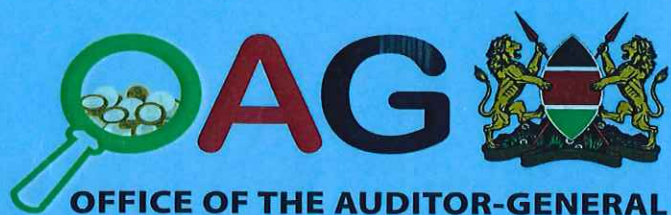


REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

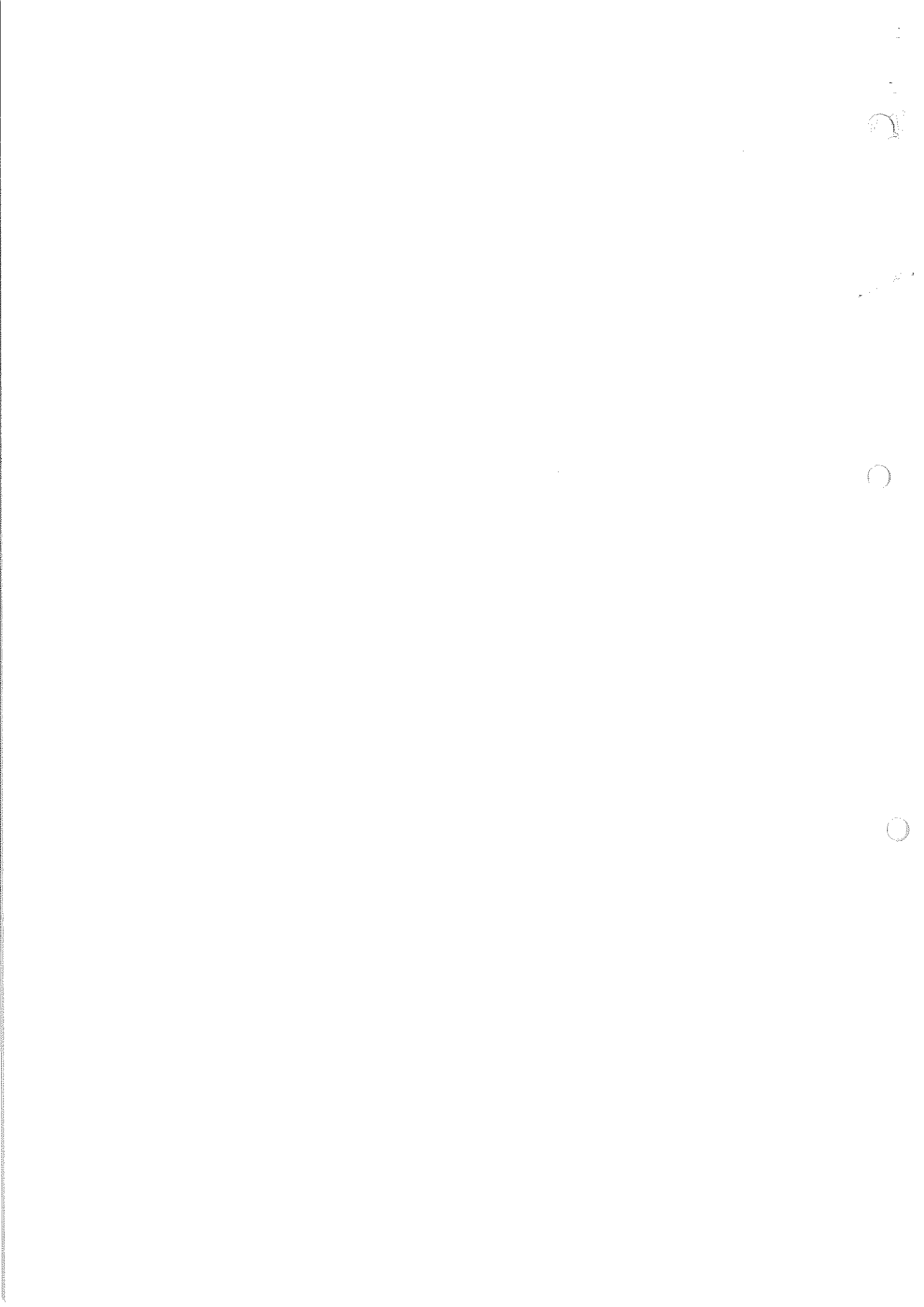
**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA INSTITUTE OF SUPPLIES  
MANAGEMENT**

**FOR THE YEAR ENDED  
31 DECEMBER, 2020**



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

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**KENYA INSTITUTE OF SUPPLIES MANAGEMENT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**31<sup>ST</sup> DECEMBER 2020**

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



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2020**

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**Kenya Institute of Supplies Management  
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**A. KEY INSTITUTE INFORMATION AND MANAGEMENT**

**A. 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 up-market Ngong road, off Ngong Lane

**B. PRINCIPAL ACTIVITIES**

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

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

**Vision of the Institute**

Competent and ethical Supply Chain Management Practitioners

**Mission of the Institute**

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

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**C. KEY MANAGEMENT**

Kenya Institute of Supplies Management's day-to-day management is under the following key organs:

1. An elected Council Chairman and six Council members, Principal Secretary from The National Treasury and the Director General Public Regulatory Authority
2. Chief Executive Officer, Finance Manager, Training Manager. Ag. Procurement Manager and Membership Officer

**D. FIDUCIARY MANAGEMENT**

The key management personnel who held office during the financial year ended 31<sup>st</sup> December, 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	James Kaloki
2.	Finance Manager	Nicholas Wafula Otsieno
3.	Procurement Manager	Timothy Seurey
4.	Training Manager	Emmah Kinuthia
5.	Membership Officer	Chilion Ogol
6.	ICT Coordinator	Boniface Mwaniki
7.	Executive Assistant	Esther Joan Wanyoike
8.	Program Officer	Eric Mwangi
9.	Program Officer CPD	Edith Kariuki



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**E. FIDUCIARY OVERSIGHT ARRANGEMENT**

The fiduciary oversight of the Institute is undertaken by the council through the following Committees:

**Committees of the Council**

*a) Audit and Risk Management Committee*

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

*b) Professionals Standards Committee*

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

*c) Strategy Committee*

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

*d) Finance, Corporate Affairs and Human Resource committee*

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

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

**Statutory Committees**

*a) Registration Committee*

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

*b) Disciplinary Committee*

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

**F. INSTITUTE HEADQUARTERS**

Ngong Road , Off Ngong Lane



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P.O Box 30400 – 00100, NAIROBI

**G. INSTITUTE CONTACTS**

Cellphone: 0721 244828, 0733 333226, 0701 333226

Telefax: NAIROBI

Email [admin@kism.or.ke](mailto:admin@kism.or.ke)

Website. [www.kism.or.ke](http://www.kism.or.ke)

**H. INSTITUTE BANKERS**

Standard Chartered Bank

Westlands Branch

Woodvale Groove

P.O. Box 14438-00800, NAIROBI

Tel:4443018/2/20,4448956

National Bank of Kenya

Ngong Road Branch

P.O Box 72866-00200, NAIROBI

Tel. No. 020-282 8900 | 0703 088 900 | 0732 118 900

**I. INDEPENDENT AUDITORS**

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**J. PRINCIPAL LEGAL ADVISER**

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya






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**1. COUNCIL MEMBERS**

Ref	Directors	Details
1.		<b>John Karani, KISM Chairman,</b> John Karani is a seasoned Supply Chain professional with over 27 years' experience in major blue-chip multinationals. Worked with Coca-Cola Africa for 18 years, Wrigley's East African Limited, Kenya Cooperative Creameries and Kenya Meat Commission. He is an elected Chairperson of the Council.
2.		<b>Grace Catherine Njeri Murichu, Council Member,</b> Has 20 years' experience in leading the human resource and supply chain functions at Kenya Revenue Authority. She is the Chairperson of the Audit and Risk Management Committee of the Council and an elected member of the Council.
3.		<b>Moses Allan Omondi, KISM Council Member</b> Head of SCM at Intercontinental Group. Has 23 years' experience in the private sector with multi-industry exposure in local and multinational firms. He is Chairperson Registration Committee and an elected member of the Council.
4.		<b>Jeremiah Kii Nthusi, Council Member</b> Currently the Director of SCM at the Judiciary. Pursuing a PhD in Supply Chain Management. He is the Chairperson of Strategy Committee and an elected member of the Council.
5.		<b>Nimo Abdullahi Hussein, Council Member</b> Has 11 years experience in the public, leading SCM teams at Kengen and Retirement Benefits Authority, Chairperson of the Professional Standards Committee and an elected member of the Council.
6.		<b>Dr. Vincensia Anyango Apopa, Council Member</b> Head of the supply chain department at the National Construction Authority. PhD in Supply Chain Management. She is Chairperson of the Disciplinary Committee and an elected member of the Council.
7.		<b>Diana Nadzua Mwacharo, Council Member</b> 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. The Chairperson of Finance Corporate Affairs and Human Resource Committee of the Council and an elected member of the Council

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

**2. MANAGEMENT TEAM**

Ref	Management	Details
1.		<b>James Mutiso Kaloki</b> He is the Acting Chief Executive Officer and the Secretary to the Council of the Institute



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2.		<b>Nicholas Wafula Otsieno, Finance Manager</b> KISM Finance Manager, has served in the current post for over five years
3.		<b>Emmah Wahu Kinuthia, Training Manager</b> Currently the Training Manager for over four years.
4.		Currently doubles as both KISM Executive Assistant and the Human Resource Officer. Has served in the positions for over five years.
5.		Timothy Tarus Ag. Supply Chain Management Manager
6.		Currently the membership services officer, served in the current position for over six years
7.		Currently the ICT officer of the Institute. Has served for the last four years

**3. CHAIRMAN'S STATEMENT**

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



**4. REPORT OF THE CHIEF EXECUTIVE OFFICER**

In spite of COVID-19 pandemic which struck in March 2020, the year was exciting. This was attributed by the review of the 2015-2019 Strategic Plan with the business model. The review was necessitated by the unprecedented challenges brought about by the pandemic where the entire world came to a 'standstill'. Nevertheless, KISM in keeping pace with the new normal made critical review alongside exploring technological developments in its services delivery. These challenges, did not deter the Institute from innovation and creativity over the period.

