.

Mr. John Karani, MKISM, MCIPS

Council Chairperson

Sign 

Date. 06-02-2023



5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The year 2021 began on a high note registering considerable goodwill from our partners. This was followed by the review of the 2015-2019 Strategic Plan with the proposed business model expected to spur its growth. The review was necessitated by the need to maintain the growth trajectory and increasing demand for a customer centric Institute. Despite the effects of COVID-19 the Institute takes note that new normal has opened up newer business frontiers in keeping pace with the technological developments in its services delivery.

We note that with the entire world continues to wage war with the virus, to which we remain optimistic that the efforts to turn around the Institute fortunes would turnaround the business would set its course to recovery. Allow me to remind the membership and partners that nearly 70% of the Institute’s income is generated from the Continuous Professional Development (CPD) events. The introduction of containment measures during the pandemic period led to a complete closure to the Institute’s programs. Despite all the challenges, we navigated through the rags and saw what looked like a near shattered dreams begin to turn around.

I wish to extend my heartfelt gratitude to Council, all staff and members for their patience, passion and dedication throughout 2021. Further, I would like to state that the Institute did not rest on the achievements but rather, kept its eye on the promises, engaging members to develop solutions that derive desired customer experience. Through the modern technology a number of CPD programs were delivered in what has become an accepted mode of service delivery. Despite challenges in 2021, the Institute sustained its membership growth in 2021 to 6,080 from 5,628 in 2020 and practicing licenses in 2021 1,945 from 1,711 in 2020.

As I welcome you to review the Institute performance and its details covered in the Annual Report, I would like to appreciate our Esteemed Members, Council and Secretariat for their support. Let me assure you that together, we continue to strive to remain customer driven and a listening Institute.

Dr. Martin Gachukia

Ag. Chief Executive Officer

Sign 

Date..... 06-02-2023



**6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2021**

The strategic plan is outlined into strategic initiatives/activities under the various strategic objectives that are aligned to respective strategic focus area. Each strategic initiative will be defined with a clear RACI to ensure proper accountability in the implementation, monitoring and evaluation, and follow-up.

- 1 Strategic Focus 1: Ensure seamless onCounciling of members
- 2 Strategic Focus Area 2: Membership Discipline
- 3 Strategic Focus Area 3: Regulation of Practitioners
- 4 Strategic Focus Area 4: Membership Welfare and Advocacy
- 5 Strategic Focus Area 5: Financial Sustainability
- 6 Strategic Focus Area 6: Institutional Strengthening
- 7 Strategic Focus Area 7: Training and Professional Capacity Development

KISM develops its annual work plans based on the above strategic plan 2020 to 2024 whose pillars are indicated above. Assessment of the Council’s performance against its annual work plan is done on a quarterly basis. KISM achieved its performance targets set for the FY 2021 period for its 2020 - 2024 strategic pillars.

I. PROGRAMME AND PERFORMANCE REVIEW 2021

The table below presents the performance of each functional and strategic business unit over the period. The report outlines the performance based on key outputs and performance indicators of programmes and sub- programmes against the planned targets. It also analyzes the financial performance and assesses the status of implementation on construction of KISM Towers for the Institute for the period under review.

In the year 2021, the Institute had set various targets as key performance indicators as indicated below

DEPARTMENT	DELIVERY UNIT	KEY OUTPUTS	KEY PERFORMANCE INDICATORS	TARGET 2021	ACTUAL 2021
REGISTRATION	Member ship Services	Growth in membership and licensed practitioners Sustained compliance levels	Renewal of membership Increased membership application Increased licensed practitioners	At least 9,000 member’s current 4,183 licensed practitioners Develop membership registration policy to guide all registration and member database Develop and launch the standards of practice	At least 5,265 member’s current 1,901 licensed practitioners Developed registration policy



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DISCIPLINARY	Disciplinary	Continuous Professional Development Enhance compliance through periodical inspection and case- follow-up on members practicing without requisite qualifications Enhance the discipline levels among members and enforce ethical practices within the profession	Advertisement calling for compliance Positional papers Renewal of membership Licensing and compliance Reduction of the complaints and cases PPRB Employment of qualified members in supply chain	Develop and launch disciplinary instruments Sensitise the members and general public on the instruments Hear and determine all cases touching on discipline Increased renewals to 9,000 members and 4,183 licenses Database cleanup	Developed and launched the disciplinary instruments Increased renewals to 5,265 members and 1,901 licenses Database clean-up Continuous professional development
MEMBER ADVOCACY		Enhanced stakeholder outreach Collaborate and create synergies on national matters affecting supply chain Enhance Quality Monitoring and member experience through an interactive member self service	Number of outreach events Member engagement and stakeholder partnerships with the National Treasury/PPRA Interactive and an upto date website and peripheral modules	KISM Mashinani, devolution of the services in five major towns Jointly organised 1st National Dialogue with help of the National Treasury and PPRA Website regularly updated with current content	KISM Mashinani, devolution of the services in four major towns, Nakuru, Mombasa, Kisumu and North Rift Jointly organised 1st National Dialogue with help of the National Treasury and PPRA Website regularly updated with current content
KISM HEADQUARTERS	KISM Project Management Team	Handover of KISM completed 17 storey building	Leases and registration of the leases Disposal/Lease of surplus space to governmental entities	Lease out at least 75% of the space	Leased North Wing 1, 9th, 8th and Shop 1, 2 Handed over 3 floors to PPRA, 1 Flr to KISEB



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TRAINING AND CAPACITY BUILDING	Training Department	Continuous capacity building training availed to procurement professionals and organizations	Increased number of training programs Increased participation from KISM membership Increased compliance to CPD requirement and by extension to procurement laws and regulations	Train 75% of active members Hold at least 26 trainings	Trained 3,215 participants Held 28 trainings Trained through normal open workshop 2,035; 29 inhouse trainings with 1,090 participants
SECRETARIAT CAPACITY BUILDING	Human Resource	Recruitment and engagement of qualified staff KISM committee's reorganisation Engagement of taskforces to support Council operations Review of the Institute the strategic plan Develop and launch Institutes governance instruments –	Capacity building Training needs assessment Council reappointment letters and induction Increased visibility of member participation in KISM activities Approved manuals	Recruit staff to support the growth initiatives Review staffing benefits Approved Institute establishment instruments Review the existing manuals to align them to best practice and PFM/PPADA	Recruited skeleton staff to support select areas Advertised for various positions with the onCounciling pending Pending – Advisory from the TNT and AG Reviewed the finance, audit, procurement manuals awaiting adoption
KISM REBRANDING	KISM Visibility	Culture change Visibility in nationwide procurement matters Enhanced career guidance and mentorship New Organisation structure Governance instruments Disciplinary policies and procedures	Education fairs and student welfares Excellence awards Organisation governance instruments Disciplinary policy and code of ethics Periodical Positional papers on procurement Procurement newsletter	Consultancy to develop governance instruments, disciplinary procedures and code of ethics Student excellence awards Partnership with the promoters of excellence awards	Consultancy to develop governance instruments, disciplinary procedures and code of ethics Student excellence awards Partnership with the promoters of excellence awards



7. CORPORATE GOVERNANCE STATEMENT

At KISM, the Council and Management are committed to corporate governance. One of the Institute's credo among others emanates from our quest to promote integrity and enhance stakeholder's trust. Our business principles are set out in our core values and in turn the standards we set for ourselves to ensure that we operate within the provisions of the law, with integrity and respect, observing and respecting the culture of the people of Kenya and particularly those of our members.

