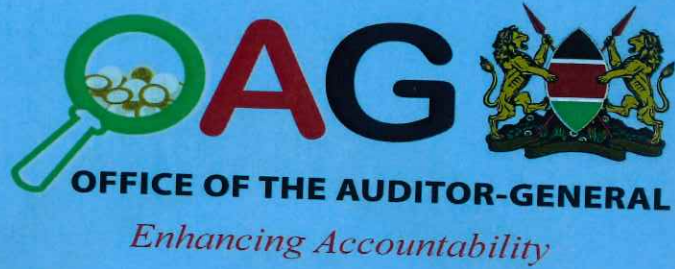


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA INSTITUTE OF SUPPLIES
MANAGEMENT**

**FOR THE YEAR ENDED
31 DECEMBER, 2019**



Kenya Institute of Supplies Management

Promoting Professionalism in Supply Chain Management

**AUDITED
ANNUAL REPORT
&
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST DECEMBER 2019



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Table of contents

<i>Five Year Financial Review</i>	1
<i>Key Institute Information</i>	2
<i>KISM Performance Highlights</i>	3
<i>Council Members</i>	
<i>Management Team</i>	
<i>Chairman's Statement</i>	
<i>Review of the Performance of the Institute</i>	
<i>Management Discussions and Analysis</i>	
<i>Corporate Social Responsibility</i>	
<i>Report of the Council</i>	4
<i>Statements of Council's Responsibility</i>	5
<i>KISM Statement of Comprehensive Income</i>	6
<i>KISM Statement of Financial Position</i>	7
<i>Statement of Changes in Equity</i>	8
<i>Statement of Cash Flow</i>	9
<i>Notes to the Financial Statements</i>	10 - 26
<i>Progress on follow up on auditor's recommendations</i>	



**Kenya Institute of Supplies
Management
Annual Report & Financial Statements
2019**

FIVE YEAR FINANCIAL REVIEW

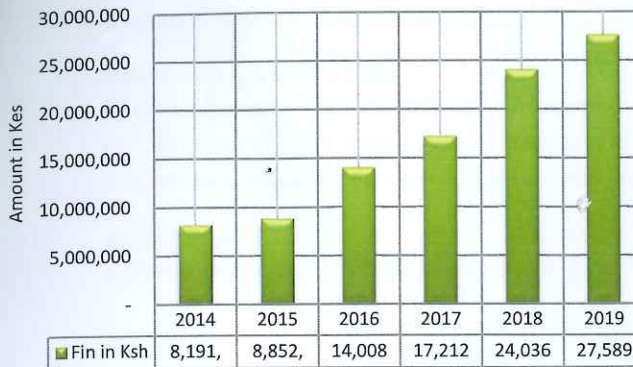
YEAR	2014 Kshs	2015 Kshs	2016 Kshs	2017 Kshs	2018 Kshs	2019 Kshs
Income						
Grant from Partners	32,229,245	19,418,435	6,175,632	-	-	-
Membership Subscriptions	8,191,750	8,852,000	14,008,500	17,212,000	24,036,000	27,589,000
Workshop receipts	43,778,523	61,346,910	121,335,400	89,902,500	100,110,121	142,442,803
Membership Dinner	1,644,000	1,345,500	995,800	1,159,500	800,500	-
Programme Tuition Fees	13,170,900	13,133,100	10,941,500	8,739,500	6,488,000	5,171,500
Other Income	8,915,168	9,326,682	10,806,425	11,801,189	12,338,194	10,363,564
Total Income	107,929,586	113,422,627	164,263,257	128,814,689	143,772,815	185,566,866
Expenses						
Administrative Expenses	48,513,129	55,912,297	57,591,106	65,494,829	66,635,090	71,779,955
Operating Expenses	31,887,627	35,545,901	82,299,012	37,819,053	50,347,373	66,624,368
Operating Surplus/(Deficit)	27,528,829	21,964,429	24,373,139	25,500,807	26,790,351	47,162,543



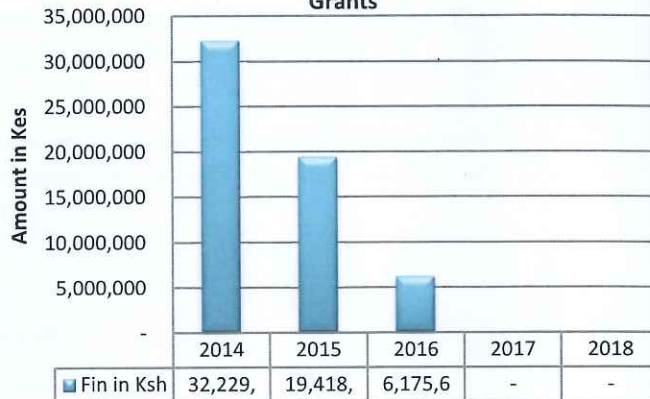
Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Performance Highlights

