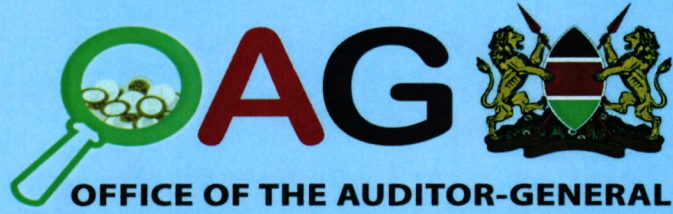



REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
OF KENYA
LIBRARY

 THE NATIONAL ASSEMBLY PAPERS LAID	
OF	DATE: 11 MAY 2021
	DAY: <input type="text"/>
TABLED BY:	
CLERK-AT THE TABLE:	

THE AUDITOR-GENERAL

ON

**KENYA INSTITUTE OF SUPPLIES
MANAGEMENT**

**FOR THE YEAR ENDED
31 DECEMBER, 2018**




Kenya Institute of Supplies Management

Promoting Professionalism in Supply Chain Management

**UNAUDITED
ANNUAL REPORTS
&
FINANCIAL STATEMENTS**

YEAR ENDED 31ST DECEMBER 2018

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAY 2021	DAY.
TABLED BY:	
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Kenya Institute of Supplies Management

*Annual Report & Financial Statements
For the Period ended 31st December 2018*

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Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2018

CORPORATE INFORMATION

KISM Council

- : John Karani Ndiwa *Chairman*
- : Moses Allan Omondi *Council Member*
- : Jeremiah Kiiio Nthusi *Council Member*
- : Grace Murichu *Council Member*
- : Diana Mwacharo *Council Member*
- : Nimo Hussein *Council Member*
- : Principal Secretary The National Treasury
- : Hennock Kirungu - Director General PPOA

Structure of the KISM Caretaker Committee

- : The KISM Council
- Committees of the Council**
- : Finance & Administration Committee
- : Standards Committee
- : Examinations Committee
- : Audit Committee
- : Member Services Committee

Registered Office

- : Nation Center 12th Floor Wing "B"
- : Kimathi Street
- : P.O Box 30400 - 00100
- : Cellphone: 0721 244828, 0733 333226, 0701 333226
- : Telefax: 2213911
- : Email admin@kism.or.ke
- : Website. www.kism.or.ke

Auditor

- : Office Of Auditor General
- : Anniversary Towers
- : University Way
- : P.O. Box 30084 - 00100
- : Telefax: 020311482
- : NAIROBI
- : Email. oag@oagkenya.go.ke
- : Website. www.kenao.go.ke

Principal Banker

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

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

Legal Advisor

- : Akunga Momanyi & Co Advocates
- : P.O Box 10324-00100-G.P.O
- : NAIROBI
- : Cell: 0722-992979/0722-988205/0733873300
- : E-Mail: akungamomanyi@yahoo.com



