

REPUBLIC OF KENYA



Enhancing Accountability

REPORT THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 MAR 2023	DAY: Wednesday
TABLED BY:	OF Leader of the Majority Party
CLERK-AT THE-TABLE:	Gertrude Chebet.

THE AUDITOR-GENERAL

ON

**INSTITUTE OF HUMAN RESOURCE
MANAGEMENT**

**FOR THE YEAR ENDED
30 JUNE, 2018**



The Professional Body of HR Practitioners in Kenya

INSTITUTE OF HUMAN RESOURCE MANAGEMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2018

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

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

Table of Contents

Page

1. KEY ENTITY INFORMATION AND MANAGEMENT	ii
2. THE COUNCIL	vi
3. MANAGEMENT TEAM.....	ix
4. CHAIRMAN'S STATEMENT	xi
5. REPORT OF THE EXECUTIVE DIRECTOR.....	xii
6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2017/2018.....	xiv
7. CORPORATE GOVERNANCE STATEMENT.....	xvii
8. MANAGEMENT DISCUSSION AND ANALYSIS	xix
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xx
10. REPORT OF THE COUNCIL MEMBERS.....	xxiii
11. STATEMENT OF COUNCILS' RESPONSIBILITIES	xxiv
12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF INSTITUTE OF HUMAN RESOURCE MANAGEMENT	xxvi
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018 ..	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018.....	3
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018.....	4
15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018.....	5
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018	6
18. NOTES TO THE FINANCIAL STATEMENTS.....	8
APPENDIX	45

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

Vision

Ethical, people-centric HR professionals

Mission

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

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

Core Objectives

Transparency and Accountability

Professionalism

Innovation

Compliance and 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 HR & Membership

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

(d) Fiduciary Management

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

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

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Executive Director	CHRP Quresha Abdullahi
2.	Head of Secretariat	Milka Murimi
3.	Training Manager	Milka Owao
4.	Communications Officer	Irene Kimacia
5.	Accountant	Vincent Nyarige, CPA

(e) Fiduciary Oversight Arrangements

- National Council
- Committees
 - a) Finance & HR Committee
 - b) Continuous Professional Development (CPD) & Training Committee
 - c) Registration Committee

(f) Entity Headquarters

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

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

(g) Entity Contacts

Telephone: (254) 020 221 3745, 224 0213

E-mail: info@ihrm.or.ke

Website: www.ihrm.or.ke

(h) Entity Bankers

1. Absa Bank

Harambee Avenue Branch

P.O. Box 30120

GPO 00100

NAIROBI, KENYA

2. Kenya Commercial Bank of Kenya

Kipande House Branch

P.O. Box 30012

GPO 00100

NAIROBI, KENYA

(i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue




P.O. Box 40112

City Square 00200





Nairobi, Kenya

2. THE COUNCIL


The following are the Council Members currently serving at the Institute.

Ref	Councils	Details
1.	Mr. Phillip Dalmas Otero 	National Chairman 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. Date of Birth – 01/01/1982
2.	Mr. Abdisalam Mohammed 	Council Member – North Eastern Region Representative Qualifications – Masters in Business Administration (Governance & Ethics), Bachelor Degree (Human Resource Management) & CHRP. Date of Birth – 22/06/1960
3.	CHRP Patricia Okello 	Council Member – Western Region Representative Qualifications – Masters in Labour Relations Management, Bachelor in Business Management (HRM Option), Higher Diploma in HRM, Diploma in Labour Studies Management & CHRP. Date of Birth – 15/01/1972

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

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

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

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>





The following were the Council Members who served during the financial year 2017/2018.

Ref	Councils	Details
1.	Mr. Elijah Sitimah	National Chairman
2.	Mr. Stephen K. Malakwen	Vice Chairman
3.	Mr. Ahmed Direye	Member
4.	Mr. Gilbert Nyandiga	Member
5.	Ms. Miriam Mwangi	Member
6.	Dr. Sammy Nyambari	Member
7.	Mr. John Gecaga	Member
8.	Dr. Amani Komora	Member
9.	CHRP Dorcas Wainaina	Council Secretary/ Executive Director


Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

3. MANAGEMENT TEAM

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

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 - Training Manager</p> <p>Qualification – Bachelor of Human Resource Management/ Dip. In Business Management, CHRP, HRM, HND</p>

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

5.	<div>Job Akuno</div> 	<p>Title - Finance Manager</p> <p>Qualification – Bachelor of Commerce (Accounting Option) & CPA (K)</p>
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The following are the key management team who served during the financial year 2017/2018

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

4. CHAIRMAN'S STATEMENT

The Institute of Human Resource Management (IHRM) has steadily in the last 30 years moved towards envisioning status of regulating the Human Resource profession in Kenya and the surrounding. Under the Human Resource Management Professional Act No. 52 of 2012, the agenda was to set out standards of professional practice, look after the welfare of its members, and also offer a platform for exchange of ideas on professional development.

In this respect, the Institute has been a key player in the constitution of Human Resource Management Examination Board (HRMPEB) mandated to offer professional examination in setting, developing and administering examination. Upon completion, the qualified candidates have an opportunity to becoming Certified Human Resource Professional (CHRP).

The Institute has since developed various programs to benefit members and the general public through sustaining systems and policies in HRMP Act including; membership recruitment, registration, training, continuous professional development (CPDs) program among others. Indeed, the Institute has recorded tremendous growth and development in the last decades, I therefore call on all members to embrace philosophy of Total Member Involvement (TMI) in which all have a role to play.

The calendar of events for the period was designed to meeting the emerging market needs namely; HR – The Administrative Expert, The Functional Expert, The Strategic Partner, Human Capital Developer, The Change Leader, The Employee Advocate and Leading Governance and Risk. These steps have set stage and strong foundation for building a stronger Institute with well-set objectives to spread its wings to various branch networks across Kenya, regionally and to the rest of the world.



CHRP Dalmas Odera

Council National Chairman

5. REPORT OF THE EXECUTIVE DIRECTOR

The Institute of Human Resource Management continues to enjoy significant growth, entrenching its place as a regulator of the HR profession in Kenya. This would not have been possible without the collaboration of various stakeholders who continue to play a critical role in the growth and professionalization of the HR practice.

We value the contribution of Members, staff, partners, and especially the Government through our mother Ministry for their hard work and commitment which has resulted in the gains recorded so far. This signifies our advancing profession and our commitment to upholding public interest on behalf of the people of our beloved Nation. It is also a reflection of the IHRM Council's strong commitment to providing valuable and sought-after member services, support, resources, leadership, and collaboration with like-minded stakeholders.

The world of work continues to change and for professionals to remain relevant in a rapidly changing environment, Continuous Professional Development is critical. IHRM has developed a vibrant calendar that covers emerging trends in the HR space. The calendar caters to professionals at various stages of their professional journey from Executives to entrants. In the year 2018, IHRM hosted a training events with thousands of HR professionals across sectors engaging in structured CPD programs.