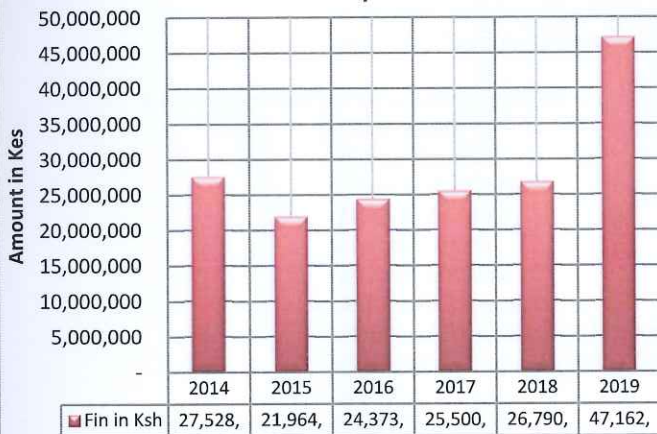
Subscriptions



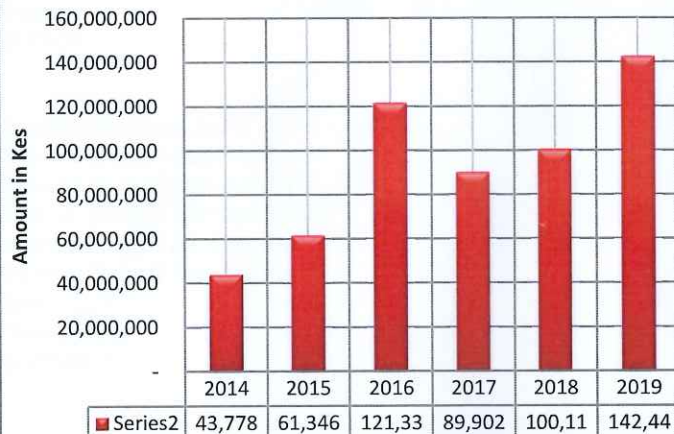
Grants



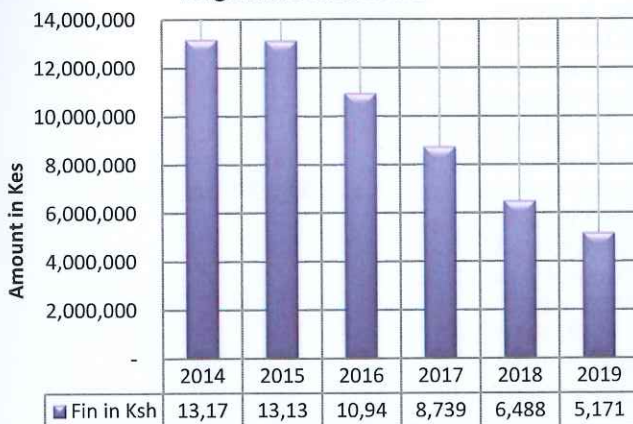
Institute Surpluses



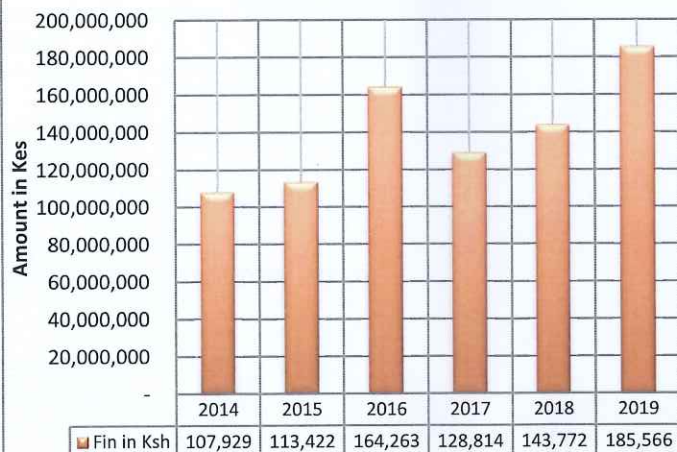
Workshop Collections



Programme Tuition Fees



Annual Total Income





Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

KEY INSTITUTE INFORMATION

BACKGROUND INFORMATION

The Institute was established by the Supplies Practitioners Management Act 2007 of Parliament. The Institute is domiciled in Kenya and headquartered in Nairobi, with its offices in Nairobi CBD

PRINCIPAL ACTIVITIES

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

KISM COUNCIL

Current Council w.e.f 10th January 2020

:	John Karani Ndiwa	Chairman
:	Moses Allan Omondi	Council Member
:	Jeremiah Kiio Nthusi	Council Member
:	Vincensia Anyango Apopa(Phd)	Council Member
:	Grace Murichu	Council Member
:	Diana Mwacharo	Council Member
:	Nimo Hussein	Council Member
:	Principal Secretary The National Treasury	
:	Hennock Kirungu - Director General PPOA	

Retired Council on 10th January 2020

:	Chris Oanda	Interim Chairman Ret'd
:	Joseph Ogachi	Interim Council Member Ret'd
:	Francis Murabula	Interim Council Member Ret'd
:	Joyce Nyanamba	Interim Council Member Ret'd
:	Florence Oile	Interim Council Member Ret'd
:	Dickson Mwenze	Interim Council Member Ret'd
:	Jeremiah Ogola, decd	Late
:	Principal Secretary The National Treasury	
:	Hennock Kirungu - Director General PPOA	

Structure of the KISM Committee

- : The KISM Council
- Statutory Committees**
- : Registration Committee
- : Disciplinary Committee
- Committees of the Council**
- : Finance & Administration Committee
- : Standards Committee
- : Examinations Committee
- : Audit Committee
- : Legal and Statute Committee
- : Member Services Committee

Registered Office

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



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

KEY INSTITUTE INFORMATION Contd

Auditor

: Office Of Auditor General
: Anniversary Towers
: University Way
: P.O. Box 30084 - 00100
: Telefax: 020311482
: Tel. 020 342330
: NAIROBI
: Email. oag@oagkenya.go.ke
: Website. www.kenao.go.ke

Principal Banker

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

Legal Advisor

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

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



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

COUNCIL MEMBERS



JOHN KARANI

John Karani is the Chairman of KISM. John Karani is a seasoned Supply Chain professional with over 27 years experience in major blue-chip multinationals. Worked with Coca-Cola Africa for 18 years, Wrigley's East African Limited, Kenya Cooperative Creameries and Kenya Meat Commission.



DIANA MWACHARO

Has 15 years SCM experience in the public sector, serving at the Postal Corporation of Kenya, the IEBC and SASRA. Currently the head of procurement at SRC



GRACE MURICHU

Has 20 years experience in leading the human resource and supply chain functions at Kenya Revenue Authority



NIMO HUSSEIN

Has 11 years experience in the public, leading SCM teams at Kengen and Retirement Benefits Authority



JEREMIAH NTHUSI

Currently the Director of SCM at the Judiciary. Pursuing a PhD in Supply Chain Management.



MOSES OMONDI

Head of SCM at Intercontinental Group. Has 23 years experience in the private sector with multi-industry exposure in local and multinational firms.



VINCENSIA APOPA (Phd)

Head of the supply chain department at the National Construction Authority. PhD in Supply Chain Management



JAMES KALOKI

Currently the acting Chief Executive Officer and the Secretary to the Council of the Institute



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

MANAGEMENT TEAM



JAMES KALOKI

Currently the acting Chief Executive Officer and the Secretary to the Council of the Institute



NICHOLAS WAFULA

The Finance Manager of the Institute, has served in the current post for over five years



EMMAH WAHU KINUTHIA

Currently the Training Manager for over four years, and was previously engaged for 8 years as Graduate Teacher at Muthiga Secondary School.



TIMOTHY SEUREY

Currently doubles as the acting procurement manager together with regional officer responsibilities



CHILION OTIENO OGOL

Currently the membership services officer, served in the current position for over six years



ESTHER JOAN WANYOIKE

Currently doubles as both KISM Executive Assistant and the Human Resource Officer. Has served in the positions for over five years.



BONIFACE MWANIKI

Currently the ICT officer of the Institute. Has served for the last four years



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

CHAIRMAN'S STATEMENT

Profiling of procurement as a profession is built around registration and licensing of professionals, capacity building, examination and Certification, and promotion of professional conduct and ethics. KISM is implementing its second strategic plan for the period 2015 – 2019 which was developed with focus on defining a robust framework for the institute to fulfil its national mandate while participating in the development and promotion of regional and global standards of procurement and supply chain management practice. The current strategy is focused on regulation and promotion of professionalism through implementation of provisions of the Act that guide the capacity development of members and address issues of ethics and professional conduct.

1.1. REGISTRATION OF MEMBERS

KISM was instrumental in positioning procurement the procurement law of 2015, and periodically writes to originations to advise in reporting relationships and structure for procurement organization. This ongoing profiling of procurement supports growth in Membership. The full Member category grew from 3,670 to 4,508 between 2018 and 2019.

1.2. LICENSING OF PRACTITIONERS

Licensing promotes recognition of authority of procurement professionals in organizations. It elevates the procurement role and contributes to regulation of procurement practice. The number of licensed practitioners has grown from 961 to 1,182 between 2018 and 2019.

1.3. OPPORTUNITIES FOR LICENSED FIRMS AND INDIVIDUALS

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

1.4. ENGAGEMENTS WITH ACADEMIA

In the period, the institute rendered support to Commission for University Education in their review of curriculum submitted for accreditation from local universities. Strathmore University received direct support from KISM development of their procurement and supply chain academic programs.

1.5. OPPORTUNITIES FOR INTERSHIPS AND EMPLOYMENT

23 junior professionals were assisted to find internships and employment in 2018 compared to 20 in 2017. In the period under review KISM supported Council of Governors and SASRA in their recruitment of procurement professionals.

1.7. ADVOCACY FOR PROFESSIONALS

The Institute ran a public campaign in 2019 to educate the public on the role that procurement officers play in public procurement. At least two articles were published in the local dailies and at least two TV and Radio interviews were carried out between the months of June and December 2019. The campaign involved lobbying government to appreciate that procurement professionals are not the source of corruption in public sector procurement, and that there is a need focus attention on the wider supply chain order to root out corruption.