Council Appointment and Attendance

The appointment into the Council or Committees is based on the collective understanding on our strong persuasion for a transparent process set out in the Institute Governance policies and Almanac for the engagement of new members of the Council. The various Council members, their functions and the meetings attendance in the year are set out below:

COUNCIL MEETING ATTENDANCE REPORT			
Name	Role	Appoint date	Attendance
John Karani	Chairman	10th Jan 2020	6
Moses Omondi	Member	10 th Jan 2020	6
Vicensia Apopa (Phd)	Member	10 th Jan 2020	6
Jeremiah Nthusi	Member	10 th Jan 2020	6
Grace Catherine Njeri Murichu	Member	10 th Jan 2020	6
Diana Nadzua Mwacharo	Member	10 th Jan 2020	6
Nimo Hussein	Member	10 th Jan 2020	6
Rep. Director General, PPRA	Member	10 th Jan 2020	6
Rep PS The National Treasury	Member	Not appointed	

Council's Committees

The Council has established various Committees which have formal TORs approved by the Council and reviewed on an ongoing basis by the Council. The Senior Management with the delegated authority of the Chief Executive Officer prepares the agenda and the Committee papers and provides Secretarial Services to the Committees. Various Committees, functions and meetings attendance in the year are tabulated herein.

Disciplinary Committee

The Committee is responsible for disciplining members in accordance with the procedure and rules stipulated in the Supplies Practitioners Management Act. Members of the Disciplinary Committee during the year, together with the record of their attendance at the scheduled meetings are as tabulated in the below.

Disciplinary Committee Attendance Register			
Name	Role	Appoint Date	Attendance
Vincensia Apopa (Phd)	Chairperson	May 2020	6
Alfred Baliach	Member	May 2020	6
Joanne Kweyu	Member	May 2020	6
Antony Ogwang	Member	May 2020	6
Thomas Otieno	Member	May 2020	6
Samson Masila	Member	May 2020	6
Samuel Odiwuor	Member	May 2020	6
Rep Institute of Engineers of Kenya	Member	Not Appointed	
Rep of ICPAK	Member	Not Appointed	
Advocate Rep LSK	Member	Not Appointed	



Registration Committee (RC)

The Committee receives, considers and approves applications for registration as an supply chain and grant of membership certificates and annual licenses in accordance with the provisions of the Supplies Practitioners Management Act. In addition, it monitors compliance with professional quality assurance and other standards published by the Council for observance by the members of the Institute.

Registration Committee Attendance Register			
Name	Role	Appointment Date	Attendance
Moses Omondi	Chairperson	May 2020	9
Jeremiah Nthusi	Member	May 2020	9
Hosea Kemboi	Member	May 2020	9
Nancy Kimemia	Member	May 2020	9
Peter Ndungu	Member	August 2020	9
Sam Mugwe	Member	December 2020	9
AG Representative	Member	Not appointed	
Registrar	Member	Not Appointed	
Rep from KNEC	Member	Not Appointed	

Finance Corporate Affairs and Human Resource Committee FCAHRC

This committee oversees the financial management and the general corporate affairs operations, strategy implementation on behalf of the Council, reviews operations and make recommendations regarding policies and financial performance. The scope covers report on the Financial Statements, management accounts, ratio analysis and investments analysis.

Finance, Corporate Affairs & Human Resource Committee Attendance Register			
Name	Role	Appoint Date	Attendance
Grace Catherine Njeri Murichu	Chairperson	May 2020	6
Vincensia Apopa (Phd)	Member	May 2020	6
Jeremiah Nthusi	Member	May 2020	6
Nimo Abdullahi Hussein	Member	May 2020	6
Rep of PS The National Treasury	Member	Not Appointed	

Audit, Risk and Compliance Committee AR&CC

The Audit Risk and Compliance Committee assists the Council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Institutes' process for monitoring compliance with laws and regulations as well as the Code of Conduct. In addition, the Committee continuously evaluates the effectiveness of the risk Management processes to ensure adequacy on the strategies are being implemented

Audit, Risk and Compliance Committee AR&CC Attendance Register			
Name	Role	Appointment Date	Attendance
Diana Nadzua Mwacharo	Chairperson	May 2020	6
Aminazahra Sigat	Member	May 2020	6
Timothy Mulwa	Member	May 2020	6
Robert Riziki	Member	May 2020	6
Imbayi So Omasso	Member	May 2020	6



Member Services & Advocacy Committee MSaAC

This committee is tasked with the responsibility of understanding member needs and formulating recommendations for Council consideration on how to address the needs so identified of KISM members. The Committee is also tasked to develop marketing strategies and member recruitment and retention strategies, develop sector specific products and services for members such as those in the Public Sector, NGO, NPO Sectors and develop products for various categories of members and the coordination of continuous improvement in quality service.

Member Services & Advocacy Committee MSaAC Attendance Register				
Name	Role	Appoint Date	Attendance	
Nimo Abdullahi Hussein	Chairperson	May 2020	6	
Priscillah Musyoka	Member	May 2020	6	
Benignas Luyera	Member	May 2020	6	
Andrew Juma	Member	May 2020	6	
Mohammed Farah	Member	May 2020	6	

Professional Standards Committee PSC

This Committee is responsible for the Institute's Standard setting and the Implementation of Standards. It works together with the management team in participating in setting and ensuring implementation of the respective standards in training and Continuous Professional Development. This Committee oversees the implementation of Continuous Professional Development (CPD) policies and guidelines, adoption and implementation of the International Education Standards (IESs), development and implementation of CPD calendar.

Professional Standards Committee PSC Attendance Register				
Name	Role	Appointment Date	Attendance	
Jeremiah Nthusi	Chairperson	May 2020	6	
Moses Allan Omondi	Member	May 2020	6	
Kennedy Ariembi	Member	May 2020	6	
Bernard Mukundi	Member	May 2020	6	
Kevin Moindi (Phd)	Member	May 2020	6	
Catherine Kangangi	Member	May 2020	6	

Legislation Committee LC

This committee is charged with the responsibility of reviewing the legislative regime and provide periodical advise to the Council on strategies to align the law to the changing regime.

Legislative Committee PSC Attendance Register				
Name	Role	Appoint Date	Attendance	
Henock Kirungu	Chairperson	May 2020	3/3	
Boniface Ikumu	Member	May 2020	3/3	
Geoffrey Rotich	Member	May 2020	3/3	
Flormina Mbii	Member	May 2020	3/3	
Chris Odida	Member	May 2020	3/3	
Samuel Odiwuor Kaumba	Member	May 2020	3/3	



8. MANAGEMENT DISCUSSION AND ANALYSIS

Registration Of Members

KISM was instrumental in positioning procurement the procurement law of 2015, and periodically writes to organisation to advise in reporting relationships and structure for procurement organization. This ongoing profiling of procurement supports growth in Membership. The full Member category grew from 5,628 to 6,080 members.

Licensing Of Practitioners

Licensing promotes recognition of authority of procurement professionals in organizations. It elevates the procurement role and contributes to regulation of procurement practice. The number of licensed practitioners has grown from 1,721 to 1,945 between 2020 and 2021.

Opportunities For Licensed Firms and Individuals

Organizations continue to approach the Institute to avail them the lists of licensed firms. Organizations also request for lists of Licensed individuals and those who wish to provide advisory services to entities are encouraged to register their interest to do so with the institute. This is part of a wider acceptance and compliance of the PPADA.

Advocacy For Professionals

The Institute ran a public campaign in 2021 to educate the public on the role that procurement officers play in public procurement. At least two articles were published in the local dailies and one call for compliance ran requesting corporations to supply the Institute staff manning procurement. The campaign involved lobbying government to appreciate that procurement professionals are not the source of corruption in public sector procurement, and that there is a need focus attention on the wider supply chain order to root out corruption.

CPD Workshops

Currently KISM mounts between twenty and twenty-three workshops annually. However, due to the COVID-19 pandemic, the Institute cancelled all its trainings pending the outcome of the situation.