The Institute completed the installation of an ERP system significantly enhancing member services through the use of technology. Members can now access their invoices, make payments, and book events at the comfort of their desks. Further integration with existing systems is ongoing to ensure that Members easily track their CPD points and enhance events management pre, during and post the event.

Despite the tough economic times, we have ensured the survival of the institution by striving to maintain a healthy financial position. The Institute recorded notable achievements which were made possible by the dedicated workforce and guided by the Finance and HR Committee and the Council. IHRM's regulatory role has been designed to match best practices in the regulation of professional practice by having clear standards, a body of knowledge, and requisite skills and competencies. Employers continue to engage dully registered members with an increase in inquiries before they hire. There is growing appreciation of the fact that HR professionals operate in a regulated environment as per the HRMP Act No. 52 of 2012. The Council has in place a vibrant Disciplinary Committee that handles any professional misconduct.

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

I would like to sincerely thank the Institute's Secretariat for their hard work, often going above and beyond their limit. Their passion for the HR profession is commendable. Our partners and stakeholders are critical to the success of IHRM and it is a pleasure to continue working with them. Special gratitude to the members who volunteer their time to serve in various branches, committees, and Council your sacrifice is not in vain as the HR Profession has recorded significant growth on your account. I would like to sincerely thank you all on behalf of IHRM and the HR profession.



CHRP Quresha Abdullahi
Executive Director

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2017/2018

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 2017/2018. These themes are as follows:

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

The Institute develops its annual work plans based on the above 5 themes. Assessment of the Council's performance against its annual work plan is done periodically. The Institute achieved its performance targets set for the FY 2017/2018 period for its 5 strategic themes, as indicated in the diagram below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
1. Enhance member services	Innovate value propositions to meet the new and emerging needs along with crating lifelong value to members with the view of attracting members.	<ul style="list-style-type: none"> - Survey Report - Membership Reports - New products - Training reports 	<ul style="list-style-type: none"> - Trainings, - Events - CPDs - Alliances 	<ol style="list-style-type: none"> 1. Growth in membership base in the period 2. Ensuring retention of active members 3. Implementing demand driven and effective CPD programs 4. Active branch networks

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

2. Operationalization of HRMP Act	Enhance governance by putting up structures of the Council, efficient and sustainable institutional management	<ul style="list-style-type: none"> - Establishing various committees and to perform regulatory tasks - Enactment of various rules and regulations 	<ul style="list-style-type: none"> - Establishing various committees - Review and gazette ment of Code of Conduct 	<ol style="list-style-type: none"> 1. Organizing for civic education on provisions of the HRMP Act 2. Enactment of various rules and regulations 3. Lobbying for the amendment of the HRMP Act
4. Building sustainable institutional capacity	Building capacity in order to set up standards as a basis of regulating HR practices, while ensuring good governance and in a constantly changing environment.	<ul style="list-style-type: none"> - Council meetings - Branch Activities 	<ul style="list-style-type: none"> - Effective Council meetings - Continuous monitoring and evaluation of the Strategic Plan 	<ol style="list-style-type: none"> 1. Effective Council meetings 2. Establishing a self-sustaining HRMPEB 3. Developing risk management strategy through legal framework and adopting inclusiveness
4. Establishment of Examination Board	To continually advocate for good HR practices, good governance and standards in the HR sector of the economy by	<ul style="list-style-type: none"> - Number of students' registering and graduating for courses. - Introduction of new courses to meet market demand 	<ul style="list-style-type: none"> - Acquisition of office space - Constitution of Board and Secretariat - Enrolment of Students in to CHRP program 	<ol style="list-style-type: none"> 1. Operationalized HRMPEB and fully functioning secretariat. 2. Increase in student enrolment

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

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

7. CORPORATE GOVERNANCE STATEMENT

The Institute's council and committee members are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance. The Institute has a robust corporate governance framework in place and are committed to fostering a culture of compliance that values personal and corporate integrity, accountability and continuous improvement. In the year, the Council Members and various committees met as follows;

	Particulars	Number of Meetings
1.	Council Members	6
2.	Registration Committee	2

In addition to these, there were several branch networks meeting and coordination by the Council to foster membership engagement and collaboration on various activities happening in their regions. The Institute is committed to ensuring that the composition of the Council and Committee continues to comprise members who, as a whole, possess the diversity of skills and experience required to fulfil the role and responsibilities of the Council and Committees.

In particular, the Council and Committee's responsibilities include;

- a) Setting and influencing the corporate culture, ethical standards and reputation of the Institute,
- b) Approving the strategic objectives and direction of the Institute and overseeing management's implementation of those strategic objectives
- c) Monitoring the Institute's operational performance generally including its financial state and the effectiveness of the safety and sustainability strategies
- d) Approving major expenditures, transactions, budgets, and capital management initiatives;
- e) monitoring the effectiveness of the Institute's governance practices including overseeing members' welfare and engagement as well as compliance with the Institute's continuous disclosure obligations.

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Council and Committee members are required to avoid conflicts of interest and immediately inform their fellow Council and/or Committee members should a conflict of interest arise. They are also required to advise the Institute of any relevant interest that may result in a conflict. The Institute has adopted the use of formal declarations of interests that are tabled at every meeting where members disclose any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

During the financial year, the Institute spent 2.3 million KES towards the various meetings; venue, transport, flights including meeting allowances for the meeting held in the period.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Membership

In the year 2017/2018, 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 2017/2018 the total revenue realised was Kshs. 215.8 Million down from Kshs. 153.8 Million in the year 2016/2017. This represent an increase of 40% from the previous year. Increase in revenue was noted across all revenue streams except for rental income following exit of the tenant.

Operating Costs

The total operating costs for the year 2017/2018 stood at Kshs. 132.9 Million having increased from Kshs. 111.9 Million in the year 2016/2017. This attribute relates mainly to increase membership activities during the period translating to increase in operating costs.

Profit

The summaries above therefore translate to increase in operating surplus of Kshs. 16.1 Million. In the year 2016/2017 the Institute realised operating surplus of Kshs. 41.8 Million compared to operating surplus of Kshs. 57.6 Million for the year 2017/2018.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

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

ii) Environmental performance

The Institute of Human Resource Management takes a positive view of the environmental challenges facing the county. We recognize and accept that we have a responsibility to the members, organization, nation and globe at large both now and in the future to maintain and improve upon our current environmental standards. The institute is committed to ensuring that environmental considerations are an integral part of our decision-making, management and culture. Some of the steps includes; maintaining environmental standards that meet and exceed legal requirements and member's expectations as well as encouraging all stakeholders to accept responsibility for their actions and comply with environmental obligations.

iii) Employee welfare

The Institute recognises all their employees to be the most valuable resource and that the health and welfare of all employees is essential in achieving the Institute's objectives. The well-being of all employees is of a primary concern by investing in the health and welfare of employees the Institute is investing in the efficiency and effectiveness of the organisation. 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.

The Institute has from time to time established that the members and general public can benefit from additional analysis and studies concerning various human resource issues. This promotes ethical behaviour among all members and their professional engagement as they compete for the opportunity to provide services to clients in different capacities.

