

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

NATIONAL ASSEMBLY PAPERS LAID	
DATE: 21 FEB 2024	DAY: WED
TABLED BY: <b>OF</b> CLERK-AT-THE-TABLE:	hon Naomi Wago, MP Deputy majority party whip Finlays

**THE AUDITOR-GENERAL**

**ON**

**SCRAP METAL COUNCIL**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



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

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2023**

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

***Scrap Metal Council***  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023.**

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**Scrap Metal Council**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023.**

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## **1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS**

### **A: Acronyms and Abbreviations**

CEO	Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SMC	Scrap Metal Council

### **B: Glossary of Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation

**Comparative Year-** Means the prior period.

## **2. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Scrap Metal Council (SMC) is a State Corporation established under the Scrap Metal Act No. 1 of 2015 on 9<sup>th</sup> January, 2015 to regulate Scrap Metal dealings in the country.

The Board is composed of ten members excluding an ex-officio. The independent members were appointed through a gazette Notice No. 10715 effective 6<sup>th</sup> October 2021 while permanent members have different date of appointments. The chairperson of the Council was appointed vide Kenya Executive Gazette Notice 1416 dated 10<sup>th</sup> February 2023.

The Council is supported by the State Department for Industry that has deployed the Secretariat of the Council as provided for in the Act.

### **(b) Principal Mandate**

The principal mandate of the Council is to regulate dealings in scrap metal.

#### **The vision**

A premier regulator for scrap metal dealing within the region and beyond.

#### **The Mission**

To provide a safe and facilitative regulatory environment while looking for best practices and current industry standards for sustainable scrap metal trade and recycling for economic growth.

#### **Core values**

The Council seeks to uphold the following core values:

- **Customer focus:** We commit to embrace, meet, delight and exceed our customers' expectations
- **Fairness:** We shall execute our functions and duties, activities and decision-making in ways that are: objective, honest and responsive to our customer needs
- **Excellence:** We shall endeavour to provide eminent services through promotion of creativity, innovation, continuous improvement and adaptation to new ways of doing things.
- **Integrity:** We shall uphold professionalism, honesty and commitment to moral ethical principles
- **Teamwork:** We shall foster close working relationships to achieve our organizational objectives

The Scrap Metal Council (SMC) derives its mandate from Part I (6) of the Scrap Metal Act 2015 which is to:

- (a) advise the Cabinet Secretary on:
- (i) The appropriate measures and mechanisms for regulating the scrap metal industry in ensuring economic growth, protection of public health and conformity to the principles of environmental stewardship as required by the Basel Convention;
  - (ii) The appropriate measures and mechanisms for protecting public interest against vandalism, theft of utility infrastructure and private property;
  - (iii) The methods of attracting investors on the utilization of excess scrap materials and supporting existing users of scrap metal;
  - (iv) The applicable license fees to be prescribed under this Act; and
  - (v) Any other matter relevant to the operations of the Scrap Metal Act.



- (b) Receive, vet and process all applications for the grant and renewal of licenses.
- (c) Receive public complaints and disputes from the public and within the scrap metal industry
- (d) Submit an annual status report on the scrap metal industry in Kenya to the Cabinet Secretary

The Council is committed to the following strategic objectives:

- (i) To develop regulations, procedures and guidelines within the first year of operations
- (ii) To put in place a robust national and county enforcement framework for compliance with the regulations and associated guidelines.
- (iii) To control illegal trading of scrap metal from public utilities through adoption of self-regulation business member organizations and high penalties/sanctions.
- (iv) To control trading in scrap metal from public infrastructure and utilities institutions
- (v) To establish an investment framework to attract and develop investments for recycling of scrap metal
- (vi) To develop leadership and institutional systems for effective and efficient service delivery
- (vii) To strengthen mobilization of sustainable financial resource stream, applicable accountability mechanism and reporting.

**(c) Key Management**

The Scrap Metal Council's day-to-day management is under the Council Secretariat headed by the Head of Secretariat.

No.	Designation	Name
1.	Head of Secretariat	<b>Gideon Oele</b>
2.	Head of Planning	<b>Komora Hiribae</b>
3.	Head of Technical Services	<b>King'uru Wahome</b>
4.	Head of Accounts	<b>Hosea Kidamba</b>
5.	Head of Supply Chain Management	<b>Jane Kinyanjui</b>
6.	Head of Human Resource	<b>Faith Mureithi</b>
7.	Head of ICT	<b>Kemboi Timon</b>
8.	Head of Finance	<b>David Kiptoo</b>

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Head of Secretariat	<b>Gideon Oele</b>
2.	Head of Planning	<b>Komora Hiribae</b>
3.	Head of Technical Services	<b>Benson Waweru</b>
4.	Head of Accounts	<b>Hosea Kidamba</b>
5.	Head of Supply Chain Management	<b>Jane Kinyanjui</b>
6.	Head of Human Resource	<b>Faith Mureithi</b>
7.	Head of ICT	<b>Kemboi Timon</b>
8.	Head of Finance	<b>David Kiptoo</b>

**(e) FIDUCIARY OVERSIGHT ARRANGEMENTS**

The Council has put in place measures to enforce fiduciary and oversight arrangements to ensure compliance i.e., the Council has 3 key committees:

1. Finance and Human Resource Committee,
2. Audit and Governance Committee, and;
3. Technical Committee.

These committees provide policy direction and oversight to the Council management. The main objective of the audit and governance is to assist the Board in discharging its duties in relation to operation of adequate systems, control processes and preparation of accurate financial reporting statements in compliance with all applicable legal requirements and accounting standards.

**Council's Committees Composition****i. Finance and Human Resource**

<b>NO.</b>	<b>NAME</b>	<b>POSITION</b>	<b>No. of Meetings Held</b>
1	Bobby Aaron Johnson	Chairperson	3
2.	Stephen Macharia	Member	2
3.	Stella Mucheke	Member	3
4.	Benard Nzau	Member	2
5.	Mary Kemunto	Member	1

**ii. Audit and Governance**

<b>NO.</b>	<b>NAME</b>	<b>POSITION</b>	<b>No. of Meetings Held</b>
1	Shezad Fazal	Chairperson	3
2.	Nancy Ngetich	Member	1
3.	Sarah Duncan	Member	3
4.	Benard Nzau	Member	1

**iii. Technical Committee**

<b>NO.</b>	<b>NAME</b>	<b>POSITION</b>	<b>No. of Meetings Held</b>
1	Stephen Mutoro	Chairperson	3
2.	Sarah Duncan	Member	3
3.	Mary Kemunto	Member	1
4.	Stella Mucheke	Member	2
5.	Nancy Ngetich	Member	2



**(f) SMC Headquarters**

23<sup>rd</sup> Floor, Western Wing  
NSSF Building Block A  
Bishop Road  
Nairobi, KENYA

**(g) Entity Contacts**

P.O. Box 30547 - 00100  
Nairobi, KENYA  
Telephone: (254) 0114862446  
Website: [www.scrapmetalcouncil.go.ke](http://www.scrapmetalcouncil.go.ke)  
E-mail: [info@scrapmetalcouncil.go.ke](mailto:info@scrapmetalcouncil.go.ke)  
X: @ScrapMetalC\_ke