Kenya Institute of Supplies Management
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For the Period ended 31st December, 2021

SECTION A: THE ENTITY FINANCIAL AND OPERATIONAL PERFORMANCE

KPI'S	2020	2021	EXPLANATION
GOK Grants	294.48M	48.83M	Grant received in 2020 included development of 250Millions and 44.48millions towards recurrent grant. The recurrent grant grew by 9.8% due to increased funding from the National Treasury in the FY 2020/2021 and 2021/2022.
Membership Income	36.3M	34.6M	There was a slight drop of 4.5% in membership income due to effects of COVID-19.
Workshop Income	67.68M	133.9M	There was an increase of 97.9% due to relaxation of most of the covid 19 containment measures especially the restriction on gatherings, as more physical events were held in 2021.
Rental Income		7.1M	There was increased uptake and on onboarding of new tenants in the building
Council Expenses	13.3M	29.2M	There was an increase of 119% due to relaxation of the COVID-19 and development of the strategic plan done inhouse.
Employment costs	29.5M	49.1M	The increase of 66.3% was occasioned by increased number of staff due to the recruitment of senior management.
Surplus/Deficit	37.2M	(17.97M)	The decrease of 162% to a deficit in 2021 was due to increased non-revenue generating activities.
Trade Payables	58.0M	380.4M	There was an increase of 554% in trade payables due to bills relating to the final accounts with respect to KISM towers.
Non-Current Assets	952M	1247.9M	The increase was due to the completion of KISM building and final accounts.
Trade Receivables	28.8M	69.2M	The increase was due to increase in business in among the public sector and World bank training. However, measures have been put in place to enhance collections of the due amounts.
Cash and Bank Balances	112.2M	86.9M	The decrease in Bank Balances was due to the settlement and retirement of some of the mature payables from the construction.



SECTION B: ENTITY'S COMPLIANCE WITH STATUTORY REQUIREMENTS

In the year ended 31st December 2021, the institute complied with all statutory requirements by ensuring that all statutory deductions namely PAYE, NSSF, NHIF, withholding taxes and VAT were remitted as they fell due.

SECTION C: KEY PROJECTS AND INVESTMENT DECISIONS UNDERTAKEN BY THE INSTITUTE

The institute did not have any development project in quarter ended 31st December 2021.

SECTION D: MAJOR RISKS FACING THE INSTITUTE

- a) Credit Risk-The institute has moderate risk rating due to uncollected receivables.
- b) Liquidity Risk-the institute has high risk rating due to pending bills due to contractors and consultants related to KISM towers.
- c) Compliance Risk-The Institute has a moderate risk mainly stemming from delayed categorization of the institute.
- d) Market Risk-The institute has a pending complaint to the Competition Authority of Kenya on accreditation of CPD providers.

SECTION E: MATERIAL ARREARS AND STATUTORY OBLIGATIONS

The institute has pending salary arrears to staff whose contracts explicitly provided for. However, provisions have been made to settle all the arrears in the third quarter.

SECTION F: ENTITY'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The institute does not have any major financial improbity and there are no serious governance issues among the council members and the top management.



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

The Institute continues to maintain its focus on sustainability and as one of the key actors in public finance management reforms, continues to contribute to government policy direction on matters procurement. The growth is credited to its focus on financial probity and support from its key markets.

ii) Environmental performance

As a way of ensuring environmental cleanliness, the Institute has institutionalised waste management and discourages any unnecessary printing in the office. Our communication is delivered through formal mediums that do not necessarily require printing. This has enabled minimised waste and increased efficiency both in environmental conservation but equally in cost management.

iii) Employee welfare

The Institute office is registered and cleared safe for all employees. Our employees remain one of our key assets. Periodic trainings and capacity building is carried out to both improve the capacity but also create an environment is responsible persons. Annually we organise a three-day team building event which has grown in its attendance over the years. Through the team building events key lessons are picked that enable effective downward communication among its staff

iv) Market place practices-

Strategic Partnerships & Corporate Visits

The Institute has initiated partnerships with other institutions that are aligned and support the strategic goals of KISM. Currently KISM has entered into partnership with Strathmore University to enhance members' leadership and strategy skills. Various corporate visits were conducted with organizations in the region. The visits have been conducted with the objective of promoting member retention and participation in the Institute's activities.



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

Mentorship Programs

The mentorship program was established as an intervention to create a pool of young, knowledgeable professionals with requisite skills to enter the market place. This would be useful in bridging the existing academic-practical skill gap. The program is designed to address the challenge of learning institutions churning out students with academic qualifications, but lacked the practical skills to perform supply chain functions. To this end, the Mentorship program was initiated to enable students, through mentorship, transition with ease from college to the workplace. The policy –KISM Mentorship Coaching and Internship Program (KMCIP) was developed by the Membership and Advocacy Committee, and launched during the KISM Spurs SCM Excellence Awards 2020 Gala Dinner. The pilot program is in its initial stage.

CSR Activities and Community/public engagement

KISM has prepared various policies and laws that have included public participation. The Supplies Practitioners Management Act 2007 was reviewed with the aim of having it comply with the 2010 constitution. Views were collected from Kenya Law Reform Commission, National Treasury, Kenya Law Reform, and the KISM members. The document has been subjected to public participation and feedback submitted to National Treasury for inclusion. The Council Election regulations have also been reviewed and views incorporated. Other documents that have undergone public engagement are organization policies including; Continuous Professional Development (CPD) Accreditation, Registration, KISM Mentorship Coaching and Internship Program (KMCIP), and KISM Spurs SCM Excellence Awards.



10. REPORT OF THE COUNCIL

The Directors submit their report together with the audited financial statements for the year ended December 31st, 2021, which show the state of the Kenya Institute of Supplies Management's affairs.

i) Principal activities

The principal activities of the Kenya Institute of Supplies Management are detailed on page (iv) in key Institute's information

ii) Results

The results of the Kenya Institute of Supplies Management for the year ended December 31st 2021, are set out on page following

iii) Directors

The members of the elected Council who served during the year are shown on page 8. During the year 2021 all the Council members assumed office following the election held on 10th January 2020.

iv) Surplus remission

Kenya Institute of Supplies Management realised a deficit after netting off its costs against the income realised.

v) Auditors

The Auditor-General is responsible for the statutory audit of the Kenya Institute of Supplies Management in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *Kenya Institute of Supplies Management* for the year ended December 31, 2021, 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

**Corporate Secretary/Secretary to the
Council**



11. STATEMENT OF COUNCIL RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the Kenya Institute of Supplies Management's financial statements, which give a true and fair view of the state of affairs of the Kenya Institute of Supplies Management for and as at the end of the financial year 31st December 2021. This responsibility includes:

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

The Council accept responsibility for the Kenya Institute of Supplies Management's financial statements, which have been prepared using appropriate accounting



**Kenya Institute of Supplies Management
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For the Period ended 31st December, 2021**

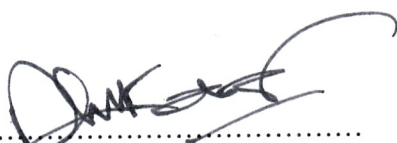
policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2). The Council is of the opinion that the Kenya Institute of Supplies Management's financial statements give a true and fair view of the state of Kenya Institute of Supplies Management's transactions during the financial year ended 31st December, 2021, and of the Kenya Institute of Supplies Management's financial position as at that date.

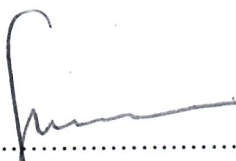
The Directors further confirms the completeness of the accounting records maintained for the Kenya Institute of Supplies Management, which have been relied upon in the preparation of the Kenya Institute of Supplies Management's financial statements as well as the adequacy of the systems of internal financial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

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

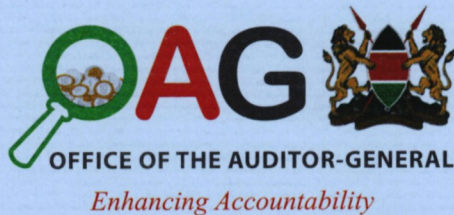
Approval of the financial statements

The Kenya Institute of Supplies Management's financial statements were approved by the Council on 6th February 2023 and signed on its behalf by:


.....
Name **JOHN KARANI**
Chairperson of the Council


.....
Name
Accounting Officer

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SUPPLIES MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER, 2021

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

Opinion

I have audited the accompanying financial statements of Kenya Institute of Supplies Management set out on pages 25 to 67, which comprise of the statement of financial position as at 31 December, 2021, and statement of financial performance, statement of cash flows, statement of changes in net assets, statement of comparison of budget

Report of the Auditor-General on Kenya Institute of Supplies Management for the year ended 31 December, 2021

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 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, the financial statements present fairly, the financial position of the Kenya Institute of Supplies Management as at 31 December, 2021, 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 and the Supplies Practitioners Management Act, 2007.