Professional bodies also saw it fit to collaborate with a view to supporting each other in the event of a similar directive targeting professionals is issued in future. This gave birth to a concept to convene an Inter-Professional Summit jointly between Kenya Institute of Supplies Management (KISM), Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Human Resource Management (IHRM), and Institute of Certified Secretaries (ICS) in 2019.

1.8. COLLABORATIONS: IFPSM WORLD SUMMIT 2019 COMES TO AFRICA

Delegations from 45 countries will attend the Summit, alongside more than 300 Kenyan procurement and supply management professionals attended the annual summit. This was the largest gathering of professional buyers in the region. It presented a great opportunity for local professionals to participate in an international event and interacted with peers from around.

The bid to host the 2019 World Summit of the International Federation of Purchasing and Supply Management (IFPSM), was awarded to KISM and confirmed at the IFPSM World Summit 2018 in Helsinki Finland. KISM hosted the World Summit at Pridelnn Resort, Mombasa, on 11-13 September 2019. The theme of the Summit is "Sustainable Procurement and Supply Chain Practices for the 21st century."

2.0. CPD WORKSHOPS

Currently KISM mounts between twenty and twenty-three workshops annually. The workshops content is informed feedback collected through member's surveys. Attendance in workshops rose from 1,614 in year 2018 to 2,108 in year 2019.

CHALLENGES

- (i) Legal (amendments to the Act) reforms that support efficient implementation of the SPMA and align to the new Constitution 2010;
- (ii) The government support in rolling up the National Certification Examinations developed under the SPMA
- (iii) Low level of participation in KISM programs by professionals from the region
- (iv) Low level support to the Continuous professional programs for procurement professionals
- (v) Continued membership and licensing, with retention below 50%
- (vi) Lack of the Public Procurement and Disposal Act Regulations
- (vii) Lack of a substantive Council, committees and Board envisaged in the SPM Act
- (viii) Inadequate funds to sustain the implementation of the SPM Act and regulations



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

REVIEW OF THE INSTITUTE'S PERFORMANCE FOR FY 2019

1.1 Strategic Goals and Objectives

- **Professional Development** through continuous professional training and other professional development functions of the Institute
- **Regulation of PSCM Profession** to enforce the SPMA Act through registration, licensing, addressing all disciplinary matters against the members and other functions of the Institute to promote PSCM professionalism in the country.
- **Professional Certification** through establishment and operationalization of KISEB as stipulated in the SPMA which is charged with the statutory responsibility to develop and administer curriculum for a local professional qualification in PSCM
- **KISM Brand Development and Promotion through** initiatives touching on public relations (PR), marketing and stakeholder engagement functions of the Institute to position KISM as an influential voice of the PSCM profession in Kenya and beyond, strengthen communication capability and reach of the relevant functions as well as enhance KISM brand perception and visibility as envisaged in the core mandate
- **Financial Sustainability:** by widening and deepening the Institute's financial base to support planned growth in regular revenue streams, review of existing membership structure to increase membership subscriptions, development and marketing of appropriate CPD programs, restructuring and expanding the training function into a full-fledged consultancy wing, developing new source of rental income, proper operating expense management, among others
- **Institutional Strengthening** so as to deliver on the Institute's mandate.

KISM develops its annual work plans based on the above strategic plan 2015 to 2019 whose pillars are indicated above. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KISM achieved its performance targets set for the FY 2019 period for its 2015 - 2019 strategic pillars, as indicated in the diagram below

Programme	Delivery Unit	Key Outputs	Key Performance indicators	Target 2019	Actual Achievement
Membership & Related activities	Membership Services	✓ Growth in membership and licensed practitioners	✓ Renewal of membership	✓ At least 9,000 member's current	At least 5,250 members admitted over 950 licensed practitioners over the period
		✓ Sustained compliance levels	✓ Increased membership application ✓ Increased licensed practitioners	✓ 1,500 licensed practitioners	
Enhance compliance inspection and case- follow-up on illegal supply chain practitioners	Membership services	✓ Clean database	✓ Advertisement calling for compliance	✓ Call for compliance	
		✓ Compliance	✓ Positional papers	✓ Increased renewals to 6,500 members and 2,000 licenses	
		✓ Employer feedback	✓ Renewal of membership	✓ Database cleanup	
		✓ Enhanced stakeholder outreach	✓ Licensing and compliance	✓ Continuous professional development	
		✓ Continuous Professional Development ✓ Enhance compliance through periodical inspection and case-follow-up on illegal practitioners	✓ Reduced cases of corrupt practices ✓ Employment of qualified members in supply chain		
		✓ Enhance Quality Monitoring and member experience through an interactive member self service			

			<ul style="list-style-type: none"> ✓ Enhance the discipline levels among members and enforce ethical practices within the profession ✓ Enhance Public Interest on supply chain matters ✓ Collaborate and create synergies on national matters affecting supply chain 		
Construction & development of KISM Hqtrs	KISM Project Management Team	Handover of KISM completed 17 storey building	Relocation of KISM offices	Completion of the construction.	95% of the construction complete. Superstructure complete.
			Disposal/lease of surplus space to governmental entities	Handover of the building Relocation of KISM offices Leasing and relocation into the new office	
Training and Capacity Building	Training Department	Continuous capacity building training availed to procurement professionals and organizations	<ul style="list-style-type: none"> ▪ Increased number of training programs ▪ Increased participation from KISM membership 	Train 75% of active members	21 training programs and trained 1,861 participants
			Increased compliance to CPD requirement and by extension to procurement laws and regulations	Hold at least 25 trainings	
Secretariat Capacity Building	Human Resource	Recruitment and engagement of qualified staff	Capacity building	Recruit staff to support the growth initiatives	Recruit staff to support the growth initiatives
		Appointment of committees to the Council	Training needs assessment	Review staffing benefits	Review staffing benefits
		Engagement of taskforces to support Council operations			
		Development of the strategic plan	Council appointment letters and induction Increased visibility of member participation in KISM activities		
KISM Rebranding	KISM Visibility	Culture change	Strategic plan 2020 - 24 Education fairs and student welfares	Public relations initiatives	
		Visibility in nationwide procurement matters	Excellence awards	Consultancy to develop governance instruments, disciplinary procedures and code of ethics	
		Enhanced career guidance and mentorship	Organisation governance instruments	Student excellence awards	
		New Organisation structure	Disciplinary policy and code of ethics	Partnership with the promoters of excellence awards	
		Governance instruments	Periodical Positional papers on procurement	Quarterly positional papers	
		Disciplinary policies and procedures	Procurement newsletter	Level of member satisfaction surveys	



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

COUNCIL REPORT

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2019 which show the state of the institute's affairs.

PRINCIPAL ACTIVITIES

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

RESULTS

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

	2019	2018	2017
Total Revenue	185,566,866	143,772,815	128,814,689
Expenditure	138,404,323	116,982,464	103,313,882
Surplus	47,162,543	26,790,351	25,500,807

DIVIDENDS

The Institute is not incorporated limited by shares

DIRECTORS

The members of the Council who served during the year are shown on page 1. In accordance with Supplies Practitioners Management Act 2007 no Council members serving during the period ended 31st December 2019 presided over the Council operations for the period under review.

AUDITORS

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the institute for the year/period ended 31st December, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to audit on his behalf.