Needless to say, 2020 was a year like never before, all economies were shattered, business shaken and brought to a near standstill. We note that with the entire world at war with the virus, we remained optimistic that the efforts to turn around the Institute fortunes would turnaround the business would set its course to recovery. Allow me to remind the membership and partners that nearly 70% of the Institute's income is generated from the Continuous Professional Development (CPD) events. The introduction of containment measures during the pandemic period led to a complete disruption to the Institute's programs. Despite all the challenges, we navigated through the rags and saw what looked like a near shattered dreams begin to turn around.

I wish to extend my heartfelt gratitude to Council, all staff and members for their patience, passion and dedication throughout 2020. Further, I would like to state that the Institute did not rest on the achievements but rather, kept its eye on the promises, engaging members to develop solutions that derive desired customer experience. Through the modern technology a number of CPD programs were delivered in what has become an accepted mode of service delivery. Despite challenges in 2020, the Institute still grew its membership to 5,628 in 2020 from 4,508 in 2019 and practicing licenses in 2020 of 1,711 from 1,182 in 2019.

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

**Mr. James Kaloki**

**Ag. Chief Executive Officer**

Sign .....

Date.....



**5. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR  
FY 2020**

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

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

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

**I. PROGRAMME AND PERFORMANCE REVIEW 2020**

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

In the year 2020, the Institute had set various targets as key performance indicators as indicated below

<b>DEPARTMENT</b>	<b>DELIVERY UNIT</b>	<b>KEY OUTPUTS</b>	<b>KEY PERFORMANCE INDICATORS</b>	<b>TARGET 2020</b>	<b>ACTUAL 2020</b>
<b>REGISTRATION</b>	Membership Services	Growth in membership and licensed practitioners Sustained compliance levels	Renewal of membership Increased membership application Increased licensed practitioners	At least 9,000 member’s current 4,183 licensed practitioners Develop membership registration policy to guide all registration and member database Develop and launch the standards of practice	At least 5,265 member’s current 1,901 licensed practitioners Developed registration policy



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<b>DISCIPLINARY</b>	Disciplinary	Continuous Professional Development Enhance compliance through periodical inspection and case- follow-up on members practicing without requisite qualifications Enhance the discipline levels among members and enforce ethical practices within the profession	Advertisement calling for compliance Positional papers Renewal of membership Licensing and compliance Reduction of the complaints and cases PPRB Employment of qualified members in supply chain	Develop and launch disciplinary instruments Sensitise the members and general public on the instruments Hear and determine all cases touching on discipline Increased renewals to 9,000 members and 4,183 licenses Database cleanup	Developed and launched the disciplinary instruments  Increased renewals to 5,265 members and 1,901 licenses Database clean-up Continuous professional development
<b>MEMBER ADVOCACY</b>		Enhanced stakeholder outreach  Collaborate and create synergies on national matters affecting supply chain  Enhance Quality Monitoring and member experience through an interactive member self service	Number of outreach events  Member engagement and stakeholder partnerships with the National Treasury/PPRA  Interactive and an upto date website and peripheral modules	KISM Mashinani, devolution of the services in five major towns  Jointly organised 1st National Dialogue with help of the National Treasury and PPRA  Website regularly updated with current content	KISM Mashinani, devolution of the services in four major towns, Nakuru, Mombasa, Kisumu and North Rift Jointly organised 1st National Dialogue with help of the National Treasury and PPRA Website regularly updated with current content
<b>KISM HEADQUARTERS</b>	KISM Project Management Team	Handover of KISM completed 12 storey building	Leases and registration of the leases Disposal/Lease of surplus space to governmental entities	Lease out at least 75% of the space	Leased North Wing 1, 9th, 8th and Shop 1, 2 Handed over 3 floors to PPRA, 1 Flr to KISEB



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



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and governance performance, and activities undertaken by Management for the Institute during the financial year 2020.

The report provides the financial perspective of the strides made by the Institute in the achievement of its mandate in the financial year 2020. It presents the identified material information through a clearly-structured narrative that provides a financial overview of the key activities undertaken by the Institute in the financial year 2020. The Council's Audit and Risk Committee and the Corporate Affairs Committee provide internal assurance to the Council on the execution of the 7 strategic pillars. The Institute's financial, operating, compliance and risk management controls are assessed by the Internal Audit function, which is overseen by the Council's Audit and Risk Committee.

In the year in review, we achieved critical milestones in the journey of transforming both our Institute and the Supply Chain Profession at large by amplifying the critical role that supply chain plays in our nation and beyond. Notwithstanding the ravaging aftermath of the effects of Covid-19 pandemic on our economy, the Institute detailed performance report is a reflection of the efforts put in place to sustain efforts in upward financial growth. The emergence of the corona virus and the related COVID-19 pandemic first reported in Wuhan China in December 2019 has brought untold misery to the world.

At the Institute, we began the year 2020 with great aspirations for achieving our corporate and individual targets. However, with the advent of COVID-19 our operations were greatly disrupted by the containment restrictions from March 2020 to October 2020 when partial lockdowns were relaxed by the government. The containment measures resulted in an initial 70% decline in our revenues given that bulk of our income comes from physical trainings and related activities. The Institute quickly recalibrated its operations to survive the emerging challenges. The Council embraced a work from home model that helped to safeguard the wellbeing of Council and Staff members from the pandemic. As we settle into what is now deemed to be our new "normal", as an Institute, we must assess how our strategy fared, how our people and processes adapted, and how service quality and commitment to our members has helped us respond, recover, and thrive under the strain



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of extraordinary circumstances. Following the new normal the Institute quickly recalibrated its operations to keep pace with the effects of the emerging challenges.

**Mr. John Karani, MKISM, MCIPS**

**Council Chairperson**

A handwritten signature in blue ink, appearing to read 'John Karani', is written over a faint horizontal line.

Sign .....

Date.....

**CORPORATE GOVERNANCE STATEMENT**

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

**Council Appointment and Attendance**

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

<b>COUNCIL MEETING &amp; ADVOCACY ATTENDANCE REPORT</b>			
Name	Role	Appointment date	Attendance 2020
John Karani	Chairman	10 <sup>th</sup> January 2020	36/36
Moses Omondi	Member	10 <sup>th</sup> January 2020	36/36
Vicensia Apopa (Phd)	Member	10 <sup>th</sup> January 2020	19/36
Jeremiah Nthusi	Member	10 <sup>th</sup> January 2020	24/36
Grace Catherine Njeri Murichu	Member	10 <sup>th</sup> January 2020	22/36
Diana Nadzua Mwacharo	Member	10 <sup>th</sup> January 2020	24/36
Nimo Hussein	Member	10 <sup>th</sup> January 2020	27/36
Rep. Director General, PPRA	Member	10 <sup>th</sup> January 2020	15/36
Rep PS The National Treasury	Member	Not yet appointed	

**Council's Committees**

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

**Disciplinary Committee**

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

<b>Disciplinary Committee Attendance Register</b>			
Name	Role	Appointment Date	Attendance
Vincensia Apopa (Phd)	Chairperson	May 2020	33/33
Alfred Baliach	Member	May 2020	30/33
Joanne Kweyu	Member	May 2020	29/33
Antony Ogwang	Member	May 2020	32/33
Thomas Otieno	Member	May 2020	22/33
Samson Masila	Member	May 2020	23/33
Samuel Odiwuor	Member	May 2020	25/33
Rep Institute of Engineers of Kenya	Member	Not Appointed	
Rep of ICPAK	Member	Not Appointed	
Advocate Rep LSK	Member	Not Appointed	



### **Registration Committee (RC)**

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

<b>Registration Committee Attendance Register</b>				
Name	Role	Appointment Date	Retirement Date	Attendance
Moses Omondi	Chairperson	May 2020		19/19
Hosea Kemboi	Member	May 2020		17/19
Nancy Kimemia	Member	May 2020		12/19
Peter Ndungu	Member	August 2020		4/11
Sam Mugwe	Member	December 2020		9/14
AG Representative	Member	Not appointed		
Registrar	Member	Not Appointed		
Representative from KNEC	Member	Not Appointed		

### **Finance Corporate Affairs and Human Resource Committee FCAHRC**

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

<b>Finance, Corporate Affairs &amp; Human Resource Committee Attendance Register</b>			
Name	Role	Appointment Date	Attendance
Grace Catherine Njeri Murichu	Chairperson	May 2020	3/3
Vincensia Apopa (Phd)	Member	May 2020	1/3
Jeremiah Nthusi	Member	May 2020	3/3
Nimo Abdullahi Hussein	Member	May 2020	3/3
Rep of PS The National Treasury	Member	Not yet Appointed	

### **Audit, Risk and Compliance Committee AR&CC**

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

<b>Audit, Risk and Compliance Committee AR&amp;CC Attendance Register</b>			
Name	Role	Appointment Date	Attendance
Diana Nadzua Mwacharo	Chairperson	May 2020	1/1
Aminazahra Sigat	Member	May 2020	0/1
Timothy Mulwa	Member	May 2020	1/1
Robert Riziki	Member	May 2020	1/1
Imbayi So Omasso	Member	May 2020	1/1



### **Member Services & Advocacy Committee (MSaAC)**

This committee is tasked with the responsibility of understanding member needs and formulating recommendations for Council consideration on how to address the needs so identified of KISM members. The Committee is also tasked to develop marketing strategies and member recruitment and retention strategies, develop sector specific products and services for members such as those in the Public Sector, Non Government, Not for Profit Sectors and develop products for various categories of members and the coordination of continuous improvement in quality service provision to members including evaluation of member satisfaction levels.