Kenya Institute of Supplies Management

**Annual Report & Financial Statements
For the Period ended 31st December 2018**

FIVE YEAR FINANCIAL REVIEW

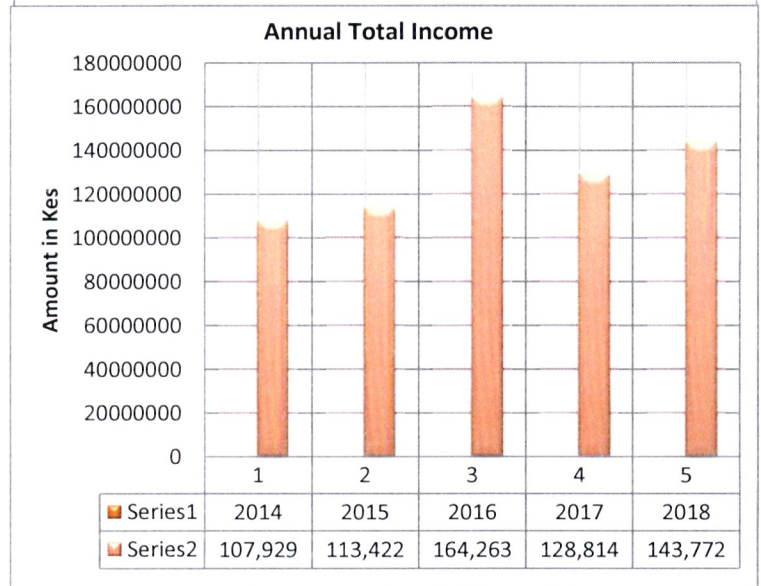
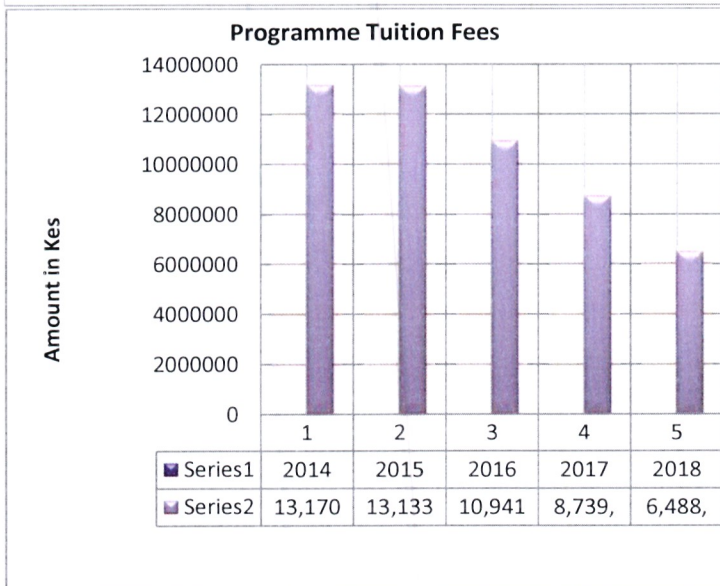
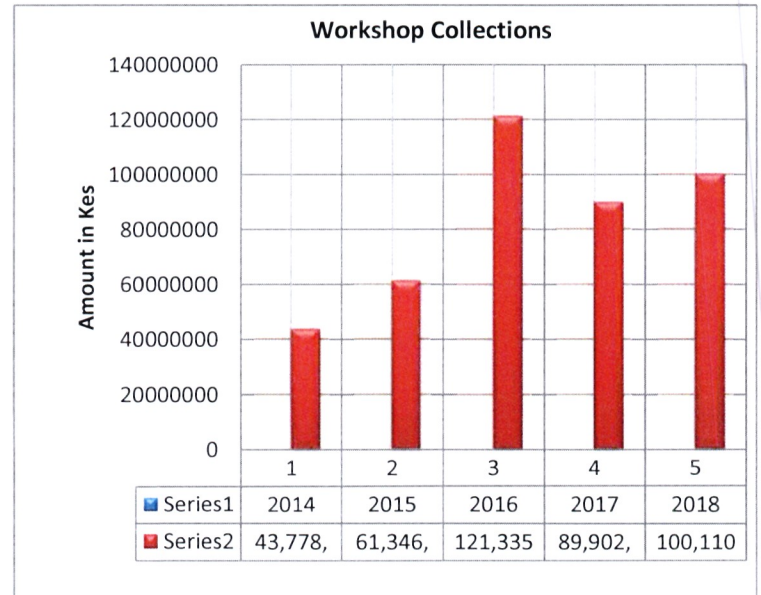
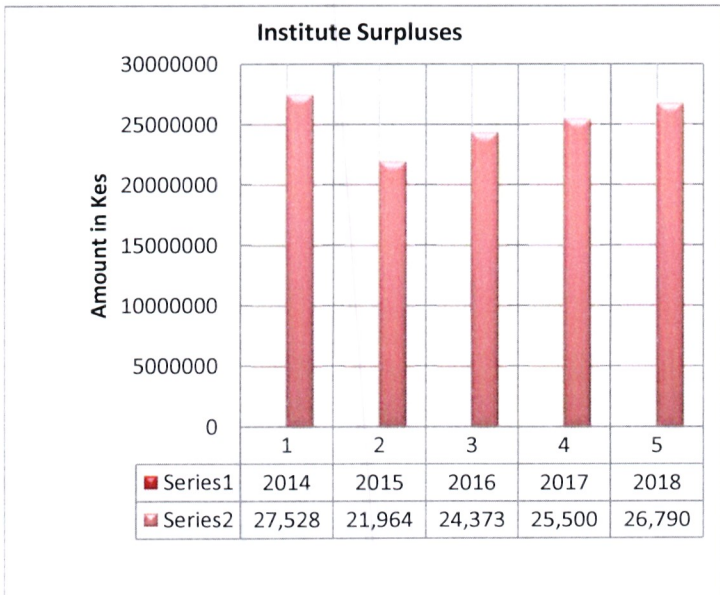
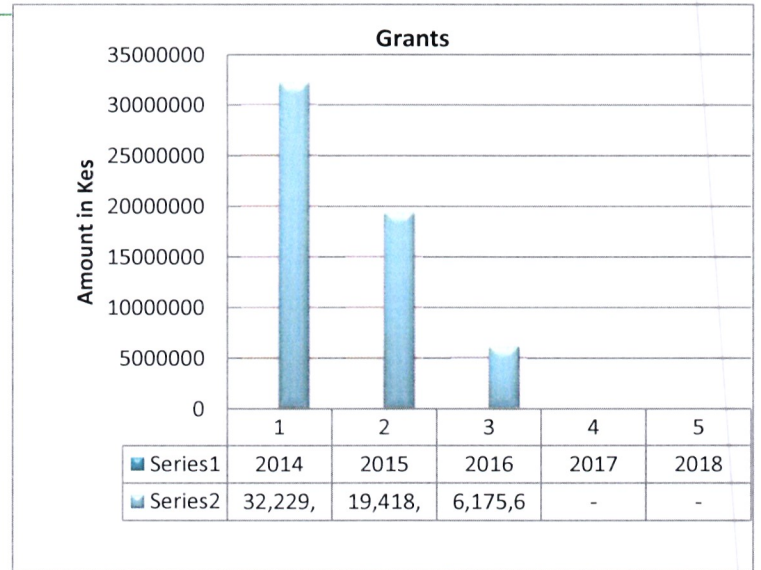
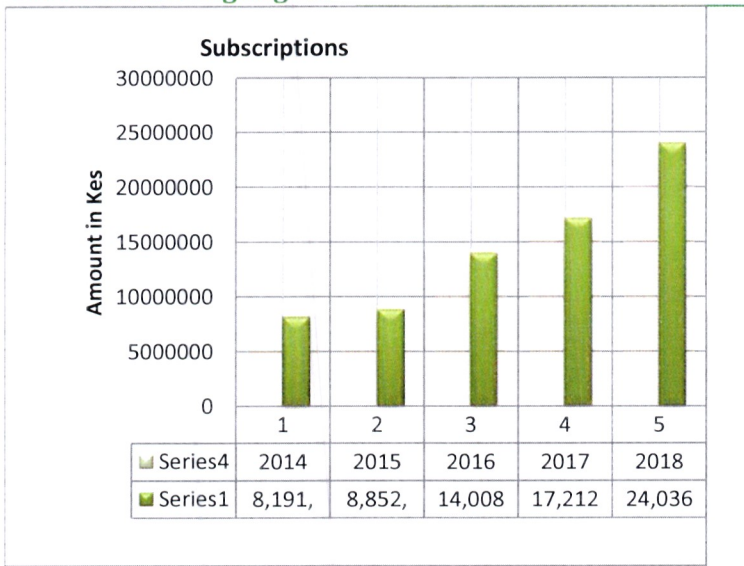
YEAR	2014 Kshs	2015 Kshs	2016 Kshs	2017 Kshs	2018 Kshs
Income					
Grant from Partners	32,229,245	19,418,435	6,175,632	-	-
Membership Subscriptions	8,191,750	8,852,000	14,008,500	17,212,000	24,036,000
Workshop receipts	43,778,523	61,346,910	121,335,400	89,902,500	100,110,121
Membership Dinner	1,644,000	1,345,500	995,800	1,159,500	800,500
Programme Tuition Fees	13,170,900	13,133,100	10,941,500	8,739,500	6,488,000
Other Income	8,915,168	9,326,682	10,806,425	11,801,189	12,338,194
Total Income	107,929,586	113,422,627	164,263,257	128,814,689	143,772,815
Expenses					
Administrative Expenses	48,513,129	55,912,297	57,591,106	65,494,829 65,494,829	66,635,090
Operating Expenses	31,887,627	35,545,901	82,299,012	37,819,053	50,347,373
Operating Surplus/(Deficit)	27,528,829	21,964,429	24,373,139	25,500,807	26,790,351