BY ORDER OF THE COUNCIL

JOHN KARANI NDIWA, CHAIRMAN.

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SUPPLIES MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute of Supplies Management set out on pages 13 to 34, which comprise the statement of financial position as at 31 December, 2019, and statement of comprehensive income, consolidated statement of cash flows, statement of changes in net assets, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Institute of Supplies Management as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), and comply with the Public Finance Management Act, 2012 and the Supplies Practitioners Management Act, 2007.

Basis for Qualified Opinion

1.0 Variances Between the Ledgers and Trial Balance

The trial balance differed with the supporting ledger balance on five (5) items resulting in unexplained variances as follows: -

Item	Description	Trial Balance (Kshs.)	Ledger Balance (Kshs.)	Difference (Kshs.)
1	Asset Grant	499,277,487	490,850,903	8,426,584
2	Promotion and Advertisement	2,974,149	2,874,357	99,792
3	Workshop Expenses	4,231,580	4,060,156	171,424
4	Pension	1,537,656	1,867,391	-329,735
5	Salaries and Wages	28,667,876	26,800,485	1,867,391
	Total	536,688,748	526,453,292	10,235,456

Consequently, the accuracy of the financial statements for the year under review could not be confirmed.

2.0 Unsurrendered Imprest

The statement of financial position and as disclosed under Note 20 to the financial statements reflects debtors and prepayments balance of Kshs.45,965,218. Included under this balance are related party debts-KISM staff of Kshs.1,279,885 being temporary imprests issued to two members of staff which has been outstanding since 31 December, 2018. Management has not effected recovery of the imprest. This is contrary to Regulation 93(6) of the Public Finance Management (National Government) Regulations which provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

Consequently, the fair statement of the reported debtors and prepayments balances of Kshs.45,965,218 as of 31 December, 2019 could not be confirmed.

3.0 Unsupported Expenditure

The statement of comprehensive income and as disclosed under Note 14 to the financial statements reflects administration expenses of Kshs.34,210,937. Included in this amount is legal fees of Kshs.2,186,000. However, the Management provided supporting documents and information in support of Kshs.185,000 resulting in unexplained difference of Kshs.2,001,000. Further, included in the administrative expenses was expenditure of Kshs.196,531 in respect of decorations for which Management did not provide documents and information for audit review.

Consequently, the accuracy and completeness of the reported administration expenses of Kshs.34,210,937 for the year ended 31 December, 2019 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

Basis for Conclusion

1.0 Unpaid Withholding Tax

The statement of financial position reflects creditors and accruals balances of Kshs.88,353,488 which includes withholding tax payable to KRA of Kshs.26,825,005 that has been outstanding for over one year. The amount continues to attract interest and penalties with the continued delay in settlement. Management has not rendered any plausible reason for the failure to settle the taxes.

2.0 Noncompliance with State Corporations Advisory Committee (SCAC) Circulars

The Institute has continued to operate without having its Human Resource Policy instruments comprising of organizational structure, staff grading and establishment, career guidelines, human resource policy and procedures manual contrary to State Corporations Advisory Committee (SCAC) circular number OP/SCAC.9/21/1/1 of 15 May, 2017.

Consequently, the Management of Institute is in breach of the Law.

3.0 Procurement Activities Outside E-procurement

The Institute has not implemented the e-procurement system. This is contrary to the Executive Order No.6 of 2015 which requires all Public entities to migrate their procurements plans to the Kenya Government IFMIS e-procurement system.

Further, the Institute did not submit its procurement plan to the Public Procurement Regulatory Authority on procurement of planned activities contrary to the requirements of Executive Order No.2 of 2018.

Consequently, the Management of Institute is in breach of the Law.

4.0 Procurement of Services

A review of the records revealed that the Institute procured various goods and services amounting to Kshs.9,927,906 from various suppliers without having supply contracts in place. Further, there was no prequalification of suppliers for the year 2019.

Consequently, the Management of Institute is in breach of the Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Weak Internal Control systems

Review of the Institutes internal control system revealed that there was inadequate segregation of duties and the Procurement Manager resigned in June, 2019. The Procurement Manager has not been replaced at the time of the audit. Management has not demonstrated measures taken to strengthen the internal controls for effective management of resources. The risk of Management override of controls is high.

2.0 Lack of Risk Management Policy and Risk Registers

Review of the internal controls revealed that Management did not have in place formal risk management policies. Further, Management had not conducted risk assessment to identify potential risks that could impact on the operations of the Institute. This is contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

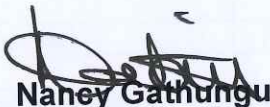
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

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

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

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


Nancy Gathungu
AUDITOR-GENERAL


Nairobi

23 August, 2021

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 August, 2021



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

STATEMENT OF COMPREHENSIVE INCOME For the Period ended 31st December 2019

	Notes	Kshs 2019			Kshs 2018		
		KISM	GoK & Other Partners	Totals	KISM	GoK & Other Partners	Totals
Income							
Grants from Partners	6		-	-	-	-	-
Membership Subscriptions	7	27,589,000	-	27,589,000	24,836,500	-	24,836,500
Workshop receipts	8	142,442,803	-	142,442,803	100,110,121	-	100,110,121
School Fees	9	5,171,500	-	5,171,500	6,488,000	-	6,488,000
Examination Income	11			-			-
Other Income	11	10,363,564	-	10,363,564	12,338,194	-	12,338,194
Total Income		185,566,866	-	185,566,866	143,772,815	-	143,772,815
Expenditure							
Staff Costs	12	31,182,971	-	31,182,971	32,421,799		32,421,799
Council Expenses	13	6,386,047	-	6,386,047	4,502,869		4,502,869
Administrative Expenses	14	34,210,937	-	34,210,937	29,710,423		29,710,423
Operating Expenses	15	64,817,658	-	64,817,658	48,315,077		48,315,077
Depreciation	16	1,806,709		1,806,709	2,032,297		2,032,297
Operating Surplus(Deficit) Before Finance cost		47,162,543	-	47,162,543	26,790,351	-	26,790,351
Operating Surplus/(deficit) after Finance Costs		47,162,543	-	47,162,543	26,790,351	-	26,790,351
Taxable Surplus	28						
Tax Liability	28						
Surplus / (Deficit) after tax		47,162,543	-	47,162,543	26,790,351	-	26,790,351



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

	Notes	2019	2018
Non-Current Assets			
Property plant and Equipment	17	743,500,232	486,485,028
Intangible Assets	18	883,172	1,177,563
Total Non-Current Assets		744,383,405	487,662,591
Current Assets			
Bank & Cash	19	76,925,891	55,446,434
Related Party debts	20	1,279,885	
Stocks - Unexplained Store items	24	-	40,769,171
Debtors & Prepayment	20	44,685,333	96,215,605
Total Current Assets		122,891,108	96,215,605
Current Liabilities			
Gok Grant (Advance)	21	(13,625,626)	
Bank Balance due to KISEB	22	88,353,488	53,125,549
Creditors & Accruals	23		
Deffered Subscriptions		280,484	1,098,636
School Fees Prepayments	25	682,581	682,581
Workshop Refunds	26	75,690,927	54,906,766
Total Current Liabilities		47,200,181	41,308,838
Net Current Assets		791,583,585	528,971,429
Net Capital Employed			
Accumulated Funds		292,306,098	245,143,554
Retained Earnings		292,306,098	245,143,554
Accumulated Funds			
Asset Grant	27	499,277,488	283,827,875
Total Funds		791,583,585	528,971,429
Current & Quick ratio		1.62	1.75