<b>Member Services &amp; Advocacy Committee MSaAC Attendance Register</b>			
Name	Role	Appointment Date	Attendance register 2020 p/n
Nimo Abdullahi Hussein	Chairperson	May 2020	7/9
Priscillah Musyoka	Member	May 2020	9/9
Benignas Luyera	Member	May 2020	1/9
Andrew Juma	Member	May 2020	5/9
Mohammed Farah	Member	May 2020	5/9

### **Professional Standards Committee (PSC)**

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

<b>Professional Standards Committee PSC Attendance Register</b>			
Name	Role	Appointment Date	Attendance register 2020 p/n
Jeremiah Nthusi	Chairperson	May 2020	11/12
Moses Allan Omondi	Member	May 2020	12/12
Kennedy Ariembi	Member	May 2020	8/12
Bernard Mukundi	Member	May 2020	9/12
Kevin Moindi (Phd)	Member	May 2020	12/12
Catherine Kangangi	Member	May 2020	10/12

### **Legislation Committee (LC)**

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



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**For the Period ended 31st December, 2020**

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<b>Legislative Committee PSC Attendance Register</b>			
Name	Role	Appointment Date	Attendance
Henock Kirungu	Chairperson	May 2020	3/5
Boniface Ikumu	Member	May 2020	4/5
Geoffrey Rotich	Member	May 2020	3/5
Flormina Mbi	Member	May 2020	4/5
Chris Odida	Member	May 2020	2/5
Samuel Odiwuor Kaumba	Member	May 2020	2/5



## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

### **Registration Of Members**

KISM was instrumental in positioning procurement the procurement law of 2015, and periodically writes to organisation to advise in reporting relationships and structure for procurement organization. This ongoing profiling of procurement supports growth in Membership. The full Member category grew from 4,508 to 5,628 members.

### **Licensing Of Practitioners**

Licensing promotes recognition of authority of procurement professionals in organizations. It elevates the procurement role and contributes

to regulation of procurement practice. The number of licensed practitioners has grown from 1,182 to 1,711 between 2019 and 2020.

### **Opportunities For Licensed Firms And Individuals**

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

### **Advocacy For Professionals**

The Institute ran a public campaign in 2020 to educate the public on the role that procurement officers play in public procurement. At least two articles were published in the local dailies and one call for compliance ran requesting corporations to supply the Institute staff manning procurement. At least four TV and Radio interviews were carried out between the months of April and July 2020. The campaign involved lobbying government to appreciate that procurement professionals are not the source of corruption in public sector procurement, and that there is a need focus attention on the wider supply chain order to root out corruption.

### **CPD Workshops**

Currently KISM mounts between twenty and twenty-three workshops annually. However, due to the COVID-19 pandemic, the Institute cancelled all its trainings pending the outcome of the situation. With the easing of the pandemic, and the government relaxing the containment protocols, the Institute relaunched the inperson workshops from August albeit within the numbers that meet the MoH protocols. This seriously affected the performance and program delivery.



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
 For the Period ended 31st December, 2020

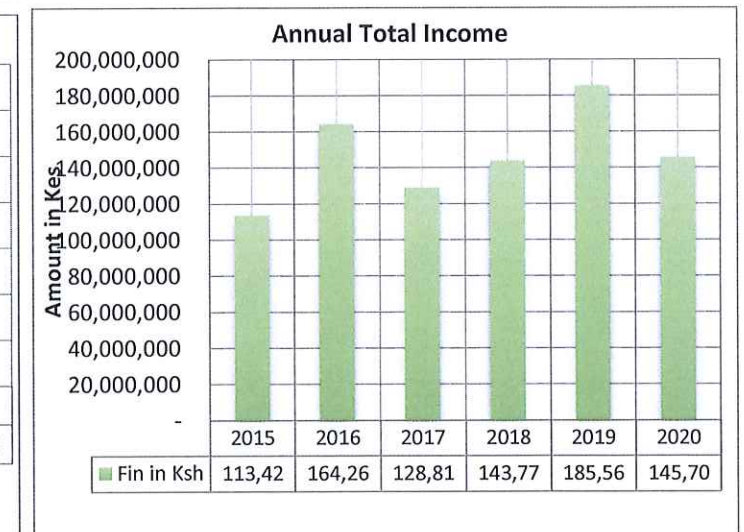
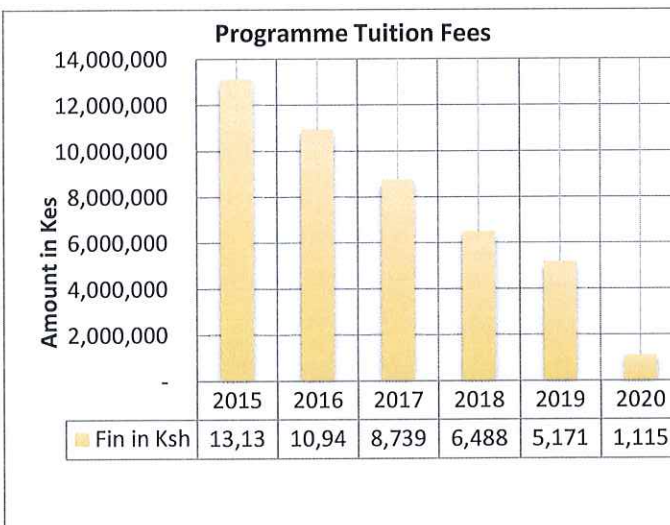
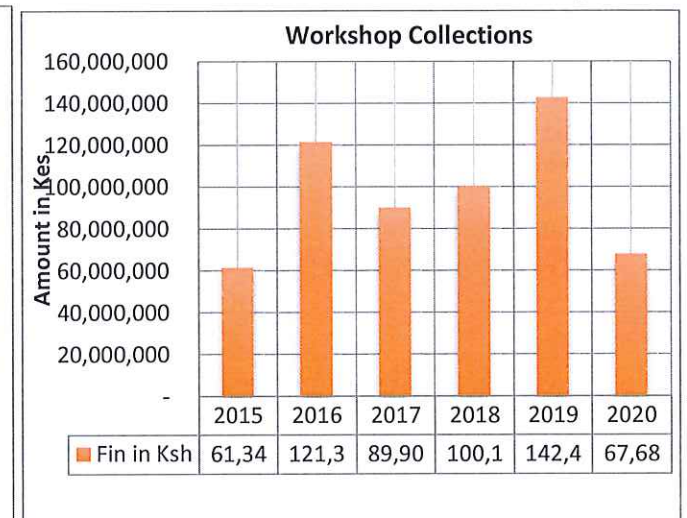
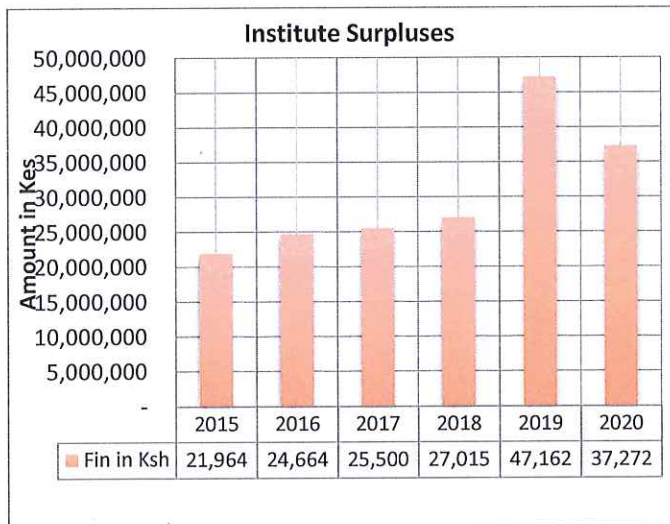
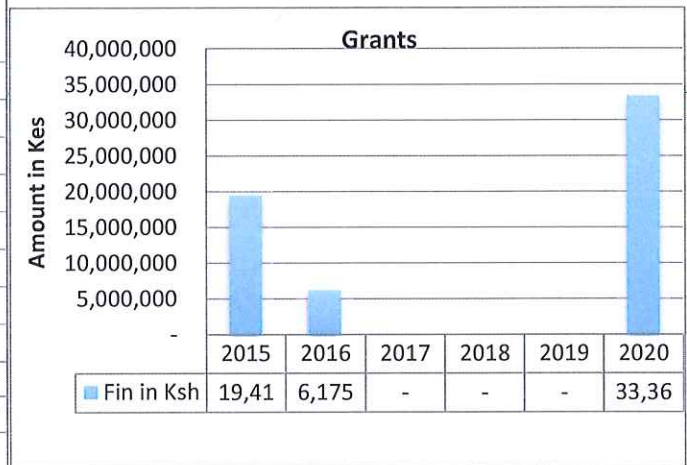
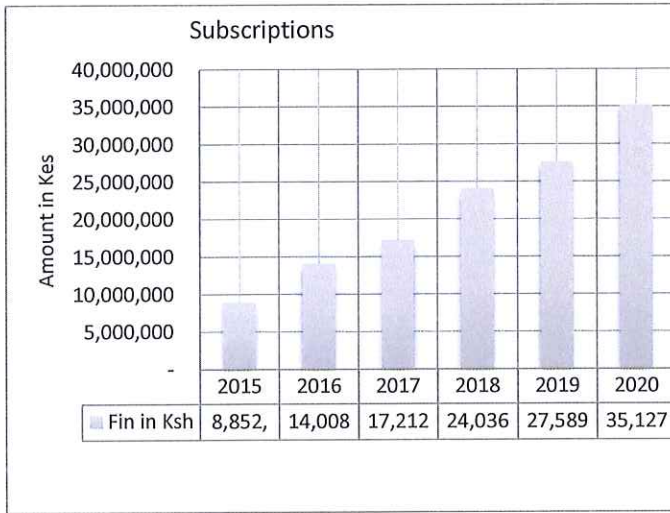
**FIVE YEAR PERFORMANCE OVERVIEW**

