

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT DATE: 14 JUN 2023

DAY:
WED

TABLED
BY:

Loni. HON. KIMANI
ICHUNDIWA, MP

CLERK-AT
THE-TABLE:

JUSTICE NGINYO

OF

THE AUDITOR-GENERAL

ON

**INSTITUTE OF HUMAN RESOURCE
MANAGEMENT**

**FOR THE YEAR ENDED
30 JUNE, 2022**

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

28 MAR 2022

RECEIVED



Institute of
H u m a n
R e s o u r c e
M a n a g e m e n t

The Professional Body of HR Practitioners in Kenya

INSTITUTE OF HUMAN RESOURCE MANAGEMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2022

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

Institute of Human Resource Management
Annual Report and Financial Statements
For the year ended June 30, 2022.

(Leave this page blank)

Institute of Human Resource Management
Annual Report and Financial Statements
For the year ended June 30, 2022.

Table of Contents	Page
1. Key Institute Information and Management	ii
2. Council Members.....	vi
3. Management Team	ix
4. National Chairman's Statement.....	x
5. Report of the Executive Director	xi
6. Statement of Performance against Predetermined Objectives for FY 2021/22	xii
7. Corporate Governance Statement	xv
8. Management Discussion and Analysis.....	xvii
9. Environmental and Sustainability Reporting	xviii
10. Report of the Directors	xxvi
11. Statement of Directors Responsibilities.....	xxvii
12. Report of the Independent Auditor for Institute of Human Resource Management.....	xxix
13. Statement of Financial Performance for the year ended 30 June 2022	1
14. Statement of Financial Position as at 30 June 2022	2
15. Statement of Changes in Net Assets for the year ended 30 June 2022	3
16. Statement of Cash Flows for the year ended 30 June 2022	4
17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022	5
18. Notes to the Financial Statements	6
19. Appendix	41
Appendix I: Projects implemented	41
Appendix II: Status of Projects completion	41
Appendix III: Transfers from Other Government Entities.....	42
Appendix IV: Inter-Entity Confirmation Letter	42
Appendix V: Reporting of Climate Relevant Expenditures.....	43
Appendix VI: Disaster Expenditure Reporting Template.....	43
Appendix VII: Implementation Status of Auditor-General's Recommendations	44

1. Key Institute Information and Management

(a) Background Information

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

(b) Principal Activities

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

Vision

Ethical, people-centric HR professionals

Mission

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

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

Core objectives

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

The functions of the Institute are;

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

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

(f) Institute Headquarters

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

(g) Institute Contacts

Telephone: (254) 020 221 3745, 224 0213
E-mail: info@ihrm.or.ke
Website: www.ihrm.or.ke

(h) Institute Bankers

1. Absa Bank
Harambee Avenue Branch
P.O. Box 30120
GPO 00100
NAIROBI, KENYA

2. Kenya Commercial Bank of Kenya
Kipande House Branch
P.O. Box 30012
GPO 00100
NAIROBI, KENYA




(i) Independent Auditors

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

2. Council Members

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






Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

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

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

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

3. Management Team

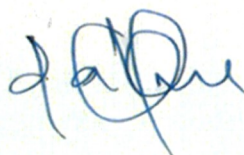
Ref	Management	Details
1.	<p>CHRP Quresha Abdullahi</p> 	<p>Title - Executive Director</p> <p>Qualification – Masters in Human Resource Management, Bachelor of Arts in Sociology & Psychology & CHRP</p>
2.	<p>Irene Kimacia</p> 	<p>Title - Head of Corporate Affairs & Communications</p> <p>Qualification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

4. National Chairman's Statement

On behalf of the Council members of the Institute of Human Resource Management it is my great pleasure to present the financial and annual statements for the year 2021/2022. During the period under review, the Institute has made big strides in aligning its operations to 2020-2023 Strategic Plan "Transformed, Connected and Impactful" work force. As the Institute goes in its final year with this strategic plan, we are keen to do proper evaluation of the various pillars, performance indicators and expected results to enable us make another bold step ahead.

During the period under review, the Council has ensured that the Institute is in compliance with Act No. 52 of 2012 to provide the examination, registration and regulation of the standards and practices of human resource management professionals and for connected purpose. We plan to continue diversifying in various new areas and modernising the members' activities and event in line with the market trends and demands. I intend to fast-tracking the review of the HRMP Act Amendment to enable effective implementation of the Act as a priority. The process of this review has been long and winding but promising to work with other stakeholders and the relevant parliamentary committee to complete the process.

A very special recognition goes to Mr. Joseph Vincent Onyango, MBS the immediate chairperson for his leadership in the last three years which has propelled IHRM to national and regional limelight. I wish to express our sincere appreciation to the Government of Kenya, through our parent Ministry, the Ministry of Public Service, my fellow Council Members, the Secretariat and all stakeholders for their support and contribution to the Institute's growth and success.



.....
Odera Phillip Dalmas

National Council Chairman


5. Report of the Executive Director

It is my pleasure to present Institute of Human Resource Management financial and annual report for the year 2021/2022. The Council members and the Secretariat are proud of the involvement and achievements realized in the period towards enhancing and promoting human resource practices. The institute continues to enjoy significant growth, entrenching its regulatory role in shaping the HR profession in Kenya and across the borders. This has been made possible due to the collaboration of the various stakeholders playing critical roles in various stages of our engagement and activities.

During the period under review the Institute has worked hard and remained focussed to achieve the strategic goals as set in 2020-2023 Strategic Plan. The Strategic Plan (2020-2023) introduces reforms in IHRM from four institutional strategic lenses, namely structural, human resource, governance and symbolic components of the institute of Human Resource management. To this point, I would like to acknowledge the immediate former chairperson, Mr. Joseph V. Onyango, MBS who through his vast knowledge and experience steered the Institute the Institute to greater heights. Through his leadership, the Institute's council members, branch officials and the secretariat have all accorded the support and insight needed at various levels to make this achievement come true.

At take this opportunity to welcome our new chairperson CHRP Phillip Dalmas Odero along with the new council members; Mr. John M. Mwanzia and Ms. Beatrice C. Bii. I very confident that their human resource experience and knowledge would be a plus to the Institute as they bring in new management ideas on board.