**(h) Entity Banker**

1. Kenya Commercial Bank  
Milimani Branch  
Bishop Road  
NSSF Building

**(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

### 3. THE BOARD OF DIRECTORS


Ref	Directors	Details
1.	 <p><b>Hon. Francis Mugo</b> Chairman</p>	<p><b>Date of Birth:</b> 13/04/1988  <b>Key Qualification:</b> Degree  <b>Work Experience:</b> Legal  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> None  <b>Independent or Alternate:</b> Independent</p>
2.	 <p><b>Aaron Johnson Bobby</b></p>	<p><b>Date of Birth:</b> 30/9/1970  <b>Key Qualification:</b> BSc  <b>Work Experience:</b> Science &amp; Management  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Finance &amp; Human Resource  <b>Independent or Alternate:</b> Independent</p>
3.	 <p><b>Shezad Jalanvin Fazal</b></p>	<p><b>Date of Birth:</b> 24/2/1973  <b>Key Qualification:</b> Business Administration  <b>Work Experience:</b> Business  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Audit &amp; Governance  <b>Independent or Alternate:</b> Independent</p>
4.	 <p><b>Stephen Irungu Macharia</b></p>	<p><b>Date of Birth:</b> 1/12/1967  <b>Key Qualification:</b> Artisan  <b>Work Experience:</b>                      Scrap Metal Works  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Finance &amp; Human Resource Committee  <b>Independent or Alternate:</b> Independent</p>
5.	 <p><b>Sarah Wanjiku Duncan</b></p>	<p><b>Date of Birth:</b> 11/11/1966  <b>Key Qualification:</b> Peace and Conflict  <b>Work Experience:</b>                      Conflict Resolution  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Technical Committee, Audit &amp; Governance Committee  <b>Independent or Alternate:</b> Alternate</p>



6.	 <p><b>Benard Nzau</b></p>	<p><b>Date of Birth:</b> 13/12/1968  <b>Key Qualification:</b> Degree  <b>Work Experience:</b> Supply Chain Management  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Finance &amp; Human Resource Committee, Audit &amp; Governance Committee  <b>Independent or Alternate:</b> Alternate</p>
7.	 <p><b>Stephen Mutoro</b></p>	<p><b>Date of Birth:</b> 1975  <b>Key Qualification:</b> Sociology  <b>Work Experience:</b> Criminology, Social Gender  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Technical Committee  <b>Independent or Alternate:</b> Independent</p>
8.	 <p><b>Mary Kemunto</b></p>	<p><b>Date of Birth:</b> 03/11/1969  <b>Key Qualification:</b> Masters  <b>Work Experience:</b> Director of Industries, Directorate of Human Resource Management and Development, State Department for Industrialization. (SDI)  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Technical Committee, Finance and Human Resource, Audit &amp; Governance  <b>Independent or Alternate:</b> Alternate to PS, SDI</p>
9.	 <p><b>Stella Mucheke</b></p>	<p><b>Date of Birth:</b> 20/10/1978  <b>Key Qualification:</b> MBA Operations Management  <b>Work Experience:</b> Chief Supply Chain Specialist  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Finance and HR, Technical Committee  <b>Independent or Alternate:</b> Alternate</p>
10.	 <p><b>Nancy Ngetich</b></p>	<p><b>Date of Birth:</b> 09/07/1978  <b>Key Qualification:</b> Masters  <b>Work Experience:</b> Legal  <b>Independent or Executive Director:</b> Independent  <b>Committee:</b> Technical Committee, Audit &amp; Governance  <b>Independent or Alternate:</b> Alternate</p>

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11.	 <p><b>Gideon Oele</b></p>	<p><b>Date of Birth:</b> 12/12/1964 <b>Key Qualification:</b> Masters in International Business <b>Work Experience:</b> Trade and Industry <b>Committee:</b> Technical Committee, Finance and Human Resource, Audit &amp; Governance Committee <b>Independent or Alternate:</b> Head of Council Secretariat</p>
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**NOTE:**

- i) **George Makateto** was the Head of Secretariat until January 2023 when he was replaced by **Gideon Oele**
- ii) **Joseph Mbeva** was the Alternate to PS SDI until March 2023 when he was replaced by **Mary Kemunto**
- iii) **Michael Muchiri** was a Council Member Alternate to PS Transport until he was replaced by **Benard Nzau** in March 2023



**MANAGEMENT TEAM**

<b>Management</b>		<b>Details</b>
1.		<p><b>Gideon Oele</b>                      Head of Secretariat responsible for day to day running of the Scrap Metal Council Secretariat  <b>Qualification:</b> Masters in International Business</p>
2.		<p><b>Komora Hiribae</b>                      Head of Planning responsible for Corporate Strategy  <b>Qualification:</b> B.A (Economics)</p>
3.		<p><b>Benson Waweru</b>                      Head of Technical Services                      Responsible for Core Functions  <b>Qualification:</b> Bsc- Biology, Diploma in Economics Development.</p>
4.		<p><b>Hosea Kidamba</b>                      Head of Accounts.                      Responsible for Accounts matters  <b>Qualification:</b> Bcom- Finance</p>
5.		<p><b>Jane Kinyanjui</b>                      Head of Supply Chain Management                      Responsible for Procurement matters  <b>Qualification:</b> Diploma in Purchases and Supplies, CIPS</p>
6.		<p><b>Faith Mureithi</b>                      Head of Human Resource Management                      Responsible for Human Resource Management  <b>Qualification:</b> Diploma in Human Resource, Certificate in counselling, Entrepreneur and Value Addition</p>
7.		<p><b>Kemboi Timon</b>                      Head of Information, Communication and Technology                      Responsible for ICT Issues  <b>Qualification:</b> B.S. Computer Science</p>

8.		<b>David Kiptoo</b> Head of Finance Responsible for finance issues <b>Qualification:</b> Bcom- Finance, CPA finalist
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**NOTE:**

- i) **George Makateto** was the Head of Secretariat until January 2023 when he was replaced by **Gideon Oele**
- ii) **Francis Chege** was the Head of Planning until March 2023 when he was replaced by **Komora Hiribae**
- iii) **Jecinter Obondi** was the Head of Accounts until June 2023 when she was replaced by **Hosea Kidamba**
- iv) **Paul Otieno** was the Head of Supply Chain Management until March 2023 when he was replaced by **Jane Kinyanjui**
- v) **Lucy Nyambura** was the Head of until Human Resource Management March 2023 when she was replaced by **Faith Mureithi**
- vi) **Edith Ndung'u** was the Head of Information, Communication and Technology until June 2023 when she was replaced by **Kemboi Timon**



#### **4. CHAIRMAN'S STATEMENT**

Scrap Metal Industry is aligned to the Government Bottom-Up Economic Transformation Agenda (BETA). It is a key enabler to the Finance and Production Sector that not only provides numerous opportunities to use locally available scrap metal for the production of high-grade steel for use by industries including building and construction and automotive, but also contributes to the green manufacturing and circular economy of recycling and reusing scrap metal. It is also aligned to Kenya Vision 2030, Sustainable Development Goals (*SDG 12*) and Agenda 2063 (*a prosperous Africa, based on inclusive growth and sustainable development*).