Basis for Conclusion

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.431,798,539 and Kshs.255,712,154 respectively, resulting to an under-funding of Kshs.176,086,385 or 41% of the budget. Similarly, the Institute spent a total of Kshs.226,639,485 against an approved budget of Kshs.298,232,534, resulting to an under-expenditure of Kshs.67,496,793 or 23% of the budget.

The under-funding and under-expenditure affected service delivery by the Institute.

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

Late Submission of Financial Statements

The financial statements of the Institute for the year ended 31 December, 2021 were submitted for audit on 19 September, 2022, over five (5) months after the statutory deadline of 31 March, 2022. This was contrary to Section 81(4) (a) of the Public Finance Management Act, 2012 which requires Accounting Officers to submit financial statements to the Auditor-General within three (3) months after the end of each financial year.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and 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 the Council

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

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

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

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

The Council is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 March, 2023

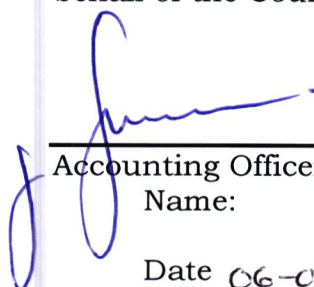


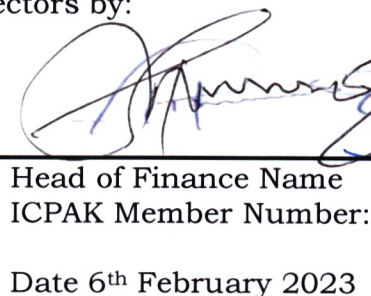
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For the Period ended 31st December, 2021

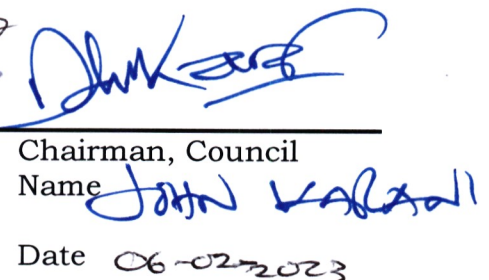
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2021	2020
			Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	-	33,365,327
Revenue from exchange transactions			
Membership Subscriptions	7	36,514,500	36,314,500
Workshop receipts	8	144,189,653	67,680,513
School Fees	9		1,115,500
Other Income	11	28,170,900	7,064,962
Total revenue		208,875,053	145,540,802
Expenses			
Use of goods and services			
Employee costs	12	49,578,460	29,570,545
Council Expenses	13	29,281,629	13,349,794
Administrative Expenses	14	40,252,822	26,914,717
Operating Expenses	15	79,407,230	35,717,654
Depreciation and amortization expense	16	28,151,958	2,875,777
Total expenses		226,672,099	108,428,487
Surplus before tax		(17,797,046)	37,112,315
Taxation			0.00
Surplus/(deficit) for the period/year		(17,797,046)	37,112,315
Remission to National Treasury			
Net Surplus for the year		(17,797,046)	37,112,315

The notes set out on pages 33 to 65 form an integral part of these Financial Statements. The Financial Statements set out on pages 25 to 28 were signed on behalf of the Council of Directors by:


 Accounting Officer
 Name:
 Date 06-02-23


 Head of Finance Name
 ICPAK Member Number:
 Date 6th February 2023


 Chairman, Council
 Name JOHN KARALI
 Date 06-02-2023



Kenya Institute of Supplies Management
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14 STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

	Notes	2021	2020
Assets			
Current Assets			
Cash and Cash equivalents	17	89,225,503	112,874,746
Receivables from Exchange Transactions	19	93,262,802	34,074,790
Receivables from Non-Exch. Transactions	19		1,279,885
Funds due from KISEB	21	4,325,464	4,325,463
Total Current Assets		186,813,769	152,554,884
Non-Current Assets			
Property, Plant and Equipment	23	1,288,102,413	975,484,900
Intangible Assets	26	2,216,073	2,704,207
Total Non- Current Assets		1,290,318,486	978,189,107
Total Assets		1,477,132,255	1,130,743,991
Current Liabilities			
Trade and Other Payables	27	422,626,873	68,295,106
Refundable Deposits from Customers			2,965,403
Workshop refunds			682,581
Total Current Liabilities		422,626,873	72,049,851
Total Liabilities		422,626,873	72,049,851
Net Assets			
Accumulated Surplus		311,621,367	329,418,413
Asset Grant	22	742,884,015	729,275,727
Total Net Assets		1,054,505,382	1,058,694,140
Total Net Assets and Liabilities		1,477,132,255	1,130,743,991

The financial statements set out on pages 25 to 28 were signed on behalf of the Council of Directors by:

Accounting Officer

Date 06-02-2023

Head of Finance
ICPAK Member No.
10128

Date 6th February 2023

Chairman, Council

Date 06-02-2023



Kenya Institute of Supplies Management
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**15 STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31ST
DECEMBER 2021**

	KISM General Fund	Professional Development Fund	Asset Grant	Total
As at 1st January 2020	267,501,242	24,804,856	499,277,488	791,583,586
Total Comprehensive Income for the year	33,534,080			33,534,080
Transfer of share of fees		3,578,235		3,578,235
Additional Grant			229,998,239	229,998,239
As at 31st December 2020	301,035,322	28,383,091	729,275,727	1,058,694,140
As at 1st January 2021	301,035,322	28,383,091	729,275,727	1,058,694,140
Total Comprehensive Income for the year	-17,797,046			-17,797,046
Transfer of share of fees		0		0
Net/Increase in Asset Grant			13,608,288	13,608,288
As at 31st December 2021	283,238,276	28,383,091	742,884,015	1,054,505,382



16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

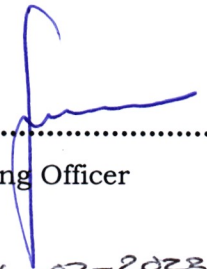
	<i>Note</i>	2021	2020
Cash Generated from Operations			
Reconciliation of deficit before tax from operations;			
Surplus(deficit) before tax		-17,797,046	37,112,315
Add/Less Non-Cash Adjustments			
Professional development			-3,578,235
Depreciation		27,412,468	1,679,984
Deferred Income		-16,688,012	
Loss on disposal			662,379
Amortisation		738,691	1,195,793
Cashflow before Changes in Working capital		-6,333,899	37,072,236
Changes in Working Capital			
(Increase)/ Decrease in Receivables		-57,908,128	-10,610,543
Increase/(Decrease) in Creditors		350,577,821	-19,165,160 ¹
Increase in Prepaid School fees			
Increase in Rent Prepayment			2,684,919
(Increase)/ Decrease in VAT Claimable			
Increase /(Decrease) in Refunds			9,300,163
Tax Paid			
Net Cash from/(used in) Operating Activities		286,335,794	19,281,615
Investing Activities			
Purchase of Property, Plant and Equipment	26	-340,281,337	-233,765,624 ²
Net Cash from/(used in) Investing Activities		-340,281,337	-233,765,624
Financing Activities			
Increase/(Decrease) in Grants		30,296,300	250,000,000
Net Cash from/(used in) in Financing Activities		30,296,300	250,000,000
As at 1st January		112,874,746	76,925,891
Increase/(Decrease) in cash and Cash Equivalentents		-23,649,243	35,948,855
As at 31st December		89,225,503	112,874,746

