

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE NATIONAL ASSEMBLY
PAPERS LAID

THE AUDITOR-GENERAL

DATE: 12 NOV 2019

DAY
TUESDAY

TABLED
BY:

MAJORITY LEADER

ON

CLERK OF
THE TABLE:

THE FINANCIAL STATEMENTS OF
KENYA BUREAU OF STANDARDS

FOR THE YEAR ENDED
30 JUNE 2018



**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

KENYA BUREAU OF STANDARDS



KENYA BUREAU OF STANDARDS

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018**

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

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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**KENYA BUREAU OF STANDARDS
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LIST OF ABBREVIATIONS

ACCA -	Association of Chartered Certified Accountants
AGPO -	Access to Government Procurement Opportunities
B. Com	Bachelor of Commerce
BSI	British Standards Institution
CEO	Chief Executive Officer
CFA	Certified Financial Analyst
CMC	Calibration and Measurement Capability
COMESA	Common Market for Eastern and Southern Africa
CPA (K)	Certified Public Accountant, Kenya
CPA	Certified Public Accountant
CPS (K)	Certified Public Secretary, Kenya
CPS	Certified Public Secretaries
CSR	Corporate Social Responsibility
EA	East Africa
EAC	East African Community
EHS	Environment, Health & Safety
FKE	Federation of Kenya Employers
FY	Financial Year
ICPSK	Institute of Certified Public Secretaries of Kenya
IFC	International Finance Corporation
ISO	International Organization for Standardization
KEBS	Kenya Bureau of Standards
KENAS	Kenya Accreditation Services
KIPPRA	Kenya Institute for Public Policy Research and Analysis
MBA	Masters in Business Administration
MD	Managing Director
MSC	Master of Science
NQI	National Quality Institute
NSC	National Standards Council

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OSHA	Occupational Safety and Health Act
PVoC	Pre-Export Verification of Conformity to standards
RVA	Raad Voor Accreditatie (Dutch Accreditation Council)
SCAC	State Corporation Advisory Committee
SMCA	Standards, Metrology and Conformity Assessment
SME	Small and Medium Enterprise
SO	Strategic Objective
TBT	Technical Barriers to Trade
TQM	Total Quality Management
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WTO	World Trade Organization

**KENYA BUREAU OF STANDARDS
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CORPORATE INFORMATION

- (a) **KEBS Headquarters**
Kenya Bureau of Standards
Popo Road, South C, off Mombasa Road
P.O. Box 54974 – 00200
NAIROBI - KENYA
- (b) **KEBS Contacts**
Telephone: (254 20) 6948000
E-mail: info@kebs.org
Website: www.kebs.org
- (c) **KEBS Bankers**
- i. **National Bank of Kenya Limited**
National Bank Building
Harambee Avenue
P. O. Box 72866-00200
NAIROBI
- ii. **Co-operative Bank of Kenya Limited**
Co-operative Bank House
Haile Selassie Avenue
P. O. Box 48231 – 00100
NAIROBI
- iii. **Kenya Commercial Bank Limited**
KCB Towers
Kenya Road, Upper Hill
P. O. Box 48400-00100
NAIROBI
- (d) **Independent Auditors**
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya
- (e) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 - 00200
Nairobi, Kenya

1. KEBS KEY INFORMATION AND MANAGEMENT

a) Background information

The Kenya Bureau of Standards (KEBS) is a state corporation established under the Standards Act (Cap.496) of the Laws of Kenya in July 1974. The Standards Act defines the function of KEBS and provides for its management and control. KEBS is domiciled in Kenya.

The Kenya Bureau of Standards (KEBS) has remained the premier government agency for the provision of Standards, Metrology and Conformity Assessment (SMCA) services since its inception in 1974. Over that period its main activities have grown from the development of standards and quality control for a limited number of locally made products in the 1970s to the provision of more comprehensive Standards development, Metrology, Conformity Assessment, Training and Certification services. With the re-establishment of the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA), KEBS activities now include participation in the development and implementation of SMCA activities at the regional level where it participates in harmonization of standards, measurements and conformity assessment regimes for regional integration. KEBS operates the National Enquiry Point in support of the World Trade Organization (WTO) Agreement on Technical Barriers to Trade (TBT).

KEBS Structure

KEBS is structured into six functional Directorates namely: -

- Finance and Strategy
- Human Resource and Administration
- Metrology and Testing
- Market Surveillance
- Quality Assurance and Inspection
- Standards Development

KEBS operates regional offices in Mombasa, Kisumu, Eldoret, Nakuru, Nyeri and Garissa to bring services closer to the public.