In recent times, scrap metal has gained currency as a replacement of primary materials in manufacturing of finished metal products. The 3R (Reduce, Reuse and recycle) approach to minimize the amount from generation to disposal is becoming the best approach. Scrap metal recycling is Eco-friendlier and more affordable than processing or extracting primary material, for example estimates are that 84 percent of the iron and steel used in foundries is recycled scrap. Recycling steel requires 56 percent less energy than producing steel from iron ore, and reduces greenhouse gases (GHG) emissions by up to 58 percent. The processing of scrap metal also generates more jobs within the value chain as compared to primary iron ore.

Globally, scrap metal industry is a major driver of economic growth and sustainable development as the industry supplies metal scrap as raw materials to metal recycling sectors, whose annual turnover is estimated at around US\$500 billion.

In Kenya, the industry supports millions of people who depend on it for their livelihood both directly and indirectly along the scrap value chain that comprises scrap metal collectors, dealers, exporters and milling factories. The collector category that is mainly informal is especially very important as it employs majority from the bottom of Kenya's society.

It is estimated that Kenya's eighteen (18) steel mills consume over three hundred thousand (300,000) metric tonnes of scrap metal annually; with local estimated value of over KS 18, billion. In addition, Kenya exported about 17,874.9 and 12, 722.6 metric tonnes of scrap metals worth about US\$44 million (KS 5.9 billion) and US\$33million ((KS 4.5 billion) in 2021 and 2022, respectively.

Since the inauguration of the Council on 21st May 2020, it has carried out a number of activities namely;

- a. Induction of the Council,
- b. Training on Mwingozo
- c. Opening of a bank account
- d. Licensing of large number of dealers
- e. Inspection of the licensed dealers
- f. Development of an online application system
- g. Developing instruments for full operationalization of Council such as :
  - i. Categorization of Scrap Metal Council
  - ii. Drafting of the Vision, Mission Core Values and Citizen Service Delivery Charter
  - iii. Developing Strategic Plan 2022-2027

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- iv. Signing of the first ever Performance contract with the Public Service through the Ministry of Industrialization, Trade and Enterprise Development
- v. Training of staff and council members on PC cross- cutting issues.
- vi. Initiated development of Scrap Metal Regulations
- vii. Initiated Amendment of Scrap Metal Act 2015
- viii. Carried out Sensitization of Scrap Metal traders in the Counties

Despite the above achievements, the Council is faces a number of challenges which emanate from the Act. These include inadequate staffing compounded by arbitrary redeployments and restrictive.

Name

FRANCIS NALUGO

Sign:



**Chairperson of the Board/Council**



**6. REPORT OF THE HEAD OF SECRETARIAT**

The Scrap Metal Council was formed following the enactment of the Scrap Metal Act, No. 1 of 2015. The primary function of the Council is to regulate the scrap metal industry.

The Council performs its functions through a Secretariat provided by the State Department for Industry. The secretariat comprises of eleven (11) staff members as follows; Head of Secretariat; Head of Planning; Head of Technical Services; Head of Accounts; Head of Supply Chain Management; Head of Human Resource Management; Head of ICT; Head of Finance; Head of Transport; Office Administrator; Clerical officer; and Support Staff.

The status of approved Council activities during financial year 2022/23 are as indicated below: -

- a) The Draft Scrap Metal Rules were developed
- b) Conducted three (3) stakeholder consultations on Amendment of Scrap Metal Act No.1 of 2015.
- c) Completed the development of the draft (1) Organization Structure, Grading and Staff Establishment, (2) Career Guidelines and (3) Human Resource Policy and Procedure manual in consultation with the Directorate of Public Service Management (DPSM).
- d) Consultancy services to guide to development the Risk Management Policy Framework.
- e) Acquired 3140 square feet at NHIF Building for office accommodation. Equipping is yet to be done.
- f) Issued 468 Licenses to Scrap Metal Dealers who met the licensing requirements against a target of 420.
- g) Reviewed and re-engineered the process of licensing of scrap metal dealers to reduce the time taken from 30 days to 25 days by revamping and upgrading of the licensing portal to reduce the manual processes involved.
- h) Commenced the process of onboarding to the KENTRADE single business window system for linking traders with other relevant trade facilitating agencies
- i) Commence the digitalization process of onboarding to E-Citizen platform

Despite concerted efforts by the Council to efficiently and effectively discharge its mandate, the following are inhibiting it: -

- a) Structural limitation of the Act

The Council is perhaps the only State Corporation barred by the ACT from employing its staff. The Act provides that State Department for Industry shall deploy Secretariat for the Council.

- b) Scope of Licensing

The regulatory coverage by Act leaves out several scrap players thus rendering the Act ineffective.

- c) Inefficient Self-regulation by Industry

Anticipating that the Government enforcement agencies cannot be everywhere, the Act created regulatory tiers in which the industry is supposed to practice self-regulation especially by issuing certificates to their members as a prior condition for obtaining SMC license.

This system does not seem to be having any effect. There is no sign that the associations have any control on their members and that the interest is mainly on collection of fees. Hence members of the association continue perpetuating reported misconducts.

- d) Weak multi-agency cooperation and collaboration

In some cases, attempts to get information from reported misconducts have not been successful hence making it difficult for the Council to apply appropriate remedies.

Name

Gideon Odeh

Sign:



**Head of Secretariat**

**7. STATEMENT OF SCRAP METAL COUNCIL'S PERFORMANCE AGAINST  
PREDETERMINED OBJECTIVES FOR FY 2022/2023**

**(i) Scrap Metal Council (SMC) Performance Review**

Scrap Metal Council has Five Key Results Areas with seven Strategic Objectives within the current Strategic Plan for the FY 2023-2027. These strategic pillars are as follows:

<b>Key Result Area</b>	<b>Strategic Objective</b>
1. Regulating the scrap metal industry	To develop regulations, procedures and guidelines within the first year of operations
	To put in place a robust national and county enforcement framework for compliance with the regulations and associated guidelines
2. Protection of critical national infrastructure and private property	To control illegal trading of scrap metal from public utilities through adoption of self-regulation business member organizations and high penalties/sanctions.
	To control trading in scrap metal from public infrastructure and utilities institutions
3. Investments promotion in Scrap Metal recycling	To establish an investment framework to attract and develop investments for recycling of scrap metal
4. Leadership and integrity (Governance)	To develop leadership and institutional systems for effective and efficient service delivery
5. Financial Stability and Partnerships	To strengthen mobilization of sustainable financial resource stream, applicable accountability mechanism and reporting.