I would like to sincerely thank the institute secretariat for their dedication and going beyond the limit to ensure they provide best services to various stakeholders we are working with. Special gratitude to the members who have participated in our various activities, volunteered at branch levels and the Council sacrifices is not in vain. I am looking forward to another fruitful year ahead, improved involvement and participation from all of the stakeholders.



.....
CHRP Quresha Adbullahi
Executive Director

6. Statement of Performance against Predetermined Objectives for FY 2021/22

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

Institute of Human Resource Management has 5 strategic themes and objectives within the current Strategic Plan for the FY 2021/2022. These themes are as follows:

1. Strengthening Member Services
2. Enhancing Member Welfare
3. Operationalize Consultancy Services
4. Institutional sustainability and Growth
5. Linkages and Stakeholder Engagement

The Institute develops its annual work plans based on the above 5 themes. Assessment of the Council's performance against its annual work plan is done periodically. The Institute achieved its performance targets set for the FY 2021/2022 period for its 5 strategic themes, as indicated in the diagram below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
1. Strengthening Member Services	Innovate value propositions to meet new and emerging needs along with creating long value to members with the view of attracting members.	<ul style="list-style-type: none"> - Survey Report - Membership Reports - New products - Training reports 	<ul style="list-style-type: none"> - Trainings, - Events - CPDs - Partnerships with various stakeholders 	<ol style="list-style-type: none"> 1. Increase in registration of new members 2. Higher renewal of annual membership 3. Enhanced CPD program for developments 4. Establishment of new branches 5. Vibrant branch forums

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

<p>2. Enhancing Member Welfare</p>	<p>Establish an association to promote member welfare and offer financial support. Promote the Huduma HR SACCO to enhance members' quality of life</p>	<ul style="list-style-type: none"> - Develop a framework for the association and establish mechanisms to manage expected change - Product diversification - Member sensitization 	<ul style="list-style-type: none"> - Increase number of products - Marketing and membership drives 	<ol style="list-style-type: none"> 1. Increased member enrolment 2. Establishment of governance structure 3. Introduction of new products
<p>3. Operationalize Consultancy Services</p>	<p>Establish HR standards to enhance professional practice Engage in public policy formulation, research and advisory in best HR practice</p>	<ul style="list-style-type: none"> - Participate in national discourse - Establish a research and consultancy unit 	<ul style="list-style-type: none"> - Offer advisories - Carry our research - Bid for consultancy service jobs - Develop standards 	<ol style="list-style-type: none"> 1. Standardization for HR practice 2. Increased spun of influence 3. Increased number of standards developed 4. Increase in number of consultancies offers
<p>4. Institutional Sustainability and Growth</p>	<p>Building capacity in order to set up standards as a basis of regulating HR practices, while ensuring good governance and in a</p>	<ul style="list-style-type: none"> - Establishing various committees and to perform regulatory tasks - Enactment of various rules and regulations Council meetings 	<ul style="list-style-type: none"> - Effective Council meetings - Continuous monitoring and evaluation of the Strategic Plan - Review and gazettelement 	<ol style="list-style-type: none"> 1. Effective Council meetings 2. Steady growth of HRMPEB 3. Sustaining a strong risk management strategy through legal framework and adopting inclusiveness

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

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

7. Corporate Governance Statement

The Council and Committee members remain committed to the highest standards of corporate governance and business ethics at the Institute. The good corporate governance practices are essential to the delivery of long term and sustainable stakeholders and member value. The Institute continues to adhere to its mandate to regulate the HR profession in Kenya, enhance competencies and capabilities while supporting innovative and transformative HR practices and standards as established under the Human Resource Management Professionals (HRMP) Act, No. 52 of 2012.

We believe that good corporate governance is critical not only at the Institute level but also at the national level. It is for this reason we expect our partners to adhere to the highest level of integrity on dealing with the Institute or with other entities as well. In the financial year under review, the Institute has continued to achieve high levels of corporate governance by focusing on the following areas;

- i) Regulating the practice, competence and professional conduct of HR professional,
- ii) Registering persons who meet the required professional and ethical standards,
- iii) Promoting and protecting the welfare and interests of the HR profession, and
- iv) Engaging in public policy formulation and offering advisory services to the government on HR

The Council and Committees are critical to the Institute's governance framework, and offer guidance on matters such as the separation of roles, functions, responsibilities, secretariat duties and its individual members. The Council is charged with the leadership responsibility to ensure successful discharge of the technical and support functions of the Institute. Subsequently, the Council has structured itself into Committees and each headed by Council Member. The Committees include;

- 1) Finance, Administration and Resource Mobilization Committee
- 2) Registration, Compliance and Quality Assurance Committee
- 3) Complain, Investigation & Disciplinary Committee
- 4) Human Resource (HR), Public Policy & Lobbying Committee
- 5) Governance, Integrity, Audit and Risk Committee
- 6) Continuing Professional Development (CPD) & Membership Services Committee

The Composition of the Council and Committee reflects the duties and responsibilities they are discharging and performing as the representatives of the members. The Council Members are independent of management and free from other relationships which could materially interfere with the exercise of their independent judgement.

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

The Council and Committee members do not have a standing remuneration but would be paid facilitation costs and sitting allowances whenever they are called upon for meetings. For the financial year under review, a total of KES. 25 million was spent in various Council and Committees assignments.

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

	Council Members whose term expired	Position
1	Joseph Vincent Onyango	National Chairperson
2	Stephen Malakwen	Vice Chairperson
3	Bildad Kisero	Member
	Members joining the Council	
1	Philip Dalmas Otieno	National Chairperson
2	John Mutisya Mwanzia	Member
3	Beatrice Cherotich Bii	Member

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

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

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

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

8. Management Discussion and Analysis

Membership

In the year 2021/2022, the Institute continued to maintain the membership as well as increase in new members during the period. The Institute has conducted various activities such as holding trainings, seminars, workshops, conference, congress among other annual events to sustain engagement and regular communication with the stakeholders. The Institute also conducted CPD trainings to maintain high reputation of the profession and to protect the various stakeholders' interests.