Kenya Institute of Supplies Management

**Annual Report & Financial Statements
For the Period ended 31st December 2018**

Performance Highlights





Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2018

COUNCIL REPORT

The Council submit their report and the audited financial statements For the Period ended 31st December 2018 which disclose the state of affairs of the Institute.

INCORPORATION

The Institute is a body corporate established under Part II Section 3 (1) of the Supplies Practitioners Management Act 2007 No. 17 and is domiciled in Kenya

PRINCIPAL ACTIVITIES

The principal activity of the Institute is to empower its members to provide and maintain high standards of procurement and supply chain management professionalism through regulating conduct of practitioners, educational programs, seminars and workshops

RESULTS

The result of the Institute for the year are shown from page number 6 to 13

	2018	2017
Total Revenue	143,772,815	128,814,689
Expenditure	116,982,464	103,313,882
Surplus	26,790,351	25,500,807

MEMBERSHIP

Active Members for the year	FY 2017	FY 2016
Members	3,538	2,680
Associates	667	656
Students	483	451
Corporate Membership	10	23
Active Members at the end of the year	4,698	3,810
Active Licences		
Individual Licences	505	285
Corporate Licences	11	2
Active Members for the year	FY 2018	FY 2017
Members	3,670	3,538
Associates	589	667
Students	326	483
Corporate Membership	10	10
Total Active Members as at year end.	4595	4698
Active Licences		
Individual Licences	951	505
Corporate Licences	1	11

MANAGEMENT

The Council members who held office during the year are shown on page 1

BY ORDER OF THE COUNCIL


.....
JOHN KARANI NDIWA, CHAIRMAN.



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2018

STATEMENTS OF COUNCIL'S RESPONSIBILITY

The Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2) requires the Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the operating results of the Institute for that year.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Supplies Practitioner Management Act. The Council are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial as well as adequate systems of internal financial control.

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

Approved by the Council on 2020 and signed on behalf by:

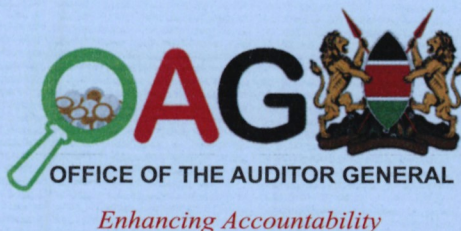
JOHN KARANI
NDIWA
CHAIRMAN

CHAIR CORPORATE, HR
COMMITTEE
COUNCIL MEMBER

CHAIR AUDIT COMMITTEE
COUNCIL MEMBER

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SUPPLIES MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER, 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Institute of Supplies Management set out on pages 7 to 27, which comprise the statement of financial position as at 31 December, 2018, and statement of comprehensive income, consolidated statement of cash flows, statement of changes in net assets, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Institute of Supplies Management as at 31 December, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), and comply with the Public Finance Management Act, 2012 and the Supplies Practitioners Management Act, 2007.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

Basis for Conclusion

Late Submission of Financial Statements

The Institute submitted the financial statements for the year ended 31 December, 2018 to the Auditor-General on 2 July, 2019 which was three (3) months after the statutory timelines. This was contrary to Section 81(4) of the Public Finance Management Act 2012 which requires the Accounting Officer to prepare and submit the entity's financial statements to the Auditor-General within three months after the closure of the financial year.