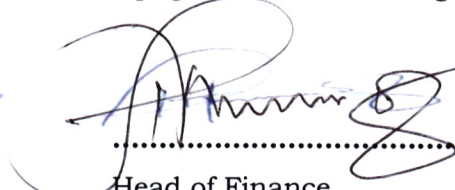
- ¹ Error on the changes in creditors corrected from 19,951,621 to 19,165,160. The errors gave rise to error on cash balance as at 31st December 2020 as compared to the bank balance reflected in financial position.
- ² Inadvertent errors on purchase of property plant and equipment erroneously change indicated as 233,332,760 instead of 233,765,624




Kenya Institute of Supplies Management
Annual Report and Financial Statements
For the Period ended 31st December, 2021

The financial statements set out on pages 25 to 28 were signed on behalf of the Council of Directors by:


.....
Accounting Officer
Date 06-02-2023


.....
Head of Finance
ICPAK Member No.
10128
Date 6th February 2023


.....
Chairman, Council
Date 06-02-2023



17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities	566,666,667	-500,000,000	66,666,667	48,837,101	17,829,566	73%
Rendering of services	75,460,500	-15,092,000	60,368,500	34,514,500	25,854,000	57%
Sale of goods	302,145,833	-60,429,233	241,716,600	144,189,653	97,526,947	60%
Rental revenue from facilities and equipment	40,245,333	-16,098,133	24,147,200	7,003,518	17,143,682	29%
Other income	38,899,572	0	38,899,572	21,167,382	17,732,190	54%
Total income	1,023,417,905	-591,619,366	431,798,539	255,712,154	176,086,385	59%
Expenses						
Use of goods and services	274,670,212	-123,601,595	151,068,616	111,578,642	39,489,974	74%
Employee costs	130,337,884	-65,168,942	65,168,942	49,578,460	15,590,482	76%
Remuneration of directors	70,487,000	-28,194,800	42,292,200	29,281,629	13,010,571	69%
Depreciation and amortization expense	28,889,707	0	28,889,707	28,151,958	737,749	97%
Repairs and maintenance	3,500,000	-	3,500,000	735,727	2,764,273	21%
Contracted services	7,313,069		7,313,069	7,313,069		100%
Total expenditure	515,197,872	-219,524,912	298,232,534	226,639,485	67,496,793	77%
Surplus for the period	8,220,033		133,566,005	-19,764,432		-735%

Additional Information to the Budget comparison to the Actual

- i) The Institute draws its income from the programs it runs in line with its mandate, strategic plan and on the basis of the previous year performance.
- ii) The expected revenue of Ksh 431,798,539 only 255,712,154 was realised. The performance was largely affected by drop in annual grants from The National Treasury by 27%, low uptake of the space in KISM Towers generated 27% of the targeted revenues. The drop in rental was largely affected by COVID-19 related factors. Training fees and registration fees equally performed below expectation following the austerity measures to cut down on training and related activities thus resulting to low incomes.
- iii) With the Institute a self-supporting Institute, the program is rationalised to the level of income and business performance. Largely the use of goods and services expenses are variable expenses that depends on the activities and trainings conducted and the level of participation.
- iv) With the business affected leading to slow uptake of the training programs the Institute slowed down on recruitment of employees to support such programs. Further the application for categorisation and Institute staff establishment took longer and thus delayed onboarding of any additional staff.
- v) The profit is determined after charging the income realised less grants. The grants received during the period were charged towards acquisition of property plant and equipment



18. Notes to the Financial Statements

1. General Information

Kenya Institute of Supplies Management, domiciled in Kenya, is established by and derives its authority and accountability from Supplies Practitioners Management Act of 2007. The Kenya Institute of Supplies Management is a quasi-government professional membership agency that draws its mandate from Supplies Practitioners Management Act 2007 Section 3. The Institute is a body corporate whose governance is elective with its sources of finances stipulated under Section 24. The Kenya Institute of Supplies Management's principal activity is provided on page 1 and in the preamble of the Supplies Practitioners Management Act, "An Act of Parliament to make provision for the training, registration and licensing of supplies practitioners; to regulate their practice and for connected purposes" provides its statutory mandate. Section 26 of the same Act provides that "The financial year of the Institute shall be the period of twelve months ending on the thirty-first of December in each year". In compliance with the Institute financial year and accompanied with the requirement provided in Section 28(3), the financial performance of the Institute for the period prescribed are required to be presented as prescribed on or before the end of first four months of the financial year.

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 its 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 Supplies Practitioners Management and in compliance with other legislations, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.



Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 31ST DECEMBER 2021.*
- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 31ST DECEMBER 2021.***

Standard	Impact
Other Improvements to IPSAS	Applicable: 1st January 2021: <ul style="list-style-type: none">a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

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

The Kenya Institute of Supplies Management did not early – adopt any new or amended standards in year 2021/2022.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Kenya Institute of Supplies Management and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

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



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of services

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

Interest income

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

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Kenya Institute of Supplies Management upon receiving the respective approvals in order to conclude the final budget. The Kenya Institute of Supplies Management's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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

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

c) Taxes

Current income tax

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



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Kenya Institute of Supplies Management and the same taxation authority.

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an agreed period or years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

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

f) Leases

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Kenya Institute of



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Supplies Management. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

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

h) Research and development costs

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

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

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



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity.

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

Impairment of financial assets

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



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Kenya Institute of Supplies Management of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

j) Inventories

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

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

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

k) Provisions

Provisions are recognized when the Kenya Institute of Supplies Management has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Kenya Institute of Supplies Management expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

The Kenya Institute of Supplies Management recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

p) Employee benefits

Retirement benefit plans

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



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

of retirement benefits are charged against income in the year in which they become payable. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

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

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

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

t) Service concession arrangements

The *Kenya Institute of Supplies Management* 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 *Kenya Institute of Supplies Management* recognizes that asset when, and only when, it controls or regulates



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 *Kenya Institute of Supplies Management* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

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

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Kenya Institute of Supplies Management's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the



Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

Estimates and assumptions

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

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).



Notes to the Financial Statements (Continued)

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

Name of the Institution sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the period KShs	Comparative Period KShs
The National Treasury		-	30,296,300	48,837,101.28	294,487,101.60
Total		-	30,296,300	48,837,101.28	294,487,101.60

The absorption of the grant is as follows

Grant received from the National Treasury was utilised and absorbed into the expenses from the two entities Kenya Institute of Supplies Management and Kenya Institute of Supplies Examination Board. These amounts were utilised as indicated herebelow;

i) Kenya Institute of Supplies Management	30,296,300
ii) Kenya Institute of Supplies Examination Board	18,540,801
Total Grant Received	48,837,101.28



Notes to the Financial Statements (Continued)

Revenue

	2021 Total	2020 Total
6 Grants from Partners		
Grant from GoK	0	33,365,327
Grant Income for the Year	0	33,365,327
7 Subscriptions		
Individual Membership	23,667,500	24,476,500
Corporate Membership	75,000	325,000
Membership Dinner Income	130,000	1,187,000
Licence Fees	12,642,000	10,326,000
Total Subscriptions	36,514,500	36,314,500
8 Workshop Receipts		
Total Workshop Receipts	113,257,843	58,658,082
Inhouse training fees	30,931,810	9,029,432
Less Discounts	0	-7,000
Net Workshop Receipts	144,189,653	67,680,513
9 School Fees		
CIPS Training Fees	0	1,115,500
Total School Fees	0	1,115,500
10 Examination Income		
Registration Income	0	1,632,500
Examination entries	0	9,603,150
Annual Renewal Fees	0	691,800
Total Examination Income	0	11,927,450
11 Share of Professional Income		
Share of Examination fees	0	3,578,235
Total Income	0	3,578,235
11 Other Incomes		
Procurement Consultancy	1,984,914	2,304,000
Interest Income	2,340,457	1,342,640
Share of Professional Income (30% of Note 10)		3,578,235
Deferred Income – Note 22	16,688,012	
Rental Income	7,157,518	-
Total Other Income	28,170,900	7,064,962



Notes to the Financial Statements (Continued)