<b>YEAR</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Income</b>					
Grant from Partners	6,175,632	-	-	-	33,365,327
Membership Subscriptions	14,008,500	17,212,000	24,036,000	27,589,000	35,127,500
Workshop receipts	121,335,400	89,902,500	100,110,121	142,442,803	67,680,513
Membership Dinner	995,800	1,159,500	800,500	-	1,187,000
Programme Tuition Fees	10,941,500	8,739,500	6,488,000	5,171,500	1,115,500
Other Income	10,806,425	11,801,189	12,338,194	10,363,564	7,224,875
<b>Total Income</b>	<b>164,263,257</b>	<b>128,814,689</b>	<b>143,772,815</b>	<b>185,566,866</b>	<b>145,700,714</b>
<b>Expenses</b>					
Administrative Expenses	57,353,005	65,494,829	66,635,090	71,779,955	69,835,055
Operating Expenses	82,246,012	37,819,053	50,121,786	66,624,368	38,593,431
<b>Operating Surplus/(Deficit)</b>	<b>24,664,240</b>	<b>25,500,807</b>	<b>27,015,938</b>	<b>47,162,543</b>	<b>37,272,228</b>





**KISM Performance Highlights**





## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **i) Sustainability strategy and profile**

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

### **ii) Environmental performance**

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

### **iii) Employee welfare**

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

### **iv) Market place practices-**

#### **Strategic Partnerships & Corporate Visits**

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



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

**Mentorship Programs**

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

**CSR Activities and Community/public engagement**

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



**9. REPORT OF THE COUNCIL**

The Directors submit their report together with the audited financial statements for the year ended December 31st, 2020, which show the state of the Kenya Institute of Supplies Management’s affairs.

**i) Principal activities**

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

**ii) Results**

The results of the Kenya Institute of Supplies Management for the year ended December 31<sup>st</sup> 2020, are set out on page following

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page 8. During the year 2020 all the Council members assumed office following the election held on 10<sup>th</sup> January 2020.

**iv) Surplus remission**

Kenya Institute of Supplies Management surplus from its operation remitted was ploughed back due to its commitment in construction of the KISM Towers.

**v) Auditors**

The Auditor-General is responsible for the statutory audit of the Kenya Institute of Supplies Management in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *Kenya Institute of Supplies Management* for the year ended December 31, 2020, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Council

.....

**Name**

**Corporate Secretary/Secretary to the Board**



## **10. STATEMENT OF COUNCIL RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Kenya Institute of Supplies Management's financial statements, which give a true and fair view of the state of affairs of the Kenya Institute of Supplies Management for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

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



**Kenya Institute of Supplies Management**  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2020**

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The Directors accept responsibility for the Kenya Institute of Supplies Management's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2). The Directors are of the opinion that the Kenya Institute of Supplies Management's financial statements give a true and fair view of the state of Kenya Institute of Supplies Management's transactions during the financial year ended 31<sup>st</sup> December, 2020, and of the Kenya Institute of Supplies Management's financial position as at that date.

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

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

**Approval of the financial statements**

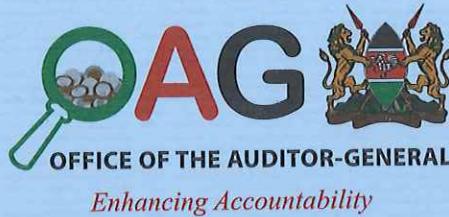
The Kenya Institute of Supplies Management's financial statements were approved by the Board on \_\_\_\_\_ 2022 and signed on its behalf by:

**Name**  
**Chairperson of the Council**

**Name**  
**Accounting Officer**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SUPPLIES MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER, 2020**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Institute of Supplies Management set out on pages 30 to 74, which comprise of the statement of financial position as at 31 December, 2020, and statement of financial performance, statement

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*Report of the Auditor-General on Kenya Institute of Supplies Management for the year ended 31 December, 2020*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Kenya Institute of Supplies Management as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the Supplies Practitioners Management Act, 2007.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

##### **1.1 Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.112,874,746 as disclosed in Note 17 to the financial statements. The balance includes Kshs.44,089,694 in respect to three (3) bank accounts whose bank reconciliation statements were not provided for audit.

##### **1.2 Inaccuracies in the Statement of Cash Flows**

- i. The statement reflects balance of which is at variance with the balance reflected in the statement of financial position of Kshs.112,874,746 resulting to an unreconciled and unaccounted for variance of Kshs.626,548.
- ii. The statement reflects a decrease of Kshs.37,232,149 with respect to cash before changes in working capital. However, this amount includes an adjustment of Kshs.3,578,235 with respect to professional development which has no effect on the cash flows.
- iii. The statement reflects of Kshs.37,232,149. However, recasting of the statement yielded cash flow before changes in working capital amount of Kshs.37,023,236 resulting to an unexplained variance of Kshs.208,913.
- iv. The statement reflects an increase in the movement of receivable balance of Kshs.10,610,543. However, comparison between the previous year's balance and the year under review's receivables balance as reflected in the statement of financial position revealed a decrease of Kshs.10,610,543.
- v. The statement reflects a decrease in net cash flows from investing activities of Kshs.233,332,760 relating to purchase of property, plant and equipment of Kshs.233,332,760, this is at variance with the additions on property, plant equipment of Kshs.233,664,652 disclosed in Note 23 to the financial statements leading to an unreconciled variance of Kshs.331,892.



- vi. The statement excludes cash flows relating to additions to intangible assets of Kshs.3,900,000 as disclosed in Note 26 to the financial statements.
- vii. The statement reflects an increase in grants of Kshs.250,000,000. However, a comparison between the previous statement of financial position of the movement in grants yielded an increase of Kshs.229,998,239 resulting into an unexplained and unreconciled variance of Kshs.20,001,761.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.515,204,474 and Kshs.406,662,577 respectively, resulting to an under-funding of Kshs.108,541,897 or 21% of the budget. Similarly, the Institute expended an amount of Kshs.108,428,487 against an approved budget of Kshs.266,052,004, resulting to an under-expenditure of Kshs.157,623,517 or 59% of the budget.

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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. Late Submission of Financial Statements**

The Institute's annual report and financial statements were submitted to the Office of the Auditor-General on 7 May, 2021 more than two months after the statutory deadline of 31 March, 2021 contrary to Section 81, 4(a) of the Public Finance Management Act, 2012. Late submission of financial statements adversely affects the completion of the audit by the Auditor-General within the timelines stipulated by the statutes.

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

### **2. Failure to Maintain a Fixed Assets Register**

The statement of financial position reflects property, plant and equipment balance of Kshs.975,484,900 as disclosed in Note 23 to the financial statements. However, Management did not maintain an asset register contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which requires that an Accounting Officer to maintain a register of assets under his or her control or possession as prescribed by the relevant laws.

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

### **3. Failure to Remit Withheld Taxes**

The statement of financial position reflects trade and other payables balance of Kshs.68,401,867 which includes withholding tax payable to Kenya Revenue Authority (KRA) amounting to Kshs.29,206,383 that has been outstanding for over two years. The amount continues to attract interest and penalties with the continued delay in settlement. Management has not provided any reason for the failure to settle the taxes against the provisions of Rule 8(1) of the Income Tax (Withholding Tax) Rules, 2001 which stipulates that, on or before the twentieth day of the month following the month in which the deduction is made or before such other day as may be notified to him by the Commissioner, a person shall, subject to subparagraph (3), pay to the Commissioner or to such other person as the Commissioner may direct, all amounts of tax deducted in accordance with the Act and these Rules.

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

### **4. Procurement Activities Outside E-procurement**

The Institute has not implemented the e-procurement system. This is contrary to the Executive Order No.6 of 2016 which requires all public entities to migrate their procurements plans to the Kenya Government Integrated Financial Management Information System (IFMIS) e-procurement system.

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

### **5. Unsurrendered Imprest**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.1,279,885 as disclosed in Note 18 to the financial

statements. The balance relates to temporary imprest issued to two members of staff and which has been outstanding since 31 December, 2018. No explanation has been given by Management for failure to recover the outstanding imprest. This is contrary to Regulation 93(6) of the Public Finance Management (National Government) Regulations, 2015 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.

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

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and 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 governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Risk Management Policy and Risk Registers**

Review of the internal controls revealed that Management did not have in place a risk management policy. Further, Management had not conducted risk assessment to identify potential risks that could impact on the operations of the Institute 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.

In the circumstances, the Institute's internal controls are ineffective exposing it to potential risks of business disruptions.