Financial Statements on pages 7 to 26 were approved for issue by the Council on 2021, and were signed on behalf by;

JOHN KARANI NDIWA
 KISM CHAIRMAN

MARTIN GACHUKIA
 KISM Ag.CEO



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

STATEMENT OF CHANGES IN NET ASSETS AS AT 31ST DECEMBER 2019

	KISM General Fund	Professional Development Fund	Total
	KSHS	KSHS	KSHS
As at 1st January 2016	145,252,750	1,018,838	146,271,588
Total Comprehensive Income for the year	30,868,361	-	30,868,361
Transfer of share of fees	-	3,206,370	3,206,370
Other surplus from other activities			-
As at 31st December 2016	176,121,111	4,225,208	180,346,319
As at 1st January 2017	176,121,111	4,225,208	180,346,319
Total Comprehensive Income for the year	25,500,807	-	25,500,807
Transfer of share of fees	-	5,102,835	5,102,835
Other surplus from other activities			-
As at 31st December 2017	201,621,918	9,328,043	210,949,961
As at 1st January 2018	201,621,918	9,328,043	210,949,961
Total Comprehensive Income for the year	26,790,351	-	26,790,351
Transfer of share of fees	-	7,403,243	7,403,243
Other surplus from other activities			-
As at 31st December 2018	228,412,269	16,731,286	245,143,554
As at 1st January 2019	228,412,269	16,731,286	245,143,554
Total Comprehensive Income for the year	39,088,973	-	39,088,973
Transfer of share of fees	-	8,073,570	8,073,570
Other surplus from other activities			-
As at 31st December 2019	267,501,242	24,804,856	292,306,098



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

CONSOLIDATED STATEMENT OF CASHFLOW For the Period ended 31st Dec. 2019

	2019 Kshs	2018 Kshs
Cash Generated from Operations		
Reconciliation of Surplus(deficit) before tax to cash generated from operations;		
Surplus(deficit) before tax	47,162,543	26,790,351
Add Non Cash Adjustments		
Professional development fund	(8,073,570)	
Depreciation	1,512,319	1,639,775
Amortisation	294,391	392,521
Cashflow before Changes in Working capital	40,895,683	28,822,647
Changes in Working Capital		
(Increase)/ Decrease in Receivables	(5,196,046)	(395,802)
Increase/(Decrease) in Creditors	35,227,939	(16,781,929)
Increase in Prepaid School fees	(818,152)	-
Increase/(Decrease) in Deffered Subscription		-
(Increase)/ Decrease in Deposits		-
(Increase)/ Decrease in VAT Claimable	(15,524,245)	659,653
Increase /(Decrease) in Refunds	(13,625,626)	
Tax Paid	(2,611,209)	(2,154,849)
Net Cash from/(used in) Operating Activities	(2,547,340)	(18,672,927)
Investing Activities		
Purchase of Property, Plant and Equipment	(299,513,795)	(256,333,811)
Net Cash from/(used in) Investing Activities	(299,513,795)	(256,333,811)
Financing Activities		
Increase/(Decrease) in Grants	282,644,909	94,000,000
Net Cash from/(used in) in Financing Activities	282,644,909	94,000,000
As at 1st January	55,446,434	207,630,525
Increase/(Decrease) in cash and Cash Equivalents	21,479,457	(152,184,091)
As at 31st December	76,925,891	55,446,434



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2019

Notes to the Financial Statements

1 Accounting Policies

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

2 Statement of Compliance

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

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

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

3 Summary of Significant Accounting Policies

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

a) Basis of preparation

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

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

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

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



Notes Continued

Measurement basis (Continued)

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

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

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

b) New and revised standards

i) New standards that are effective

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

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

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

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

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

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

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

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

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



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes Continued

i) New standards that are effective (Continued)

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

Amendments to IFRS 2 titled Classification and Measurement of Share-based (SBP) Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity settled.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes Continued

Summary of Significant Accounting Policies (Continued)

c) Accounting for associates

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

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

d) Grants

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

(1) grants will be received

(2) conditions of grants will be satisfied

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

e) Translation of foreign currencies

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

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

f) Offsetting

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

g) Revenue recognition

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

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



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2019

Notes Continued

h) Property, plant and equipment

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

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

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

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

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

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

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

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

i) Intangible assets

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

j) Impairment of non-financial assets

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

k) Retirement benefit obligations

Defined contribution

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



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2019

Notes Continued

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

l) Employee entitlements

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

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

m) Borrowing costs

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

n) Leases

Finance leases as the lessee

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

Operating leases

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

o) Income taxes

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

Current tax

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



Kenya Institute of Supplies Management

Annual Report & Financial Statements

For the Period ended 31st December 2019

Notes Continued

Deferred income tax

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

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

p) Financial instruments

The Institute classifies its financial instruments into the following categories:

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

i) Financial assets

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

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

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

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



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2019

Notes Continued

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

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

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

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

ii) Financial liabilities

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

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

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

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

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

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

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

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



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2019

Notes Continued

q) Provision for liabilities and charges

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

r) Cash and cash equivalents

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

s) Comparatives

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

4 Significant judgements and key sources of estimation uncertainty

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

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

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

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

b) Key sources of estimation uncertainty

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

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



Kenya Institute of Supplies Management

**Annual Report & Financial Statements
For the Period ended 31st December 2019**

Notes Continued

ii) Liquidity risk

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

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

	Less than one month Shs	Between 1-3 months Shs	Between 3-12 months Shs
Year ended 31st December 2019			
Trade and other payables	53,012,093	8,835,349	26,506,046
Borrowings - bank			
- others			
	53,012,093	8,835,349	26,506,046
Year ended 31st December 2018			
Trade and other payables	53,125,549	-	-
Borrowings - bank			
- others			
	53,125,549	-	-

iii) Market risk

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

Currency risk

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



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2019

Notes Continued

5 Risk management objectives and policies

a) Financial risk management

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

i) Credit risk

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

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

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

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

	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2019			
Financial assets	744,383,405		
Non-current receivables			
Trade receivables	12,498,654	7,499,193	4,999,462
Cash at bank	55,446,434		
Gross financial assets	812,328,493	7,499,193	4,999,462
	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2018			
Financial assets	486,485,028		
Non-current receivables			
Trade receivables	30,576,878	8,153,834	2,038,459
Cash at bank	55,446,434		
Gross financial assets	572,508,340	8,153,834	2,038,459

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

	2019 Shs'000	2018 Shs'000	2017 Shs'000
0-3 months	12,498,654	19,997,847	38,730,713
3-6 months	12,498,654	4,999,462	2,038,459
	24,997,309	24,997,309	40,769,171

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



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes to Financial Statements Continued