Scrap Metal Council develops its annual work plans based on the above Five Key Results Areas with seven Strategic Objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2022-23 period, as indicated in the table below

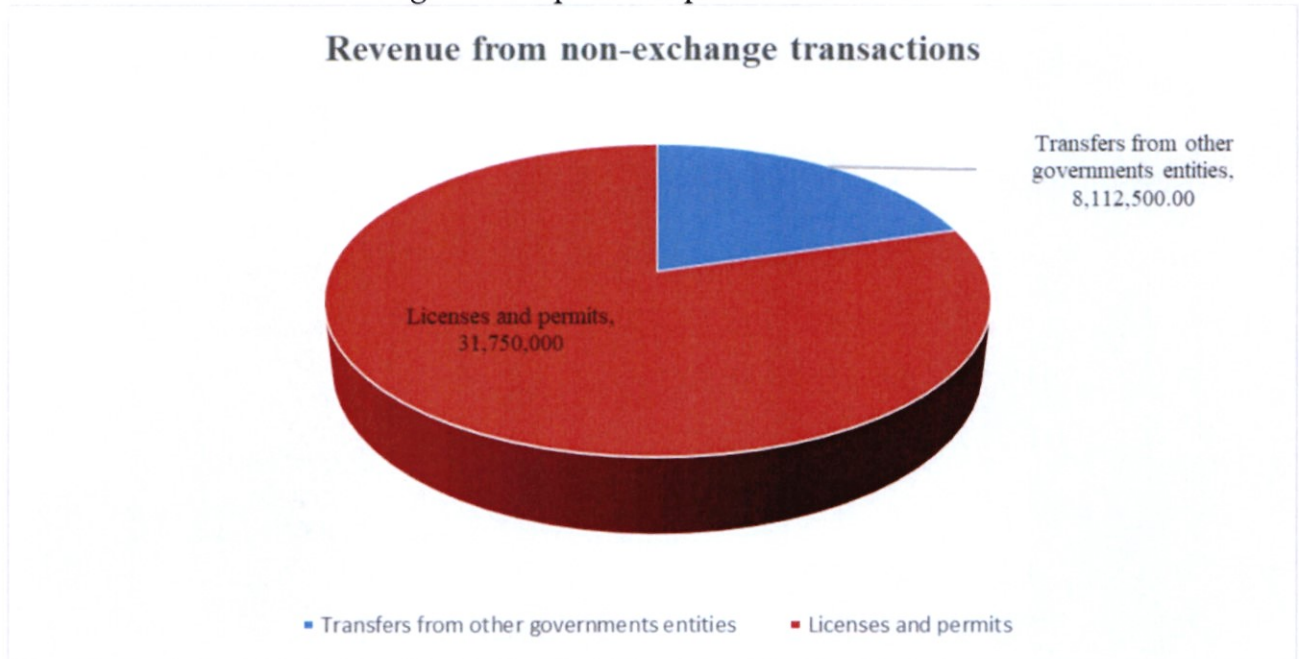


Strategic Pillar/Theme/Issues	Objectives	Key Performance Indicator	Target	Achievements	
Regulating the scrap metal industry	To control and regulate the dealing in scrap metal business	No. of Licences issued	Issue 420 Licenses	-Issued 468 Licenses	
		Level of mapping of scrap metal dealers countrywide	Inspect and vet the mapped dealers for compliance	-80% level of mapping achieved against a target of 60	
		Scrap Metal Act Reviewed	Conduct 3 stakeholder consultations	-Conducted 3 stakeholder consultations	
			Prepare final draft Scrap Metal Amendment Bill	-In the process of preparing final draft Scrap Metal Amendment Bill	
			Submit to the submit to the Cabinet Secretary the final draft Scrap Metal Amendment Bill for onward transmission to Parliament		
		Scrap Metal Act Regulations Developed	Engage Stakeholders on the Draft Rules for operationalization of the Act	- The Draft Scrap Metal Rules were relooked at with the help of State Department for Industry Legal Counsel and an officer from the Attorney General's office to include all the scrap metal players left out.	
			Review and consolidate stakeholders' input	-Yet to engage stakeholders on draft rules for operationalization through public participation after a Regulatory Impact Assessment and explanatory memorandum is done	
			Resubmit rules to Parliament for approval		
		To operationalize the	Level of Operationalization	Development of Operational Manuals	-Completed the development of the draft (1) Organization Structure,

<b>Strategic Pillar/Theme/Issues</b>	<b>Objectives</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Achievements</b>
	scrap metal council			<p>Grading and Staff Establishment, (2) Career Guidelines and (3) Human Resource Policy and Procedure manual in consultation with the Directorate of Public Service Management (DPSM). -Consultancy services have been sought to develop the Risk Management Policy Framework.</p>
			Acquisition and refurbishment of office	-Acquired 3140 square feet at NHIF Building
			Equipping of the acquired offices	-Equipping is yet to be done
		No. of awareness programmes to control vandalism, theft of utility infrastructure and private property on scrap metal	Undertake 8 regional awareness creation campaigns	-Surpassed target on regional awareness creation campaigns in Nairobi, Nakuru, Mombasa and Ruiru. And KBC and K24 and a publication done
			Develop sensitization and communication materials	-Developed sensitization and communication materials for awareness creation



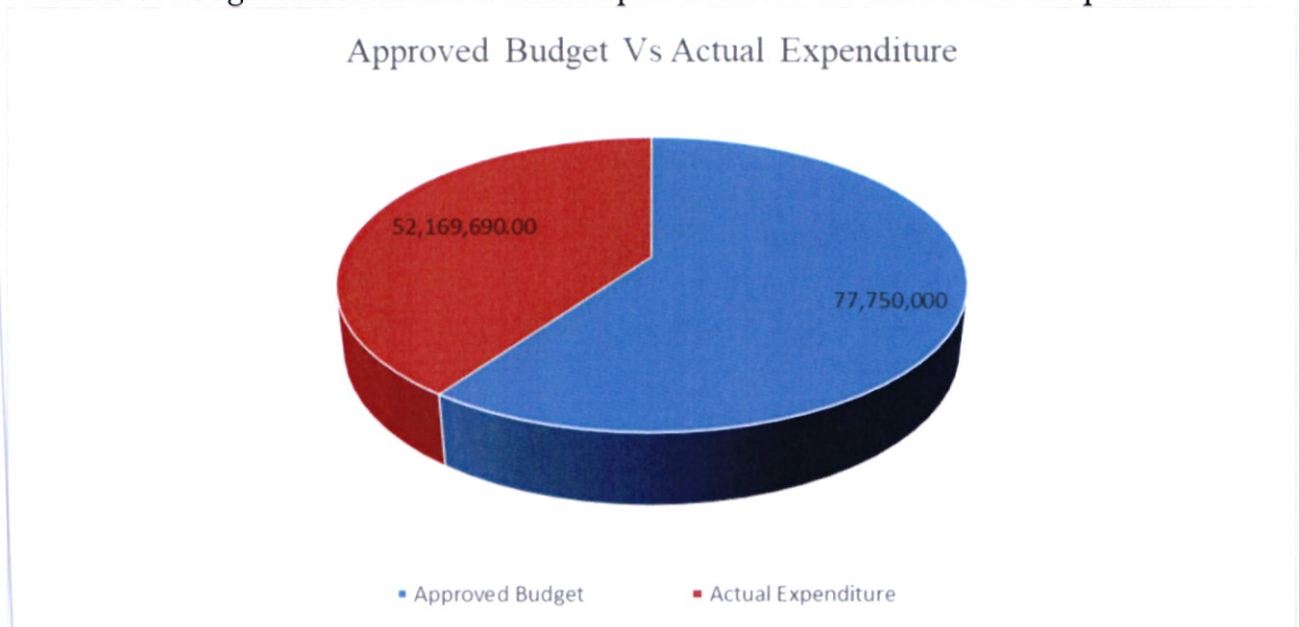
The Revenue collected throughout the period is plotted as below:



Source: SMC computation

Transfers from SDI were shs.8,112,500.00

In terms of Budget Allocated and Actual Expenditure for the Council for the period



Source: SMC computation

Actual expenditure- Khs.52,169,690.00

Approved budget total Budget - Khs 77,750,000.00

## **9. CORPORATE GOVERNANCE STATEMENT**

The Scrap Metal Council is responsible for the governance role of the Council. Both the Council and senior management of the Council are committed to the highest levels of corporate governance, which it considers critical in achieving the Council's mandate. Accordingly, the Council therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity.