12. Employee Costs

	2021 Kshs	2020 Kshs
Salaries and wages	36,301,134	24,668,875
Employer contribution to health insurance schemes	3,320,090	1,846,376
Employer contribution to pension schemes	0	1,157,303
Travel, accommodation, subsistence, & other allowances	9,231,400	1,658,178
Staff Training	516,034	-
Staff Membership Subscription	47,400	41,000
Training levies	850	18,812
Staff Team Building	161,552	180,000
Employee costs	49,578,460	29,570,544

13. Council Expenses

Description	2021	2020 Kshs
Sitting Allowances	4,320,000	9,238,155
Travel and Accommodation	695,755	461,788
Other Council Expenses	24,265,874	3,649,851
Total	29,281,629	13,349,794

Description	2021	2020
14. Administrative Expenses		
Subscriptions	923,698.50	785,437.00
Donations	60,000.00	386,364.00
Photocopy and Stationery	500,173.18	3,325,422.00
Printing Expenses	3,916,745.44	690,131.00
Telephone and Postage	718,202.51	647,882.00
Rent & Rates	7,070,512.51	9,415,368.00
Consultancy	4,588,295.57	3,379,035.00
Decoration Expenses	1,948,862.07	200,310.00
Legal Fees	1,595,000.00	2,374,096.00
Audit Fees	413,793.10	
Security Services	3,247,311.44	1,492,496.00
Licences	363,096.48	556,620.00
Office Expenses	2,433,670.26	1,709,846.00
Facility Management costs	1,397,400.47	
Disciplinary Expenses	625,655.49	
Cleaning Services	2,668,357.57	1,330,640.00
Travelling Expenses	7,528,657.41	-
Parking Fees		468,728.00
Motor Vehicle Fuel	253,390.00	152,342.00
Total Administrative Expenses	40,252,822.00	26,914,717.00



Notes to the Financial Statements (Continued)

Description	2021	2020
15. Operating Expenses		
Bank Charges	1,108,276.80	997,754.00
Promotion & Advertisements	2,904,611.14	1,575,913.00
Promotional Materials	3,040,568.96	1,812,242.00
Insurance	1,740,472.66	1,432,934.00
Repairs & Maintenance	735,727.13	1,896,194.00
Car Hire	141,193.03	260,737.00
Utilities	1,211,974.50	130,057.00
Workshop Expenses	1,348,034.84	1,423,498.00
ERP Support Expenses	940,200.00	656,500.00
Loss on Disposal	-	662,379.00
Workshop Facilitation Expenses	17,444,539.49	4,810,000.00
Website & Internet expenses	904,955.52	587,086.00
School Expenses	209,190.21	1,680,203.00
Other Sundry Expenses	-	251,855.00
Hire of Venue Expenses	47,677,485.61	17,540,300.00
Total Operating Expenses	79,407,229.89	35,717,652.00

Additional Information

The Institute is in receipt of bills payable for legal services that are still at the negotiation stage and provision of internet billed despite the contract having been terminated. The bills related to these vendors have not been charged against the Institute operational performance.

16 Depreciation and Amortization Expense

Description	2021	2020
		Kshs
Property, plant and equipment	27,413,267	1,679,984
Intangible assets	738,691	1,195,793
Investment property carried at cost		
Total depreciation and amortization	28,151,958	2,875,777

17 Cash and Cash Equivalents

Description	2021	2020
	Kshs	Kshs
Current Account	35,876,188	61,982,138.24
Savings Account		0
On - Call Deposits	53,349,315	50,892,607.32
Total Cash and Cash Equivalents	89,225,503	112,874,746

(The amount should agree with the closing and opening balances as included in the statement of cash flows)



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
18 Detailed Analysis of the Cash and Cash Equivalents

	2021	2020
	Kshs	Kshs
National Bank 001	1,459,191	3,110,706.40
National Bank 000	1,574,174	17,229,925.65
Safaricom MPESA Paybill 552500	9,292,655	
Standard Chartered Bank Ac 00	10,525,299	29,242,438.85
Standard Chartered Bank Ac 01	1,263,938	662,518.20
Standard Chartered Bank Ac USD	11,717,973	11,736,549.14
Standard Chartered Bank Call Account	43,662	43,292.25
National Bank Call Account	53,349,315	50,849,315.07
KISM Pettycash	-705	
	89,225,503	112,874,745.56

The carrying amount in financial statement have been translated in KISM functional currency using the closing rate as at close of the year at **Ksh 102.68 for every 1 USD**

19 Receivables from Exchange Transactions

	Period ended December 2021	Prior period audited
	Kshs	Kshs
Trade receivables	82,191,902	28,836,477.00
Deposits and prepayments	3,427,058	3,427,058.00
Staff receivables	1,210,250	1,279,885.00
Other receivables	1,296,247	1,811,255.00
Gross trade and other receivables	88,125,457	35,354,675.00
Other holding account balances	5,137,345	
Net trade and other receivables	93,262,802	35,354,675.00

20 Trade Receivables

	Period ended December 2021	Prior period audited
	Kshs	Kshs
Gross trade receivables	82,191,902	28,836,477
Provision for doubtful receivables		
Deposits and prepayments	3,427,058	3,427,058.00
Net trade receivables	85,618,960	34,074,790
At December 31 st the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	31,894,471	3,460,377.20
Between 30 and 60 days	15,988,997	5,767,295.30
Between 61 and 90 days	13,704,854	5,190,565.90
Between 91 and 120 days	11,420,712	3,460,377.30
Over 120 days	12,609,926	10,957,861.30
Total	85,618,960	28,836,477.00



Notes to the Financial Statements (Continued)

21 Funds due from KISEB – Comparative annual Analysis

	2021	2020
Fees Collected	18,540,801	11,927,450
Grant allocation		11,121,775
Add Balance b/d	-4,325,464	-13,625,626
Total Available Collections	14,215,337	9,423,599
Total Available Collections	14,215,337	9,423,599
Total Current Expenses	18,540,801	10,170,827
Less Share of Income	0	3,578,235
	-4,325,464	-4,325,463

Fund Due from KISEB

Funds due from KISEB are derived from the costs borne from the operations and activities of the Kenya Institute of Supplies Examination Board over a given period. During the year under review including the period before formal establishment of the Board in 2021, the operations of the examinations were domiciled in KISM whose financial results were charged and recognized in KISM financial statements in line with IAS 28 and IFRS 9 that guide treatment of entities with significant control. Prior to the establishment, the support sought from the National Treasury was channeled towards KISM to support its payroll, examination costs and other Council costs. All the expenses including KISM's 30% professional development fund is charged against and recognized in KISM books as receivable from the income realized. In the period ended 31st December 2021, the Board expended a total of Ksh 18,540,801 out of which available income drawn from grant disbursed to KISM, to cover these expenses were Ksh. 18,540,801.

The Institute's support during the period under review was restricted to cover up to the total income realized with any expenses above the available grant referred back to KISEB.

22 Asset Grant Capital Expenditure

Asset Grant	Gross 2021	Deferred Income 2021	Net Asset Grant	2020
Land and Building W.D.V	751,733,195	15,034,664	736,698,531.10	721,436,895
Motor Vehicle W.D.V	80,584	20,147	60,437.36	80,585
Computers and Other Electronics W.D.V	2,102,040	525,510	1,576,530.00	2,102,040
Furniture and Fixtures W.D.V	2,952,001	369,000	2,583,001.00	2,952,001
Software and Intangible W.D.V	2,704,207	738,691	1,965,516.00	2,704,207
Total Asset Grant	759,572,027	16,688,012	742,884,015	729,275,728
Additional Grant				
Net Asset Grant bal b/f	729,275,728			
Add additions to asset	30,296,300			
Asset Grant c/d	759,572,027			



Notes to the Financial Statements (Continued)

Asset Grant

- i) The Institute asset grant takes into account all grants received that are channelled to capital and development purchases. Over the period the Institute acquired various assets that include Construction of KISM Towers, acquisition of motor vehicle bought in 2008, Computers acquired at various times to the year 2020, Furniture and fittings, software and intangible assets. The assets carrying amounts as at the end of the financial year is as given in the above table. The wear and tear of the assets at the set depreciation rates of Building at 2%, Motor vehicle at 25%, Computers and other electronics at 30% furniture and fittings at 12.5% and Software and intangible assets are 20%
- ii) During the period the total depreciation values from all the qualifying amounts of Ksh 16,688,012 was thus recognised as deferred grant income, being deemed income on the total depreciation from the total assets acquired through grants.