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b) Principle Activities

KEBS Mandate

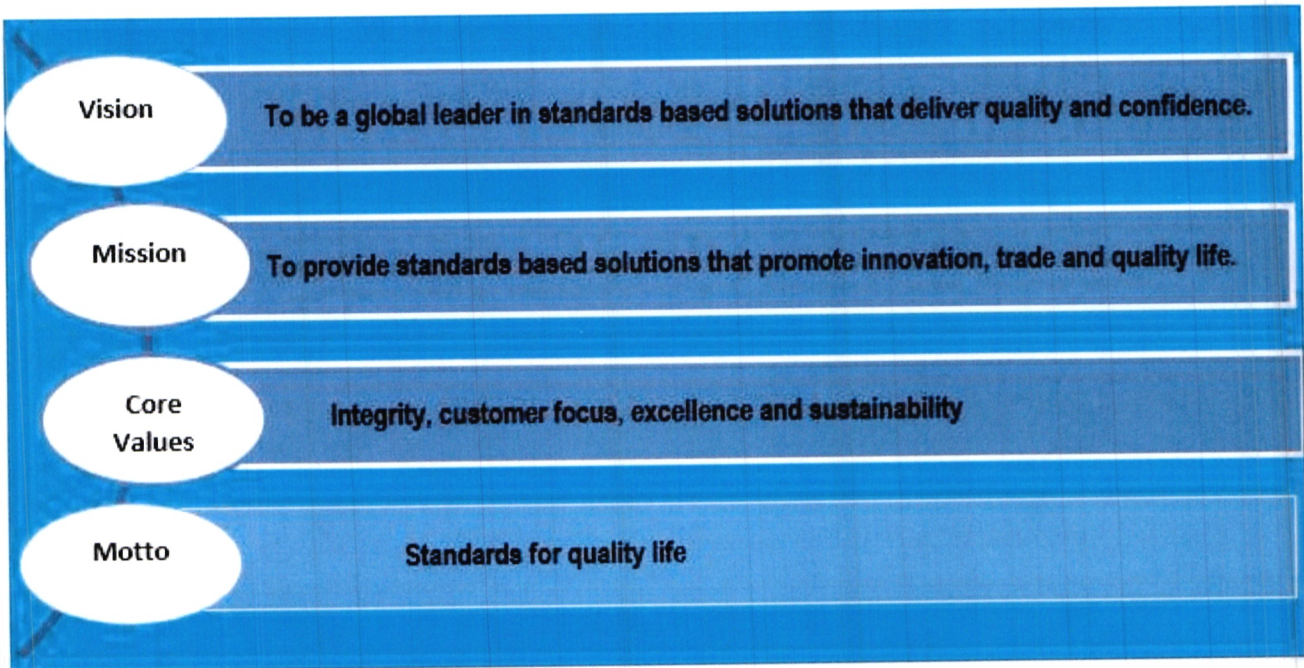
The functions of KEBS as mandated by the Standards Act, Chapter 496 of the Laws of Kenya are *inter alia*:

To promote standardization in industry and commerce;

- i.* To make arrangements or provide facilities for the testing and calibration of precision instruments, gauges and scientific apparatus, for the determination of their degree of accuracy by comparison with standards approved by the Minister on the recommendation of the Council, and for the issue of certificates in regard thereto
- ii.* To make arrangements or provide facilities for the examination and testing of commodities and any material or substance from or with which and the manner in which they may be manufactured, produced, processed or treated;
- iii.* To control, in accordance with the provisions of this Act, the use of standardization marks and distinctive mark
- iv.* To prepare, frame, modify or amend specifications and codes of practice;
- v.* To encourage or undertake educational work in connection with standardization
- vi.* To assist the Government or any local authority or other public body or any other person in the preparation and framing of any specifications or codes of practice
- vii.* To provide for co-operation with the Government or the representatives of any industry or with any local authority or other public body or any other person, with a view to securing the adoption and practical application of standards
- viii.* To provide for the testing at the request of the Minister, and on behalf of the Government, of locally manufactured and imported commodities with a view to determining whether such commodities comply with the provisions of this Act or any other law dealing with standards of quality or description

Currently, KEBS is implementing a five-year strategic plan 2017-2022 whose theme is "Together We Deliver"

KEBS vision, mission, motto and the strategic objectives are presented below:



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c) Key Management

KEBS day-to-day management is under the following:

- i. Managing Director,
- ii. Directors, and
- iii. Heads of Departments/Regional Managers.

d) Fiduciary Management

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

Table 1: Key Management Personnel

No.	Designation	Name
i.	Managing Director	Charles Ongwae
ii.	Ag. Managing Director (W.e.f. 25 th June 2018)	Dr. Moses Ikiara
iii.	Director Finance & Strategy	Mohammed Adan
iv.	Director Human Resource & Communication	Chris Kibett
v.	Ag. Director Standards Development & Trade	Samson Ombok
vi.	Director Quality Assurance & Inspection	Eric Chesire
vii.	Ag. Director Quality Assurance & Inspection(W.e.f. 26 th June 2018)	Bernard Nguyo
viii.	Ag. Director Market Surveillance	Raymond Michuki
ix.	Director Metrology & Testing Services	Dr. Henry Kibet Rotich
x.	Head of Legal Department	Maria Goretti Nyariki
xi.	Head of Finance	CPA Anne Wanjala
xii.	Head of Audit & Risk	CPA Lincoln Nyamai
xiii.	Head of Procurement	Dr. John Ngeno

e) Fiduciary Oversight Arrangements

KEBS is oversighted by the National Standards Council (NSC). The NSC has a functional structure that is responsible for the dynamic growth witnessed in the period under review. In discharging its duties, the NSC delegates the decision making process to various NSC committees. The deliberations and resolutions of the NSC are implemented by the management.