#### **2. Non-Compliance with State Corporations Advisory Committee (SCAC) Circulars**

During the year under review the Institute operated without approved Human Resource Policy instruments comprising of organizational structure, staff grading and establishment, career guidelines, human resource policy and procedures manual. This

is contrary to State Corporations Advisory Committee (SCAC) circular number OP/SCAC.9/21/1/1 of 15 May, 2017.

In the circumstances, the Institute's internal controls may have been ineffective.

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

### **Responsibilities of Management and the Council**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 September, 2022



**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Notes	2020	2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	5	33,365,327	-
<b>Revenue from exchange transactions</b>			
Membership Subscriptions	6	36,314,500	27,589,000
Workshop receipts	7	67,680,513	142,442,803
School Fees	8	1,115,500	5,171,500
Other Income	10	7,064,962	10,363,564
<b>Total revenue</b>		<b>145,540,802</b>	<b>185,566,867</b>
<b>Expenses</b>			
Employee costs	11	29,570,545	31,182,971
Council Expenses	12	13,349,794	6,386,047
Administrative Expenses	13	26,914,717	34,210,937
Operating Expenses	14	35,717,654	64,817,658
Depreciation & amortization expense	15	2,875,777	1,806,709
<b>Total expenses</b>		<b>108,428,487</b>	<b>138,404,322</b>
<b>Surplus before tax</b>		<b>37,272,228</b>	<b>47,162,545</b>
Taxation		0.00	0.00
<b>Surplus for the period/year</b>		<b>37,112,315</b>	<b>47,162,545</b>
Remission to National Treasury		-	-
<b>Net Surplus for the year</b>		<b>37,112,315</b>	<b>47,162,545</b>

The notes set out on pages 35 to 68 form an integral part of these Financial Statements. The Financial Statements set out on pages 29 to 34 were signed on behalf of the Council by:

Accounting Officer  
Name:

Head of Finance Name  
ICPAK Member Number:

Chairman of the Council  
Name:

Date

Date

Date



**13. STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020**

	Notes	2020	2019
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	16	112,874,746	76,925,891
Receivables from Exchange Transactions	18	34,074,790	44,685,333
Funds due to KISEB	21	4,325,463	13,625,626
Receivables from Non-Exchange Transactions	18	1,279,885	1,279,885
Inventories		0	0
<b>Total Current Assets</b>		<b>152,554,884</b>	<b>136,516,735</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	23	975,484,900	743,500,232
Intangible Assets	26	2,704,207	883,172
<b>Total Non- Current Assets</b>		<b>978,189,107</b>	<b>744,383,404</b>
<b>Total Assets</b>		<b>1,130,743,991</b>	<b>880,900,139</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	27	68,401,867	88,353,488
Refundable Deposits from Customers	28	2,965,403	280,484
Workshop refunds	29	682,581	682,581
<b>Total Current Liabilities</b>		<b>72,049,851</b>	<b>89,316,553</b>
<b>Total Liabilities</b>		<b>72,049,851</b>	<b>89,316,553</b>
<b>Net Assets</b>			
Accumulated Surplus		329,418,413	292,306,098
Asset Grant		729,275,727	499,277,488
Total Net Assets		1,058,694,140	791,583,587
<b>Total Net Assets and Liabilities</b>		<b>1,130,743,991</b>	<b>880,900,140</b>

The financial statements set out on pages 29 to 34 were signed on behalf of the Board of Directors by:





*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
**For the Period ended 31st December, 2020**

---

.....	.....	.....
<b>Name</b>	<b>Name</b>	<b>Name</b>
<b>Accounting Officer</b>	<b>Head of Finance</b>	<b>Chairman of the</b>
	<b>ICPAK Member</b>	<b>Board</b>
	<b>Number:</b>	
<b>Date</b>	<b>Date</b>	<b>Date</b>



**14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED  
31ST DECEMBER 2020**

			<b>KISM General Fund</b>	<b>Professional Development Fund</b>	<b>Asset Grant</b>	<b>Total</b>
As at 1st January 2019			228,412,269	16,731,286	499,277,488	744,421,04
Total Comprehensive Income for the year			39,088,973			39,088,97
Transfer of share of fees				8,073,570		8,073,57
Other surplus from other activities						
<b>As at 31st December 2019</b>			<b>267,501,242</b>	<b>24,804,856</b>	<b>499,277,488</b>	<b>791,583,58</b>
As at 1st January 2020			267,501,242	24,804,856	499,277,488	791,583,58
Total Comprehensive Income for the year			33,534,080			33,534,08
Transfer of share of fees				3,578,235		3,578,23
Additional Grant					229,998,239	229,998,23
<b>As at 31st December 2020</b>			<b>301,035,322</b>	<b>28,383,091</b>	<b>729,275,727</b>	<b>1,058,694,14</b>



**14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER  
2020**

	2020	2019
<b>Cash Generated from Operations</b>		
Reconciliation of Surplus before tax		
Surplus(deficit) before tax	37,112,315	47,162,543
Add/Less Non-Cash Adjustments		
Professional development	-3,578,235	-8,073,570
Depreciation	1,679,984	1,512,319
Loss on disposal	662,379	
Amortisation	1,195,793	294,391
<b>Cashflow before Changes in Working capital</b>	<b>37,232,149</b>	<b>40,895,683</b>
<b>Changes in Working Capital</b>		
(Increase)/ Decrease in Receivables	(10,610,543)	-5,196,046
Increase/(Decrease) in Creditors	(19,951,621)	35,227,939
Increase in Prepaid School fees		-818,152
Increase in Rent Prepayment	2,684,919	
(Increase)/ Decrease in VAT Claimable		-15,524,245
Increase /(Decrease) in Refunds	9,300,163	-13,625,626
Tax Paid		-2,611,209
<b>Net Cash from/(used in) Operating Activities</b>	<b>18,655,067</b>	<b>-2,547,340</b>
<b>Investing Activities</b>		
Purchase of Property, Plant and Equipment	(233,332,760)	-299,513,795
<b>Net Cash from/(used in) Investing Activities</b>	<b>(233,332,760)</b>	<b>-299,513,795</b>
<b>Financing Activities</b>		
Increase/(Decrease) in Grants	250,000,000	282,644,909
<b>Net Cash from/(used in) in Financing Activities</b>	<b>250,000,000</b>	<b>282,644,909</b>
As at 1st January	76,925,891	55,446,434
Increase/(Decrease) in cash and Cash Equivalents	35,322,307	21,479,457
<b>As at 31st December</b>	<b>112,248,198</b>	<b>76,925,891</b>

The financial statements set out on pages 29 to 34 were signed on behalf of the Council by:

.....  
Name:  
Accounting Officer

Date

.....  
Name:  
Head of Finance  
ICPAK M/No:

Date

.....  
Name:  
Chairman of the Board

Date



*Kenya Institute of Supplies Management*  
**Annual Report and Financial Statements**  
 For the Period ended 31st December, 2020

**15. Statement of Comparison of Budget and Actual amounts for the year ended 31st December 2020**

Description	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	
<b>Revenue from non-exchange transactions</b>				
Transfers from other governments entities	280,000,000	294,487,102	14,487,102	105%
<b>Revenue from exchange transactions</b>			0	
Membership Subscriptions	48,114,000	36,314,500	-11,799,500	75%
Workshop receipts	170,687,000	67,680,513	-103,006,487	40%
School Fees	12,442,000	1,115,500	-11,326,500	9%
Other Income	3,961,474	7,064,962	3,103,488	178%
<b>Total revenue</b>	<b>515,204,474</b>	<b>406,662,577</b>	<b>-108,541,897</b>	<b>79%</b>
<b>Expenses</b>			0	
Employee costs	68,505,184	29,570,545	-38,934,639	43%
Council Expenses	36,568,500	13,349,794	-23,218,706	37%
Administrative Expenses	75,291,980	26,914,717	-48,377,263	36%
Operating Expenses	82,810,563	35,717,654	-47,092,909	43%
Depreciation & amortization expense	2,875,777	2,875,777	0	100%
<b>Total expenses</b>	<b>266,052,004</b>	<b>108,428,487</b>	<b>-157,623,517</b>	<b>41%</b>
<b>Surplus</b>	<b>249,152,470</b>	<b>298,234,090</b>	<b>49,081,620</b>	<b>120%</b>
Building -KISM Towers	238,784,074	238,203,842	-580,232	100%
Website Cost	350,000	308,600	-41,400	88%
Cost: Software	250,000	72,807	-177,193	29%
Enterprise Resource Planning	4,000,000	3,900,000	-100,000	98%
<b>Total Property Plant &amp; Equipment</b>	<b>243,384,074</b>	<b>242,485,249</b>	<b>-898,825</b>	<b>100%</b>
<b>Net Surplus</b>	<b>5,768,396</b>	<b>55,748,841</b>	<b>49,980,445</b>	<b>966%</b>



## **17. Notes to the Financial Statements**

### **1. General Information**

Kenya Institute of Supplies Management is established by and derives its authority and accountability from Supplies Practitioners Management Act of 2007. The Kenya Institute of Supplies Management is wholly owned by the Government of Kenya and is domiciled in Kenya. The Kenya Institute of Supplies Management's principal activity is provided on page 1

### **2. Statement of Compliance and Basis of Preparation**

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

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

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



## Notes to the Financial Statements (Continued)

### 3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 31st December 2020.*
- ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 31st December 2020.***

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

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

**Transfers from other government entities**

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

**Rendering of services**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **Sale of services**

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

#### **Interest income**

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

#### **ii) Revenue from exchange transactions**

##### **Dividends**

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

##### **Rental income**

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

#### **b) Budget information**

The original budget for FY 2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Kenya Institute of Supplies Management upon receiving the respective approvals in order to conclude the final budget. The Kenya Institute of Supplies Management's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.





## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **Budget information (continued)**

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

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

#### **c) Taxes**

##### **Current income tax**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **Deferred tax**

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

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

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

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

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

#### ***Taxation; Value Added Taxes***

Kenya Institute of Supplies Management is registered for the following tax obligations

- ✓ Value Added taxes
- ✓ PAYE
- ✓ Income tax Company

Expenses and assets are recognized net of the amount of VAT except:

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

#### **d) Investment property**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

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

#### **e) Property, plant and equipment**

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

#### **f) Leases**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

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

#### **g) Intangible assets**

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

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

#### **h) Research and development costs**

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

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

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **i) Financial instruments**

##### **a) Financial assets**

##### **Initial recognition and measurement**

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

##### **Loans and receivables**

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

##### **Held-to-maturity.**

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

##### **Impairment of financial assets**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

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

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

### **b) Financial liabilities**

#### **Initial recognition and measurement**

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

#### **Loans and borrowing**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **j) Inventories**

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

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

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

#### **k) Provisions**

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





## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **l) Contingent liabilities**

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

#### **m) Contingent assets**

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

#### **n) Nature and purpose of reserves**

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

#### **o) Changes in accounting policies and estimates**

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

#### **p) Employee benefits**

##### **Retirement benefit plans**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

The contributions to fund obligations for the payment in the year in which they become payable. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### **q) Foreign currency transactions**

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

#### **r) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **s) Related parties**

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

#### **t) Service concession arrangements**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

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

#### **u) Cash and cash equivalents**

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

#### **v) Comparative figures**

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

#### **w) Subsequent events**

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

### **5. Significant Judgments and Sources of Estimation Uncertainty**

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



## **Notes to the Financial Statements (Continued)**

### **Summary of Significant Accounting Policies (Continued)**

#### **Estimates and assumptions**

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

#### **Useful lives and residual value**

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

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

#### **Provisions**

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

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



Notes to the Financial Statements (Continued)

**5. Transfers from Ministries, Departments and Agencies (MDAs)**

The Grant	Amount recognized Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total transfers 2020	2019
			KShs	KShs	KShs
Ministry/State Department	33,365,327	13,448,053	236,551,942	294,487,101	282,644,909
<b>Total</b>	<b>33,365,327</b>	<b>13,448,053</b>	<b>236,551,942</b>	<b>294,487,101</b>	<b>282,644,909</b>



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**Notes to the Financial Statements (Continued)**

**Revenue**

	2020	2019		
	KISM	GoK	Total	KISM
	KISM	GoK	Total	GoK
	KISM	GoK	Total	GoK
Grant from GoK		33,365,327	33,365,327	
<b>Grant Income</b>		<b>33,365,327</b>	<b>33,365,327</b>	
<b>6 Subscriptions</b>				
Individual Membership	24,476,500		24,476,500	20,372,000
Corporate Membership	325,000		325,000	125,000
Membership Dinner Income	1,187,000		1,187,000	-
Licence Fees	10,326,000		10,326,000	7,092,000
<b>Total Subscriptions</b>	<b>36,314,500</b>		<b>36,314,500</b>	<b>27,589,000</b>
<b>7 Workshop Receipts</b>				
Total Workshop Receipts	58,658,082		58,658,082	134,275,282
Other events programs				1,310,520
Inhouse training	9,029,432		9,029,432	6,870,000
Less Discounts	(7,000)		(7,000)	(13,000)
<b>Workshop Receipts</b>	<b>67,680,513</b>		<b>67,680,513</b>	<b>142,442,803</b>
<b>8 School Fees</b>				
CIPS Training Fees	1,115,500		1,115,500	5,171,500
<b>Total School Fees</b>	<b>1,115,500</b>		<b>1,115,500</b>	<b>5,171,500</b>
<b>9 Examination Income</b>				
Registration Income	1,632,500		1,632,500	3,247,000
Examination	9,603,150		9,603,150	22,137,750
Annual Renewal	691,800		691,800	1,527,150
<b>Examination Income</b>	<b>11,927,450</b>		<b>11,927,450</b>	<b>26,911,900</b>



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<b>10. Other Incomes</b>					
Procurement Consultancy	2,304,000	2,304,000	1,617,000	1,617,000	
Interest Income	1,182,726.67	1,182,726.67	631,100	631,100	
Share of Professional Income (30% of Note 10)	3,578,235	3,578,235	8,073,570	8,073,570	
Other Incomes Forex	-	-	41,894	41,894	
<b>Other Income</b>	<b>7,064,962</b>	<b>7,064,962</b>	<b>10,363,564</b>	<b>10,363,564</b>	<b>-</b>



## Notes to the Financial Statements (Continued)

### 11. Employee Costs

Description	2020	2019
	Kshs	Kshs
Salaries and wages	24,668,875	27,130,220
Employer contribution to health insurance schemes	1,846,376	2,151,915
Employer contribution to pension schemes	1,157,303	1,537,656
Travel, accommodation, subsistence, & other allowances	1,658,178	-
Staff Training	-	256,080
Staff Membership Subscription	41,000	87,000
Training levies	18,812	20,100
Staff Team Building	180,000	0
<b>Employee costs</b>	<b>29,570,544</b>	<b>31,182,971</b>

NB:

*Other employment costs are as listed – team building Ksh. 180,000, Staff training levies Ksh. 18,112, Staff professional membership subscription paid to professional bodies Ksh. 41,000 and Staff training and development*

### 12. Council Expenses

Description	2020	2019
	Kshs	Kshs
Sitting Allowances	9,238,155	5,163,806
Travel and Accommodation	461,788	0
Other Allowances	3,649,851	1,222,241
<b>Total</b>	<b>13,349,794</b>	<b>6,386,047</b>





**Notes to the Financial Statements (Continued)**

13	Administrative Expenses		
	Description	2020	2019
		Kshs	Kshs
	Subscriptions	785,437	528,700
	Donations	386,364	241,000
	Photocopy and Stationery	3,325,422	2,945,202
	Printing Expenses	690,131	2,715,018
	Telephone and Postage	647,882	766,268
	Rent & Rates	9,415,368	11,393,126
	Consultancy	3,379,035	1,933,422
	Decoration Expenses	200,310	196,531
	Legal Fees	2,374,096	2,186,000
	Audit Fees	-	66,000
	Security Services	1,492,496	333,103
	Licences	556,620	1,057,044
	Office Expenses	1,709,846	2,113,435
	Cleaning Services	1,330,640	855,078
	Travelling Expenses	-	5,775,693
	Parking Fees	468,728	743,364
	Motor Vehicle Fuel	152,342	361,954
	<b>Total Administrative Expenses</b>	<b>26,914,717</b>	<b>34,210,937</b>

14	Operating Expenses		
	Description	2020	2019
		Kshs	Kshs
	Bank Charges	997,754	1,239,674
	Promotion & Advertisements	1,575,913	2,974,149
	Promotional Materials	1,812,242	3,869,323
	Insurance	1,432,934	450,594
	Repairs & Maintenance	1,896,194	404,796
	Car Hire	260,737	440,475
	Utilities	130,057	164,992
	Workshop Expenses	1,423,498	4,231,580
	ERP Support Expenses	656,500	800,000
	Loss on Disposal – Note PPE Intangible	662,379	
	Workshop Facilitation Expenses	4,810,000	6,487,580
	Website Expenses & Internet expenses	587,086	639,500
	School Expenses	1,680,203	2,495,380
	Other Sundry Expenses	251,855	
	Workshop & Membership Venue Expenses	17,540,300	40,619,615
	<b>Total Operating Expenses</b>	<b>35,717,654</b>	<b>64,817,658</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Depreciation and Amortization Expense**

Description	2020	2020-2021
	Kshs	Kshs
Property, plant and equipment	1,679,984	1,512,319
Intangible assets	1,195,793	294,391
<b>Total depreciation &amp; amortization</b>	<b>2,875,777</b>	<b>1,806,709</b>

**16. Cash and Cash Equivalents**

Description	2020	2020-2021
	Kshs	Kshs
Current Account	61,982,138.24	39,459,629.20
Savings Account	0	0
On - Call Deposits	50,892,607.32	37,466,262.00
<b>Total Cash And Cash Equivalents</b>	<b>112,874,745.56</b>	<b>76,925,891.20</b>

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

**17. Detailed Analysis of the Cash and Cash Equivalents**

Financial institution	Account number	2020 KShs	2019 KShs
<b>1. Current account</b>			
National Bank		3,110,706.40	1,325,404
National Bank		17,229,925.65	1,757,201
Standard Chartered Bank Ac		29,242,438.85	25,333,946
Standard Chartered Bank Ac		662,518.20	450,554.20
Standard Chartered Bank Ac USD		11,736,549.14	10,592,524
<b>Sub- total</b>		<b>61,982,138.24</b>	<b>39,459,629.20</b>
<b>2. On - call deposits</b>			
National Bank Call Account		50,849,315.07	0
Standard Chart Bank Call Account		43,292.25	37,466,262
<b>Sub- total</b>		<b>50,892,607.32</b>	<b>37,466,262</b>
<b>Grand total</b>		<b>112,874,745.56</b>	<b>76,925,891.20</b>