The services offered varying from marketing their services, negotiating contracts, recruiting and hiring staff, fees, and other practice management activities. Members are to honor their responsibility to hold paramount the welfare of persons they serve professionally and they shall treat them in a humane manner.

b) Responsible Supply chain and supplier relations

The Institute relies on suppliers, contractors and other third parties to be able to deliver services. Therefore, building and maintaining a has proved to be effective management of our supply chain and its success. The Institute work with organisations which share approach to compliance with legal requirements and commitment to high standards in human resource practice. Having a safe and responsible supply chain is a priority for us to continuously increase standards and mitigate risks issues for the Institute.

c) Responsible marketing and advertisement

The Institute takes pride that the products and advertisements are through internal innovation, sustainability, legal and regulatory compliance. The event and training materials used for marketing and advertisements are thoroughly assessed to ensure highest standards throughout the activity and beyond. This ensures there is no inducement to our customers, consumers, users in believing the benefits and general public in believing in benefits that are not genuine. Innovation, activity roll out and communication hereto are systematically validated by legal, compliance and regulatory guideline under which the Institute operates within.

d) Product stewardship

Institute of Human Resource Management product stewardship supports the delivery of educative, compliant and innovative products and solutions that help human resource fraternity, society and general public. Through comprehensive evaluation and customer communication on how to manage, conduct and uphold this commitment is continuously performed after every event to minimize any risks and/or compromise on quality.

e) Corporate Social Responsibility / Community Engagements

The primary purpose of the Institute's corporate social responsibility and engagement is to make a meaningful and measurable impact in the community at economical, physical and social to the society. The Institute has had an integrated approach in developing people, creating awareness among public of human resource aspects, promoting education and skills development including promoting health and sanitation initiatives. The Institute's employees, committee members and council members have actively and voluntarily participated in various training activities and supported other entities to promote health and safety to the community.

10. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2018, which show the state of the Institute's affairs.

i) Principal activities

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

ii) Results

The results of the Institute for the year ended June 30, 2018, are set out on page 1 to page 8.

iii) Council Members

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

iv) Surplus remission

The Institute did not make remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Council

Amesha Odullohi



11/08/2022

Name

Signature

Date

Secretary to the Council

11. STATEMENT OF COUNCILS' RESPONSIBILITIES

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

The Councils are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Institute; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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

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

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Approval of the financial statements

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



Signature:

Name : Dalmas Otero

Council National Chairman



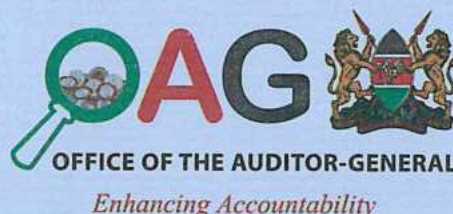
Signature:

Name : Quresha Abdullahi

Accounting Officer

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INSTITUTE OF HUMAN RESOURCE MANAGEMENT FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying Financial Statements of Institute of Human Resource Management set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Institute of Human Resource Management as at 30 June, 2018 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Human Resource Management Professionals Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unsupported Revenue

The statement of financial performance and as disclosed in Note 6 to the financial statements, reflects balances of Kshs.210,577,568 and Kshs.4,806,507 in respect of revenue from members' services and finance income respectively both totalling Kshs.215,384,075. However, the balance includes revenue of Kshs.166,698,700 which was not supported with any verifiable documents.

In the circumstances, the accuracy and completeness of revenue of Kshs.166,698,700 could not be confirmed.

2. Unsupported Expenditure

The statement of financial performance reflects total expenses of Kshs.133,114,733. Review of records revealed that, included in the amount are payments totalling Kshs.13,085,924 whose payment vouchers were not provided for audit. Further, payments amounting to Kshs.43,274,497 were not adequately supported. In addition,

payments amounting to Kshs.18,740,454 in respect of various goods and services were not supported with tender advertisements, bid documents, tender opening minutes, evaluation committee minutes, and professional opinion on procurement, local purchase orders, and contract agreements. Further, payment adjustments of Kshs.2,922,669 included in total expenses were not supported.

In the circumstances, the regularity and accuracy of the expenditure totalling Kshs.78,023,544 could not be confirmed.

3. Unreconciled Variance on Corporate Tax Provision

The statement of financial performance reflects corporate tax provision of Kshs.24,812,502. However, the statement of financial position and the corresponding Note 28 to the financial statements reflects an amount of Kshs.27,917,551 resulting to an unexplained and unreconciled variance of Kshs.3,105,049.

In the circumstances, the accuracy and completeness of corporate tax provision of Kshs.24,812,502 could not be confirmed.

4. Misclassification of Expenditure

The statement of financial performance reflects total expenses of Kshs.133,114,733 for the year ended 30 June, 2018. Review of records revealed that payments totalling Kshs.3,231,003 which comprised of Kshs.192,000 being materials and publication, Kshs.287,515 being telephone and internet, Kshs. 1,819,590 being other consultancies and Kshs.931,898 being salaries, were misclassified and charged to wrong expenditure items.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.3,231,003 could not be confirmed.

5. Unconfirmed Cash and Cash Equivalents

5.1 Unsupported Mobile Money Platform and Petty Cash Balances

The statement of financial position and as disclosed in Note 21 to the financial statements, reflects cash and cash equivalents balance of Kshs.173,274,097 which includes Kshs.3,512,709 and Kshs.40,000 in respect of mobile money platform balance and petty cash respectively. However, supporting documents including confirmation certificates and cashbooks were not provided for audit.

5.2 Unsupported Treasury Bills

The cash and cash equivalents balance of Kshs.173,274,097 includes deposits in treasury bills amounting to Kshs.122,572,648. However, the balance was not supported with a certificate of deposit, approval by The National Treasury or evidence of interest earned, movement schedule and terms and conditions for the investments.

Further, Management did not provide any evidence that an updated list of bank details of the Institute was submitted to the National Treasury. This is contrary to Regulation 87(3) of the Public Finance Management (National Government) Regulations, 2015, which states that an accounting officer of a national government entity shall by the 30 September of each year, submit to The National Treasury the up-dated list of bank accounts held by the entity showing bank name, account name, account type, purpose of the account, signatories of the bank account date account was opened and date of the National Treasury letter granting approval for opening and operating the bank account among other details.

In the circumstances, the existence, accuracy and completeness of the reported cash and cash equivalents balance of Kshs.173,274,097 could not be confirmed.

6. Unsupported Receivables

The statement of financial position and as disclosed in Notes 22 and 23 to the financial statements reflects receivables from exchange transactions and non-exchange transactions balances of Kshs.30,626,138 and Kshs.15,675,275 respectively both totalling Kshs.46,301,413. However, the balances were not supported with debtors' schedules, ledger invoices, and ageing analysis. Further, there was no evidence provided for formal measures in place to recover the long outstanding debts.

In the circumstances, the accuracy and completeness of receivables of Kshs.46,301,413 could not be confirmed.