Revenue

In the year, 2021/2022 the total revenue realised was Kshs. 224 Million up from Kshs. 185 Million in the year 2020/2021. This represent an increase of 20.9% from the previous year. Increase in revenue was noted across all revenue streams except for finance income.

Operating Costs

The total operating costs for the year 2021/2022 stood at Kshs. 208.9 Million having increased from Kshs. 160.6 Million in the year 2020/2021. This attribute relates mainly to increase membership activities during the period translating to increase in operating costs.

Profit

The summaries above therefore translate to decrease in operating surplus of Kshs. 9.7 Million. In the year 2020/2021, the Institute realised operating surplus of Kshs. 24.7 Million compared to operating surplus of Kshs. 15.0 Million for the year 2021/2022.

Five Years Performance Summary & Trend

Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(Amount KES)	(Amount KES)	(Amount KES)	(Amount KES)	(Amount KES)
Revenue	215,823,075	229,603,791	181,967,387	185,295,180	223,993,708
Expenses	133,114,733	138,632,865	154,442,710	160,563,484	208,941,167
Surplus(Deficit)	82,708,342	90,970,926	27,524,677	24,731,696	15,052,541

9. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

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

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

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

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

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

ii) Environmental performance

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

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

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

iii) Employee welfare

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

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

Period	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Amount (KES)	41,000	110,100	283,950	112,500	290,140

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

Number of Employees	July 2021	2021/2022 Hires	2021/2022 Exits	June 2022
Female	12	3	5	10
Male	10	1	4	7
Total	22	4	9	17

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

iv) Market place practices-

a) Responsible competition practice.

Institute of Human Resource Management is responsible for conducting business with high integrity. The Institute is keen on making positive contribution to the economy, environment and social progress to the society it operates in. Effective competition practices been beneficial in many ways including; avoiding liabilities, avoiding adverse reputation of Institute and other negative consequences. The effective competition management at the Institute has enabled dynamic markets, driven productivity, innovation and increase value to the consumers.

The Institute is dedicated to reinforcing responsible competition practices through risk identification, risk assessments, risk migration and constant review of the process to improve the commitment plus compliance. The Institute is keenly providing competitive prices, variety of product choices, ensuring small and medium-sized enterprises have equitable opportunity and creating a conducive environment to global markets for the services.

b) Responsible Supply chain and supplier relations

The Institute of Human Resource Management supplier relationship remain very critical in providing services to the members and general public. The Institute has put in place a robust mechanism for identifying suppliers, prequalification of suppliers, detailed contract agreements, clear terms and conditions, clear payments plans with suppliers to ensure reliable procurement of goods/services. The sourcing program delivers value to the Institute and society by supporting supplier sustainability, innovating together with suppliers and promoting suppliers' diversity.

In the process of creating, protecting and growing long term environmental, social and economic values for all the stakeholders in the supply chain, the Institute can advance corporate sustainability, ensure compliance with laws and regulations. The Institute is driven to make the supply chain more economically inclusive and be able to support further economic development through employment creation and increased income.

c) Responsible marketing and advertisement

The Institute of Human Resource Management is committed to ensuring that its advertising and marketing communications do conform to the principles of fair competition, comply to the national and regulatory frameworks. Marketing communications includes such as promotions, sponsorship and direct marketing adverts intended to promote product or to influence average consumer behaviour while taking into account social, cultural and language consideration.

The Institute obliges to respect society's evolving values towards social responsibility and to recognize the variety of cultures and standards. The advertisement is designed to meet intended needs and decency principles; respecting beliefs and lifestyle choices, considering the impact of the advertisement on the general populations included disadvantaged persons and hence being socially responsible. Marketing communications are framed as not to abuse consumer's concern for the environment but to resonate with our operations – thoughts, actions, decisions, beliefs, values and behaviour. The Institute remain to recognize and embrace a comprehensive Socially Responsible Marketing (SRM).

d) Product stewardship

The Institute of Human Resource Management acknowledges the responsibility it plays in designing and selling products/services to ensure that they reduce the environmental and human health impacts, throughout the supply chain and life-cycle. Product stewardship is hence very integral on how the Institute operates and part of the culture so as to reduce risks, improve value to consumers and societal needs, maintain innovation and ensure adequate communication to manage the supply chain.

To fulfil product stewardship management, the Institute; adhere to regulatory requirements, work to minimize the hazard & safety risks, use responsible suppliers, respond to consumers queries as well as providing detailed information on the products. The Institute employs the best available technology, receptive to new information and follows regulations to ensure that product standards and practices meet or exceed set safety standards.

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

IHRM considers the role of the primary, secondary, and tertiary stakeholders as a critical ingredient to its success and is also cognizant that members are the main customers and primary stakeholders. In this regard, the IHRM leadership has made a deliberate choice to maintain a culture of continued interaction and working in collaboration with its stakeholders in the execution of its mandate.

In this regard, IHRM has identified three main areas through which to engage the community, promote environmental sustainability, and remain socially responsible to our communities. They include:

1. Environmental sustainability- Green HR Initiative- Planting trees and promoting Green HR practices
2. Enhancing Employability through career fairs and the Vuka Employability workshops
3. Philanthropy- Giving back to the society

Philanthropy - HR Month Celebrations

For the third year, IHRM has marked the month of July as HR Month. This follows a declaration that the month of July would be marked as HR Month in Kenya during the 30th anniversary celebrations in July 2017.

This was in consideration of what happens in other jurisdictions across the globe and best practices across the US, Canada, Australia, the UK, and India. A comparative study in these countries indicated that during the HR month, HR Professionals have outward-bound activities to their communities. The HR month in Kenya was fashioned along this concept.

The HR Month provides a unique opportunity to:

- a) Celebrate HR professionals who despite the challenges they are faced with, have grown and ushered a new era of enabling organizations through employee empowerment.
- b) Recognize HR and best people practices at an individual, organizational, national, and international level.
- c) Publicize the important contribution of the HR profession to the growth of industry and society

IHRM Members observe this month by holding activities that benefit communities with the objective of reaching out to the public and raising awareness of IHRM's mandate and the critical role HR Professionals play in people management and business success.