The Council recognises that for governance to be effective it must be realised through leadership and collaboration with the council members at the top leading by example and complementing the senior management. This enables effective and efficient decision making and discharge of duties.

### **The Role and functioning of the Council**

The Council's responsibilities are broadly set out in the State Corporations Act, Cap.446 Laws of Kenya while the composition as well as functions of the Council is set out in the Scrap Metal Act No. 1 of 2015 that establishes the Council as a State Corporation. Specifically, the Council defines strategies, objectives and values and ensures that its procedures and practices are in tandem to ensure effective control over strategic, financial, operational and compliance issues.

Council members bring a wealth of experience and knowledge to the Council's deliberations. Except for direction and guidance on general policy, the Council delegates authority of its day-to-day activities to the management through the Head of Secretariat. The Council nonetheless is responsible for the overall stewardship of the council and assumes responsibility for effective direction and control.

### **Composition of the Council**

The Council is as stipulated in the Scrap Metal Act. The Council comprises Ten (10) members. Five (5) of the members are independent non-executive including the Chairman from industry stakeholders other than the chairman who is appointed by the Cabinet Secretary. All non-executive Council members retire after a term of three (3) years from the date of appointment and are eligible for re-appointment, the remaining five (5) members are institutional representatives bringing on Board closely-knit interests, experiences and balance from and by key stakeholders.

The Head of Secretariat is the Secretary to the Council and works closely with other members of the Secretariat deployed from the State Department for Industry. The oversight role of the secretariat is to provide strategic direction for the council. Specifically, the council is responsible for;

- i. Determining the council's Mission, Vision, Purpose and Core Values
- ii. Reviewing, evaluating and approving on regular basis, long terms plans for the council
- iii. Reviewing, evaluating and approving the council's budget and financial forecasts
- iv. Reviewing, evaluating and approving major resources allocations and capital investments
- v. Ensuring that the procurement process is cost effective and delivers value for money
- vi. Reviewing and approving the operating and financial results of the council
- vii. Ensuring effective, accurate, timely and transparent disclosure of pertinent information on the organisation's operations and performance



- viii. Ensuring that effective processes and controls are in place
- ix. Reviewing, evaluating and approving overall organisation's structure, the
  - x. assignment of senior management responsibilities and plans for
  - xi. Senior management development and succession
- xii. Reviewing, evaluating and approving the remuneration structure of the organisation
- xiii. Adopting, implementing and monitoring compliance with organisation's Code of Conduct and Ethics
- xiv. Reviewing on quarterly basis the attainment of the targets and objectives set out in agreed performance measurement with the GOK
- xv. Reviewing periodically the organisation's strategic objectives, and policies relating to sustainability and social responsibility/investment
- xvi. Enhancing council's public image and ensure engagement with stakeholders through effective communication
- xvii. Monitoring compliance with the Constitution, and applicable laws, regulations and standards
- xviii. Reviewing, monitoring and ensuring that the organisation is effectively and consistently delivering on its mandate

### **Council Meetings**

The Council schedule of meetings is prepared annually in advance. The Council holds its regular meetings at least once every three (3) months and special meetings may be called when necessary. During the year under review, the Council held three (3) regular and one (1) special meeting.

### **Committees of the Council**

The Council has the following principal Committees that meet under defined terms of reference set by the Council. This is intended to facilitate efficient decision-making of the Council in discharging its duties and responsibilities.

#### **a) Audit and Governance Committee**

The Committee assists the Council in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring implementation of audit reports and recommendations. The Committee held three (3) regular meetings in the year under review.

The members of this committee are;

- 1. Shezad Fazal,
- 2. Sarah Duncan,
- 3. Benard Nzau,
- 4. Nancy Ngetich

**b) Finance and Human Resource Committee**

The Committee reviews and provides recommendations on issues relating to all human resource policies and procedures, Resource mobilisation, work planning and budgeting, procurement oversight, performance contracting and ensuring compliance with legal and Statutory requirements. The Committee held three (3) regular meetings in the year under review. The members of this committee are;

1. Bobby Aaron Johnson,
2. Stella Mucheke,
3. Stephen Macharia,
4. Benard Nzau
5. Mary Kemunto

**c) Technical committee**

The committee is responsible for overseeing the licensing and inspection activities of the Council. The Committee held three (3) regular meetings in the year under review. The members of this committee are;

1. Stephen Mutoro,
2. Sarah Duncan,
3. Stella Mucheke,
4. Nancy Ngetich,
5. Mary Kemunto

**Performance Contract**

The council annually signs a performance contract with the Government as well as setting Corporate Performance Strategies with Management and continues to perform an annual self-evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

**Training and Development**

The Council recognizes the importance of having a well informed and fully empowered Board and Management. In this regard, relevant training and capacity development opportunities are organised to equip Directors and staff with skills and knowledge necessary to effectively perform their responsibilities

**Conflict of Interest**

Council Members are required to make written disclosures of any transaction in which they have interest and which would constitute a conflict of interest and abstain from voting when such matters are being considered. A register is maintained for this purpose.

**Directors Emoluments**

Council Members are entitled to a sitting and other allowances (where applicable) for every meeting attended, within the set Government guidelines. The aggregate amount of emoluments paid to the members during the financial year for services rendered are disclosed in the accounts.

**Board Induction and Training**

After the inauguration of the council, the council was inducted for four days from 28<sup>th</sup> to 1<sup>st</sup> October 2020 while a Mwongozo training was organised from 14<sup>th</sup> to 16<sup>th</sup> December 2020.



**Management Committee**

It is responsible for executing and implementing strategies adopted by the council to ensure optimal performance of the council. The Head of the Secretariat provides the pivot link between the management and the council. The management committee comprises of:

1. Gideon Oele
2. Komora Hiribae
3. Hosea Kidamba
4. King'uru Wahome
5. Jane Kinyanjui
6. Faith Mureithi
7. Kemboi Timon
8. David Kiptoo

**9. MANAGEMENT DISCUSSION AND ANALYSIS**

During the year under review ending 30th June 2023, the Council set out to develop structures for the operationalization of the council.

Due to lack of staff of the Secretariat, the activities of the Council did not pick up well until towards the end of the financial year when additional staff was deployed to the Secretariat from the state Department for Industry.

Due to inadequate staff and funding, the Council is struggling to meet its mandate which heavily relies on mapping out all the scrap metal dealers in the country to facilitate regulation and licensing.