**Notes to the Financial Statements (Continued)**

**18 Receivables from Exchange Transactions**

	2020	2019
	Kshs	Kshs
Trade receivables (note 27 (a))	28,836,477.00	24,997,309
Deposits and prepayments	3,427,058.00	3,394,058
VAT recoverable	15,847,941.00	15,524,245
Staff receivables (note 27 (b))	1,279,885.00	1,279,885
Other receivables	1,811,255.00	769,720
<b>Gross trade and other receivables</b>	<b>35,354,675.00</b>	<b>45,965,217</b>
Provision for bad and doubtful receivable		
<b>Net trade and other receivables</b>	<b>35,354,675.00</b>	<b>45,965,217</b>

**19 Trade Receivables**

	2020	2019
	Kshs	Kshs
Gross trade receivables	28,836,477.00	24,997,309
Provision for doubtful receivables		
<b>Net trade receivables</b>	<b>28,836,477.00</b>	<b>24,997,309</b>
<b>At December 30th, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	3,460,377.20	7,499,192.70
Between 30 and 60 days	5,767,295.30	4,999,461.70
Between 61 and 90 days	5,190,565.90	3,749,596.40
Between 91 and 120 days	3,460,377.30	2,499,730.90
Over 120 days	10,957,861.30	6,249,327.30
<b>Total</b>	<b>28,836,477.00</b>	<b>27,992,977.00</b>

**20 Staff Receivables**

	2020	2019
	Kshs	Kshs
Gross staff loans and advances	1,279,885	1,279,885
Amounts due after one year	<b>1,279,885</b>	<b>1,279,885</b>



**Notes to the Financial Statements (Continued)**

21

Total Income collected	11,927,450	27,012,900
Add Balance b/d	(13,625,626)	622,151
Total Available Collections	9,423,599	27,635,051
Total Available Collections	9,423,599	27,635,051
Total Current Expenses	10,170,827	24,795,786
Non Current Assets	-	988,079
Less Share of Income	3,578,235	15,476,813
<b>Balance as at 31st Dec</b>	<b>(4,325,463)</b>	<b>(13,625,626)</b>

22 **Asset Grant Current W.D.V**

Land and Building W.D.V	721,436,895	493,473,976
Motor Vehicle W.D.V	80,585	107,446
Computers and Other Electronics W.D.V	2,102,040	1,439,178
Furniture and Fixtures W.D.V	2,952,001	3,373,715
Software and Intangible W.D.V	2,704,207	883,172
<b>Total Asset Grant</b>	<b>729,275,728</b>	<b>499,277,488</b>



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**Notes to the Financial Statements (Continued)**

**23 Property, Plant and Equipment**

Asset	Land	Building	Motor Vehicle	Computers & Electronics	Other Office Equipments	Furnitures	Total
Rate	25%	30%	12.50%	12.50%	12.50%	12.50%	
As at 1st Jan 2019	104,000,040	374,112,150	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							
<b>As at 31st Dec 2019</b>	<b>104,000,040</b>	<b>631,935,579</b>	<b>2,544,000</b>	<b>9,435,592</b>	<b>3,071,373</b>	<b>13,226,433</b>	<b>764,213,017</b>
As at 1st Jan 2020	104,000,040	631,935,579	2,544,000	9,435,592	3,071,373	13,226,433	764,213,017
Additions		232,100,916		1,563,736			233,664,652
Disposals							
<b>As at 31st Dec 2020</b>	<b>104,000,040</b>	<b>864,036,495</b>	<b>2,544,000</b>	<b>10,999,328</b>	<b>3,071,373</b>	<b>13,226,433</b>	<b>971,714,721</b>
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							
<b>As at 31st Dec 2019</b>	<b>-</b>	<b>-</b>	<b>2,436,554</b>	<b>7,996,414</b>	<b>2,157,220</b>	<b>8,122,598</b>	<b>20,712,785</b>
As at 1st Jan 2020			2,436,554	7,996,414	2,157,220	8,122,598	20,712,785
Charge for the Year			26,862	900,874	114,269	637,979	1,679,984
Disposal							



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As at 31st Dec 2020	-	2,463,415	8,897,288	2,271,489	8,760,577	22,392,769
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**Net Book Value**

As at 31st Dec 2020	104,000,040	864,036,495	80,585	2,102,040	799,884	4,465,856	975,484,900
As at 31st Dec 2019	104,000,040	631,935,579	107,446	1,439,178	914,153	5,103,836	743,500,232

**24 Valuation**

Land and buildings/ Equipment (be specific) were valued by in line with the National Assets and Liabilities Management Policy and Guidelines.



## Notes to the Financial Statements (Continued)

### 25. Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	104,040,000		104,040,000
Buildings	864,036,495		864,036,495
Motor vehicles, including motorcycles	2,544,000	2,463,415	80,585
Computers & related equipment	10,999,328	8,897,288	2,102,040
Office equipment, furniture & fittings	16,297,806	11,032,066	5,265,740
	997,917,629	22,392,769	975,524,860

### 26. Intangible Assets

#### At cost

As at 1st Jan 2019  
Disposals

25%

5,433,100                      5,433,100

#### Total Cost

5,433,100                      5,433,100

As at 1st Jan 2020  
Additions  
Disposals  
Loss on Disposal

5,433,100                      5,433,100  
3,900,000                      3,900,000  
(4,770,721)                      (4,770,721)  
(662,379)                      (662,379)

#### Total Cost

3,900,000                      3,900,000

#### Amortisation

As at 1st Jan 2019  
Charge for the Year  
Disposal

4,255,537                      4,255,537  
294,391                      294,391  
(4,549,928)                      (4,549,928)

#### As at 31st December 2019

(0)                      (0)

As at 1st Jan 2020  
Charge for the Year  
Disposal

(0)                      (0)  
1,195,793                      1,195,793

#### As at 31st December 2020

1,195,793                      1,195,793

#### Net Book Value

As at 31st Dec 2020  
As at 31st Dec 2019

2,704,207                      2,704,207  
883,172                      883,172

#### Note on Loss on Disposal

During the year under review the Institute decommissioned the ERP and acquired a new ERP whose written down value as at the time of retiring the ERP with NBV of Ksh. 662,379.00. The loss on the disposal has been recognised on retirement of the ERP and guided by 1AS 16.



**Notes to the Financial Statements (Continued)**

**27. Trade and Other Payables**

	2020	2019
	Kshs	Kshs
Trade payables	57,112,157	88,353,488
Other payables	974,703	
VAT Payable	10,315,007	
<b>Total</b>	<b>68,401,867</b>	<b>88,353,488</b>

**28. Refundable Deposits and Prepayments from Customers**

Description	2020 Kshs	2019 Kshs
<b>Prepayment</b>		
Prepaid Rent and Service Charge	2,965,403	
School Fees Prepayments		280,484
<b>Total School Fees Prepayments</b>	<b>2,965,403</b>	<b>280,484</b>

Description	2020 Kshs	2019 Kshs
<b>29. Workshop Refunds</b>		
Workshop Refunds	682,581	682,581
<b>Total Workshop Refunds</b>	<b>682,581</b>	<b>682,581</b>

The Kenya Institute of Supplies Management contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Kenya Institute of Supplies Management's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month. Other than NSSF the Kenya Institute of Supplies Management also has a defined contribution scheme operated by Co-optrust Investment Services limited. Employees contribute 7.5% while employers contribute 7.5% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.





### Notes to the Financial Statements (Continued)

#### Cash Generated from Operations

Reconciliation of Surplus before tax

Surplus(deficit) before tax	37,112,315	47,162,543
Add/Less Non-Cash Adjustments		
Professional development	-3,578,235	-8,073,570
Depreciation	1,679,984	1,512,319
Loss on disposal	662,379	
Amortisation	1,195,793	294,391

**Cashflow before Changes in Working capital** **37,232,149** **40,895,683**

#### Changes in Working Capital

(Increase)/ Decrease in Receivables	(10,610,543)	-5,196,046
Increase/(Decrease) in Creditors	(19,951,621)	35,227,939
Increase in Prepaid School fees		-818,152
Increase in Rent Prepayment	2,684,919	
(Increase)/ Decrease in VAT Claimable		-15,524,245
Increase /(Decrease) in Refunds	9,300,163	-13,625,626
Tax Paid		-2,611,209

**Net Cash from/(used in) Operating Activities** **18,655,067** **-2,547,340**

### 30 Financial Risk Management

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

The Kenya Institute of Supplies Management's financial risk management objectives and policies are detailed below:

#### i) Credit risk

The Kenya Institute of Supplies Management has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.



### Notes to the Financial Statements (Continued)

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Kenya Institute of Supplies Management's management based on prior experience and their assessment of the current economic environment.

### Financial Risk Management

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>As at 31st December 2019</b>				
Receivables from exchange transactions	24,997,309	16,248,251	8,749,058	-
Bank balances	76,925,891	76,925,891	76,925,891	76,925,891
<b>Total</b>	<b>101,923,200</b>	<b>93,174,142</b>	<b>85,674,949</b>	<b>76,925,891</b>
<b>As at 31st December 2020</b>				
Receivables from exchange transactions	28,836,477	14,418,238	14,418,239	-
Bank balances	112,248,198	112,248,198	112,248,198	112,248,198
<b>Total</b>	<b>141,084,675</b>	<b>126,666,436</b>	<b>126,666,437</b>	<b>112,248,198</b>



## Notes to the Financial Statements (Continued)

### Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Kenya Institute of Supplies Management has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Kenya Institute of Supplies Management has significant concentration of credit risk on amounts due from 2020. The board of directors sets the Kenya Institute of Supplies Management's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 31st December 2020</b>				
Trade payables	17,670,698	19,879,535	50,803,256	88,353,488
<b>Total</b>	<b>17,670,698</b>	<b>19,879,535</b>	<b>50,803,256</b>	<b>88,353,488</b>
<b>As at 30 June 2021</b>				
Trade payables	16,451,355	17,426,058	23,234,744	57,112,157
VAT Payable	10,315,007			10,315,007
Employee benefit obligation	974,703			974,703
<b>Total</b>	<b>27,741,065.45</b>	<b>17,426,058</b>	<b>23,234,744</b>	<b>68,401,867</b>



## **Notes to the Financial Statements (Continued)**

### **Financial Risk Management**

#### **iii) Market risk**

The Kenya Institute of Supplies Management has put in place an internal audit function to assist it in assessing the risk faced by the Kenya Institute of Supplies Management on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Kenya Institute of Supplies Management's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Kenya Institute of Supplies Management's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Kenya Institute of Supplies Management's exposure to market risks or the manner in which it manages and measures the risk.