To this extent, the Institute is in breach of Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND OVERALL 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 Financial Reporting Standards 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 as a going concern, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Institute or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 going concern 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 as a going concern. 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 as a going concern.

- 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

28 April, 2021



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2018

STATEMENT OF COMPREHENSIVE INCOME For the Period ended 31st December 2018

	Notes	Kshs 2018			Kshs 2017		
		KISM	GoK & Other Partners	Totals	KISM	GoK & Other Partners	Totals
Income							
Grants from Partners	6	-	-	-	-	-	-
Membership Subscriptions	7	24,836,500	-	24,836,500	18,371,500	-	18,371,500
Workshop receipts	8	100,110,121	-	100,110,121	89,902,500	-	89,902,500
School Fees	9	6,488,000	-	6,488,000	8,739,500	-	8,739,500
Examination Income	11	-	-	-	-	-	-
Other Income	11	12,338,194	-	12,338,194	11,801,189	-	11,801,189
Total Income		143,772,815	-	143,772,815	128,814,689	-	128,814,689
Expenditure							
Staff Costs	12	32,421,799	-	32,421,799	32,133,726	-	32,133,726
Council Expenses	13	4,502,869	-	4,502,869	3,890,636	-	3,890,636
Administrative Expenses	14	29,710,423	-	29,710,423	29,470,467	-	29,470,467
Operating Expenses	15	48,315,077	-	48,315,077	35,296,667	-	35,296,667
Depreciation	16	2,032,297	-	2,032,297	2,522,386	-	2,522,386
Operating Surplus(Deficit) Before Finance cost		26,790,351	-	26,790,351	25,500,807	-	25,500,807
Operating Surplus/(deficit) after Finance Costs		26,790,351	-	26,790,351	25,500,807	-	25,500,807
Taxable Surplus	28	-	-	-	-	-	-
Tax Liability	28	-	-	-	-	-	-
Surplus / (Deficit) after tax		26,790,351	-	26,790,351	25,500,807	-	25,500,807



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2018

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Notes	2018	2017
Non-Current Assets			
Property plant and Equipment	17	486,485,028	285,677,245
Intangible Assets	18	1,177,563	1,570,084
Total Non-Current Assets		487,662,591	287,247,330
Current Assets			
Bank & Cash	19	55,446,434	205,689,663
Debtors & Prepayment	20	40,769,171	40,373,369
Total Current Assets		96,215,605	246,063,032
Current Liabilities			
Gok Grant (Advance)	21		-
Bank Balance due to KISEB	22		(317,216)
Creditors & Accruals	23	53,125,549	69,907,478
Deffered Subscriptions			
School Fees Prepayments	24	1,098,636	1,898,636
Workshop Refunds	25	682,581	682,581
Total Current Liabilities		54,906,766	72,171,480
Net Current Assets		41,308,838	173,891,552
Net Capital Employed		528,971,429	461,138,882
Accumulated Funds			
Retained Earnings		245,143,554	210,949,961
Accumulated Funds		245,143,554	210,949,961
Asset Grant	26	283,827,875	250,188,921
Total Funds		528,971,429	461,138,882
Current & Quick ratio		1.75	3.41

Financial Statements on pages 7 to 26 were approved for issue by the Council on 2020, and were signed on behalf by;

JOHN KARANI NDIWA

CHAIRMAN

CHAIR CORPORATE, HR
COMMITTEE

COUNCIL MEMBER

CHAIR AUDIT
COMMITTEE

COUNCIL MEMBER



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2018

STATEMENT OF CHANGES IN NET ASSETS AS AT 31ST DECEMBER 2018

	<i>KISM General Fund</i>	<i>Professional Development Fund</i>	<i>Total</i>
	<i>KSHS</i>	<i>KSHS</i>	<i>KSHS</i>
<i>As at 1st January 2016</i>	145,252,750	1,018,838	146,271,588
<i>Total Comprehensive Income for the year</i>	30,868,361	-	30,868,361
<i>Transfer of share of fees</i>	-	3,206,370	3,206,370
<i>Other surplus from other activities</i>			-
<i>As at 31st December 2016</i>	176,121,111	4,225,208	180,346,319
<i>As at 1st January 2017</i>	176,121,111	4,225,208	180,346,319
<i>Total Comprehensive Income for the year</i>	25,500,807	-	25,500,807
<i>Transfer of share of fees</i>	-	5,102,835	5,102,835
<i>Other surplus from other activities</i>			-
<i>As at 31st December 2017</i>	201,621,918	9,328,043	210,949,961
<i>As at 1st January 2018</i>	201,621,918	9,328,043	210,949,961
<i>Total Comprehensive Income for the year</i>	26,790,351	-	26,790,351
<i>Transfer of share of fees</i>	-	7,403,243	7,403,243
<i>Other surplus from other activities</i>			-
<i>As at 31st December 2018</i>	228,412,269	16,731,286	245,143,554