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During the financial year ended 30th June 2018, the NSC consisted of 14 members including a non-executive chairman and the managing director. The NSC had 6 committees whose members and mandate are as listed below:

Figure 2: NSC Committee Membership

NSC COMMITTEES MEMBERSHIP					
STANDARDS APPROVAL COMMITTEE 1. Gladys N. Maingi 2. Wisdom Mwamburi 3. Mary W. Matu 4. Mboche Waithaka 5. Hon. Mohammed Ali 6. Eric W. Mungai 7. Joseph Mbeva 8. Fouzia Abdirahman 9. Nazir G. Yusuf 10. John Njera 11. Patrick Musila 12. John Kisegu - (in attendance) 13. Charles Ongwae	TECHNICAL COMMITTEE 1. Fouzia Abdirahman 2. Mboche Waithaka 3. Nazir G. Yusuf 4. Joseph Mbeva 5. Mary W. Matu 6. Hon. Mohammed Ali 7. John Njera 8. John Kisegu - (in attendance) 9. Charles Ongwae	PERMIT APPROVAL COMMITTEE 1. Charles Ongwae 2. Hon. Mohammed Ali 3. Mboche Waithaka 4. Eric W. Mungai 5. Wisdom Mwamburi 6. Joseph Mbeva 7. Gladys N. Maingi 8. John Njera 9. Patrick Musila 10. John Kisegu - (in attendance)	AUDIT COMMITTEE 1. Eric W. Mungai 2. Hon. Mohammed Ali 3. Gladys Maingi 4. Nazir G. Yusuf 5. John Njera 6. Mboche Waithaka 7. John Kisegu - (in attendance)	FINANCE COMMITTEE 1. Wisdom Mwamburi 2. Fouzia Abdirahman 3. Joseph Mbeva 4. Patrick Musila 5. Mary W. Matu 6. Charles Ongwae	STAFF AND GENERAL PURPOSE COMMITTEE 1. Hon. Mohammed Ali 2. Wisdom Mwamburi 3. Gladys Maingi 4. Fouzia Abdirahman 5. Nazir G. Yusuf 6. Eric Mungai 7. Joseph Mbeva 8. Patrick Musila 9. Mary W. Wanja 10. Charles Ongwae 11. John Kisegu - (in attendance)

Figure 3: NSC Committee Roles

NSC COMMITTEES ROLES					
STANDARDS APPROVAL COMMITTEE • Approval of standards with the provisions of the Standards Act • Approval of policies and strategies that enhance standards development and applicability in the economy.	PERMIT APPROVAL COMMITTEE • Administration of the standardization mark scheme in accordance with provisions of standards Act • Approval of permits presented. • Approval of policy on the administration of standardization mark scheme.	TECHNICAL COMMITTEE • Receive and review reports from Metrology and Testing, Quality Assurance and Inspection divisions and make recommendations to the NSC for approval • Review capital projects for implementation.	FINANCE COMMITTEE • Assist the NSC in overseeing financial policy and procedures formulation, review and • Review the institution's budgets and recommend to the NSC for approval • Review the quarterly and the annual financial statements and recommend to the NSC for approval.	AUDIT COMMITTEE • Strengthening the independence, integrity and effectiveness of audit function • Reviewing issues raised by both the internal and external auditors. • Advise on risk identification, mitigation measures and the effectiveness of internal control systems	STAFF & GENERAL COMMITTEE • Review and recommend to NSC all KEBS human resource policies relating to terms and conditions of service of employees. • Oversee the implementation of all approved human resource policies and procedures