Due to restriction measures occasioned by the COVID-19 pandemic, the celebrations were held as follows:

- a) The National Chairman, Council, and the Secretariat presided over the official launch of the HR Month Celebrations on Monday 5th July 2021 and engaged the public in online discourse in line with the theme;
- b) The theme was - Going Green: HR Strategies for Business Success
- c) Council Members in conjunction with their respective IHRM branch officials spearhead activities within their region and engage Members to participate where circumstances allowed.
- d) IHRM head office will organize free forums for members in line with the theme as well as people management-related topics especially around the duty of care during the COVID-19 era.

IHRM spent 1.8 Million shillings on CSR activities across the country including in all 12 branches and at the national level. The majority of the funds were used towards the purchase and donation of Personal Protective Equipment at the height of the COVID-19 pandemic.

Green HR Initiative

IHRM in July 2021 launched the Green HR initiative in a bid to respond to the question what is the role of HR professionals in promoting sustainability. As leaders in our respective spaces, the COVID-19 pandemic and the subsequent global crisis remind us that we have to promote prudent utilization of resources. We all have to take a close interest in how we resource, manage, and dispense the human capital in our organizations. The workplace environment is no longer what it was two years ago.

During the July 2021 HR month celebration under the theme Going Green: HR Strategies for Business Success HR professionals across the country embarked on a tree planting and growing mission with a target of planting and growing 4.7 Million trees in three years that is 100,000 trees in each County.

This is alongside efforts to sensitize HR professionals to create greater efficiencies, manage costs, enhance employee engagement, reduce carbon footprint and promote sustainable business practices. In July-August of 2021 over 400,000 trees were planted in collaboration with local communities who support by taking care of the trees. Every IHRM event is now marked with a tree planting exercise in line with promoting environmental sustainability.

Career Fairs /Vuka Employability workshop

In the year 2021-2022 the Institute of Human Resource Management and the Afrika Transition Hub a legally registered social enterprise in Kenya whose sole purpose is to inspire, equip, and empower the African graduate as they transition from institutions of higher learning to the marketplace, jointly run the Vuka Employability Program (VEP) in more than 20 institutions of higher learning across 6 counties in Kenya. The VEP has so far impacted 2,500 potential graduates as they transition to the world of work.

The participants have had opportunities for; personal branding, resume writing, interview etiquette skills, interview negotiation skills, cover letter writing, mock interviews, curriculum vitae review as well as one-on-one career clinics. The Institute is proud of being part of Vuka Employability Workshops and equipping the students with the knowledge, and invaluable skills as they transition into the world of work,

The graduates of Kenya represent a critical mass of our youth demographic dividend that is dynamic and has the potential to participate in shaping the development agenda of Kenya and Africa if well harnessed before and after their transition to the world of work.

10. Report of the Directors

The Council submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Institute of Human Resource Management affairs.

i) Principal activities

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

ii) Results

The results of the Institute for the year ended June 30, 2022, are set out on page 1- 5.

iii) Council

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

iv) Surplus remission

The Institute did not make any surplus during the year and hence no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2022 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: Quresha Abdullahi
Secretary to the Council

11. Statement of Directors Responsibilities

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

The Councils are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Institute; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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


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

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

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

Approval of the financial statements

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

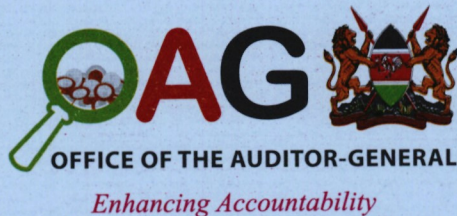


.....
Name: Odera Phillip Dalmas
National Council Chairman

.....
Name: Quresha Abdullahi
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON INSTITUTE OF HUMAN RESOURCE MANAGEMENT FOR THE YEAR ENDED 30 JUNE, 2022

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 overall governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Institute of Human Resource Management set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Institute of Human Resource Management as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy in Use of Goods and Services

The statement of financial performance reflects use of goods and services amounting to Kshs.104,638,339 which vary with the figure of Kshs.74,460,507 reflected in Note 8 to the financial statements. The resultant variance of Kshs.30,177,832 has not been explained or reconciled. Further, the amount includes Kshs.3,396,466 incurred in form of imprests which was not supported with approval by the accounting officer, imprest register, approved requests for imprest warrants and surrender payment vouchers.

In the circumstances, the accuracy, completeness and propriety of use of goods and services amounting to Kshs.104,638,339 could not be confirmed.

2. Unsupported Investment Property

The statement of financial position reflects investment balance of Kshs.11,233,627 in respect to investment in a subsidiary as disclosed in Note 22 to the financial statements. However, documents to support the investment such as share certificate and official confirmation by the Registrar of Companies in Kenya (CR12) were not provided for audit.

Under the circumstances, the valuation and ownership of investments of Kshs.11,233,627 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circulars.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Advance Payments to Suppliers of Goods and Services

Note 8 to the financial statements reflects direct costs amounting to Kshs.74,460,507. Review of records revealed that advance payments totalling to Kshs.8,991,082 were made to suppliers of goods and services which were about 30% to 70% of the tender prices. This is contrary to Section 147(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that under exceptional circumstances advance payment may be granted and shall not exceed twenty percent (20%) of the price of the tender.

In the circumstances, Management was in breach of the Public Procurement and Asset Disposal Act, 2015.

