REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

INSTITUTE OF HUMAN RESOURCE MANAGEMENT

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON INSTITUTE OF HUMAN RESOURCE MANAGEMENT FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,

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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the report on the Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

Opinion

I have audited the accompanying financial statements of Institute of Human Resource Management (IHRM) set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Institute of Human Resource Management as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Human Resource Management Professional Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively, as listed in the attached **Appendix I.** The status during the year under review revealed that the issues remained unresolved as at 30 June,2025.

Other Information

The Management is responsible for the other information set out on page iv to xliii which comprise of Key Entity Information and Management, Council Members, Key Management Team, National Chairman's Statement, Report of the Executive Director, Statement of performance against predetermined objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Council and Statement of Council Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Institute's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Non-Compliance with Employment Requirements on Persons with Disabilities

Review of staff records revealed that the Institute has thirty-two (32) staff members. However, none of them falls under Persons with Disabilities (PWD) category. This was contrary to provisions of Section 4(f) of the Persons with Disabilities Act, 2025 which requires minimum of five per centum (5%) of the staff establishment be reserved for persons with disabilities.

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

2. Lack of Approved Remuneration Structure

As previously reported, during the year under review, the Institute incurred an amount of Kshs.57,923,106 in respect of employee costs which was based on the Institute's Manual and the Remuneration Structure approved by the State Corporation Advisory Committee (SCAC). However, the structure was not approved by the Salaries and Remuneration Commission (SRC) contrary to the provisions of Article 230(4) of the Constitution.

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

3. Non-Compliance with the One-Third Basic Salary Rule

Review of the payroll data for the year under review revealed that two (2) officers earned net salaries that were less than one-third of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which states that, the total amount of all deductions which may be made by an employer from the wages of the employee at any one time shall not exceed two-thirds of such wages.

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

4. Unapproved Over-Expenditure

The statement of comparison of budget and actual amounts reflects an unapproved over-expenditure on two (2) components as shown in the table below;

No.	Expenditure Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Performance Difference (Kshs)	Percentage (%) of Utilization
1	Contracted Professional Services	9,500,000	15,359,823	(5,859,823)	162%
2	Use of Goods and Services	109,125,100	148,607,095	(39,481,995)	136%

However, the approval for the over-expenditure was not provided for audit review and the source of the surplus funds were not disclosed.

In the circumstances, Management was in breach of law.

5. College of Human Resource Management (CHRM)

5.1 Ownership Dispute and Lack of Control of the College of Human Resources Management (CHRM)

The College of Human Resource Management (formerly IHRM College) was initially established by IHRM (Formerly Institute of Personnel Management) in the year 1997. It was registered as a company limited by guarantee on 14 October, 2008 with nine (9) Governors (Directors/Subscribers) including a representative from IHRM. The Directors of the College were the Council Members of the IHRM at the time and held shares in trust on behalf of the Institution. Minutes of the IHRM Governing Council meeting held on 1 March, 2013, resolved that the new name of the IHRM College was to be College of Human Resources Management and be separated from IHRM main organization.

However, in July, 2019 a section of the Subscribers claimed ownership of the College, forcefully pushing out the Board of Directors appointed by the IHRM Council in July, 2019 when the Council resolved to competitively recruit Board Members to the College. Later, in a letter dated 5 February, 2021 signed by the College Principal and addressed to the IHRM Council, the letter stated that by order of newly constituted CHRM Board, the letter directed the IHRM Council to desist from interfering with the business operations of CHRM which they stated is a legally separate and independent organization.

Audit review conducted in September, 2025 revealed that there were fifty-two (52) Directors and Members. However, it is not clear under what circumstances these subscribers were brought on board and whether there was approval by the Attorney-General in line with Section 6 of the Memorandum and Articles of Association. Further, it is not clear what measures IHRM has taken to regain control and ownership of the College.

In the circumstances, the legal status of the College could not be confirmed.

5.2 Failure to Submit College of Human resource Management Annual Reports and Financial Statements

Review of the documents and information gathered, confirmed that the College was still operational despite the ownership dispute. In addition, Management did not submit the College's separate annual report and financial statements for audit. This is contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which requires that, not later than three months after the end of each financial year, the Accounting Officer for the entity shall; submit the entity's financial statements to the Auditor-General and a copy of the statement to the Controller of budget, The National Treasury and the Commission for Revenue Allocation.

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

The audit was conducted in accordance with the ISSAI 3000 and ISSAI 4000. The Standards 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 comply 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 effect of matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, 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. Weaknesses in the Contract for Provision of Integrated Online Membership Management System

A service contract was entered into by the Institute and the vendor for provision of Integrated Online Membership Management System on 16 April, 2025. The vendor was to offer integration of the membership management systems. The scope of services included support and maintenance, updates and security, hosting and continuous development.

The fees and payments agreed upon were support and maintenance base fee of up to twenty-five thousand (25,000) members amounting to Kshs.195,000 exclusive of Value Added Tax (VAT) per quarter and cloud hosting fee of Kshs.60,000 exclusive VAT per quarter from the first quarter of 2025.

However, the period in which the service contract was to run was not stated nor was there an indication of additional fee incase the members increase beyond twenty-five thousand

(25,000). Further, a payment of Kshs.283,050 was made on 11 April, 2025 to the vendor for membership system subscription quarterly fee maintenance and support and virtual cloud, five (5) days prior to signing of the contract on 16 April, 2025.

In the circumstances, the effectiveness of internal controls relating to project implementation and the membership management portal could not be confirmed.

2. Staff Under-Establishment

Review of the Institute's authorized staff establishment revealed that the authorized establishment was fifty-eight (58) staff members while the number of officers in-post was twenty-three (23). There was ,therefore, a deficit of thirty-five (35) staff or 60%. As a result, the Institute may not deliver its mandate effectively owing to the understaffing especially in departments that have no single employee such as Internal Audit, Strategy and Planning and Continuous Professional Development (CPD) enforcement.

In the circumstances, effective service delivery of the Institute could not be confirmed.

3. Lack of Information and Communications Technology Strategy and Steering Committees

Audit review of the Institute's Information and Communications Technology (ICT) environment revealed that there were no approved policies on information technology security including disaster recovery plan and ICT continuity plan. Further, there were no fire suppression systems exposing the Institute to loss of data and ICT equipment in case of unforeseen fire incidents. Consequently, the critical data may not be recovered in case of a disaster. Similarly, the Institute did not have an IT strategic or steering committee which could result in non-implementation of IT governance, as part of enterprise governance. Further, the Institute lacks IT security policy, and thus there is no clear direction on how to maintain information security and safeguard its assets.

In the circumstances, effectives and integrity of the information technology system could not be confirmed.

4. Weaknesses in Management of Long Outstanding Receivables

The statement of financial position and Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.247,508,572. However, review of the ageing analysis revealed that at of Kshs.113,074,179 was outstanding for more than two (2) years. No evidence was provided to show efforts taken by Management to collect the long outstanding debt.

In the circumstances, the existence of effective mechanism of management of receivables could not be confirmed.

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

Responsibilities of Management and the Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 October, 2025

Appendix I : Unresolved Prior Year Matters

1. Unsupported Related Parties' Balance.
2. Unsupported Receivables from Non-Exchange Transactions.
3. Budgetary Control and Performance.
4. Number of Council and Committee Meetings Exceeding Limit.
5. Non-Compliance with the One Third of Basic Salary Rule.
6. Lack of an Approved Remuneration Structure.
7. Ownership Dispute and Lack of Control of the College of Human Resource Management (CHRM).
8. Failure to submit College of Human Resource Management Financial Statements.