**KENYA BUREAU OF STANDARDS
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I. THE BOARD OF DIRECTORS

<p>Ken Wathome</p> 	<p>Chairman – NSC DOB: 15th September 1962 Mr Ken Wathome holds a degree in Land Economics from University of Nairobi and an Executive MBA from the United States International University. He is a registered member of the Institution of Surveyors of Kenya and Estate Agents Registration Board. He is a graduate of the Owner President Management (OPM) program at the Harvard Business School. He is currently Chair of NW Realite Ltd, Transformational Business Network Kenya, former Chairman of Machakos Investment Promotion Board and former Chairman of Faulu Kenya Bank. He is also a Board Member of AIB Capital and Opportunity Bank of Uganda. He joined the NSC on 12th July 2018</p>
<p>Dr. Moses Ikiara, Phd,MBS</p> 	<p>Ag Managing Director DOB :3rd September 1965 Dr. Moses Ikiara holds a PhD in Natural Resource and Environmental Economics, MA in Economics and BSc in Agriculture from University of Nairobi. He is a Non-Executive Director in Centum Investment and former Executive Director in KIPPRRA. Currently, he is the MD of Kenya Investment Authority. He served as an Acting Managing Director from 25th June 2018 to 21st August 2018.</p>
<p>Charles Ongwae</p> 	<p>Managing Director/Secretary NSC DOB: 1st January, 1960 Mr. Charles Ongwae holds a BCom Accounting Option and MBA Degree in Strategic Management from University of Nairobi. He is also CPA (K) and CPS (K). Prior to his present position, he was the Managing Director, Barclays Bank, Uganda from 2009 to February 2014. During his tenure at the Bank he also served as the Chief Finance Officer, Barclays Bank of Kenya Ltd. He also held senior positions in Esso Kenya Ltd (Mobil Oil Kenya). He served as an executive committee member of AMREF Uganda and Director of University of Nairobi Enterprises. He joined KEBS on 1st March 2014 and is currently on leave.</p>

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Mary Wanja Matu

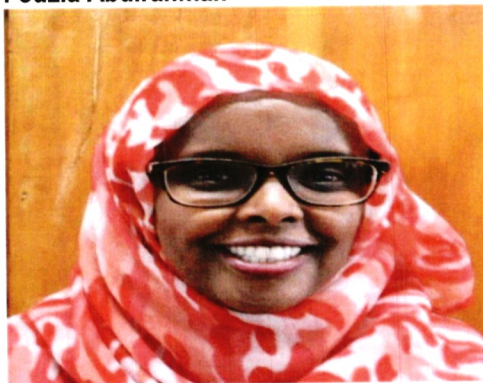


Board Member

DOB: 4th February, 1960

Ms. Mary Matu holds a graduate of University of Alabama Birmingham and an Alumni of the JFK School of Government at Harvard University. She has over 25 years' experience in Health Management and Health Systems strengthening. She joined the NSC on 17th April 2015 for a period of three years. She retired on 16th April 2018 and was reappointed on 10th May 2018 as a member of the NSC.

Fouzia Abdirahman



Board Member

DOB: 28th May, 1968

Ms. Fouzia Abdirahman holds an MBA and BSc in International Business. She has vast experience in International organizations having held managerial positions in the field of logistics and procurement. She joined the NSC on 17th April 2015 for a period of three years. She was the chairperson of the Technical Committee. She retired on 16th April 2018 and was reappointed on 10th May 2018.

Wisdom Kazungu Mwamburi



Board Member

DOB: 20th June, 1966

Mr. Wisdom Kazungu Mwamburi holds a MBA, ESAMI/Maastricht and BA in Economics and Sociology, from University of Nairobi. He served as Deputy Provincial Commissioner, Coast Province and a Board member at Lake Victoria South Water Services Board. He previously worked as District Commissioner, Kakamega and Kahuro Districts. He joined the NSC on 17th April 2015 for a period of three years and was the chairperson of the Finance Committee until his retirement on 16th April 2018.

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Eric Wagithuku Mungai

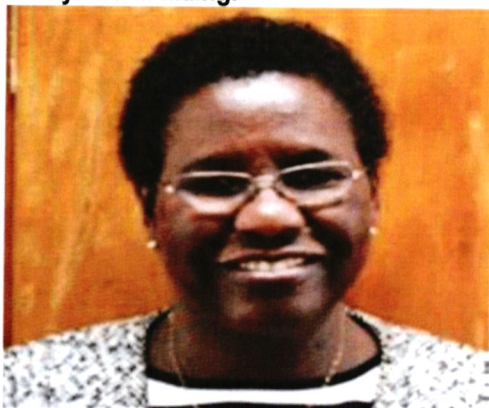


Board Member

DOB: 10th July, 1965

Mr. Eric Mungai studied Management at the Boston University School of Management. He is a Director of Evelyne College of Design and the Betting Lotteries Governing Board, Nairobi County, He joined the NSC on 17th April, 2015 for a period of three years and was the chairperson of the Audit Committee until his retirement on 16th April 2018

Gladys Naini Maingi

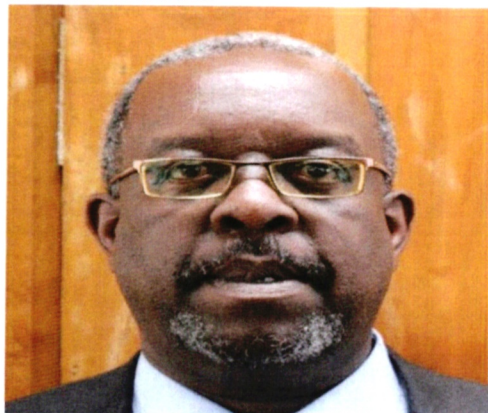


Board Member

DOB: 27th July, 1950

Ms. Gladys Maingi holds a degree in Agriculture, Economics from Egerton University. She has contributed to successful promotion of many agricultural value chains for GTZ now GIZ and other international donor groups. She joined the NSC on 17th April, 2015 for a period of three years and was the chairperson of the Standards Approval Committee until her retirement on 16th April 2018

Mboche Waithaka






Board Member

DOB: 19th January, 1963

Mr. Mboche Waithaka holds an MBA degree in Business Administration. He has over 20 years' experience in marketing and business operations across various business sectors. He is a Director at Island Farm. He also serves as a committee member of FKE. He joined the NSC on 17th April 2015 for a period of three years and retired on 16th April 2018.