#### **a) Foreign currency risk**

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

### **Financial Risk Management**

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



## Notes to the Financial Statements (Continued)

### FY 2020

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>As At 31st December 2020</b>			
<b>Financial Assets</b>			
Investments			-
Cash	112,248,198		112,248,198
Debtors	51,202,616		51,202,616
<b>Total Financial Assets</b>	<b>163,450,814</b>		163,450,814
<b>Financial Liabilities</b>			-
Trade And Other Payables	70,857,439		70,857,439
Borrowings	-		-
<b>Total Financial Liabilities</b>	<b>70,857,439</b>		70,857,439
<b>Net Foreign Currency Asset/(Liability)</b>	<b>92,593,375</b>	<b>0</b>	<b>92,593,375</b>

### 31 Related Party Disclosures

#### Nature of related party relationships

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

#### Government of Kenya

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

#### Other related parties include:

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



## **Notes to the Financial Statements (Continued)**

### **32 Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. However, the Institute ploughed back its surplus into the business to support its investment agenda.

### **33 Events after the Reporting Period**

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

### **34 Ultimate And Holding Entity**

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

### **35 Currency**

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



### 37. Appendix

#### Appendix 1: Implementation Status of Auditor-General's Recommendations

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

No.	Audit Finding	Observation	Management Response	Status "Resolved" or "Not Resolved"
1.	Unexplained Variances in TB	Observed values varying from the individual ledgers to Trial Balance	<p>We have attached the explanations given to our last submission both to the management letter and draft audit report.</p> <p>The select ledger entries are provided with the closing balances both in the trial balance and schedules/ledgers</p> <p><b>Asset Grant</b> 499,277,487.77</p> <p>Promotion and Advertisement 2,874,357.40</p> <p>Promotion and Advertisement 99,792.00</p> <p><b>Total Promotion and Advertisement</b> 2,974,149.40</p> <p>446,000.00</p> <p>557,806.91</p> <p>2,705,298.34</p> <p>16,491.64</p> <p>340,803.81</p> <p>116,379.30</p> <p>20,200.00</p> <p>28,600.00</p> <p><b>Total Workshop Expenses</b> 4,231,580.00</p> <p>Payroll Expenditure 24,688,233.10</p> <p>Payroll Expenditure 158,668.00</p> <p>Payroll Expenditure 2,021,362.00</p> <p>Payroll Expenditure 261,956.90</p>	Resolved



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No.	Audit Finding	Observation	Management Response	Status "Resolved" or "Not Resolved"
	Unsupported Expenditure	Disclosed in the statement of comprehensive income is administrative expenses as per Note 14. Included in the administrative expenses are legal fees of Ksh. 2,186,000 and decoration expense of Ksh. 196,531.00. The audit verified only legal fees of Ksh. 185,000.	<p><b>Total Salaries and Wages 27,130,220.00</b></p> <p><b>Pension 1,537,656.00</b></p> <p>We attach the audit schedule reference 8 to provide the detailed expenses incurred both on legal and decoration expenditures. This information was availed and substantiated both in the responses to the management letter and draft audit report.</p>	Resolved
2.	Non-Compliance with SCAC Circular	<p>Non submission of HR instruments as required by SCAC for approval</p> <ul style="list-style-type: none"> <li>▪ Organizational structure</li> <li>▪ Staff grading &amp; establishment</li> <li>▪ Career guidelines</li> <li>▪ Human resource policy and procedure manual</li> </ul>	<p>The Institute conducted its human resource review, with the recommendations operationalized in January of 2017. Following the recommendations from the human resource consultancy, the Institute wrote to both SCAC and the SRC seeking concurrence on proposed human resource reorganization, structure and establishment. Both offices i.e. KISM and SCAC have initiated processes that will lead to compliance. The human resource establishment and instruments are under review by SCAC that shall eventually be submitted to The National Treasury for concurrence and adoption prior to implementation.</p>	Resolved
3.	Lack of Risk Management Policy and Risk Registers	A review of the internal controls revealed that the Institute did not	<p>Though adhoc, periodically the Institute reviews its risk appetite, examining the business results and recommends actions to the identified risks. Despite the fact that the risk management policy</p>	Resolved





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No.	Audit Finding	Observation	Management Response	Status "Resolved" or "Not Resolved"
		have in place risk management policy. The Institute by end of the year had not conducted risk assessment to identify potential risk	being outdated, the Council through the then Finance and Administration Committee would periodically get appraised on the risk management status. Further, the Institute through the Contract Implementation Committee appraises the potential risks whose outcome could hamper the progress of the project. The Institute notes that the interventions have been erratic and notes that the various office span of control has been too wide to ensure proper oversight. The Institute has undertaken interventions and prioritized review of its various governance instruments in readiness implementation before the end of the financial year 2022.	Resolved
4.	Unsurrendered Imprest	As at end of FY 2019 the Institute had related party debts that remained open. Imprest register was not availed	By end of the financial year 2019, we had an outstanding imprest. The matter was canvassed at length with the Council and recommendations made on closure of the matter. The full closure of the report is as presented in the Schedule Ref. 6 The audit findings concluded that the unsurrendered imprest relates to the period 2018. We however wish to state that the unsurrendered imprest is for the period January to December 2019 and not from 2018. Efforts have been made on recovery and with effect from September 2021, recovery of the outstanding imprest was initiated. Further the Institute in its draft policies has institutionalized the requirements and tenets provided in PFM Act. No staff is advanced funds prior to settling previous both temporary and standing imprest, with both imprest standing to be recovered within 7 days on return back to work.	Resolved
5.	Weak Controls Internal	Noted that the Institute had not filled procurement officer No sufficient demonstration by	The head of procurement resigned from the Institute in June 2019. The Institute took up a caretaker to support the operations until the process of recruitment is completed. The operations in finance follow the laid down procedures. Whereas the Institute operates thin, we remain abreast on the risks with the	Resolved



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No.	Audit Finding	Observation	Management Response	Status "Resolved" or "Not Resolved"
		<p>management controls had been strengthened and sufficient checks and balances</p>	<p>role's segregation and checks and balances are appropriately defined in the system, with an inbuilt permutation matrix and audit trail supporting and deterring any encroachment. The Institute has however remained incapacitated due to the staff establishment and unapproved human resource instruments. The Institute in light of these oversight has filled the office of Internal Audit, recruited an additional Finance Officer, filled Procurement Manager and deployed an additional staff to procurement to support procedural requirements. We expect that the ongoing review will address the observations and enhance the Internal Controls.</p>	<p>Status "Resolved"</p>
6.	<p>Irregular procurement of services</p>	<p>Procurement carried out without following PPADA</p>	<p>All procurements are conducted upon satisfying the dictates of the procurement procedural requirements. At the beginning of the year, the head of procurement in consultation with the functional heads aligns procurement to the budget. All procurements carried out are as defined in the procurement plan. As provided in PPADA, the Institute requested for a list of registered suppliers from UFAA and consolidated with its list of vendors in KISM's list of registered vendors. However, we note an oversight that both lists were not subjected to required adoption process. To enhance the compliance processes, the Institute has since with effect from February 2022, published its approved list of registered suppliers.</p>	<p>Resolved</p>
7.	<p>Unpaid Withholding taxes to KRA</p>	<p>By close of the year the Institute had withholding taxes</p>	<p>Over the period ended 31st December 2019, the Institute cash flows were constrained rendering payment of the resultant withholding taxes untenable. However, we have instituted payment for the resultant withholding taxes in the course of the year. By January 2021, all the withholding taxes both on VAT and taxes have been remitted to the Kenya Revenue Authority.</p>	<p>Resolved</p>



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No.	Audit Finding	Observation	Management Response	Status "Resolved" or "Not Resolved"
8.	Non-Compliance to Executive order No. 6 of 2015 with regard to migration of procurement systems to e-procurement by TNT	KISM had not migrated its procurement systems to e-procurement during the FY 2019	Some of the procurements carried out in the course of the year were posted in KISM IFMIS account. The Institute understands the gravity of the matter and thus as of May 2022, recruited a substantive procurement manager who shall ensure that all procurement processes and compliance requirements are adhered to.	Resolved

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**Director General/C.E. O/M. D**



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**Appendix IV: Transfers from Other Government Entities**

Nature: Recurrent/Development/O thers	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
			Capital Fund	Deferred Income	Receivables	Others - must be specific	
Recurrent	6,825,000.00	6,825,000.00					
Development	250,000,000.00						
Recurrent	6,825,000.00	6,825,000.00					
Recurrent	15,418,550.80	15,418,550.80					
Recurrent	15,418,550.80	15,418,550.80					
<b>Total</b>	<b>294,487,101.60</b>	<b>44,487,101.60</b>		-	-		