One of the major risks the Council faces is dependency on the State Department for the deployment of staff to the secretariat. Given that the state department itself is understaffed, it becomes a challenge for it to deploy adequate staff to the secretariat to facilitate the implementation of the mandate. The Council however proposes to amend the act so that it provides for recruitment of staff to adequately equip the secretariat with the necessary fulltime skilled manpower to implement its mandate.

By Order of the Board

**Name:** Gideon Odele

**Signature:** 

**Date:** 4/12/2023

**Secretary to the Board**



## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Scrap Metal Council (SMC) is a State Corporation established under the Scrap Metal Act No. 1 of 2015. Law to regulate Scrap Metal dealings in the country establishes the Council. The Council's mandate as indicated by the Scrap Metal Act No. 1 of 2015 is to regulate dealing in scrap metal.

The mandate of the Council includes: advising the Cabinet Secretary on: the appropriate measures and mechanisms for regulating the scrap metal industry in ensuring economic growth; protection of public health and conformity to the environmental stewardship as required by the Basel Convention; measures and mechanisms for protecting public interest against vandalism, theft of utility infrastructure and private property; attracting investors on the utilization of excess scrap materials and supporting existing users of scrap metal; and licensing under the scrap metal Act;

The Council undertook the following activities under the Corporate Social Responsibility for the period ended 30<sup>th</sup> June, 2023:

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

The Council put in place the measures to continue reviewing and re-engineering the process of licensing of scrap metal dealers to reduce the taken from 30 days to 25 days by revamping and upgrading of the licensing portal to reduce the manual processes involved. Process of onboarding to the KENTRADE single business window system for linking traders with other relevant licensing agencies is ongoing. This streamlined the operation of the Council for efficient and effective service delivery.

The Council put in place various Sub Committees of the Board to perform and oversight the SMC Secretariat in its performance of the day-to-day operations. These included the establishment of the following sub committees: Finance and Human Resource, Audit and Governance and Technical Committee.

In addition, the Secretariat has set in motion mechanisms of engaging with the Key Stakeholders including the Ministry of Interior and Coordination of National Government, National Police service and Scrap Metal dealers with a view to supporting it in the implementation of the Council Programmes. This engagement has resulted in the setting up of a **Multi-Agency Team (MAT)** at the County level to help in the vetting and inspection aspects of the licensing process. This will enhance the Council's visibility in terms of its operations and activities.

### **ii). Environmental Performance**

The Council through its application for licensing by the Scrap Metal dealers, instituted a review process to ensure that they are compliant with: the provision of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; and protecting public interest against vandalism, theft of utility infrastructure and private property.



The Council also through the awareness creation campaign programme sensitized the scrap metal dealers on matters environment as required in the Environmental Management and Co-ordination Act provisions.

**iii). Employee welfare**

Officers deployed at the Scrap Metal Council Secretariat have continued to enjoy and receive the same employee welfare benefits as designed by the State Department for Industry. The Accounting Officer developed and implemented employee welfare and wellness programmes in the workplace to improve employee productivity, motivation, team working and working environment for the staff at the Headquarters.

These programmes included:

- i.) Medical camp for the staff for general check-up, HIV testing and counselling, Cancer awareness among others;
- ii.) Training on HIV and Aids matters:
- iii.) Stress Management and Mental wellness
- iv.) Undertook regular distribution of condoms to staff in various offices and
- v.) Facilitated leave management for all the employees including leave commutation, bereavement leave where possible

**iv). Market Place Practices**

The Scrap Metal Council is spearheading the implementation of public procurement preferences targeting special groups of women, youth and persons with disabilities. The Council in the meantime has been using the State Department for Industry list of registered suppliers/contractors for supply/provision of goods, works & services for the year ended 30<sup>th</sup> June 2023.

The measures put in place included:

- i.) Council using the Government Advertising Agency to place for its advertisement for delivery of various categories of goods and services;
- ii.) Conducted evaluation of tenders for goods and services in a transparent manner adhering to all laid down procedures;
- iii.) Cleared the pending bills with the available resources provided and within reasonable timelines.

**v). Community Engagements**

The Scrap Metal Council worked with the private sector associations/ communities in advocating for implementation of the provisions of the Scrap Metal Act 2015 and its regulations. This was through participation of the Council in various activities organized including: joining the Micro Small and Medium-sized Enterprises Day on June 27<sup>th</sup>, 2022, celebrations.



**11. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the twelve months period ended June 30, 2023, which show the state of the entity's affairs.

**i) Principal activities**

The principal activities of the entity are:

- Licencing
- Protection of private and public property from vandalism
- Protection of public health by control of transboundary movement of hazardous materials
- Promotion of investments in utilisation of scrap metal materials

**ii) Results**

The results of the entity for the period ended June 30, 2023, are set out on page 1-5.

**iii) Directors**

The members of the Council who served during the year are shown on page **vi** and **vii**

**iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) 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. Scrap Metal Council did not make any remittance to the Consolidated Fund.

**v) Auditors**

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

By Order of the Board

Name: Gideon Odu Signature:  Date: 4/12/2023

**Secretary to the Board**

## 12. STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, and the scrap metal act no. 1 of 2015) require the Directors to prepare financial statements in respect of the Scrap Metal Council, which give a true and fair view of the state of affairs of the Council at the end of the financial period and the operating results of the Council for year ending 30<sup>th</sup> June 2023. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the ten months period ended on June 30, 2021. 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 entity; (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 Council; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

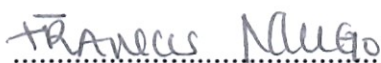
The Directors accept responsibility for the Scrap Metal Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) and the scrap metal act no. 1 of 2015. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of the Council's transactions during the financial year/ ended June 30, 2023, and of the Council's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Council which have been relied upon in the preparation of the Council'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 Council 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 Scrap Metal Council's financial statements were approved by the Council on **28<sup>th</sup> September** and signed on its behalf by:



**Name**

**Chairperson of the Board/Council**



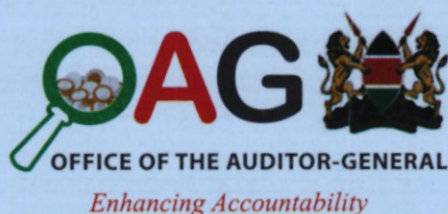
**Name**

**Accounting Officer**



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON SCRAP METAL COUNCIL FOR THE YEAR ENDED 30 JUNE, 2023**

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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 the 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**

#### **Opinion**

I have audited the accompanying financial statements of Scrap Metal Council set out on pages 1 to 23, which comprise of the statement financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets,



statement of cash flow and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other important disclosures 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 the Scrap Metal Council as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), the Public Finance Management Act, 2012 and comply with the Scrap Metal Act, 2015.

### **Basis for Opinion**

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

### **Emphasis of 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.77,750,000 and Kshs.57,332,503 respectively resulting to an underperformance of Kshs.20,417,497 or 26% of the budget. Similarly, the Council spent an amount of Kshs.53,309,690 against an approved budget of Kshs.77,750,000 resulting to an under-expenditure of Kshs.24,440,310 or 31% of the budget.

The revenue shortfall and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of the above matter.

### **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**

#### **Unresolved Prior Year Matter**

In the audit report of the previous year, an issue was raised under the Report on Lawfulness and Effectiveness in the Use of Public Resources. However, the Management had not resolved the issue or given explanation for the failure to implement the recommendations.