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<p>Hon. Mohamed Hussein Ali</p> 	<p>Board Member DOB: 18th December, 1964 Hon. Mohamed Ali holds a BA (Hons) in Mathematics and Statistics from Kenyatta University with vast experience in institutional management, consultancy and procurement. He is the director of GlobeTek Systems Ltd and was the Member of Parliament for Mandera East until 2013. He joined the NSC on 17th April 2015 for a period of three years and was the chairperson of the Staff and General Purpose Committee until his retirement on 16th April 2018</p>
<p>Joseph Mbeva</p> 	<p>Board Member DOB: 2nd September, 1966 Mr. Joseph Mbeva holds a Masters degree in Intellectual Property from Franklin Pierce law Centre, USA. He is an alternate to the Principal Secretary -Ministry of Industry, Trade & Cooperatives., alternate board member to Micro & small Enterprise Authority (MSEA) from 2015 to june 2018 and Kenya Industrial property Institute (KIPPI) from 2016</p>
<p>John Njera</p> 	<p>Board Member DOB: 2nd July, 1967 Mr. John Njera holds a BSC Mathematics from Kenyatta University, Master in Computer Science from National University of Science and Technology. He has served as a Fiscal Analyst for the last 13 years at the National Treasury. He is the alternate to the Principal Secretary - National Treasury.</p>

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John Kisegu



In Attendance

DOB: 1965

Mr. John Kisegu holds a MBA in Strategic Management and BEd from Kenyatta University. He is an Assistant Inspector General State Corporations. He previously worked in Efficiency Monitoring Unit, and Ministry of Youth Affairs from 2007 to April 2017. He also served in the Ministry of Education in the Quality Assurance section. Mr Kisegu represents the Inspector General - State Corporations at the NSC. He also represents the Inspector-General in the Kenya Power Board, Unclaimed Financial Assets Authority Board, and Moi University Council. He joined the NSC on 3rd May 2017.

Patrick Musau Musila



Board Member

DOB: 27th April, 1968

Mr. Patrick Musila holds an MA in Economics from Marathwada University, India and a BCom from Jabalpur University, India. He has vast experience in Non-Governmental Organizations in the field of monitoring and evaluation, project coordination and has served as an assistant lecturer at Maseno University. He joined the NSC on 20th February 2017 for a period of 3 years

Edward Njoroge



Board Member

DOB: 26th November 1952

Mr. Edward Njoroge holds a BSc (Hons) Chemistry - Biochemistry from Makerere University and MBA Leadership and Sustainability - Cumbria University, United Kingdom. He has vast experience in the corporate and financial sector. He is a member of various boards as a non- executive director and was a former MD and Chief Executive Office - KENGEN. He joined the NSC on 10th May 2018

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Bernard Nguyo



Ag. Managing Director

DOB: 4th November 1971

Mr. Bernard Nguyo holds a Bachelors of Technology Degree in Textile Engineering from Moi University and International Advanced Diploma in Computer Studies from NCC Education - United Kingdom.

He has twenty years' experience in conformity assessment and is a trainer in inspections. He was appointed on the 22nd August 2018

Maria Gorreti Nyariki



Head of Legal Department.

Ms. MariaGoretti Nyariki is an advocate of the High Court of Kenya and holds a LLM from University of Nairobi, LLB (Hons) Degree from Pune University, India, a BA Political Science from Punjab University, India and a Post Graduate Diploma in Law. She is a member of ICPSK in good standing and a member of the Law Society of Kenya and the Chartered Institute of Arbitrators.

II. MANAGEMENT TEAM

The management team is as presented in the table below

Dr. Moses Ikiara, Phd, MBS



Ag. Managing Director

Dr. Moses Ikiara holds a PhD in Natural Resource and Environmental Economics, MA in Economics and BSc in Agriculture from University of Nairobi.

He is a Non-Executive Director in Centum Investment and former Executive Director in KIPPRA. Currently, he is the MD of Kenya Investment Authority. He served as an Acting Managing Director from 25th June 2018 to 21st August 2018

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Charles Ongwae



Managing Director

Mr. Charles Ongwae holds a BCom Accounting and MBA Degree in Strategic Management from University of Nairobi. He is also CPA (K) and CPS (K). Prior to his present position, he was the Managing Director, Barclays Bank, Uganda from 2009 to February 2014. During his tenure at the Bank he also served as the Chief Finance Officer, Barclays Bank of Kenya Ltd. He also held senior positions in Esso Kenya Ltd (Mobil Oil Kenya). He served as an executive committee member of AMREF Uganda and Director of University of Nairobi Enterprises. He joined KEBS on 1st March 2014 and is currently on leave.