	2019			2018		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total
6 Grants from Partners						
Grant from GoK						
Grant Income for the Year						
7 Subscriptions						
Individual Membership	20,372,000		20,372,000	18,078,000		18,078,000
Corporate Membership	125,000		125,000	250,000		250,000
Membership Dinner Income	-		-	800,500		800,500
Licence Fees	7,092,000		7,092,000	5,708,000		5,708,000
Total Subscriptions	27,589,000	-	27,589,000	24,836,500	-	24,836,500
8 Workshop Receipts						
Total Workshop Receipts	134,275,282		134,275,282	94,771,121		94,771,121
Other events programs	1,310,520		1,310,520			-
Inhouse training fees	6,870,000		6,870,000	5,645,000		5,645,000
Less Discounts	(13,000)		(13,000)	(306,000)		(306,000)
Net Workshop Receipts	142,442,803	-	142,442,803	100,110,121	-	100,110,121
9 School Fees						
CIPS Training Fees	5,171,500		5,171,500	6,488,000		6,488,000
ITC Training Fees			-			-
Total School Fees	5,171,500	-	5,171,500	6,488,000	-	6,488,000
10 Examination Income						
Registration Income	3,247,000		3,247,000	3,853,000		3,853,000
Examination entries	22,137,750		22,137,750	20,824,475		20,824,475
Annual Renewal Fees	1,527,150		1,527,150			-
Total Examination Income	26,911,900	-	26,911,900	24,677,475	-	24,677,475
11 Share of Professional Income						
KISEB Examination						
Share of Examination fees	8,073,570		8,073,570	7,403,243		7,403,243
Total Income	8,073,570	-	8,073,570	7,403,243	-	7,403,243
11 Other Incomes						
Other Incomes - Procurement Consultancy	1,617,000		1,617,000	1,188,000		1,188,000
Interest Income	631,100		631,100	3,746,951		3,746,951
Rental Income			-			-
Other Incomes - Forex Adjustment	41,894		41,894			-
Total Other Income	2,289,994	-	2,289,994	4,934,951	-	4,934,951



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes to Financial Statements and Accounts Continued

	2019			2018		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total
12 Staff Costs						
Employment Costs						
Salaries and Wages						
Pension	27,130,220		27,130,220	26,253,896		26,253,896
Internship Subsistence Allowances	1,537,656		1,537,656	1,532,970		1,532,970
Medical Benefit			-			-
Training Levy	2,151,915		2,151,915	2,253,184		2,253,184
Staff Membership Subscriptions	20,100		20,100	30,600		30,600
Staff Training and Development	87,000		87,000	19,000		19,000
Staff leave days	256,080	-	256,080	2,332,148		2,332,148
Total staff costs	31,182,971	-	31,182,971	32,421,799	-	32,421,799
13 Council Expenses						
Council Allowances	5,163,806		5,163,806	4,502,869		4,502,869
Other Council Expenses	1,222,241		1,222,241	-		-
Total Council Expenses	6,386,047	-	6,386,047	4,502,869	-	4,502,869
14 Administrative Expenses						
Subscriptions	528,700		528,700	623,562		623,562
Donations	241,000		241,000	20,000		20,000
Photocopy and Stationery	2,945,202		2,945,202	2,809,581		2,809,581
Printing Expenses	2,715,018		2,715,018	2,600,315		2,600,315
Telephone and Postage	766,268		766,268	725,518		725,518
Rent & Rates	11,393,126		11,393,126	10,599,219		10,599,219
Consultancy	1,933,422		1,933,422	1,405,000		1,405,000
Decoration Expenses	196,531		196,531			-
Legal Fees	2,186,000		2,186,000	1,540,000		1,540,000
Audit Fees	66,000		66,000	479,793		479,793
Security Services	333,103		333,103	337,414		337,414
Licences	1,057,044		1,057,044	486,007		486,007
Office Expenses	2,113,435		2,113,435	1,627,036		1,627,036
Cleaning Services	855,078		855,078	890,672		890,672
Travelling Expenses	5,775,693		5,775,693	4,462,582		4,462,582
Parking Fees	743,364		743,364	838,388		838,388
Motor Vehicle Fuel	361,954		361,954	265,337		265,337
Total Administrative Expenses	34,210,937	-	34,210,937	29,710,423	-	29,710,423
15 Operating Expenses						
Bank Charges	1,239,674		1,239,674	814,098		814,098
Promotion & Advertisements	2,974,149		2,974,149	5,576,761		5,576,761
Promotional Materials	3,869,323		3,869,323	3,229,514		3,229,514
Insurance	450,594		450,594	378,713		378,713
Repairs & Maintenance	404,796		404,796	553,835		553,835
Car Hire	440,475		440,475	91,600		91,600
Utilities	164,992		164,992	103,389		103,389
Workshop Expenses	4,231,580		4,231,580	2,505,432		2,505,432
ERP Support Expenses	800,000		800,000	800,000		800,000
Newsletter Articles	-		-	10,000		10,000
Excellence Awards	-		-			-
Workshop Facilitation Expenses	6,487,580		6,487,580	7,641,751		7,641,751
Website Expenses & Internet expenses	639,500		639,500	623,750		623,750
School Expenses	2,495,380		2,495,380	2,838,268		2,838,268
Other Sundry Expenses	-		-	459,415		459,415
Workshop and Membership Venue Expenses	40,619,615		40,619,615	22,688,552		22,688,552
Total Operating Expenses	64,817,658	-	64,817,658	48,315,077	-	48,315,077
16 Depreciation and amortization						
Depreciation	1,512,319		1,512,319	1,639,775.45		1,639,775
Amortisation	294,391		294,391	392,521.11		392,521
Total Wear and Tear Allowance	1,806,709	-	1,806,709	2,032,297	-	2,032,297



Kenya Institute of Supplies Management

Annual Report & Financial Statements
For the Period ended 31st December 2019

17 Property Plant and Equipment							
Asset	Land & Building	Motor Vehicle	Computers &	Other Office	Furnitures	Total	
Rate		25%	30%	12.5%	12.5%		
		Ksh	Ksh	Ksh	Ksh	Ksh	
As at 1st Jan 2018	275,972,443	2,544,000	8,771,911	3,071,373	12,878,209	303,237,936	
Additions	202,139,747	-	65,000	-	242,811	202,447,558	
Disposals	-	-	-	-	-	-	
As at 31st Dec 2018	478,112,190	2,544,000	8,836,911	3,071,373	13,121,020	505,685,494	
As at 1st Jan 2019	478,112,190	2,544,000	8,836,911	3,071,373	13,121,020	505,685,494	
Additions	257,823,429	-	598,681	-	105,414	258,527,523	
Disposals	-	-	-	-	-	-	
As at 31st Dec 2019	735,935,619	2,544,000	9,435,592	3,071,373	13,226,433	764,213,017	
As at 1st January 2018	-	2,352,985	6,755,071	1,877,377	6,575,258	17,560,691	
Charge for the Year	-	47,754	624,552	149,249	818,220	1,639,775	
Disposal	-	-	-	-	-	-	
As at 31st Dec 2018	-	2,400,738	7,379,623	2,026,627	7,393,478	19,200,466	
As at 1st January 2019	-	2,400,738	7,379,623	2,026,627	7,393,478	19,200,466	
Charge for the Year	-	35,815	616,790	130,593	729,119	1,512,319	
Disposal	-	-	-	-	-	-	
As at 31st Dec 2019	-	2,436,554	7,996,414	2,157,220	8,122,598	20,712,785	
Net Book Value							
As at 31st Dec 2019	735,935,619	107,446	1,439,178	914,153	5,103,836	743,500,232	
As at 31st Dec 2018	478,112,190	143,262	1,457,288	1,044,746	5,727,541	486,485,028	
18							
Intangible Assets		Softwares/ Intangible Assets					
		25%					
At cost							
As at 1st Jan 2018		5,433,100	5,433,100				
Additions		-	-				
Disposals		-	-				
Total Cost		5,433,100	5,433,100				
As at 1st Jan 2019		5,433,100	5,433,100				
Additions		-	-				
Disposals		-	-				
Total Cost		5,433,100	5,433,100				
Amortisation							
As at 1st Jan 2018		3,863,016	3,863,016				
Charge for the Year		392,521	392,521				
Disposal		-	-				
As at 31st December 2018		4,255,537	4,255,537				
As at 1st Jan 2019		4,255,537	4,255,537				
Charge for the Year		294,391	294,391				
Disposal		-	-				
As at 31st December 2018		4,549,928	4,549,928				
Net Book Value							
As at 31st Dec 2019		883,172	883,172				
As at 31st Dec 2018		1,177,563	1,177,563				