2. Lack of Risk Management Policy

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

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

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 overall 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 May, 2023

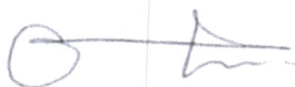
Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from exchange transactions			
Revenue from Member Services	5	209,295,923	174,229,383
Consultancy	6	5,147,759	-
Finance Income	7	9,550,026	11,065,797
Total revenue		223,993,708	185,295,180
Expenses			
Use of Goods & Services	8	104,638,339	78,885,803
Employee Costs	9	39,516,612	29,792,481
Repairs & Maintenance	10	109,878	582,373
Depreciation Expense	11	9,226,667	11,149,836
Contracted Professional Services	12	29,162,998	19,835,461
Council & Governance Costs	13	25,920,554	20,076,245
Finance costs	14	366,120	241,285
Total expenses		208,941,167	160,563,484
Other gains/(losses)			
Surplus/(deficit) before tax		15,052,541	24,731,696
Corporate Tax Provision		4,515,762	6,182,924
Surplus/(deficit) for the period		10,536,778	18,548,772
Remission to National Treasury		-	-
Net Surplus for the year		10,536,778	18,548,772
Attributable to:			
Surplus attributable to owners of the controlling Institute		10,536,778	18,548,772

The notes set out on pages 6 to 44 form an integral part of these Financial Statements.


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



.....
Accounting Officer

Name: Quresha Abdullahi

Date: 28/03/2023



.....
Manager, Finance

Name: Job Akuno

ICPAK Member No: 9119

Date: March 28, 2023



.....
Council Chairman

Name: Odero P. Dalmas

Date: 28/03/2023

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

14. Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	173,674,604	194,027,118
Receivables from exchange transactions	16	137,639,459	109,190,822
Receivables from non-exchange transactions	17	27,175,574	23,607,866
Related Parties	18	13,739,603	13,739,603
Total Current Assets		352,229,239	340,565,409
Non-Current Assets			
Property, plant and equipment	19	59,997,811	63,989,630
Investments	20	11,233,627	30,677,312
Total Non- Current Assets		71,231,438	94,666,942
Total Assets		423,460,677	435,232,350
Liabilities			
Current Liabilities			
Trade and other payables	21	23,516,139	34,295,549
Employee benefit obligation	22	2,310,647	2,341,858
VAT Control Account	23	23,397,692	18,009,713
Corporate Tax Provision	24	37,613,096	61,918,073
Total current Liabilities		86,837,574	116,565,192
Financed by:			
Accumulated Funds		336,623,103	318,667,158
Total Liabilities		423,460,677	435,232,350

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



.....
Name: Quresha Abdullahi
Accounting Officer

Date: 28/03/2023



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

ICPAK Member No: 9119

Date: March 28, 2023



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

Date: 28/03/2023

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

15. Statement of Changes in Net Assets for the year ended 30 June 2022

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
As at July 1, 2020	-	-	-	300,118,386	-	300,118,386
Surplus/ (Deficit) for the year	-	-	-	18,548,772	-	18,548,772
As at June 30, 2021	-	-	-	318,667,158	-	318,667,158
Adjustments				7,560,666	-	7,419,166
Surplus/ (Deficit) for the year	-	-	-	10,536,778	-	10,536,778
As at June 30, 2022	-	-	-	336,623,103	-	336,623,103

Note:

The adjustment in the statement is due to revaluation of fixed assets during the financial year and restatement of treasury bills balance

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

16. Statement of Cash Flows for the year ended 30 June 2022

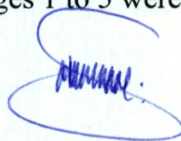
	Notes	2021-2022	2020-2021
		Kshs	Kshs
Receipts			
Revenue from Member Services		287,133,658	87,650,410
Total		287,133,658	87,650,410
Payments			
Use of Goods & Services		149,440,866	-
Direct Costs		-	23,503,091
Employee Costs		34,546,966	18,790,309
Repairs & Maintenance		189,706	582,373
General Expenses		-	16,847,543
Contracted Professional Services		22,833,530	19,835,461
Council & Governance Costs		20,294,214	20,076,245
Finance costs		366,120	241,285
Taxes		32,074,642	-
Total		259,746,045	99,876,307
Net Cash Flow from Operating Activities	25	27,387,614	(12,225,897)
Cash Flow from Investing Activities			
Finance Income		9,550,026	11,065,797
Treasury Bills		24,212,605	-
Fixed Assets		(10,716,357)	(69,497,915)
Funds Transfers		(70,786,401)	-
Net Cash flows from investing activities		(47,740,127)	(58,432,118)
Net Increase/(Decrease) in Cash		(20,352,514)	(70,658,015)
Cash and cash equivalents at 1 July	15	194,027,118	264,685,133
Cash and cash equivalents at 30 June	15	173,674,604	194,027,118

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



.....
Name: Quresha Abdullahi
Accounting Officer

Date: 28/03/2023



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

ICPAK M/No: 9119

Date: March 28, 2023



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

Date: 28/03/2023

Institute of Human Resource Management
Annual Report and Financial Statements
for the year ended June 30, 2022.

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue	a	B	c = (a+b)	d	e = (c-d)	f = d/c
Revenue from Member Services	199,060,250	-	199,060,250	209,295,923	(10,235,673)	105%
Consultancy	110,500,000	-	110,500,000	5,147,759	105,352,241	5%
Finance income	13,667,660	-	13,667,660	9,550,026	4,117,634	70%
Total Revenue	323,227,910	-	323,227,910	223,993,708	99,234,202	69%
Expenses						
Use of Goods & Services	81,572,578	-	81,572,578	74,551,507	7,021,071	91%
Employee Costs	51,803,421	-	51,803,421	39,516,612	12,286,809	76%
Repairs & Maintenance	690,000	-	690,000	109,878	580,122	16%
General Expenses	49,747,661	-	49,747,661	30,086,832	19,660,829	60%
Depreciation & Amortization	3,819,398	-	3,819,398	9,226,667	(5,407,269)	242%
Contracted Professional Services	57,706,000	-	57,706,000	29,162,998	28,543,002	51%
Council & Governance Costs	30,432,000	-	30,432,000	25,920,554	4,511,446	85%
Finance Costs	450,000	-	450,000	366,120	83,880	81%
Total Expenses	276,221,058	-	276,221,058	208,941,167	67,279,890	76%
Surplus/(Deficit) for the period	47,006,852	-	47,006,852	15,052,541	31,954,312	32%

Notes

1. Revenue – Consultancy revenue budgeted did not actualize in the financial period under revenue.
2. Expenses – The revaluation of fixed assets in the year and under budgeting of depreciation expenses for the period are contribute to the variance.

18. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i.* New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Institute's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41,</p>	<p>Applicable: 1st January 2023:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Standard	Effective date and impact:
Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Standard	Effective date and impact:
Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

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

Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021-2022 was not approved by the National Assembly. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by the Institute upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Institute recorded no additional appropriations 2021-2022 budget following the governing Council's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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

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

c) Taxes

Current income tax

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

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

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

d) Investment property

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

e) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

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

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

g) Intangible assets

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

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

j) Inventories

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

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

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

k) Provisions

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

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

t) Service concession arrangements

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

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

u) Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

4. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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

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

Provisions

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

5. Revenue from Membership Services

Description	2021-2022	2020-2021
	KShs	KShs
Application & Upgrades	87,450	429,050
Seminars, Workshops & Trainings	41,264,251	50,710,170
Conference & Congress	91,423,040	43,100,000
Consultancy	-	6,362,800
Membership Fees	71,686,782	70,787,763
CPD Accreditation	1,665,000	785,100
Other Income – Sponsorship/Award/Branch/Election	3,169,400	2,054,500
Total revenue from the Rendering of services	209,295,923	174,229,383

6. Consultancy

Description	2021-2022	2020-2021
	KShs	KShs
Consultancy	5,147,759	-
Total Revenue from Consultancy	5,147,759	-

7. Finance Income

Description	2021-2022	2020-2021
	KShs	KShs
Interest income from Treasury Bills	9,550,026	11,065,797
Total finance income	9,550,026	11,065,797

8. Use of Goods & Services

Description	2021-2022	2020-2021
	KShs	KShs
Direct Costs		
Materials & Publication	24,723,504	15,508,932
Venue & Accommodation	28,395,217	33,147,962
Out of Station	3,426,466	1,565,900
Transport & Mileage	1,647,839	1,069,499
Travelling Costs	3,506,020	1,580,879
Consultancy	12,560,248	3,241,428
Other Costs	292,212	661,654
Total Direct Costs	74,551,507	56,776,254

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Description	2021-2022	2020-2021
	KShs	KShs
a) Administrative Expenses		
Office Supplies	3,626,583	1,344,007
Office Cleaning	590,283	597,273
Transport & Mileage	293,605	588,053
Postage & Courier	854,575	469,035
Printing & Stationery	112,799	2,452,231
Advertisement & Publicity	825,621	1,504,959
Motor Vehicle	1,501,028	1,429,376
Corporate Social Responsibilities	594,500	240,000
Recruitment	12,931	131,586
General Insurance	500,258	487,790
License & Permits	254,510	258,426
Penalty & Fines	-	1,463
	9,166,692	9,504,199
b) Office Rent		
Office Rent	9,407,216	6,861,208
Service Charge	2,882,468	2,817,934
Parking Fees	960,200	623,158
Hall Hire	-	133,000
	13,249,884	10,435,300
c) Office Utilities		
Telephone & Internet	1,738,460	1,806,507
Office Utilities/Electricity	429,209	363,543
	2,167,668	2,170,050
d) Travelling & Accommodation		
Out of Station	1,152,835	-
Accommodation Costs	1,701,078	-
Ground Transport & Mileage	1,928,657	-
Flight Costs	720,018	-
	5,502,588	-
Total General Costs (a+b+c+d)	30,086,832	22,109,549
Total Use of Goods & Services	104,638,339	78,885,803

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

9. Employee Costs

	2021-2022	2020-2021
	KShs	KShs
Gross Salaries	33,605,989	24,623,073
Wages	506,800	197,640
Training & Professional Development	290,140	112,500
Medical Cover	3,201,135	2,773,337
Employee Welfare	616,500	768,140
Employer Costs	1,296,048	1,317,791
Employee costs	39,516,612	29,792,481

10. Repairs & Maintenance

Description	2021-2022	2020-2021
	KShs	KShs
Repairs & Maintenance	109,878	582,373
Total Repairs & Maintenance	109,878	582,373

11. Depreciation & Amortization Expense

Description	2021-2022	2020-2021
	KShs	KShs
Furniture & Equipment	194,994	401,151
Fixtures & Fittings	6,723,973	7,385,829
Computers & Printers	632,700	880,539
Motor Vehicle	1,362,500	2,094,877
Intangible	312,500	387,440
Total Depreciation and Amortization	9,226,667	11,149,836

12. Contracted Professional Services

Description	2021-2022	2020-2021
	KShs	KShs
Financial & Compliance	3,193,369	1,095,873
Legal & Secretarial	4,159,176	7,972,069
Audit	450,000	450,000
Other Consultancy	21,360,452	10,317,519
Total Contracted Professional Services	29,162,998	19,835,461

Notes to the Financial Statements (Continued)

13. Council & Governance Costs

Description	2021-2022	2020-2021
	KShs	KShs
Venue & Accommodation	15,450,588	4,934,314
Meeting Allowances	2,661,900	7,578,530
Transport & Travelling	1,639,885	3,535,143
Elections	3,245,845	1,350,000
Flights	1,190,869	-
Others	1,731,468	2,678,258
Total Council & Governance Costs	25,920,554	20,076,245

14. Finance Costs

Description	2021-2022	2020-2021
	KShs	KShs
Finance costs	366,120	241,285
Total finance costs	366,120	241,285

15. Detailed Analysis of Cash & Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
Absa bank	821498910	5,813,557	9,639,822
Kenya Commercial bank	1203884745	3,035,612	6,411,493
Sub- total		8,849,169	16,051,315
b) Others(specify)			
Petty Cash	-	93,423	200
M-Pesa	-	1,482,012	6,188,208
Treasury Bills	-	163,250,000	171,787,395
Sub- total	-	164,825,435	177,975,803
Grand total	-	173,674,604	194,027,118

16. Receivable from Exchange Transactions

(a) Current Receivables from Exchange Transactions

	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Other exchange debtors	137,639,459	109,190,822
Total current receivables	137,639,459	109,190,822

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Total Receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	137,639,459	109,190,822

17. Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
Deposit – Fuel	120,000	120,000
Deposit - Car Park	13,075	13,075
Rent Deposit – IHRM	6,705,536	6,705,536
Rent Deposit – HRMPEB	2,459,273	2,459,273
Deposit – Security	10,000	10,000
Deposit – Telephone	20,000	20,000
5% Corporate Tax Withheld	11,239,333	11,239,333
Loan Account – Borrowing	1,000,000	1,000,000
M/V Disposal Deposit	956,250	956,250
Salary Advance	122,089	115,000
General Insurance	434,987	167,921
Medical Inpatient	286,700	516,511
Medical Outpatient	239,846	234,798
Prepaid Rent	103,745	-
Employee	1,636,641	-
Council	1,826,441	-
Debit Card	1,659	50,169
Receivables from Non-Exchange	27,175,574	23,607,866

18. Related Parties Disclosures

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
Opening Balance	13,739,602	13,471,403
Payments made by IHRM on behalf of related parties		
Benevolent	-	113,750
Huduma	-	154,449
Total	-	268,199
Total	13,739,602	13,739,602

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

	Land & Buildings	Motor vehicles	Office Equipments	Computers & Printers	Fixtures & Fittings	Intangible	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1st July 2020	-	13,340,000	6,658,717	3,228,559	4,337,621	2,309,648	29,874,545
Additions	-	-	-	2,642,371	57,116,599	514,400	60,273,370
As at 30th June 2021	-	13,340,000	6,658,717	5,870,930	61,454,220	2,824,048	90,147,915
Additions	-	-	51,448	-	2,391,653	-	2,443,101
Adjustments	-	(13,340,000)	(6,658,717)	(5,870,930)	(13,108,585)	(2,824,048)	(41,802,280)
Revaluation	12,200,000	5,450,000	1,508,500	2,109,000	3,054,500	2,500,000	26,822,000
As at 30th June 2022	12,200,000	5,450,000	1,559,948	2,109,000	53,791,788	2,500,000	77,610,736
Depreciation and Impairment							
As at 1st July 2020	-	4,960,492	3,449,507	2,935,802	2,639,001	1,023,647	15,008,450
Depreciation	-	2,094,877	401,151	880,539	7,385,829	387,440	11,149,836
As at 30th June 2021	-	7,055,369	3,850,658	3,816,341	10,024,830	1,411,087	26,158,285
Depreciation	-	1,362,500	194,994	632,700	6,723,973	312,500	9,226,668
Adjustments	-	7,055,369	3,850,658	3,816,341	1,638,573	1,411,087	17,772,028
As at 30th June 2022	-	1,362,500	194,994	632,700	15,110,230	312,500	17,612,925
Net book values							
As at 30th June 2021	-	6,284,631	2,808,059	2,054,589	51,429,390	1,412,961	63,989,630
As at 30th June 2022	12,200,000	4,087,500	1,364,954	1,476,300	38,681,558	2,187,500	59,997,811

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Valuation

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

Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land & Buildings	12,200,000	-	12,200,000
Motor Vehicle	5,450,000	1,362,500	4,087,500
Office Equipment	1,559,948	194,994	1,364,954
Computers & Printers	2,109,000	632,700	1,476,300
Furniture & Fittings	53,791,788	15,110,230	38,681,558
Intangible Assets	2,500,000	312,500	2,187,500
Total	77,610,736	17,612,924	59,997,812

Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	2,824,048	2,309,648
Additions	-	514,400
Adjustment	(2,824,048)	-
Valuation	2,500,000	-
At end of the year	2,500,000	2,824,048
Amortization and impairment		
At beginning of the year	1,411,087	1,023,647
Adjustment	(1,411,087)	-
Depreciation	312,500	387,440
At end of the year	312,500	1,411,087
NBV	2,187,500	1,412,961

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

20. Investment Property

Description	2021-2022	2020-2021
	KShs	KShs
Investment in Property	-	19,443,685
Investment in Subsidiary	11,233,627	11,233,627
At end of the year	11,233,627	30,677,312

21. Trade and Other Payables

Description	2021-2022	2020-2021
	KShs	KShs
Trade Payables	8,137,127	32,495,549
Other Payables	15,379,013	1,800,000
Total Trade & Other Payables	23,516,139	34,295,549

22. Employee Benefit Obligations

Description	2021-2022	2020-2021
	KShs	KShs
P.A.Y.E	519,286	533,516
N.H.I.F	23,500	28,850
N.S.S.F	36,720	47,520
SACCO	186,746	160,052
PENSION	203,075	198,109
N.I.T.A	6,550	7,300
NET PAY	1,334,771	1,366,511
Total trade and other payables	2,310,647	2,341,858

23. VAT Control Account

Description	2021-2022	2020-2021
	KShs	KShs
VAT Control Account	23,397,692	18,009,713
Total VAT Control Account	23,397,692	18,009,713

24. Corporate Tax Provision

Description	2021-2022	2020-2021
	KShs	KShs
Balance brought down	61,918,073	64,554,694
Corporate Tax Paid (On Account)	(28,820,739)	-
Corporate Tax provision	4,515,762	(2,636,621)
Total Corporate Tax Provision	37,613,096	61,918,073

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Current Provision

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 01.07.2021	-	-	-	1,800,000	1,800,000
Additional Provisions	4,126,341	-	-	10,201,012	14,327,353
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions as at 30.06.2022	4,126,341	-	-	12,001,012	16,127,353

25. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year before tax	15,052,541	24,731,696
Adjusted for Cash Flow from Operating Activities		
Depreciation	9,226,667	11,149,836
Investment Income	(9,550,026)	(11,065,797)
Provision for Audit Fees	14,947,158	450,000
Operating Profit Before Working Capital Adjustments	29,676,339	25,265,735
Working Capital Adjustments		
Change in Receivables from Exchange Transactions	(28,448,637)	(67,730,416)
Change in Receivables from non-Exchange Transact	(3,567,708)	(4,543,807)
Change in Trade and Other Payables	10,779,410	29,825,136
Change in Related Parties	-	(268,199)
Change in VAT Control	(5,387,979)	3,448,027
Change in Employee Benefit	31,211	1,777,627
Change in Corporate Tax	24,304,977	-
Total Cash Flow from Operating Activities	27,387,614	(12,225,897)