Bernard Nguyo



Ag. Managing Director

Mr. Bernard Nguyo holds a Bachelors of Technology Degree in Textile Engineering from Moi University and International Advanced Diploma in Computer Studies from NCC Education - United Kingdom. He has twenty years' experience in conformity assessment and is a trainer in inspections. He was appointed on the 22nd August 2018

Mohammed Adan



Director Finance and Strategy

Mr. Mohammed Adan holds an MSC in Accounting and Financial Management and BA in Accounting & Business Management. He is also a Chartered Accountant, ACCA (UK)

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Christopher Kibett



Director Human Resource & Communication

Mr. Christopher Kibett holds a MBA from University of Nairobi, BSC from Kenyatta University and Higher National Diploma in Human Resource Management.

Samson Ombok



Ag. Director Standards Development & Trade

Mr. Samson Ombok holds a BSC in Chemistry from University of Nairobi. He is currently the Ag. Director, Standards Development and Trade.

Eric Chesire



Director Quality Assurance & Inspection

Mr. Eric Chesire holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology and a BiTECH in Electrical & Telecommunication from Moi University. He is currently on leave

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Dr. Henry Kibet Rotich



Director Metrology & Testing

Dr. Henry Rotich holds Phd in Hydrology and Water Resources from Jilin University, China and an MSC in Analytical Chemistry from North East Normal University, China. He also holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology. He is a member of the Chemical Society of Kenya.

Maria Goretti Nyariki



Head of Legal Department

Ms. MariaGoretti Nyariki is an advocate of the High Court of Kenya and holds a LLM from University of Nairobi, LLB (Hons) Degree from Pune University, India, a BA Political Science from Punjab University, India and a Post Graduate Diploma in Law. She is a member of ICPSK in good standing and a member of the Law Society of Kenya and the Chartered Institute of Arbitrators.

CPA Lincoln Mutisya Nyamai



Head of Audit & Risk

CPA Lincoln Nyamai holds an MBA Finance from University of Nairobi and a BBA in Finance and Accounting from Kenya Methodist University. He is also a CPA (K). He is the secretary of the Audit Committee of the Board.

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Dr. John Ngeno



Head of Procurement

Dr. John Ngeno holds a Phd in Business Administration - Supply Chain and an MSC in Procurement from Jomo Kenyatta University of Agriculture & Technology.

CPA Anne Wanjala



Head of Finance

CPA Anne Wanjala holds a MBA Finance and BCOM Accounting and Business Management from Daystar University. She is a CPA (K) and a Certified Finance Analyst (CFA,- EA.)

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III. CHAIRMAN'S STATEMENT



I have great pleasure to present the KEBS annual report and unaudited accounts for the FY 2017/2018.

As an organization, our vision is to become a global leader in standards-based solutions that deliver quality and confidence. As I look at the institution's growth, I am extremely proud of what we have achieved towards this course and look forward to a promising future.

We have remained focused on delivering our core mandate which is promoting standardization in industry and commerce through standards development, metrology and calibration, testing, inspection, product certification, system certification, market surveillance and training within the East African Community and COMESA.

During the year under review, a total of 794 standards were developed amongst which 38 standards (textile, apparel and leather) support the Big Four Agenda and Kenya Vision 2030. Twenty-Seven (27) schemes of supervision and control were reviewed to enhance the certification of textile products. A total of 2635 products were certified under SMEs and 9076 products under the large firms, so as to improve their quality, competitiveness and access to markets. Thirteen (13) Calibration and Measurement Capabilities (CMCs) were published in the BIPM database. KEBS has continued to deliver beyond the targets and we are optimistic we will keep the momentum.

Some of the challenges faced include negative publicity that affected KEBS reputation and litigation risk as a result of our operations. To address these risks, KEBS has institutionalized a risk management framework that defines the risk appetite and risk tolerance so as to ensure business continuity.

Currently, we are implementing KEBS 2017-2022 Strategic Plan and together we will deliver guided by our commitment to service delivery, excellence, leadership and innovation. We believe that through this plan we will achieve great results for Kenyans.

On behalf of the National Standards Council, I wish to express my sincere gratitude and appreciation to our stakeholders. I also wish to recognize the commitment and the hard work displayed by the management and staff throughout the year.

Ken Wathome

NSC CHAIRMAN.

Date: 01/08/2019

IV. REPORT OF THE MANAGING DIRECTOR



The role played by KEBS in providing standardization solutions is critical in achieving the goals set out in the Big Four Agenda in line with Kenya Vision 2030. This is realized through standards development, calibration and measurements, product certification and inspection, testing, market surveillance, system certification and training.