## 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, I confirm that nothing 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**

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 which 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 those charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such 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 Council'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 Council or to cease operations.

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



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

Those charged with governance are responsible for overseeing the Council'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 review of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 controls 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 Council'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 Council 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 Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Ombungi, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**21 December, 2023**

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*Report of the Auditor-General on Scrap Metal Council for the year ended 30 June, 2023*

**14. Statement of Financial Performance for the Year Ended 30 June 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue from non-exchange transaction</b>			
Transfers from other governments entities	6	8,112,500	11,750,011
Licenses and permits	7	49,220,003	102,731,000
<b>Total Revenue</b>		<b>57,332,503</b>	<b>114,481,011</b>
<b>Expenses</b>			
Use of goods and services	8	48,194,047	12,794,075
Remuneration of directors	9	5,109,496	4,286,400
Finance costs	10	6,147	63,697
<b>Total expenses</b>		<b>53,309,690</b>	<b>17,144,172</b>
<b>Net Surplus for the year</b>		<b>4,022,813</b>	<b>97,336,839</b>

The notes set out on pages 6 to 21 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

*Gideon Odeh*

Name:

Accounting Officer

Date *4/12/2023*

*John Macharia*

Name:

Head of Finance

ICPAK M/No: *8711*

Date *4/12/23*

*Francis Mugo*

Name:

Chairman of the Board

Date

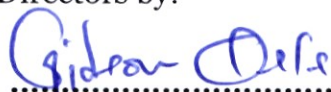
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**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	12	108,212,396	101,584,478
Receivables from Non-Exchange Transactions	13	17,344,622	-
<b>Total Current Assets</b>		<b>125,557,018</b>	<b>101,584,478</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		-	-
<b>Total Assets</b>		<b>125,557,018</b>	<b>101,584,478</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	15	20,099,727	150,000
<b>Total Liabilities</b>		<b>20,099,727</b>	<b>150,000</b>
Net Assets		101,434,478	101,434,478
Accumulated Surplus		4,022,813	
<b>Total Net Assets</b>		<b>105,457,291</b>	<b>101,434,478</b>
<b>Total Net Assets and Liabilities</b>		<b>125,557,018</b>	<b>101,434,478</b>

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Name:

Accounting Officer

Date

4/12/2023



Name:

Head of Finance

ICPAK M/No: 8711

Date

4/12/2023



Name:

Chairman of the Board

Date

4/12/23

**16. STATEMENT OF CHANGES IN ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

<b>Description</b>	<b>Ordinary share capital</b>	<b>Revaluation reserve</b>	<b>Fair value adjustment reserve</b>	<b>Retained earnings</b>	<b>Proposed dividends</b>	<b>Capital / Development Grants/ Fund</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>As at July 1, 2021</b>	-	-	--	4,097,639	-		4,097,639
<b>Surplus/ Deficit for year</b>				97,336,839			97,336,839
<b>As at June 30, 2022</b>	-	-	-	101,434,478	-	-	101,434,478
<b>As at July 1, 2022</b>	-	-	--	101,434,478	-		101,434,478
<b>Surplus/ deficit for year</b>				4,022,813			4,022,813
<b>As at June 30, 2023</b>	-	-	-	105,457,291	-	-	105,457,291



**17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities	6	8,112,500	11,750,011
License fees	7	49,220,003	102,731,000
<b>Total receipts</b>		<b>57,332,503</b>	<b>114,481,011</b>
<b>Payments</b>			
Use of goods and services	8	48,194,047	12,794,075
Remuneration of directors	9	5,109,496	4,286,400
Finance Costs	10	6,147	63,697
<b>Total payments</b>		<b>53,309,690</b>	<b>17,144,172</b>
		<b>4,022,813</b>	<b>97,336,839</b>
(Increase)/Decrease in Receivables	13	(17,344,622)	-
Increase/ (Decrease in payables	15	19,949,727	-
<b>Net cash flows from/(used in) operating activities</b>		<b>6,627,918</b>	<b>97,336,839</b>
<b>Cash flows from financing activities</b>		-	-
<b>Cash flows from financing activities</b>		-	-
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>6,627,918</b>	<b>96,179,324</b>
Cash and cash equivalents at 1 July		101,584,478	5,405,154
<b>Cash and cash equivalents at 30 June</b>	<b>12</b>	<b>108,212,396</b>	<b>101,584,478</b>

**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers from Other Governments entities	11,750,000	-	11,750,000	8,112,500	2,937,500	69.04
Licenses and permits	66,000,000	-	66,000,000	49,220,003	16,779,996	74.58
<b>Total Income</b>	<b>77,750,000</b>	<b>-</b>	<b>77,750,000</b>	<b>57,332,503</b>	<b>20,417,496</b>	<b>77.36</b>
<b>Expenses</b>						
Use of Goods and Services	71,700,000	-	71,700,000	48,194,047	23,505,953	67.22
Remuneration of Directors	6,000,000	-	6,000,000	5,109,496	890,504	85.16
Finance Costs	50,000	-	50,000	6,147	43,853	12.30
<b>Total Expenditure</b>	<b>77,750,000</b>	<b>-</b>	<b>77,750,000</b>	<b>53,309,690</b>	<b>24,440,310</b>	<b>68.66</b>
<b>Surplus for the period</b>				<b>4,022,813</b>		

**Budget notes**

**1. The activities of the Scrap Metal Council were adversely affected by the rising exchange rates on the dollar that limited trainings and the purchase of ICT equipment.**

**2. The Council was not funded the third quarter allocation from the Ministry thereby making office acquisition in the year ended 30<sup>th</sup> June 2023 unattainable.**

**3. Bank reconciliation as at 30<sup>th</sup> June 2023 is attached**



## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Scrap Metal Council Entity is established by and derives its authority and accountability from Scrap Metal Council Act of 2015. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity (mandate) of the Council is to regulate dealings in scrap metal, with the vision to be a premier regulator for scrap metal dealing within the region and beyond.

### 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 *Entity'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 *SMC*.

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

### 3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.



Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><b>The standard has been used to update the Risk Management Strategy of the Scrap Metal Council</b></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ol> <p><b>The budget for the financial year 2023/2024 now includes social benefits for the recruitment of interns.</b></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ol style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ol> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The amendments do not directly affect the operations of the Scrap Metal Council.</p>



Standard	Effective date and impact:
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p>The amendments do not directly affect the operations of the Scrap Metal Council</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The council has leased office space at NHIF building, this will affect the reporting as at January 2025.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. **Early adoption of standards**

The Entity did not early – adopt any new or amended standards in year 2022/2023



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

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

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

**Transfers from other government entities**

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

**Rendering of services**

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

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

**b) Budget information**

The original budget for FY 2022-2023 was approved by the National Assembly in June, 2022. 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 Entity upon receiving the respective approvals in order to conclude the final budget.

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



## Notes to the Financial Statements (Continued)

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 xxx of these financial statements.