Notes to the Financial Statements (Continued)

23 Property, Plant and Equipment

Asset	Land	Building	Motor Vehicle	Computers & other Electronics	Other Office Equipments	Furnitures	Total
Rate		2%	25%	30%	12.50%	12.50%	
As at 1st Jan 2020	104,000,040	631,935,579	2,544,000	9,435,592	3,071,373	13,226,433	764,213,017
Additions		232,100,916		1,563,736			233,664,652
Disposals							
As at 31st Dec 2020	104,000,040	864,036,495	2,544,000	10,999,328	3,071,373	13,226,433	997,877,669
As at 1st Jan 2021	104,000,040	864,036,495	2,544,000	10,999,328	3,071,373	13,226,433	997,877,669
Additions		322,919,802		1,293,103	1439	15,816,435.09	340,030,780
Disposals							
As at 31st Dec 2021	104,000,040	1,186,956,297	2,544,000	12,292,431	3,072,812	29,042,868	1,337,908,449
As at 1st Jan 2020	-	-	2,436,554	7,996,414	2,157,220	8,122,598	20,712,785
Charge for the Year			26,862	900,874	114,269	637,979	1,679,984
Disposal							
As at 31st Dec 2020	-	-	2,463,415	8,897,288	2,271,489	8,760,577	22,392,769
As at 1st Jan 2021	-	-	2,463,415	8,897,288	2,271,489	8,760,577	22,392,769
Charge for the Year		23,739,126	20,146	1,018,543	100,166	2,535,286	27,413,267
Disposal							
As at 31st Dec 2021	-	23,739,126	2,483,561	9,915,831	2,371,655	11,295,863	49,806,036
Net Book Value							
As at 31st Dec 2021	104,000,040	1,163,217,171	60,439	2,376,600	701,158	17,747,005	1,288,102,413
As at 31st Dec 2020	104,040,000	840,258,209	80,584	2,102,040	799,885	4,465,856	847,706,573.80

24 Valuation

Land and buildings/ Equipment are valued at the written down values as at the close of the financial year in line with the National Assets and Liabilities Management Policy and Guidelines.



Notes to the Financial Statements (Continued)

25 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	104,040,000		104,040,000
Buildings	1,186,916,337	23,738,327	1,163,178,011
Plant and machinery			0
Motor vehicles	2,544,000	2,483,562	60,438
Computers & related equipment	12,292,431	9,915,831	2,376,600
Office equipment, furniture, & fittings	32,115,680	13,667,517	18,448,164
	1,337,908,449	26,066,910	1,288,103,213

26 Intangible Assets

	25%	
At cost		
As at 1st Jan 2020	5,433,100	5,433,100
Additions	3,900,000	3,900,000
Disposals	-4,770,721	-4,770,721
Loss on Disposal	-662,379	-662,379
Total Cost	3,900,000	3,900,000
As at 1st Jan 2021	3,900,000	3,900,000
Additions	250,557	250,557
Disposals		
Total Cost	4,150,557	4,150,557
Amortisation		
As at 1st Jan 2020	0	0
Charge for the Year	1,195,793	1,195,793
Disposal	-	-
As at 31st Dec 2020	1,195,793	1,195,793
As at 1st Jan 2021	1,195,793	1,195,793
Charge for the Year	738,691	738,691
Disposal		
As at 30th Dec 2021	1,934,484	1,934,484
Net Book Value		
As at 31st Dec 2021	2,216,073	2,216,073
As at 31st Dec 2020	2,778,790	2,778,790



Notes to the Financial Statements (Continued)
27 Trade and Other Payables

	Period ended December 2021	Prior period audited
	Kshs	Kshs
Trade payables	386,998,154	57,404,279
Withheld taxes	1,815,266	
Other payables	928,234	
Deposits	5,237,813	2,965,403
Workshop Refunds	682,581	682,581.00
VAT Payables	26,964,825	10,315,007
Total	422,626,873	72,049,851

The Institute 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. 200 per employee per month. Other than NSSF the Institute has a defined contribution scheme operated. Employees and KISM contributes 7.5% of basic salary. KISM's contributions is expensed in the statement of financial performance within the period incurred

	<i>Note</i>	2021	2020
28 Cash Generated from Operations	28		
Reconciliation of deficit before tax from operations;			
Surplus(deficit) before tax		-17,797,046	37,112,315
Add/Less Non-Cash Adjustments			
Professional development			-3,578,235
Depreciation		27,412,468	1,679,984
Deferred Income		-16,688,012	
Loss on disposal			662,379
Amortisation		738,691	1,195,793
Cashflow before Changes in Working capital		-6,333,899	37,072,236
Changes in Working Capital			
(Increase)/ Decrease in Receivables		-57,908,128	-10,610,543
Increase/(Decrease) in Creditors		350,577,821	-19,165,160
Increase in Prepaid School fees			
Increase in Rent Prepayment			2,684,919
Increase /(Decrease) in Refunds			9,300,163
Net Cash from/(used in) Operating Activities		286,335,794	19,281,615



Notes to the Financial Statements (Continued)

29 Financial Risk Management

The Institute’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Institute’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Institute does not hedge any risks but 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 directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Kenya Institute of Supplies Management’s management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 31st December 2020				
Receivables from exchange transactions	28,836,477	14,418,238	14,418,239	-
Bank balances	112,248,198	112,248,198		
Total	141,084,675	126,666,436	14,418,239	0
As at 31st December 2021				
Receivables from exchange transactions	93,262,802	69,510,097	23,752,705	-
Bank balances	89,225,503	89,225,503	89,225,503	
Total	182,488,305	158,735,600	112,978,208	0

Notes to the Financial Statements (Continued)



Financial Risk Management

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 Institute has significant concentration of credit risk on amounts due from 2021. The Council of directors sets the Kenya Institute of Supplies Management's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

Financial Risk Management

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 31st December 2020				
Trade payables	17,670,698	19,879,535	50,803,256	88,353,488
Total	17,670,698	19,879,535	50,803,256	88,353,488
As at 31st December 2021				
Trade payables	332,048,121	35,926,895	19,023,138	388,998,156
Total	332,048,121	35,926,895	19,023,138	386,998,154

Notes to the Financial Statements (Continued)



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

a) Foreign currency risk

The *Kenya Institute of Supplies Management* 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 *Kenya Institute of Supplies Management* 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 *Kenya Institute of Supplies Management's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Notes to the Financial Statements (Continued)



FY 2021

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 31ST DECEMBER 2021			
Financial Assets			
Cash	89,225,503		87,055,077
Debtors	97,588,266		82,071,635
Total Financial Assets	186,813,769		169,126,712
Financial Liabilities			
Trade And Other Payables	422,626,873		413,972,096
Total Financial Liabilities	422,626,873		413,972,096
Net Foreign Currency Asset/(Liability)	(235,813,104)	0	(244,845,384)

30 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Kenya Institute of Supplies Management* 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.

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry.
- ii) Key management.
- iii) Council.

31 Surplus Remission

Despite the provisions of Section 219 (2) of the Public Financial Management Act regulations where 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 institute realised a deficit during the financial year ended 31st December 2021 thus no surplus to be remitted to Consolidated funds.