KEBS MAJOR ACHIEVEMENTS DURING THE YEAR

Standards Development

Standards form the basis for trade as they translate the market conditions into a precise set of requirements to be met. During the year under review, KEBS developed 794 new standards against a target of 680, out of which 38 standards were in support of the Vision 2030. These standards, once implemented, will complement Kenyan regulations and improve access of products to markets.

As part of our commitment to entrench the culture of quality in the market, a total of 25 standards propagation fora against a target of 24 were carried out focusing on specific sectors of the economy. These fora are important in raising awareness on newly developed standards as well as aiding in use, uptake and absorption of already existing standards.

Quality Assurance

During the year under review, a total of 11,711 products (2635 products under SMEs and 9,076 products under large firms) were certified so as to improve their quality, competitiveness and access to markets. KEBS continued to implement Pre-Export Verification of Conformity to standards (PVoC) with a compliance level of 92.1%.

Metrology and Testing

A total of 9,004 calibration services were offered against a target of 8,100. In addition, a total of 11 CMCs were maintained and 2 new CMC lines published as a demonstration of our capability in measurements. In the testing department, the testing capability was enhanced with an increase in testing scopes from 129 to 139. Furthermore, a total of 39,429 samples were tested.

National Quality Institute (NQI)

The NQI increased the number of training modules from 20 to 29. A total of 345 trainings were facilitated in the market against a target of 250. In addition, 178 SMEs were trained against a target of 123 on ISO 9001 module for SMEs. These trainings assist firms to improve their production systems and processes.

Youth internships/ industrial attachment/Apprenticeships

KEBS progressively involved 298 youth in internship, industrial attachment/or apprenticeship programs against a target of 250. These youth opportunities complement the government efforts to provide human and financial resources to facilitate access to quality education, which is critical in the protection and enjoyment of human rights in addition to enhancing the competitiveness of Kenya's human capital.

Implementation of Access to Government Procurement Opportunities (AGPO)

Tenders valued at Kshs 92.14 million were awarded to youth, women and people living with disabilities under the AGPO. Out of this value, a total of Kshs 3.06 million was awarded to persons living with disability.

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REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

Buy Kenya Build Kenya

A total of Kshs 112.12 million was used to procure locally produced goods and services in support of the Buy Kenya, Build Kenya.

Upgrade of Regional Offices

KEBS completed Lake and Coast regional offices which has since been occupied. The construction of the North Rift Regional offices and Laboratories is ongoing.

Total Revenue/ Expenditure

Revenue amounting to Kshs. 3.87 billion was raised against a total expenditure of Kshs. 4.15 billion. This was an impressive performance owing to the slowed economy and the long electioneering period that affected industry.

It is worth noting that KEBS participated in EAC regional activities which included harmonization of standards and other conformity assessment activities. In collaboration with FAO/WHO Coordinating Committee for Africa, KEBS organized a regional workshop for National Codex contact points to strengthen the knowledge and skills of the delegates. This was aimed at enhancing Codex Alimentarius Commission's contribution to Sustainable Development Goals (SDG 2, 3 12 and 17).

During the year, we benefitted from donor support for improvement of our capacity. Specifically, KEBS received equipment valued at Kshs 153 million from European Union under the Standards Market Access Programme (EU-SMAP) and support for regional harmonization of standards valued at Kshs 25 M under the Regional Integration and Implementation Programmes (RIIP).

Some of the challenges that we faced include increased expenditure as a result emerging activities in Market surveillance, inadequate staffing in technical areas increase of substandard contraband products that has affected the level of compliance of products to standards in the market.

In conclusion, I wish to thank the Cabinet Secretary, Ministry of Industry, Trade, and Co-operatives, the Principal Secretary, State Department for Industrialization and the National Standards Council for their guidance on policy and strategic direction. I wish to recognize our development partners among them: Trade Mark East Africa, DANIDA, European Union, USAID, UNIDO, World Bank and IFC for their technical and financial support. I also wish to thank KEBS staff for their active support and dedication to standardization. These achievements for year would not have been possible without the staff support.



Bernard N. Njiraini.

AG. MANAGING DIRECTOR

V. CORPORATE GOVERNANCE STATEMENT

a) The roles and functions of the Board

The roles and functions of NSC members is provided for in the Standards Act, Cap 496, Laws of Kenya and the same has been incorporated in the Board Charter.