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes to the financial statements continued		2019			2018		
		Kshs			Kshs		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total	
19 Cash & Cash Equivalents							
MPEA Safaricom 552500 Account			-				
KISM Petty cash			-				
Standard Chartered Bank - KISM	25,333,946		25,333,946	16,711,940		16,711,940	
Standard Chartered Bank - Call	37,466,262		37,466,262	36,835,163		36,835,163	
Standard Chartered Bank - USD	10,592,524		10,592,524	1,435,697		1,435,697	
Standard Chartered Bank - Grant A/c	450,554.20		450,554	463,634		463,634	
National Bank of Kenya - Operations	1,757,201		1,757,201				
National Bank of Kenya - Examinations	1,325,404		1,325,404				
Balance as at 31st December	76,925,891	-	76,925,891	55,446,434	-	55,446,434	
20 Debtors and Prepayments							
Deposits	3,394,058		3,394,058	3,394,058		3,394,058	
Trade Debtors	24,997,309		24,997,309	30,880,140		30,880,140	
Related Party debts- KISM Staff	1,279,885		1,279,885				
VAT Claimable	15,524,245		15,524,245	5,532,823		5,532,823	
School Fees Debts	769,720		769,720	962,150		962,150	
Total Debtors and Prepayments	45,965,218	-	45,965,218	40,769,171	-	40,769,171	
21 Grant Accounting							
Balance b/f		0	0		0	0	
Grant disbursement		282,644,909	282,644,909	94,000,000		94,000,000	
Total Available grant	-	282,644,909	282,644,909	94,000,000		94,000,000	
Less :Total Expenditure							
Development							
KISM		301,870,242	301,870,242	94,000,000		94,000,000	
Recurrent							
KISEB							
KISM							
Total Expenditure		301,870,242	301,870,242	94,000,000		94,000,000	
Balance c/d	-	(19,225,333)	(19,225,333)	0.0		0	
22 Bank Balance due to KISEB							
Total Income collected	27,012,900		27,012,900.00	24,677,475		24,677,475	
Add Balance b/d	622,151		622,151	(317,216)		(317,216)	
Total Available Collections	27,635,051		27,635,051	24,360,259		24,360,259	
Total Available Collections	27,635,051		27,635,051	24,360,259		24,360,259	
Total Current Expenses	24,795,786		24,795,786	23,738,108		23,738,108	
Non Current Assets	988,079		988,079				
Less Share of Income	15,476,813		15,476,813				
Balance as at 31st December	(13,625,626)	-	(13,625,626)	622,151		622,151	
23 Creditors and Accruals					109%		
Creditors and accruals	61,528,483		61,528,483	53,125,549		53,125,549	
Contingent liabilities							
Withholding taxes	26,825,005		26,825,005				
Corporation tax							
Total Creditors and Accruals	88,353,488	-	88,353,488	53,125,549	-	53,125,549	
24 Stocks - Unexplained Store items							
Stores items							
Total Stores items	-	-	-				
25 Prepayment							
School Fees Prepayments	280,484		280,484	1,098,636		1,098,636	
Total School Fees Prepayments	280,484	-	280,484	1,098,636	-	1,098,636	
26 Workshop Refunds							
Workshop Refunds	682,581		682,581	682,581		682,581	
Total Workshop Refunds	682,581	-	682,581	682,581	-	682,581	
27 Asset Grant Current W.D.V							
Land and Building W.D.V	493,473,976		493,473,976	277,194,088		277,194,088	
Motor Vehicle W.D.V	107,446		107,446	143,262		143,262	
Computers and Other Electronics W.D.V	1,439,178		1,439,178	1,457,288		1,457,288	
Furniture and Fixtures W.D.V	3,373,715		3,373,715	3,855,674		3,855,674	
Software and Intangible W.D.V	883,172		883,172	1,177,563		1,177,563	
Total Asset Grant	499,277,488	-	499,277,488	283,827,875		283,827,875	



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes to Financial Statements Continued

28 TAX COMPUTATION

Property Plant and Equipment							
Asset	Land & Building	Motor Vehicle	Computers & other Electronics	Other Office Equipments	Furnitures	Total	
Rate		25%	30%	12.5%	12.5%		
		Ksh	Ksh	Ksh	Ksh	Ksh	
At cost							
As at 1st Jan 2018	275,972,443	2,544,000	8,771,911	3,071,373	12,878,209	303,237,936	
Additions	202,139,747	-	65,000	-	242,811	202,447,558	
Disposals	-	-	-	-	-	-	
As at 31st Dec 2018	478,112,190	2,544,000	8,836,911	3,071,373	13,121,020	505,685,494	
As at 1st Jan 2019	478,112,190	2,544,000	8,836,911	3,071,373	13,121,020	505,685,494	
Additions	257,823,429	-	598,681	-	105,414	258,527,523	
Disposals	-	-	-	-	-	-	
As at 31st Dec 2019	735,935,619	2,544,000	9,435,592	3,071,373	13,226,433	764,213,017	
Depreciation							
As at 1st January 2018	-	2,352,985	6,755,071	1,877,377	6,575,258	17,560,691	
Charge for the Year	-	47,754	624,552	149,249	818,220	1,639,775	
Disposal	-	-	-	-	-	-	
As at 31st Dec 2018	-	2,400,738	7,379,623	2,026,627	7,393,478	19,200,466	
As at 1st January 2019	-	2,400,738	7,379,623	2,026,627	7,393,478	19,200,466	
Charge for the Year	-	35,815	616,790	130,593	729,119	1,512,319	
Disposal	-	-	-	-	-	-	
As at 31st Dec 2019	-	2,436,554	7,996,414	2,157,220	8,122,598	20,712,785	
Net Book Value							
As at 31st Dec 2019	735,935,619	107,446	1,439,178	914,153	5,103,836	743,500,232	
As at 31st Dec 2018	478,112,190	143,262	1,457,288	1,044,746	5,727,541	486,485,028	
Intangible Assets							
Softwares/ Intangible Assets							
25%							
At cost							
As at 1st Jan 2018		5,433,100	5,433,100				
Additions		-	-				
Disposals		-	-				
Total Cost		5,433,100	5,433,100				
As at 1st Jan 2019		5,433,100	5,433,100				
Additions		-	-				
Disposals		-	-				
Total Cost		5,433,100	5,433,100				
Amortisation							
As at 1st Jan 2018		3,863,016	3,863,016				
Charge for the Year		392,521	392,521				
Disposal		-	-				
As at 31st December 2018		4,255,537	4,255,537				
As at 1st Jan 2019		4,255,537	4,255,537				
Charge for the Year		294,391	294,391				
Disposal		-	-				
As at 31st December 2018		4,549,928	4,549,928				
Net Book Value							
As at 31st Dec 2019		883,172	883,172				
As at 31st Dec 2018		1,177,563	1,177,563				