7. Unsupported Related Parties' Balance

The statement of financial position and as disclosed in Note 24 to the financial statements, reflects related parties' balance of Kshs.8,495,228. However, no evidence was provided to support the balance.

In the circumstances, the existence and accuracy of the related parties balance of Kshs.8,495,228 could not be confirmed.

8. Property, Plant and Equipment

8.1 Unreconciled Variance Between the Financial Statements and Assets Register

Note 25 to the financial statements reflects property, plant and equipment at cost of Kshs.17,231,177. However, the assets register provided for audit review reflected a balance of Kshs.8,180,734 resulting in an unexplained and unreconciled variance of Kshs.9,050,443. Further, the balance includes an amount of Kshs.310,000 in respect of motor vehicle engine overhaul and painting, which do not qualify as a capital expenditure. In addition, details of the acquisition, unique identification numbers, cost and location of the assets were not indicated in the assets register.

In the circumstances, the accuracy and completeness of the property, plant and equipment cost of Kshs.17,231,177 could not be confirmed.

8.2 Unconfirmed Transfer of Assets to Human Resource Examination Board

The statement of financial position and as disclosed in Note 25 to the financial statements reflects property, plant, and equipment net book value balance of Kshs.8,262,502 which excludes transfer of assets to the Human Resource Management Professionals Examination Board (HRMPEB) totalling 7,752,252. However, the schedule of transfer of assets to HRMPEB was not provided for audit.

In the circumstances, the accuracy and completeness of the property, plant, and equipment of Kshs.7,752,252 transferred to the Board could not be confirmed.

9. Unsupported Investments

The statement of financial position and as disclosed in Note 26 to the financial statements, reflects investment balance of Kshs.30,677,312 which comprised of Kshs.19,443,685 and Kshs.11,233,627 in respect of investment in property and investment in subsidiary respectively. However, review of records provided for audit revealed that investment in property relates to the purchase of office space at the Park Building in Nairobi in February, 2014 at cost of Kshs.16,750,763 hence resulting in an unreconciled variance of Kshs.2,692,922. Further, the investment in subsidiary balance of 11,233,627 was not supported or analyzed.

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

10. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 27(a) to the financial statements, reflects trade and other payables balance of Kshs.3,445,801 which includes an amount of Kshs.2,545,801 in respect of trade payables. However, supporting documents including invoices and payables schedules were not provided for audit.

In the circumstances, the accuracy and completeness of the trade and other payables of Kshs.3,445,801 could not be confirmed.

11. Unsupported VAT Control Account

The statement of financial position and as disclosed in Note 27(c) to the financial statements, reflects a value added tax (VAT) control account of Kshs.18,011,395. Management explained that the liability is the net payable amount in respect of output and input VAT. However, schedules on computations and supporting documents were not provided for audit.

In the circumstances, the validity and accuracy of the VAT control account balance of Kshs.18,011,395 could not be confirmed.

12. Unsupported Medical Insurance Expenses

The statement of financial performance and as disclosed in Note 11 to the financial statements, reflects employees' costs balance of Kshs.31,847,081 which includes an

amount of Kshs.3,377,873 is in respect of medical cover expenses. However, supporting documents such as insurance policy, tender advertisement, tender opening and evaluation minutes and contract agreement were not provided for audit.

In the circumstances, the validity, accuracy and completeness of medical insurance expenses totalling Kshs.3,377,873 could not be confirmed.

13. Unsupported Use of Goods and Services

The statement of financial position and as disclosed in Note 10 to the financial statements, reflects use of goods and services amount of Kshs.74,833,433 which includes Kshs.2,169,650 described as 'out of station' relating to payments to staff in form of imprests for subsistence allowances. However, the payments were not supported with approvals, the program of activities, imprest warrants, imprest registers and documents for the surrender of imprests contrary to Regulation 94(a) of the Public Finance Management (National Government) Regulations, 2015 which states that an officer holding an imprest shall ensure that the imprest issued to him or her shall be used for the intended purpose only.

In the circumstances, the value for money and propriety of Kshs.2,169,650 expenditure 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 adverse opinion.

Key Audit Matter

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

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of 2016/2017, a number of issues were raised on the Report on Financial Statements. However, Management has not resolved the issues nor disclosed the prior year matters as provided by the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Late Submission of Financial Statements

The Management submitted the Institute's financial statements for audit on 24 September, 2021, nearly three (3) years after the legal deadline of 30 September, 2018 contrary to Section 47(1) of the Public Audit Act, 2015 which states that 'the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate'.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Governance and Risk Management

(i) Lack of Risk Management Policy

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

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

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

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

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

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

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

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

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

Responsibilities of Management and those Charged with Governance

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

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

Those charged with governance 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

12 September, 2022

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from exchange transactions			
Revenue from Member Services	6	210,577,568	-
Seminars, Workshops & Trainings	6	-	102,182,368
Membership Fees	6	-	39,778,811
Consultancy	6	-	5,629,900
Rental Revenue from Property	7	439,000	-
Finance Income	8	4,806,507	-
Other Incomes	9	-	6,217,498
Total revenue		215,823,075	153,808,578
Expenses			
Direct Costs			
Employee Costs	10	74,833,433	-
Repairs & Maintenance	11	31,847,081	-
General Expenses	12	183,781	-
Depreciation Expense	13	14,539,818	-
Contracted Professional Services/Consultancy	14	1,343,119	3,650,039
Council & Governance Costs	15	7,875,821	2,388,703
Finance costs	16	2,307,362	-
Membership Expenses	17	184,318	-
Training Materials & Expenses	18	-	3,827,244
Operating/Administration Costs	19	-	43,506,383
Total expenses	20	-	58,565,705
Other gains/(losses)		133,114,733	111,938,074
Surplus/(deficit) before tax			
Corporate Tax Provision		82,708,342	41,870,503
Surplus/(deficit) for the period		24,812,502	-
Remission to National Treasury		57,895,840	41,870,503
Net Surplus for the year		-	-
Attributable to:		57,895,840	41,870,503
Surplus attributable to owners of the controlling Institute		-	-
		57,895,840	41,870,503

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

The notes set out on pages 8 to 51 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Council by:



Accounting Officer

Name: Quresha Abdullahi

Date 11/08/2022

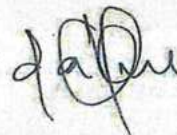


Finance Manager

Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022



National Chairman

Name: Dalmas Odera

Date 11/08/2022

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	21	173,274,097	51,476,778
Treasury Bills		-	50,213,563
Debtors		-	35,509,600
Receivables from exchange transactions	22	30,626,138	-
Receivables from non-exchange transactions	23	15,675,275	-
Related Parties	24	8,495,228	-
Total Current Assets		228,070,738	137,199,941
Non-Current Assets			
Property, plant and equipment	25	8,262,502	14,202,705
Investment Property	26	-	19,443,685
Investment in Subsidiary	26	-	11,233,627
Investments	26	30,677,312	-
Total Non- Current Assets		38,939,814	44,880,017
Total Assets		267,010,552	182,079,958
Liabilities			
Current Liabilities			
Trade and other payables	27a	3,445,801	22,804,333
Employee benefit obligation	27b	464,341	-
VAT Control Account	27c	18,011,395	-
Corporate Tax Provision	28	27,917,551	-
Total Current Liabilities		49,839,088	22,804,333
Financed by			
Accumulated Funds		217,171,464	159,275,624
Total Liabilities		267,010,552	182,079,958