Kenya Institute of Supplies Management

**Annual Report & Financial Statements
For the Period ended 31st December 2018**

CONSOLIDATED STATEMENT OF CASHFLOW For the Period ended 31st Dec. 2018

	2018 Kshs	2017 Kshs
Cash Generated from Operations		
Reconciliation of Surplus(deficit) before tax to cash generated from operations;		
Surplus(deficit) before tax	26,790,351	25,500,807
Add Non Cash Adjustments		
Depreciation	1,639,775	1,999,024
Amortisation	392,521	523,361
Cashflow before Changes in Working capital	28,822,647	28,023,193
Changes in Working Capital		
(Increase)/ Decrease in Receivables	(395,802)	(985,346)
Increase/(Decrease) in Creditors	(16,781,929)	44,525,767
Increase in Prepaid School fees	-	2,563,434
Increase/(Decrease) in Deffered Subscription	-	-
(Increase)/ Decrease in Deposits	-	-
(Increase)/ Decrease in VAT Claimable	659,653	(3,899,070)
Increase /(Decrease) in Refunds	-	-
Tax Paid	(2,154,849)	(1,941,087)
Net Cash from/(used in) Operating Activities	(18,672,927)	40,263,698
Investing Activities		
Purchase of Property, Plant and Equipment	(256,333,811)	(156,469,324)
Net Cash from/(used in) Investing Activities	(256,333,811)	(156,469,324)
Financing Activities		
Increase/(Decrease) in Grants	94,000,000	70,000,000
Net Cash from/(used in) in Financing Activities	94,000,000	70,000,000
As at 1st January	207,630,525	225,812,958
Increase/(Decrease) in cash and Cash Equivalentents	(152,184,091)	(18,182,434)
As at 31st December	55,446,434	207,630,525



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2018

Notes to the Financial Statements

1 Accounting Policies

The Kenya Institute of Supplies Management is a membership institution established by the Supplies Practitioners Management Act, 2007 as a statutory body charged with the mandate of entrenching professional ethics in Supply chain and Procurement.

2 Statement of Compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are presented in functional currency, Kenya shillings (Kshs.), which is the prevailing currency within primary economic environment, rounded to the nearest thousands and prepared in accordance with the measurement bases prescribed by IFRSs.

The preparation of financial statement is in conformity with IFRS which requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Institute's policies.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

3 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand, which is also the functional currency (see (d) below). The financial statements comprise a profit and loss account (statement of comprehensive income), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Institute in their capacity as owners are recognised in the statement of changes in equity.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Institute. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revisions are made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Institute uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Institute using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.



Notes Continued

Measurement basis (Continued)

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Institute at the end of the reporting period during which the change occurred.

b) New and revised standards

i) New standards that are effective

The following new and revised standards and interpretation have become effective for the first time in the financial year beginning 1 January 2018 and have been adopted by the institute where relevant to operations.

Amendments to IFRS 1, IFRS 12 AND IAS 28 titled Annual improvement to IFRS standards (issued on December 2016) -

The amendments, applicable for the annual period beginning on or after 1 January 2018, make the following changes:-

- a. Delete the short term exemption paragraphs, E3-E7, of IFRS 1 because they have served their purpose
- b. Clarify the scope of IFRS 12. According to these amendments, disclosure requirements in the standard, except those in paragraph B10-B16 applies to entities listed in paragraph 5 of IFRS 5.
- c. Clarify that the election, contained therein IAS 28, to measure at fair value through profit or loss an investment in associate, joint venture that is held by an entity as venture capital organisation, or other qualifying entity is available on investment by investment basis upon initial recognition.

Conceptual Framework for financial reporting 2018 (Issued in March 2018) - The new conceptual framework, effective from date of issue since no effective date has been stated, covers significant issues that had not been covered in the previous one. It also provides guidance to those issues that were not clear in the previous standard and those that were outdated.

IFRS 15; Revenue from Contracts with Customers (issued in May 2014) -The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition applied consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

IFRS 9; Financial Instruments (issued in July 2014) -This standard replaces IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized. For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The derecognition provisions are carried over almost unchanged from IAS 39.



Notes Continued

i) New standards that are effective (Continued)

To comply with the standard, provisions have been made for either 12-months or life time expected credit losses (ECLs) for all financial assets measured at amortised cost. The Council has opted to apply the simplified approach on receivables whereby lifetime ECL are provided from inception. However, the comparatives have not been restated in respect to ECL.

Amendments to IFRS 2 titled Classification and Measurement of Share-based (SBP) Payment Transactions (issued in June 2016) -

The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity settled.