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

Notes to Financial Statements (Continued)			
29	TAX COMPUTATION	2019	2018
	Income/Loss as per accounts on Surplus generating units	47,162,543	26,790,351
	Add Back: Depreciation	1,512,319	1,639,775
	Amortisation	294,391	392,521
	Legal Fees on Tenancy Agreements		
	Deduct Wear & Tear Allowance	1,806,709	2,032,297
	Less Rental Income		
	Adjusted Income	47,162,543	26,790,351
	Deduct		
	Membership Subscriptions	27,589,000	24,836,500
	Educational School Fees	13,245,070	31,165,475
	Adjusted Net Income	6,328,473	(29,211,624)
	Add Net Rental Income		
	Deduct Legal Fees		
	Taxable Income	6,328,473	
	Tax Payable @ 30%	1,898,542	
	Deduct		
	Tax Payable		
	Less Advance Taxes	30 2,611,209	(2,154,849)
	Tax Due and Payable	- 712,667	
	30 TAX WITHHELD		
	Tax Withheld By Clients	2,611,209	(2,154,849)
	Total Withheld Taxes	2,611,209	(2,154,849)



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2019

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised during the last audit, and management comments that were provided thereto. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor *	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Non compliance to the statutory requirements on late submission of financial statements	The Institute has put together a team to ensure the matter is addressed. Expedious preparation of books	Nicholas Wafula, Finance Manager	Resolved	2019
2	Presentation of financial statement	The Institute will ensure that the financial statements are presented in line with the agreed format as published from time to time	Nicholas Wafula, Finance Manager	Resolved	2020
3	Weak Internal controls	Gradual enhancement has minimised exposure to the risks. However, more needs to be done to minimise further exposures on emerging areas. Additional staff will be recruited to enhance segregation of duties	Chief Executive Officer	Work in progress	2020
4	Inaccuracies in the financial statements	The observations made were reviewed and reconciled	Nicholas Wafula, Finance Manager	Resolved	2018
5	Lack of Debtor Policy	The observations made was not factual as the Institute has domesticated a debtors policy that guide services offered on credit	Nicholas Wafula, Finance Manager	Resolved	2018
6	Unreconciled revenue	The observation not factual.	Nicholas Wafula, Finance Manager	Resolved	2018
7	Staff holding key positions	The matter will be addressed in due course	Chief Executive Officer	Work in progress	2020
8	Non remittance of statutory deductions	The observation not factual.	Nicholas Wafula, Finance Manager	Resolved	2018
9	Bank and Cash reconciliations	All the bank accounts had been availed for audit. Bank reconciliations presented and signed off	Nicholas Wafula, Finance Manager	Resolved	2018
10	Lack of minutes of Budget approval	The minutes approving the budget were presented to auditors as evidence of budget adoption	Chief Executive Officer	Resolved	2018



The purpose of this report is to provide a comprehensive overview of the project's progress and financial status. The following table details the monthly expenditures and revenue for the period from January to December.

Month	Category	Expenditure	Revenue	Net Income	Balance
Jan	Salaries	10000	15000	5000	5000
Jan	Office Rent	2000		(2000)	3000
Jan	Utilities	1000		(1000)	2000
Jan	Travel	500		(500)	1500
Jan	Advertising	1500		(1500)	0
Jan	Insurance	1000		(1000)	(1000)
Jan	Depreciation	500		(500)	(1500)
Jan	Other	500		(500)	(2000)
Feb	Salaries	10000	15000	5000	5000
Feb	Office Rent	2000		(2000)	3000
Feb	Utilities	1000		(1000)	2000
Feb	Travel	500		(500)	1500
Feb	Advertising	1500		(1500)	0
Feb	Insurance	1000		(1000)	(1000)
Feb	Depreciation	500		(500)	(1500)
Feb	Other	500		(500)	(2000)
Mar	Salaries	10000	15000	5000	5000
Mar	Office Rent	2000		(2000)	3000
Mar	Utilities	1000		(1000)	2000
Mar	Travel	500		(500)	1500
Mar	Advertising	1500		(1500)	0
Mar	Insurance	1000		(1000)	(1000)
Mar	Depreciation	500		(500)	(1500)
Mar	Other	500		(500)	(2000)
Apr	Salaries	10000	15000	5000	5000
Apr	Office Rent	2000		(2000)	3000
Apr	Utilities	1000		(1000)	2000
Apr	Travel	500		(500)	1500
Apr	Advertising	1500		(1500)	0
Apr	Insurance	1000		(1000)	(1000)
Apr	Depreciation	500		(500)	(1500)
Apr	Other	500		(500)	(2000)
May	Salaries	10000	15000	5000	5000
May	Office Rent	2000		(2000)	3000
May	Utilities	1000		(1000)	2000
May	Travel	500		(500)	1500
May	Advertising	1500		(1500)	0
May	Insurance	1000		(1000)	(1000)
May	Depreciation	500		(500)	(1500)
May	Other	500		(500)	(2000)
Jun	Salaries	10000	15000	5000	5000
Jun	Office Rent	2000		(2000)	3000
Jun	Utilities	1000		(1000)	2000
Jun	Travel	500		(500)	1500
Jun	Advertising	1500		(1500)	0
Jun	Insurance	1000		(1000)	(1000)
Jun	Depreciation	500		(500)	(1500)
Jun	Other	500		(500)	(2000)
Jul	Salaries	10000	15000	5000	5000
Jul	Office Rent	2000		(2000)	3000
Jul	Utilities	1000		(1000)	2000
Jul	Travel	500		(500)	1500
Jul	Advertising	1500		(1500)	0
Jul	Insurance	1000		(1000)	(1000)
Jul	Depreciation	500		(500)	(1500)
Jul	Other	500		(500)	(2000)
Aug	Salaries	10000	15000	5000	5000
Aug	Office Rent	2000		(2000)	3000
Aug	Utilities	1000		(1000)	2000
Aug	Travel	500		(500)	1500
Aug	Advertising	1500		(1500)	0
Aug	Insurance	1000		(1000)	(1000)
Aug	Depreciation	500		(500)	(1500)
Aug	Other	500		(500)	(2000)
Sep	Salaries	10000	15000	5000	5000
Sep	Office Rent	2000		(2000)	3000
Sep	Utilities	1000		(1000)	2000
Sep	Travel	500		(500)	1500
Sep	Advertising	1500		(1500)	0
Sep	Insurance	1000		(1000)	(1000)
Sep	Depreciation	500		(500)	(1500)
Sep	Other	500		(500)	(2000)
Oct	Salaries	10000	15000	5000	5000
Oct	Office Rent	2000		(2000)	3000
Oct	Utilities	1000		(1000)	2000
Oct	Travel	500		(500)	1500
Oct	Advertising	1500		(1500)	0
Oct	Insurance	1000		(1000)	(1000)
Oct	Depreciation	500		(500)	(1500)
Oct	Other	500		(500)	(2000)
Nov	Salaries	10000	15000	5000	5000
Nov	Office Rent	2000		(2000)	3000
Nov	Utilities	1000		(1000)	2000
Nov	Travel	500		(500)	1500
Nov	Advertising	1500		(1500)	0
Nov	Insurance	1000		(1000)	(1000)
Nov	Depreciation	500		(500)	(1500)
Nov	Other	500		(500)	(2000)
Dec	Salaries	10000	15000	5000	5000
Dec	Office Rent	2000		(2000)	3000
Dec	Utilities	1000		(1000)	2000
Dec	Travel	500		(500)	1500
Dec	Advertising	1500		(1500)	0
Dec	Insurance	1000		(1000)	(1000)
Dec	Depreciation	500		(500)	(1500)
Dec	Other	500		(500)	(2000)