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Council by:



Accounting Officer

Name: Quresha Abdullahi

Date 11/08/2022

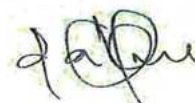


Finance Manager

Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022



National Chairman

Name: Dalmas Odera

Date 11/08/2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2016		-	-	-	117,405,120	-	-	117,405,120
Surplus/ (Deficit) for the year		-	-	-	41,870,504	-	-	41,870,504
As at June 30, 2017		-	-	-	159,275,624	-	-	159,275,624
As at July 1, 2017		-	-	-	159,275,624	-	-	159,275,624

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2017		-	-	-	159,275,624	-	-	159,275,624
Surplus/ (Deficit) for the year		-	-	-	57,895,840	-	-	57,895,840
As at June 30, 2018		-	-	-	217,171,464	-	-	217,171,464
As at July 1, 2018		-	-	-	217,171,464	-	-	217,171,464

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Receipts		
Revenue from Member Services	199,785,753	-
Seminars, Workshops & Trainings	-	102,182,368
Membership Fees	-	39,778,811
Consultancy	-	5,629,900
Other Income	-	4,083,994
Total	199,785,753	151,675,073
Payments		
Direct Costs	69,678,200	-
Employee Costs	37,455,964	-
Repairs & Maintenance	183,781	-
General Expenses	13,639,819	-
Office Rent	-	-
Office Utilities	-	-
Contracted Professional Services	7,875,821	2,388,703
Council & Governance Costs	2,307,362	-
Finance costs	184,318	-
Membership Expenses	-	3,827,244
Training Materials Expenses	-	43,734,191
Operating/Administration Costs	-	62,386,740
Total	131,325,264	112,336,878
Net Cash Flow from Operating Activities	68,460,489	39,338,195
Cash Flow from Investing Activities		
Rental Revenue from Property	439,000	148,679
Finance Income	4,806,507	2,133,504
Purchase of Assets	(2,122,240)	(8,833,783)
Treasury Bills	-	50,213,563
Net Cash flows from investing activities	3,123,267	43,661,963
Net Increase/(Decrease) in Cash	71,583,756	83,000,158
Cash and cash equivalents at 1 July 2017	101,690,341	18,689,000
Cash and cash equivalents at 30 June 2018	173,274,097	101,689,158

Accounting Officer

Name: Quresha Abdullahi

Date 11/08/2022

Finance Manager

Name : Job Akuno

ICPAK Member No: 9119

Date August 11, 2022

National Chairman

Name: Dalmas Odera

Date 11/08/2022

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original Kshs	Adjustments Kshs	Final budget Kshs	Actual on Kshs	Performance Kshs	% of
	a	b	c = (a+b)	d	e = (c-d)	f = d/c
Revenue						
Revenue from Member Services	161,382,500	-	159,532,500	210,577,568	(51,045,068)	132%
Rental Revenue from Property	500,000	-	500,000	439,000	61,000	88%
Finance Income	2,300,000	-	2,300,000	4,806,507	(2,506,507)	209%
Other Income - Dinner (Branches & HQ)	1,850,000	-	1,850,000	-	1,850,000	0%
Total Income	164,182,500	-	164,182,500	215,823,075	(53,490,575)	131%
Expenses						
Direct Costs	33,369,480	-	33,369,480	74,833,433	(41,463,953)	224%
Employee Costs	24,082,445	-	24,082,445	31,847,081	(7,764,636)	132%
Repairs & Maintenance	450,000	-	450,000	183,781	266,219	41%
General Expenses	14,422,000	-	14,422,000	14,539,818	(117,818)	101%
Depreciation & Amortization	2,448,837	-	2,448,837	1,343,119	1,105,718	55%
Contracted Professional Services	1,650,000	-	1,650,000	7,875,821	(6,225,821)	477%
Council & Governance Costs	3,079,422	-	3,079,422	2,307,362	772,060	75%
Finance Costs	260,000	-	260,000	184,318	75,682	71%
30th Anniversary Expenses	4,140,000	-	4,140,000	-	4,140,000	0%
Training gift items	6,000,000	-	6,000,000	-	6,000,000	0%
Resource Persons	3,951,000	-	3,951,000	-	3,951,000	0%
Miscellaneous Expenses	3,000,000	-	3,000,000	-	3,000,000	0%
Software Maintenance	200,000	-	200,000	-	200,000	0%
Travel and Entertainment expenses	950,000	-	950,000	-	950,000	0%
IHRM Act Amendment Expense	4,200,000	-	4,200,000	-	4,200,000	0%
Total expenses	102,203,184	-	102,203,184	133,114,733	(53,352,549)	130%
Surplus/(deficit) for the period	61,979,316	-	61,979,316	82,708,342	(138,026)	133%

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

Notes

Revenue – Actual subscription earned is from active members and not all members as budgeted. Additional funds were invested hence increased interest.
Expenses – Revised chart of account for reporting requirement realigned the budget lines. Additional costs were incurred above the initial annual budget.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

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

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<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> <ul 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.

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

Rendering of services

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

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

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 entity.

Interest income

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

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payment 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 2017-2018 was not approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Institute upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Institute did not record additional appropriations on the 2017-2018 budget following the governing body's approval.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented number 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 30-year period.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

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

The applicable depreciation rates are as below;

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

j) Inventories

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) Provisions

Provisions are recognized when the 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

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

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

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 directors, the Executive Director and senior managers.

t) Service concession arrangements

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

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

u) Cash and cash equivalents

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

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, 2018.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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 values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 29** 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, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Revenue from Member Services

Description	2017-2018	2016-2017
	KShs	KShs
Application & Upgrades	4,390,537	-
Seminars, Workshops & Trainings	149,999,595	102,182,368
Membership Fees	48,685,375	39,778,811
Consultancy	7,502,061	5,629,900
Total revenue from the Rendering of services	210,577,568	147,591,079

7. Rental Revenue from Property

Description	2017-2018	2016-2017
	KShs	KShs
Rental Income	439,000	-
Total rentals	439,000	-

8. Finance Income

Description	2017-2018	2016-2017
	KShs	KShs
Interest income from Treasury Bills	4,806,507	-
Total finance income	4,806,507	-

9. Other Income

	2017-2018	2016-2017
	Kshs	Kshs
Service Charge – Park Office Suites	-	98,249
Sundry Income	-	1,467,073
Treasury Bill Interest	-	2,133,504
HRMPEB Incomes	-	2,518,672
Total Other Income	-	6,217,498