### **c) Taxes**

#### **Current income tax**

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

### **d) Financial instruments**

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

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

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

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

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

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

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are



measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on

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

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

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

#### **b) Financial liabilities**

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

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

##### **Loans and borrowing**

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

#### **e) 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:



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

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

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

**f) Provisions**

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

**g) Contingent liabilities**

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

**h) Contingent assets**

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



**i) Changes in accounting policies and estimates**

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

**j) Related parties**

The *Scrap Metal Council* regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the *SMC* or vice versa. Members of key management are regarded as related parties and comprise *the Council members, the Head of Secretariat and secretariat team*

**k) Service concession arrangements**

The *SMC* 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 *SMC* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

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

**l) 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.

**m) Comparative figures**

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

**n) 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.



## Notes to the Financial Statements (Continued)

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

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

#### Estimates and assumptions

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

#### 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 Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

#### Provisions

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

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

Name of The Scrap Metal Council Sending The Grant	Amount recognized to Statement of Financial performance.*	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers 2022/2023	Prior Year 2021/2022
	KShs	KShs	KShs	KShs	KShs
State Department for Industry	11,750,000	-	-	8,112,500	11,750,000
<b>Total</b>	<b>11,750,000</b>	<b>-</b>	<b>-</b>	<b>8,112,500</b>	<b>11,750,000</b>

**7. Licenses, Fees and Permits**

Description	Current 2022/2023	Prior Year 2021-2022
	Kshs	Kshs
Licenses	49,220,003	102,731,000
<b>Total</b>	<b>49,220,003</b>	<b>102,731,000</b>

The licences renewal fees for scrap metal dealers are banked directly to the account.



## 8. Use of Goods and Services

Description	2022/2023	2021-2022
	Kshs	Kshs
Advertising	146,079	303,420
Provision for audit	300,000	150,000
Seminars, Conferences, Workshops	1,660,500	1,399,100
Hospitality and Office Refreshments		326,260
Fuel and Oil	982,758	83,831
Maintenance of m/v	339,052	198,560
General Office Supplies		1,005,008
Telecommunication	156,000	-
Training	875,276	312,400
Purchase of motor vehicle	11,930,000	-
Daily subsistence and other allowances	31,804,382	9,015,495
<b>TOTAL</b>	<b>48,194,047</b>	<b>12,794,075</b>

**9. Board Expenses**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Chairman/Directors' Honoraria	960,000	960,000
Sitting Allowances	1,916,000	2,422,000
Travel and Accommodation	2,233,496	904,400
<b>Total</b>	<b>5,109,496</b>	<b>4,286,400</b>

**10. Finance Costs**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<i>Bank charges</i>	6,147	63,697
<b>Total</b>	<b>6,147</b>	<b>63,697</b>



**11. Repairs and Maintenance**

Description	2022-2023	2021-2022
	Kshs	Kshs
Vehicles	339,052	198,560
<b>Total Repairs and Maintenance</b>	<b>339,052</b>	<b>198,560</b>

**12. Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	108,212,396.20	101,584,478.10
<b>Total Cash And Cash Equivalents</b>	<b>108,212,396.20</b>	<b>101,584,478.10</b>

**13. Receivables from Non-Exchange Transactions**

Description	2022-2023	2021-2022
	Kshs	Kshs
CFAO	11,930,000	-
JOJAC INVESTMENTS	2,950,200	-
Outstanding imprest	2,464,422	-
<b>Total receivables from non- exchange transactions</b>	<b>17,344,622</b>	<b>-</b>

#### 14. Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
<b>a) Current Account</b>			
Kenya Commercial Bank	<b>1280294760</b>	120,322,966.20	102,998,778.10
Less unrepresented cheques		(12,110,600.00)	(1,414,300.00)
<b>Grand Total</b>		<b>108,212,366.20</b>	<b>101,584,478.10</b>

#### 15. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs	Kshs
KENAO	300,000	150,000
PAYE	180,000	-
SUNDRY CREDITORS-Licences fees	19,619,727	-
<b>Total trade and other payables</b>	<b>20,099,727</b>	<b>150,000</b>



## Notes to the Financial Statements (Continued)

### 16. Financial Risk Management

The Scrap Metal Council's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scrap Metal Council'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 Scrap Metal Council 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 Scrap Metal Council's financial risk management objectives and policies are detailed below:

#### Fair value of financial assets and liabilities

##### a) Financial instruments measured at fair value.

#### Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Scrap Metal Council's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Scrap Metal Council* considers relevant and observable market prices in its valuations where possible.

#### 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 Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from 0. The board of directors



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sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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

**i) Liquidity risk management**

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

**ii) Market risk**

The SMC has put in place an internal audit function to assist it in assessing the risk faced by the Entity 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 Entity'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 Entity'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 Entity's exposure to market risks or the manner in which it manages and measures the risk.

**17. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of SMC, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

**Other related parties include:**

- i) The State Department for Industrialization.
- ii) Board of directors.

**18. 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.

**19. Events after the Reporting Period**

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



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

**20. Ultimate And Holding Entity**

Scrap Metal Council is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Investment Promotions, Trade and Industry. Its ultimate parent is the Government of Kenya.

**21. Currency**

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

**20. APPENDICES****APPENDIX I: 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
OAG/AUD/SMC/2021-2022/(31)	Lack of appointment of Inspectors	The inspectors were appointed pending gazettelement.	Resolved	15 <sup>th</sup> May 2023

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

*Gideon Oele*

**Head of Secretariat**

**Date**



## APPENDIX II- SCRAP METAL COUNCIL CONFIRMATION LETTER



National Social Security House Block A,  
23<sup>th</sup> Floor Western Wing  
P.O. Box 30418 - 00100, NAIROBI-  
KENYA

Tel: +254 0114862446

Email: [info@scrapmetalcouncil.go.ke](mailto:info@scrapmetalcouncil.go.ke)

Website: [www.scrapmetalcouncil.go.ke](http://www.scrapmetalcouncil.go.ke)

**Confirmation of amounts received by Scrap Metal Council as at 30<sup>th</sup> June 2023**

Reference Number	Date Disbursed	Amounts Disbursed by <i>State Department for Industrialization</i> (Kshs) as at 30 <sup>th</sup> June 2023				Amount Received by [beneficiary Entity] (Kshs) as at 30 <sup>th</sup> June 2023 (E)	Differences (Kshs) (F)=(D -E)
		Recurrent (A)	Development (B)	Inter - Ministerial (C)	Total (D)=(A+B +C)		
	19/08/2022	979,1667	-	-	979,167	979,167	
	30/08/2022	979,167	-	-	979,167	979,167	
	21/09/22	979,166	-	-	979,166	979,166	
	01/11/22	979,167	-	-	979,167	979,167	
	02/12/22	979,167	-	-	979,167	979,167	
	28/12/2022	979,166	-	-	979,166	979,166	
	05/05/2023	745,834.00	-	-	745,834.00	745,834	
	09/06/23	745,834.00	-	-	745,834.00	745,834.00	
	27/06/2023 /06/22	745,832.00	-	-	745,832.00	745,832.00	
Total		8,112,050.00			8,112,050	8,112,050.00	

In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accountants department of beneficiary Entity:**

Name: \_\_\_\_\_ Sign: \_\_\_\_\_

*Scrap Metal Council*

**Annual Reports and Financial Statements for the year ended June 30, 2023.**

**Date:** \_\_\_\_\_

The *State Department for Industry* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.