Notes to the Financial Statements (Continued)

Retirement Benefit Asset/ Liability

The Institute did operate a defined benefit scheme for all full-time employees from July 1, 2021. The scheme is administered by ICEA Lions Life Assurance while ICEA Lions Life Assurance are the custodians of the scheme. The scheme is based on 7.5% percentage of salary of an employee at the time of retirement. There was no actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at 30th June, 2022. On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

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

Financial Risk Management

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

i) Credit risk

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Institute's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2022				
Receivables from exchange transactions	137,639,459	137,639,459	-	-
Receivables from non-exchange transactions	27,175,574	27,175,574	-	-
Bank & Cash Equivalent	173,674,604	173,674,604	-	-
Total	338,489,636	338,489,636	-	-
As at 30 June 2021				
Receivables from exchange transactions	109,190,822	109,190,822	-	-
Receivables from non-exchange transactions	23,607,866	23,607,866	-	-
Bank balances	194,027,118	194,027,118	-	-
Total	326,825,806	326,825,806	-	-

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

ii) Liquidity risk management

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Trade payables	-	-	8,137,127	8,137,127
Provisions	10,201,012	-	1,800,000	12,001,012
Employee benefit obligation	2,310,647	-	-	2,310,647
Total	12,511,659	-	9,937,127	22,448,786
As at 30 June 2021				
Trade payables	-	-	32,495,549	32,495,549
Provisions	-	450,000	1,350,000	1,800,000
Employee benefit obligation	2,341,858	-	-	2,341,858
Total	2,341,858	450,000	33,845,549	36,637,407

iii) Market risk

The entity has put in place an internal audit function to assist it in assessing the risk faced by the Institute on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Institute's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

a) Foreign currency risk

The Institute has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Institute manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments. The carrying amount of the Institute's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2022

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2022			
Financial assets			
Investments	11,233,627	-	11,233,627
Bank & Cash Balances	173,674,604	-	173,674,604
Debtors	137,639,459	-	137,639,459
Total financial assets	322,547,690	-	322,547,690
Financial Liabilities			
Trade and other payables	23,516,139	-	23,516,139
Borrowings	-	-	-
Total financial liabilities	23,516,139	-	23,516,139
Net foreign currency asset/(liability)	299,031,550	-	299,031,550

FY 2021

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2021			
Financial assets			
Investments	30,677,312	-	30,677,312
Bank & Cash Balances	194,078,250	-	194,078,250
Debtors	109,190,823	-	109,190,823
Total financial assets	333,946,385	-	333,946,385
Financial Liabilities			
Trade and other payables	34,295,549	-	34,295,549
Total financial liabilities	34,295,549	-	34,295,549
Net foreign currency asset/(liability)	299,650,836	-	299,650,836

Notes to the Financial Statements (Continued)

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

b) Interest rate risk

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

Management of interest rate risk

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

Financial Risk Management

Sensitivity analysis

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

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	336,623,103	318,667,158
Capital reserve	-	-
Total funds	336,623,103	318,667,158
Total borrowings	-	-
Less: Cash and Bank Balances	173,674,604	194,027,118
Net debt/(excess cash and cash equivalents)	162,948,499	124,640,040
Gearing	48%	39%

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Related Parties Disclosure

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

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

	2021-2022	2020-2021
	Kshs	Kshs
Payments made by IHRM on behalf of related parties		
Benevolent	-	113,750
Huduma	-	154,449
Total	-	268,199
a) Key management compensation		
Directors' emoluments	25,920,554	20,076,245
Compensation to key management	17,877,545	8,519,050

Events after the Reporting Period

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

Ultimate and Holding Institute

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

Inter-Entity Transfers

Institute of Human Resource Management				
Break down of Transfers from the State Department for Public Service				
FY 2021/2022				
a.	Recurrent Grants	-	-	-
b.	Development Grants	-	-	-
c.	Direct Payments	-	-	-
d.	Donor Receipts	-	-	-
	Total	-	-	-

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

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

Manager, Finance

Institute of Human Resource Management

Head of Accounting Unit

State Department for Public Service



Sign -----

Sign-----

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Contingent Assets and Contingent Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent Assets	-	-
Total	-	-

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent Liabilities		
ELRCC No. E001 of 2020	52,000,000	52,000,000
Constitutional Petition No. E448 of 2021	-	-
ELRCC No. E708 of 2020	-	-
HCCHRPET/E116/2022	-	-
Petition No. 187 of 2020	-	-
Total	52,000,000	52,000,000

Surplus Remission

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

Currency

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

19. Appendix

Appendix I: Projects implemented

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

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

Appendix II: Status of Projects completion

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Appendix III: Transfers from Other Government Entities

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

Appendix IV: Inter-Entity Confirmation Letter

The Institute of Human Resource Management wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June 2022						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022		Amount Received by IHRM (Kshs) as at 30 th June 2021 (E)	Differences (Kshs) (F)=(D-E)	
		Recurrent (A)	Development (B)			
Total	-	-	-	-	-	-

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

Head of Accountants department of beneficiary Entity:

Name Sign Date

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Appendix V: Reporting of Climate Relevant Expenditures

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

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

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

Appendix VI: Disaster Expenditure Reporting Template

Date:

Entity

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

Institute of Human Resource Management
Annual Reports and Financial Statements
for the year ended June 30, 2022.

Appendix VII: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Late Submission of Financial Statements	Concluded	Resolved	September 2022
2	Irregular Advance Payment	In progress	Not Resolved	March 2023
3	Governance and Risk Management	In progress	Not Resolved	April 2023
i	Lack of Risk Management Policy	Setting up of Internal Audit Unit is still in progress whereas Audit Committee is in place	Not Resolved	April 2023
ii	Lack of an Internal Audit Unit and Audit Committee	Business continuity strategy in progress	Not Resolved	April 2023
iii	Lack of Approved Backup, Recovery and Business Continuity Strategy		Not Resolved	April 2023

.....

Executive Director

Date..... 28/03/2023