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Use of Goods and Services

Description	2017-2018	2016-2017
	KShs	KShs
Direct Costs		
Materials & Publication	19,354,424	-
Venue & Accommodation	41,468,757	-
Out of Station	2,169,650	-
Transport & Mileage	1,533,993	-
Travelling Costs	1,888,945	-
Consultancy	7,916,304	-
Other Costs	501,360	-
Total Direct Costs	74,833,433	-

11. Employee Costs

	2017-2018	2016-2017
	KShs	KShs
Gross Salaries	27,017,310	-
Wages	1,006,898	-
Training & Professional Development	41,000	-
Medical Cover	3,377,873	-
Employee Welfare	404,000	-
Employee costs	31,847,081	-

12. Repairs and Maintenance

Description	2017-2018	2016-2017
	KShs	KShs
Repairs & Maintenance	183,781	-
Total Repairs & Maintenance	183,781	-

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. General Expenses

Description	2017-2018	2016-2017
	KShs	KShs
Administrative Expenses		
Office Supplies	1,121,691	-
Office Cleaning	308,800	-
Transport & Insurance	1,280,110	-
Postage & Courier	240,827	-
Printing & Stationery	3,491,399	-
Advertisement & Publicity	122,000	-
Motor Vehicle	1,101,037	-
Corporate Social Responsibilities	120,314	-
License & Permits	174,500	-
Total Administrative Expenses	7,960,678	-
Office Rent		
Office Rent	2,641,990	-
Service Charge	1,214,730	-
Parking Fees	316,782	-
Hall Hire	304,073	-
Total Office Rent	4,477,575	-
Office Utilities		
Telephone & Internet	1,795,112	-
Office Utilities/Electricity	306,453	-
Total Office Utilities	2,101,565	-
Total General Expenses	14,539,818	-

14. Depreciation Expense

Description	2017-2018	2016-2017
	KShs	KShs
Furniture & Equipment	499,310	1,030,347
Fixtures & Fittings	210,772	1,195,236
Computers & Printers	3,843	961,956
Motor Vehicle	266,746	462,500
Intangible	362,448	-
Total Depreciation and Amortization	1,343,119	3,650,039

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Contracted Professional/Consultancy Expenses

Description	2017-2018	2016-2017
	KShs	KShs
Professional Fees	-	2,388,703
Audit Fees	900,000	-
Legal & Secretarial	244,720	-
Other Consultancy	6,731,101	-
Total Contracted Professional Services	7,875,821	2,388,703

16. Council and Governance Costs

Description	2017-2018	2016-2017
	KShs	KShs
Venue & Accommodation	341,478	-
Meeting Allowances	647,324	-
Transport & Travelling	1,014,930	-
Elections	73,480	-
Others	230,150	-
Total Council & Governance Costs	2,307,362	-

17. Finance Costs

Description	2017-2018	2016-2017
	KShs	KShs
Finance costs	184,318	-
Total finance costs	184,318	-

18. Membership Expenses

	2017-2018	2016-2017
	KShs	KShs
Membership Expenses	-	3,827,244
Total Membership Expenses	-	3,827,244

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Training Materials Expenses

	2017-2018	2016-2017
	KShs	KShs
Training & Seminar Expenses		
Annual HR Congress Expenses	-	10,286,955
Training Seminars	-	4,315,987
Hotel Charges (Seminar)	-	6,009,324
Annual Nrbi/Central/N. Eastern HR Convention	-	385,000
Annual Nyanza/Western HR Convention Expenses	-	346,621
Annual Coast HR Convention Expenses	-	37,500
Annual HRM Conference	-	15,788,602
Luncheon/Dinner/Breakfast	-	962,680
Executive Cert Expenses	-	387,125
Unfair Dismissal Expenses	-	181,882
Employment or Casual Expenses	-	362,571
HR Business Partner Expenses	-	193,000
Employment on Contract Expenses	-	161,611
Practical CBA Skills Expenses	-	47,500
Effective Discipline Management Expenses	-	444,754
HR Metrics Expenses	-	722,341
Competency Based Interview Expenses	-	326,861
Communication & Presentation Skills Expenses	-	57,000
Kenya Labour Laws Expenses - Nrb	-	1,672,807
Competency Based Talent W/Shop Expenses	-	957,070
Kenya Labour Laws Expenses - Eldoret	-	87,000
Total Training & Seminars Expenses	-	43,734,191

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Operating/Administration Costs

	2017-2018	2016-2017
	KShs	KShs
Operating/Admin Costs		
Council Expenses/Directors Allowance	-	2,223,645
Staff Costs Plus Medical	-	28,026,295
Office Telephone, Internet and Postage	-	1,103,182
Books & Seals adjusted printing	-	3,775,863
Office Rent	-	3,679,553
Travel - Office Expenses	-	353,087
CHRM Best Student Sponsorship	-	15,000
Petty Cash - IHRM	-	56,734
Miscellaneous Expenses	-	30,000
IHRM Compliance	-	166,000
HR Forums - Other Admin Expenses	-	109,591
Advertising & Publicity	-	2,979,553
Accounting Fees	-	694,610
Legal Fees	-	270,000
Computer Repairs & Accessories	-	26,750
Newspapers, Publications	-	304,690
Entertainment & Meals	-	147,175
Licenses & Permits	-	115,600
Insurance Cover	-	1,412,716
Software Maintenance	-	82,484
Office Expenses - General	-	2,084,464
Equip Repairs & Maintenance	-	629,385
Motor Van/Fuel	-	1,216,276
IHRM Charter	-	332,500
Electricity - Office Expenses	-	321,957
Travel , Entertainment & Parking	-	2,518,779
Perdiems Pocket Allowances on Training - Others	-	821,000
Debt Collection Expenses - Metropol	-	484,298
Bank Charges	-	225,366
Suspense Account W/Off	-	4,131,342
Total Operating/Administration Costs	-	58,337,895

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Detailed Analysis of Cash and Cash Equivalents

Financial institution	Account number	2017-2018	2016-2017
		KShs	KShs
a) Current account			
Absa bank	0821498910	37,582,554	40,943,950
Kenya Commercial bank	1203884745	9,566,186	9,482,478
Sub- total		47,148,740	50,426,428
b) Others(specify)			
Petty Cash	N/A	40,000	-
M-Pesa	N/A	3,512,709	1,050,350
Treasury Bills	N/A	122,572,648	50,213,563
Sub- total		126,125,357	51,263,913
Grand total		173,274,097	101,690,341

22. Receivables from Exchange Transactions

(a) Current Receivables from Exchange Transactions

	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Other exchange debtors	30,626,138	24,662,778
Total current receivables	30,626,138	24,662,778

(b) Long- term Receivables from Exchange Transactions

Description	2017-2018	2016-2017
	KShs	KShs
Long-term Receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	30,626,138	24,662,778

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Receivables from Non-Exchange Transactions