Amendment to IFRS 4 and IFRS 9 titled interaction of IFRS 4 and IFRS 9 (issued in September 2016) - The amendment, effective for annual periods beginning on or after 1 January 2018, address issues arising from the application of IFRS 9. It requires that an entity applying overlay approach to do so retrospectively to qualifying assets when first applying IFRS 9. For the entities choosing deferral method, it applies for annual periods beginning on or after 1 January 2018.

Amendment to IAS 40 titled transfer of investment property (issued in December 2016) - The amendment, applies to annual periods beginning on or after 1 January 2018, provides clarifications on the transfer of property to and from investment property.

Based on assessment of the council, the adoption of the above standards, except for IFRS 9, have no significant impact on the on the Institute's financial statements.

ii) New and revised standards and interpretations in issue but not yet effective

Amendments to IAS 28 regarding long-term interests in associates and joint ventures (issued in October 2017) -The amendments, applicable to annual period beginning on or after 1 January 2019, clarify that an entity need to apply IFRS 9 on long-term interests in an associate or joint venture that are part of investments.

Amendments to IAS 19 (issued in February 2018)-The amendments, effective for the annual period beginning on or after 1 January 2019, clarify the impact of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. It also requires a mandatory evaluation of current service cost and interest rates based on assumption used for remeasurement.

Amendment to IAS 8 (issued in October 2018)-The amendment, applicable for the annual period beginning on or after 1 January 2020, clarifies the definition of material.

Amendments to IFRS 9 regarding prepayment features with negative compensation and modifications of financial liabilities (issued in October 2017)-The amendments, applicable for annual period beginning on or after 1 January 2019, enable entities to measure at amortized cost some prepayable financial assets with negative compensation. They also provide clarification on accounting for financial liabilities following modifications

Amendment to IFRS 3 titled definition of a business (issued in October 2018)-The amendment, effective for the annual period beginning on or after 1 January 2020, clarifies the definition of a business.

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 titled annual improvements to IFRS standards 2015-2017 cycle (issued in

December 2017)- The improvements, applicable for annual periods beginning on or after 1 January 2019, makes the following clarifications:-

- a. when an entity acquires control of a business that is a joint operation, under IFRS 3, it should remeasure previously held interest in that business. However, under IFRS 11, an entity does not need to remeasure previously held interest in the joint operation.
- b. Requirements in the former 52 (B) apply to all income tax consequences of dividends
- c. Any specific borrowing remaining outstanding after the related assets is ready for intended use or sale, under IAS 23, that borrowing becomes part of the fund the entity borrows generally in calculating capitalisation rate.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.”

The council does not plan to apply any of the above until they become effective. Further, based on their assessment of the potential impact of application of the above, they do not expect that there will be significant impact on the institute's financial statements.



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Summary of Significant Accounting Policies (Continued)

c) Accounting for associates

Associate: an entity in which an investor has significant influence but not control or joint control. IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that are designated under IAS 39 to be at fair value with fair value changes recognised in profit or loss. [IAS 28.1]

In its consolidated financial statements, an investor should use the equity method of accounting for investments in associates. Under IAS 39, those investments are measured at fair value with fair value changes recognised in profit or loss. [IAS 28.1]. An investment classified as held for sale in accordance with IFRS 5. [IAS 28.13(a)]. A parent that is exempted from preparing consolidated financial statements by paragraph 10 of IAS 27 may prepare separate financial statements as its primary financial statements. In those separate statements, the investment in the associate may be accounted for by the cost method or under IAS 39. [IAS 28.13(b)]

d) Grants

Government and other grants are recognised only if (1) and (2) are reasonably assured

(1) grants will be received

(2) conditions of grants will be satisfied

Grants related to property, equipment and other assets are presented in the reserves as deferred Income and utilized in the reduction of the carrying amounts of the related assets during its useful life. Any grant received to compensate expenses, losses or for the purpose of giving immediate operational support is dealt with in the income statement in the year it is received. Any Prepaid or advance grant received within an accounting period but used up in subsequent accounting. Any Prepaid or advance grant received within an accounting period but used up in subsequent accounting period will be declared as Income for the subsequent year. Government grant are accounted for as Income in the year received and expended as per the conditions of the GoK.

e) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Institute operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Institute's activities. It is recognised when it is probable that future economic benefits will flow to the Institute and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts. Cash discounts are included as part of finance costs.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.



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h) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in accumulated funds under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to accumulated funds.

Depreciation is calculated using the reducing balance method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Asset	Class	Rate - %
Land		0.00
Motor vehicles	III	25
Intangible Assets		
Furniture & fittings	IV	12.5
Office equipment	IV	12.5
Computers, copiers & fax	II	30

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

i) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Institute are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 25%.

j) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

k) Retirement benefit obligations

Defined contribution

The Institute does not currently operate a defined contribution retirement benefits plan for its employees, there are therefore no assets of which are held in a separate trustee administered under a guaranteed scheme managed by an insurance company.



Kenya Institute of Supplies Management

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However the Institute and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Institute's contributions are charged to the profit and loss account in the year to which they relate.

l) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

The annual carrying cost for the provision of medical benefit has been charged to the annual period that it relates. All the costs borne by the provider has not been recognised as the expense against the revenue earned for the year, However where the employer makes provision for similar benefit after the expiry or if the contractual limits are exceeded such an amount will be recognised and charged to the accounts for the year.

m) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

n) Leases

Finance leases as the lessee

Leases of property, plant and equipment including hire purchase contracts where the Institute assumes substantially all the risks and rewards incident to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

o) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.