Notes to the Financial Statements (Continued)



32 Events after the Reporting Period

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

33 Ultimate And Holding Entity

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

34 Currency

The financial statements are presented in Kenya Shillings (Kshs



**Kenya Institute of Supplies Management
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Appendix 1: Progress on Follow Up of Auditor Recommendations

No	Audit Finding	Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inconsistencies in Statement of Cashflows	The statement of financial position reflects cash and cash equivalents balance of Ksh 112,874,746 as disclosed in Note 17 to the financial statements. The balance includes Ksh. 44,089,694 in respect to three bank accounts whose reconciliations were not provided for audit	The bank reconciliations to all KISM bank accounts are attached thereto. Reconciled and reviewed statements have been done. The reviewed statements are available for review and confirmation.	This was resolved and all the bank statements reconciled.	
2.	Budgetary control and Performance	The statement of comparison of budget and actual on comparable basis of 515,204,474 and 406,662,577 respectively, resulting to underfunding of Ksh. 108,541,897 or 21% of the budget. The underfunding and under expenditure affected service delivery by the Institute.	The Institute had planned that the financial year 2020, would settle all pending bills due to contractors. The allocation from the government was not realized and thus leading to underfunding. Further the Institute is a SAGA that is partly funded from annual grant from the National Treasury that is approximately 30% with the balance funded from own sources, appropriation in aid. It is noteworthy that planning with reference to demand side may be hampered by unforeseen inherent economic cycles and other business-related challenges. In the process of executing the Institute programs, the Institute moderates its expenditure within the revenue levels to minimize the effects of liquidity and financial distress.	The financial statements queries are fully resolved	

Kenya Institute of Supplies Management
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No	Audit Finding	Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.	Non-Compliance with SCAC Circular	<p>Non submission of HR instruments as required by SCAC for approval</p> <ul style="list-style-type: none"> ▪ Organizational structure ▪ Staff grading & establishment ▪ Career guidelines ▪ Human resource policy and procedure manual 	<p>The Institute conducted its human resource review, with the recommendations operationalized in January of 2017. Following the recommendations from the human resource consultancy, the Institute wrote to both SCAC and the SRC seeking concurrence on proposed human resource reorganization, structure and establishment. Both offices i.e. KISM and SCAC have initiated processes that will lead to compliance. The human resource establishment and instruments are under review by SCAC that shall eventually be submitted to The National Treasury for concurrence and adoption prior to implementation.</p>	<p>The categorisation was concluded vide The Instruments, organisation structure, establishment, career guidelines and human resource policy manual concluded and approved vide...</p>	
4.	Late Submission of Financial Statements	<p>The Institute annual report and financial statements were submitted to the office of the Auditor General on 7th May 2021 more than two months after the statutory deadline of 31st March 2021</p>	<p>The late submission was largely occasioned by the system changeover that took longer than anticipated and thus leading to protracted closure of books and clearance in readiness to preparation and submission to the Auditor General within the statutory deadlines.</p> <p>The Institute however, has made strides in ensuring that such delays and any system related challenges do not affect preparation and submission of books within the statutory deadline.</p>	<p>The challenges in the ICT environment were resolved in December 2022</p>	<p>The ICT issues were concluded and data reconciled to enhance believability in December 2022. Moving forward the non compliance will not recur.</p>



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No	Audit Finding	Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.	Failure to maintain a Fixed Asset Register	The statement of financial position reflects property plant and equipment balance of 975,484, 900 as disclosed in Note 23 to the financial statements. However, the management did not maintain the asset register contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015	The Institute presents alongside our responses a copy of the fixed asset register the Institute maintains of all the property plant and equipment's the Institute acquires. The fixed asset register is available for review and confirmation.	The Institute has in place fixed asset register that captures the details on the assets, location, costs, status, maintenance and unique identifier. The register is both maintained in hard and soft copy	The fixed asset register was updated in December 2022 taking into account all the assets that are in the Institute with details on state of use.
6.	Unpaid Withholding taxes to KRA	By close of the year the Institute had withholding taxes	Over the period ended 31st December 2020, the Institute cash flows were constrained rendering payment of the resultant withholding taxes untenable. However, we have instituted payment for the resultant withholding taxes in the course of the year. By January 2021, all the withholding taxes both on VAT and taxes were remitted to the Kenya Revenue Authority.	All the withholding taxes due to contractor fees and certificates were paid to KRA in January of 2022. The Institute does not have any pending withholding taxes	Withholding taxes paid in January 2022
7.	Procurement Activities outside E-procurement	Procurement carried out without following PPADA	All procurements are conducted upon satisfying the dictates of the procurement procedural requirements. At the beginning of the year, the head of procurement in consultation with the functional heads aligns procurement to the budget. All procurements carried out are as defined in the procurement plan. As provided in PPADA, the Institute requested for a list of registered	The matter on compliance with the procurement have been resolved. All procurement carried out are reported to PPIP both during procurement and reporting of all procurement carried out with each quarter	The compliance was effected in 2022



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No	Audit Finding	Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
			<p>suppliers from UFAA and consolidated with its list of vendors in KISM's list of registered vendors. However, we note an oversight that both lists were not subjected to required adoption processes. To enhance the compliance processes, the Institute has since with effect from February 2022, published its approved list of registered suppliers.</p>		
8.	Unsurrendered Imprest	<p>As at end of FY 2020 the Institute had related party debts that remained open. Imprest register was not availed</p>	<p>By end of the financial year 2020, we had an outstanding imprest. The matter was canvassed at length with the Council and recommendations made on closure of the matter.</p> <p>The full closure of the report is as presented in the Schedule Ref. 6</p> <p>The audit findings concluded that the unsurrendered imprest relates to the period 2018. We however wish to state that the unsurrendered imprest is for the period January to December 2019 and not from 2018.</p> <p>Efforts have been made on recovery and with effect from September 2021, recovery of the outstanding imprest was initiated. Further the Institute in its draft policies has institutionalized the requirements and tenets provided in PFM Act. No staff is advanced funds prior to settling previous both temporary and standing imprest, with</p>	<p>The staff with unsurrendered imprest have been recovered. Policies on ensuring that no staff fails to surrender within the 48 hours on return from duty has been effected. System that allows staff to request imprest is synchronised to the surrender that denies any staff from requesting without full surrender</p>	



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No	Audit Finding	Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
9.	Lack of Risk Management Policy and Risk Registers	A review of the internal controls revealed that the Institute did not have in place risk management policy. The Institute by end of the year had not conducted risk assessment to identify potential risk	both imprest standing to be recovered within 7 days on return back to work. Though adhoc, periodically the Institute reviews its risk appetite, examining the business results and recommends actions to the identified risks. Despite the fact that the risk management policy being outdated, the Council through the then Finance and Administration Committee would periodically get appraised on the risk management status. Further, the Institute through the Contract Implementation Committee appraises the potential risks whose outcome could hamper the progress of the project. The Institute notes that the interventions have been erratic and notes that the various office span of control has been too wide to ensure proper oversight. The Institute has undertaken interventions and prioritized review of its various governance instruments in readiness implementation before the end of the financial year 2022. Provide the feedback on the status of the current position	The matter has been resolved	The Institute adopted the Risk Management policy in December 2022
10.	Non-Compliance to State Corporation	During the year under review the Institute operated without approved Human resource policy instruments	The Institute undertook its human resource review that led to reviewed Institute human resource organization	The Institute approved resource policy	The approved policies were received from both

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No	Audit Finding	Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Advisory Committee (SCAC) Circulars	comprising of organization structure, staff grading and establishment, career guidelines, human resource policy and procedure manual	structure, staff grading and establishment and human resource policy and procedure manual in 2016. The policies were adopted by the Council on 19th December, 2016. The approval and adoption is attached thereto for noting and confirmation. In compliance to the SCAC requirement, the Institute has been in touch with the SCAC, The National Treasury our parent ministry to fastrack the approval process that unfortunately remains work in progress. We however are glad to note as at this date of audit, that the latest is that the approvals and categorization is at an advanced stage and may be received in time before the next audit cycle.	instruments that covered organization structure, staff grading and establishment, career guidelines, human resource policy and procedure manual	the SCAC and the National Treasury in January 2023