Description	2017-2018	2016-2017
	KShs	KShs
Deposit - Fuel	60,000	-
Deposit - Car Park	13,075	-
Rent Deposit - IHRM	2,656,776	-
Rent Deposit - HRMPEB	2,459,273	-
Deposit - Security	10,000	-
Deposit - Telephone	20,000	-
Rent and Other deposits	-	5,219,124
Other Receivables	-	5,168,918
5% Corporate Tax Withheld	7,903,035	-
Loan Account - Borrowing	1,000,000	-
M/V Disposal Deposit	956,250	-
Salary Advance	73,000	265,150
Prepaid Insurance	-	193,630
Group Life	117,622	-
Medical Inpatient	185,331	-
Medical Outpatient	220,913	-
Rent and other deposits	15,675,275	10,846,822

24. Related Parties

	2017-2018	2016-2017
	Kshs	Kshs
Transactions with related parties		
Opening Balance	(2,518,672)	-
a) Receipts received by IHRM on behalf of related parties		
HRMPEB	(23,883,303)	-
CHRM	(3,133,600)	-
Total	(27,016,903)	-
b) Payments made by IHRM on behalf of related parties		
HRMPEB	30,349,284	-
CHRM	962,195	-
Total	31,311,479	-
c) Transfer of Fixed Assets to related Parties		
HRMPEB (Net book Value)	6,719,324	-
Total	6,719,324	-
Grand Total	8,495,228	-

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property, Plant and Equipment

	Land & Buildings	Motor vehicles	Office Equipment	Computers & Printers	Fixtures & Fittings	Intangible	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 th June 2017	-	1,850,000	8,242,777	3,206,520	9,561,892	-	22,861,189
Additions	-	310,000	-	-	-	1,812,240	2,122,240
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	(2,008,860)	(365,121)	(5,378,271)	-	(7,752,252)
As at 30 th June 2018	-	2,160,000	6,233,917	2,841,399	4,183,621	1,812,240	17,231,177
Depreciation and impairment							
As at 30 th June 2017	-	1,093,018	2,239,436	2,828,588	2,497,442	-	8,658,484
Depreciation	-	266,746	499,310	3,843	210,772	362,448	1,343,119
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	(251,108)	(109,536)	(672,284)	-	(1,032,928)
As at 30 th June 2018	-	1,359,764	2,487,638	2,722,895	2,035,930	362,448	8,968,675
Net book values							-
As at 30 th June 2018	-	800,236	3,746,279	118,504	2,147,691	1,449,792	8,262,502
As at 30 th June 2017	-	756,982	6,003,341	377,932	7,064,450	-	14,202,705

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cost	Land & Buildings	Motor vehicles	Office Equipment	Computers & Printers	Fixtures & Fittings	Books & Seals	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 th June 2016	-	1,850,000	5,499,989	2,493,796	4,183,620	599,514	14,626,919
Additions	-	-	733,928	347,603	-	-	1,081,531
Disposals	-	-	-	-	-	-	-
Transfer/adjustments to HRMPEB	-	-	2,008,860	365,121	5,378,271	-	7,752,252
Transfer to CHRM	-	-	-	-	-	(599,514)	(599,514)
As at 30 th June 2017	-	1,850,000	8,242,777	3,206,520	9,561,891	-	22,861,188
Depreciation and impairment							
As at 30 th June 2016	-	630,518	1,209,089	1,866,632	1,302,205	60,990	5,069,434
Depreciation	-	462,500	1,030,347	961,956	1,195,236	-	3,650,039
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	(60,990)	(60,990)
As at 30 th June 2017	-	1,093,018	2,239,436	2,828,588	2,497,441	-	8,658,483
Net book values							
As at 30 th June 2017	-	756,982	6,003,341	377,932	7,064,450	-	14,202,705
As at 30 th June 2016	-	1,219,482	4,290,900	627,164	2,881,415	538,524	9,557,485

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Investments

Description	2017-2018	2016-2017
	KShs	KShs
Investment	30,677,312	-
Investment in Property	-	19,443,685
Investment in Subsidiary	-	11,233,627
Totals	30,677,312	30,677,312

27. (a) Trade and Other Payables

Description	2017-2018	2016-2017
	KShs	KShs
Trade Payables	2,545,801	7,557,197
Other Payables (Audit fee Provisions)	900,000	-
Total Trade & Other Payables	3,445,801	7,557,197

27 (b) Employee benefit obligation

PAYE	450,954	556,657
NHIF	-	20,250
Elimu SACCO	-	13,877
Stima SACCO	-	49,500
NSSF	-	32,400
WHT 5 Taxes	-	63,515
Education Plan	-	3,000
Pension	13,387	298,568
Accrued Terminal Dues	-	5,035,457
Total Employee benefit obligation	464,341	6,073,224

27 (c) VAT Control Account

Tax Accrued – PAYE & VAT	-	1,012,155
VAT Control Account	18,011,395	8,161,758
Total VAT Control Account	18,011,395	9,173,913
Total	21,921,537	22,804,333

28. Corporate Tax Provision

Description	2017-2018	2016-2017
	KShs	KShs
Corporate Tax Provision	27,917,551	-
Total VAT Control Account	27,917,551	-

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance b/d (01.07.2017)	-	-	-	-	-
Additional Provisions	-	-	-	900,000	900,000
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions as at 30.06.2018	-	-	-	900,000	900,000

30. Cash Generated from Operations

	2017-2018	2016-2017
	Kshs	Kshs
Surplus for the year before tax	82,708,342	41,870,504
Adjusted for Cash Flow from Operating Activities		
Depreciation	1,343,119	3,650,039
Investment Income	-	(2,133,504)
Rental Income	-	148,679
Provision for audit Fees	900,000	-
Operating Profit Before Working Capital Adjustments	84,951,461	43,535,718
Working Capital adjustments		
Increase/(Decrease) in Trade & Other Receivables	(10,791,815)	(13,042,841)
Increase/(Decrease) in Treasury Bills	-	(8,061,957)
Increase/(Decrease) in Trade & Other Payables	(5,011,396)	14,944,639
Increase/(Decrease) in Related Parties	(3,916,360)	1,962,635
VAT Control Account	9,849,637	-
Decrease in Tax Accrued – PAYE & VAT	(1,012,155)	-
Decrease in – Employee Benefit Obligation	(5,608,883)	-
Total Cash Flow from Operating Activities	68,460,489	39,338,194

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Financial Risk Management

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

i) Credit risk

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2018				
Receivables from exchange transactions	30,626,138	30,626,138	-	-
Receivables from non-exchange transactions	15,675,275	15,675,275	-	-
Bank balances	173,274,097	173,274,097	-	-
Total	219,575,510	219,575,510	-	-
As at 30 June 2017				
Receivables from exchange transactions	24,662,778	24,662,778	-	-
Receivables from non-exchange transactions	10,846,821	10,846,821	-	-
Bank balances	101,690,341	101,690,341	-	-
Total	137,199,940	137,199,940	-	-

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2018				
Trade payables	-	-	2,545,801	2,545,801
Current portion of borrowings	-	-	-	-
Provisions	-	900,000	-	900,000
Deferred income	-	-	-	-
Employee benefit obligation	464,341	-	-	464,341
Total	464,341	900,000	2,545,801	3,910,142
As at 30 June 2017				
Trade payables	-	-	7,557,197	7,557,197
Current portion of borrowings	-	-	-	-
Provisions	-	-	5,035,457	5,035,457
Deferred income	-	-	-	-
Employee benefit obligation	1,037,767	-	-	1,037,767
Total	1,037,767	-	12,592,654	13,630,421