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Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

p) Financial instruments

The Institute classifies its financial instruments into the following categories:

- i) **Financial assets and financial liabilities at fair value through profit or loss**, which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking;
- ii) **Loans and receivables**, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.
- iii) **Financial liabilities**, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

i) Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the Institute commits itself to the purchase or sale. Financial assets carried at fair value through statement of comprehensive income are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The Institute assesses at each statement of financial position whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.



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Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the statement of comprehensive income. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

All financial assets are classified as non-current except financial assets at fair value through statement of comprehensive income, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Institute has transferred substantially all risks and rewards of ownership.

ii) Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the Institute's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Institute does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Financial Liabilities are mainly made up of trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using effective interest rate method

Impairment of financial assets the Institute recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through profit or loss. The Institute puts into consideration the probability of default upon initial recognition of financial assets and evaluates whether there has been a significant increase in credit risk on an ongoing basis.

The Institute determines the credit risk on a financial instrument to be low if the financial instrument has a low risk of default, the debtor has a considerable capacity to meet its contractual cash flow obligations in the near future and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations

The carrying amount of the receivables are reduced through the use of the receivable impairment charges account. Variations in the carrying amount of the receivable impairment charges account are recognized in profit or loss. The receivable is written off against the receivable impairment charges account when the Institute has no reasonable expectations of recovering the receivable. If, in a subsequent period, the amount of expected credit losses (ECL) reduces, the subsequent reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in profit or loss.



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q) Provision for liabilities and charges

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

r) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

s) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Institute, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

a) Significant judgements made in applying the Institute's accounting policies

The judgements made by the management in the process of applying the Institute's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- i) Whether it is probable that that future taxable surpluses will be available against which temporary differences can be utilised; and
- ii) Whether the institute has the ability to hold 'held-to maturity' investments until they mature. If the institute were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

b) Key sources of estimation uncertainty

Key assumptions about the future and other sources of estimation uncertainty made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include

- i) Impairment losses
Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. However, the Institute has not provided for impairment provision for any unforeseen eventualities on the losses arising from such receivables.



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ii) Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Institute's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Institute manages liquidity risk by continuously reviewing forecasts and actual cash flows.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities (*time intervals to be based on what is provided to management, or what is appropriate for the business*). The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Shs	Between 1-3 months Shs	Between 3-12 months Shs
Year ended 31st December 2018			
Trade and other payables	53,125,549	-	-
Borrowings - bank			
- others			
	53,125,549	-	-
Year ended 31st December 2017			
Trade and other payables	69,907,478	-	-
Borrowings - bank			
- others			
	69,907,478	-	-

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency. The Institute has trade receivables, trade payables which are denominated in foreign currency. KISM maintains a foreign currency denominated in USD which is translated at the closing rate by end of 31st December 2016. However the transactions paid in foreign currency are made at negotiated rates of the prevailing market rates.



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Notes Continued

5 Risk management objectives and policies

a) Financial risk management

The Institute's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Institute's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk. The Institute does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on an Institute-wide basis. The Institute does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the Institute to credit risk as at the balance sheet date is as follows:

	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2018			
Financial assets	486,485,028		
Non-current receivables			
Trade receivables	30,576,878	8,153,834	2,038,459
Cash at bank	55,446,434		
Gross financial assets	572,508,340	8,153,834	2,038,459
	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2017			
Financial assets	287,247,330		
Non-current receivables			
Trade receivables	31,289,361	8,074,674	1,009,334
Other receivables			
Cash at bank	205,689,663.24		
Gross financial assets	524,226,354	8,074,674	1,009,334

The ageing analysis of past due but not impaired trade receivables is: *including other categories of financial assets which are past due but not impaired requiring similar disclosure to be provided*).

	2018 Shs'000	2017 Shs'000
0-3 months	38,730,713	39,364,035
3-6 months	2,038,459	1,009,334
	40,769,171	40,373,369

The past due debtors are not impaired and continue to be paid. KISM does not maintain a provision for impairment to be held against the impaired receivables. The Institute does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.



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Notes to Financial Statements Continued