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FY 2018

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2018			
Financial assets			
Investments	30,677,312	-	30,677,312
Bank & Cash Balances	173,274,097	-	173,274,097
Debtors	30,626,138	-	30,626,138
Total financial assets	234,577,547	-	234,577,547
Financial Liabilities			
Trade and other payables	3,445,801	-	3,445,801
Borrowings	-	-	-
Total financial liabilities	3,445,801	-	3,445,801
Net foreign currency asset/(liability)	231,131,746	-	231,131,746

FY 2017

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2017			
Financial assets			
Investments	30,677,312	-	30,677,312
Bank & Cash Balances	101,690,341	-	101,690,341
Total financial assets	132,367,653	-	132,367,653
Financial Liabilities			
Trade and other payables	22,804,333	-	22,804,333
Borrowings	-	-	-
Total financial liabilities	22,804,333	-	22,804,333
Net foreign currency asset/(liability)	109,563,320	-	109,563,320

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.

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	217,171,464	159,275,624
Capital reserve	-	-
Total funds	217,171,464	159,275,624
Total borrowings	-	-
Less: Cash and Bank Balances	173,274,097	101,690,341
Net debt/(excess cash and cash equivalents)	43,897,367	57,585,283
Gearing	20%	36%

32. Related Party 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) CHRM – College of Human Resource Management
- iii) State Department for Public Service

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017-2018	2016-2017
	Kshs	Kshs
a) Receipts received by IHRM on behalf of related parties		
HRMPEB	23,883,303	-
CHRM	3,133,600	-
Total	27,016,903	-
b) Payments made by IHRM on behalf of related parties		
HRMPEB	30,349,284	-
CHRM	962,195	-
Total	31,311,479	-
c) Transfer of Fixed Assets to related Parties		
HRMPEB (Net book Value)	6,719,324	-
d) Key management compensation		
Directors' emoluments	2,307,362	2,223,645
Compensation to key management	10,650,360	9,956,772

33. Events after the Reporting Period

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

34. Ultimate and Holding Institute

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

35. 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, 2018**

APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report for 2016-2017	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Date when Issue expected to be resolved)
Disclaimer of Opinion				
1.0 Late Submission of Financial Statements	The management of IHRM submitted the Financial Statements for the financial year ended 30 June 2017 on 19th December 2018 resulting to non-compliance	The financial report to be submitted the due date going forward	Resolved	30 November 2022
2.0 General Presentation of Financial Statements				
2.1 Income	Financial statements have been prepared on accrual basis, the revenue recognition system only captures amount that have been receipted in the accounts system and does not recognize any credit sales.	Revenue are recognized immediately earned and not when receipting	Resolved	30 November 2022
2.2 Expenditure	The accuracy and completeness of the total expenses as per the statement of financial performance could not be ascertained.	All Expense are duly procured for along other goods/services	Resolved	30 November 2022

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Reference No. on the external audit Report for 2016-2017	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Date when Issue expected to be resolved)
1.1 Suspense Account	Financial records do not accurately capture the financial transactions of the Institute. The accuracy and reliability of the financial statements for the year cannot be ascertained.	Suspense account is no longer maintained as all transactions are recorded in the relevant ledgers	Resolved	30 November 2022
1.2 Variance between the Ledgers and Statement of Financial Position	The variance have not been reconciled or explained.	The financial report was prepared from incomplete records hence no sufficient documentation for reconciliation	Resolved	30 November 2022
1.3 Accuracy of Information	Opening Balances as at 1 July 2016 were not audited by Auditor General neither was the Auditor purported to have audited by the figures by the Auditor General in line with Section 23 of the Public Audit Act, 2015. Consequently, the accuracy and validity of the opening balances and by extension the closing balances for year ended 30 June 2017 could not be confirmed.	The opening balances have remained to be base of the subsequent financial reports preparations.	Resolved	30 November 2022

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

Reference No. on the external audit Report for 2016-2017	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Date when Issue expected to be resolved)
2.0 Council Expenses	It is not possible to confirm the accuracy, completeness and propriety of the Council expenditure for the year ended 30 June 2017.	All Council Expense are duly procured for along other goods/services	Resolved	30 November 2022
3.0 Statement of Financial Position				
3.1 Cash and Cash Equivalents	The accuracy and completeness of the cash and cash equivalents balance could not be confirmed.	Cash and Balances are duly supported by certificates for confirmation	Resolved	30 November 2022
3.2 Investment in Subsidiary	Details have not been provided for verification. The nature, accuracy, existence and supporting documentation and the fair value statement of the reported	The investment has since been evaluated and fair value ascertained	Resolved	30 November 2022
3.3 Trade Receivables	The nature, accuracy, existence and supporting documentation and fair value statement of the reported trade receivables could not be confirmed.	Trade and other receivables ledger and aging analysis maintained	Resolved	30 November 2022
3.4 Trade and Other Payables	The accuracy, validity and completeness of the balance for trade and other payables could not be confirmed.	Trade and other payables ledger and aging analysis maintained	Resolved	30 November 2022

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Reference No. on the external audit Report for 2016-2017	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Date when Issue expected to be resolved)
4.0 Property, Plant and Equipment	The accuracy and existence of the property, plant and equipment balance could not be confirmed.	Fixed Assets have since been revalued, tagged and register maintained	Resolved	30 November 2022
5.0 Training and Seminars Expenses	The propriety of the expenditure could not be confirmed.	Appropriate measures are in place to manage expenditures	Resolved	30 November 2022
7.0 Unauthorised Operations – Non Compliance with the Human Resource Management Professional (HRMP) Act No. 52 of 2012	The entire expenditure and collection of income were not approved nor controlled in any way.	The Institute's expenditures and collections are duly approved	Resolved	30 November 2022
8.0 Non Compliance with IHRM Finance Policies and Procedures Manual	The accuracy and completeness of the financial statements for the Institute for the year ended 30 June 2017 could not be confirmed.	Finance Policy has since been revised and approved for implementation	Resolved	30 November 2022
9.0 Non Compliance with the Institute of Human Resource Management Procurement Manual	The Institute has not complied with the Procurement Manual which was formulated, passed and revised in 2014 hence inability to rely on the payment vouchers submitted.	Procurement Policy has since been revised and approved for implementation.	Resolved	30 November 2022

Executive Director

Date 11/08/2022

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by Institute - 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)
N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department for Public Service				
FY 2017/2018				
a. Recurrent Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY 2017-2018</u>	
	None	None		
	Total			
b. Development Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY 2017-2018</u>	
	None	None		
	Total			

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

Finance Manager

Institute of Human Resources Management



Sign -----

Head of Accounting Unit

State Department for Public Service

Sign-----

Institute of Human Resource Management
Annual Reports and Financial Statements
For the year ended June 30, 2018

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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