	2018			2017		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total
6 Grants from Partners						
Grant from GoK					-	-
Grant Income for the Year				-	-	-
7 Subscriptions						
Individual Membership	18,078,000		18,078,000	13,572,000		13,572,000
Corporate Membership	250,000		250,000	250,000		250,000
Membership Dinner Income	800,500		800,500	1,159,500		1,159,500
Licence Fees	5,708,000		5,708,000	3,390,000		3,390,000
Total Subscriptions	24,836,500	-	24,836,500	18,371,500	-	18,371,500
8 Workshop Receipts						
Total Workshop Receipts	94,771,121		94,771,121	85,412,500		85,412,500
Foreign exchange profit	-		-	-		-
Inhouse training fees	5,645,000		5,645,000	4,490,000		4,490,000
Less Discounts	(306,000)		(306,000)	-		-
Net Workshop Receipts	100,110,121	-	100,110,121	89,902,500	-	89,902,500
9 School Fees						
CIPS Training Fees	6,488,000		6,488,000	8,739,500		8,739,500
ITC Training Fees						
Total School Fees	6,488,000	-	6,488,000	8,739,500	-	8,739,500
10 Examination Income						
Registration Income	3,853,000		3,853,000	1,325,000		1,325,000
Examination entries	20,824,475		20,824,475	15,684,450		15,684,450
						-
Total Examination Income	24,677,475	-	24,677,475	17,009,450	-	17,009,450
11 Share of Professional Income						
KISEB Examination						
Share of Examination fees	7,403,243		7,403,243	5,102,835		5,102,835
Total Income	7,403,243	-	7,403,243	5,102,835	-	5,102,835
11 Other Incomes						
Other Incomes - Procurement Consultancy	1,188,000		1,188,000	2,112,000		2,112,000
Interest Income	3,746,951		3,746,951	4,586,354		4,586,354
Rental Income	-		-	-		-
Specific Activity Grant	-		-	-		-
Total Other Income	4,934,951	-	4,934,951	6,698,354	-	6,698,354



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Notes to Financial Statements and Accounts Continued

	2018			2017		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total
12 Staff Costs						
Employment Costs						
Salaries and Wages	26,253,896		26,253,896	26,420,822	-	26,420,822
Pension	1,532,970		1,532,970	1,145,370	-	1,145,370
Internship Subsistence Allowances	-		-	120,000	-	120,000
Medical Benefit	2,253,184		2,253,184	2,138,103	-	2,138,103
Training Levy	30,600		30,600	16,200	-	16,200
Staff Membership Subscriptions	19,000		19,000	43,000	-	43,000
Staff Training and Development	2,332,148		2,332,148	2,250,231	-	2,250,231
Staff leave days	-		-	-	-	-
Total staff costs	32,421,799	-	32,421,799	32,133,726	-	32,133,726
13 Council Expenses						
Council Allowances	4,502,869		4,502,869	3,890,636.00	-	3,890,636
Other Council Expenses	-		-	-	-	-
Total Council Expenses	4,502,869	-	4,502,869	3,890,636	-	3,890,636
14 Administrative Expenses						
Subscriptions	623,562		623,562	205,526	-	205,526
Donations	20,000		20,000	327,500	-	327,500
Photocopy and Stationery	2,809,581		2,809,581	1,103,756	-	1,103,756
Printing Expenses	2,600,315		2,600,315	3,054,014	-	3,054,014
Telephone and Postage	725,518		725,518	513,891	-	513,891
Rent & Rates	10,599,219		10,599,219	9,531,055	-	9,531,055
Consultancy	1,405,000		1,405,000	2,407,680	-	2,407,680
Decoration Expenses	-		-	-	-	-
Legal Fees	1,540,000		1,540,000	1,430,000	-	1,430,000
Audit Fees	479,793		479,793	-	-	-
Security Services	337,414		337,414	1,006,759	-	1,006,759
Licences	486,007		486,007	2,030,333	-	2,030,333
Office Expenses	1,627,036		1,627,036	1,574,480	-	1,574,480
Cleaning Services	890,672		890,672	527,547	-	527,547
Travelling Expenses	4,462,582		4,462,582	4,834,280	-	4,834,280
Parking Fees	838,388		838,388	712,859	-	712,859
Motor Vehicle Fuel	265,337		265,337	210,787	-	210,787
Total Administrative Expenses	29,710,423	-	29,710,423	29,470,467	-	29,470,467
15 Operating Expenses						
Bank Charges	814,098		814,098	859,287	-	859,287
Promotion & Advertisements	5,576,761		5,576,761	6,075,311	-	6,075,311
Promotional Materials	3,229,514		3,229,514	494,423	-	494,423
Insurance	378,713		378,713	223,635	-	223,635
Repairs & Maintenance	553,835		553,835	110,618	-	110,618
Car Hire	91,600		91,600	178,686	-	178,686
Utilities	103,389		103,389	120,824.00	-	120,824
Workshop Expenses	2,505,432		2,505,432	-	-	-
ERP Support Expenses	800,000		800,000	416,117	-	416,117
Newsletter Articles	10,000		10,000	10,000	-	10,000
Excellence Awards	-		-	-	-	-
Workshop Facilitation Expenses	7,641,751		7,641,751	6,465,000	-	6,465,000
Website Expenses & Internet expenses	623,750		623,750	895,200	-	895,200
School Expenses	2,838,268		2,838,268	2,522,200	-	2,522,200
Other Sundry Expenses	459,415		459,415	346,392	-	346,392
Workshop and Membership Venue Expenses	22,688,552		22,688,552	16,578,974	-	16,578,974
Total Operating Expenses	48,315,077	-	48,315,077	35,296,667	-	35,296,667
16 Depreciation and amortization						
Depreciation	1,639,775.45		1,639,775	1,999,024	-	1,999,024
Amortisation	392,521.11		392,521	523,361	-	523,361
Total Wear and Tear Allowance	2,032,297	-	2,032,297	2,522,386	-	2,522,386