- 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 KEBS;
- 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 KEBS
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances

b) Committees of the Board

The committees of the Board are as presented in Figure 4 below:

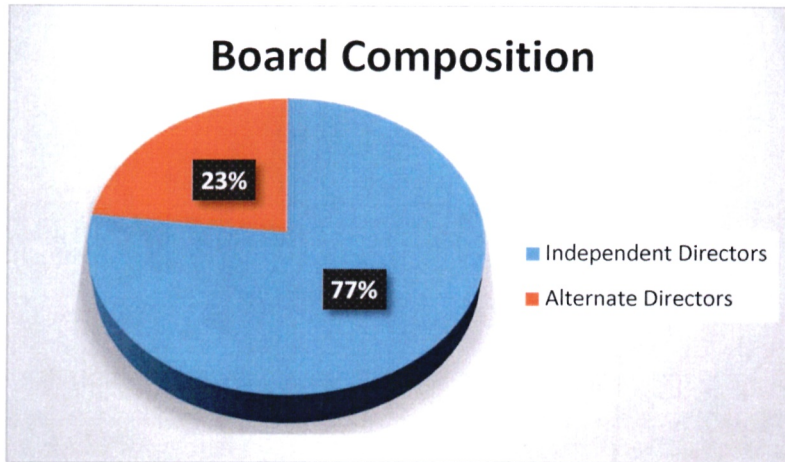
Figure 4: Committees of the Board



c) Board Composition

Board members are drawn from diverse professional background. During the year under review, the board was composed of ten (10) independent non-executive directors and three (3) alternate directors representing Permanent Secretary - National Treasury, Permanent Secretary - State Department of Industrialization and the Inspector General of State Corporation.

Figure 5: Board Composition



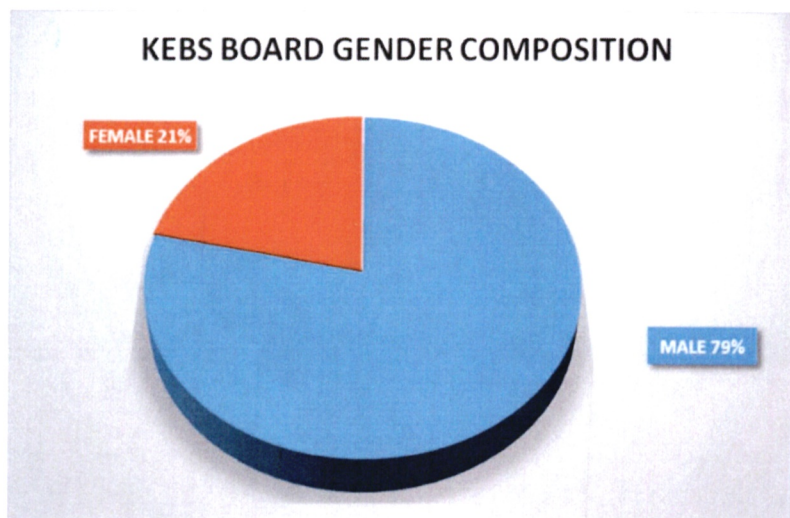
d) Board Competence

There was diversity of skills within the board to provide necessary expertise in regards to the running of the organization.

e) Board Gender Representation

In terms of gender presentation, the board had 21% female members and 79% male members as indicated below.

Figure 6: Board Gender Composition



**KENYA BUREAU OF STANDARDS
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f) Board Charter

There is a board charter that provides guidelines to the board in exercising its mandate. The charter was adopted by the organization acting in accordance with the *Mwongozo* Code of Governance for State Corporation and is complimentary to the requirements regarding the board and board members contained in applicable Kenyan laws and regulations. The charter is available to all members of the board.

g) Appointment and Removal of Directors.

The process of appointment and removal of Directors is done in line with the Standard Act Cap 496.

h) Board Evaluation and Remuneration

The Board evaluation was carried out in the month of April 2018. The Board remuneration was as per the State Corporation Act and government circulars.

i) Board Induction and Training

The induction of the new board members was carried out and training on corporate governance was also done during the year under review.

j) Board Membership and Attendance

Board membership and attendance for the year under review are as presented in the table 2 below and the committee attendance was as presented in table 3 below:

Table 2: Board Members Attendance

Board Member	Classification	Designation	S & G	SAC	FC	TC	PAC	AC	NSC
Ken Wathome	Independent	Chairman NSC	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Mary Wanja Matu	Independent	Member	10	4	6	6	N/a	N/a	19
FouziaAbdirahman	Independent	Chairperson TC	5	4	9	7	N/a	N/a	16
Wisdom K. Mwamburi	Independent	Chairperson FC	10	4	10	2	3	N/a	15
Eric Wagithuku Mungai	Independent	Chairperson AC	9	4	N/a	2	3	21	15
Gladys Naini Maingi	Independent	Chairperson SAC	9	4	N/a	2	3	20	13
Mboche Waithaka	Independent	Member	3	4	N/a	6	3	21	15
Hon. Mohamed Hussein Ali	Independent	Chairperson S&G	10	4	N/a	6	3	21	15
Joseph Mbeva	Alt. to Ps Industrialization	Member	10	5	10	7	2	N/a	18
John Njera	Alt. to Ps National Treasury	Member	N/a	3	N/a	3	1	3	10
John Kisegu	Rep. Inspector Gen. State Corp.	Member	2	1	N/a	4	1	8	7
Patrick Musau Musila	Independent	Member	1	5	10	3	3	N/a	19
Edward Njoroje	Independent	Member	N/a	1	N/a	1	N/a	N/a	5
Gulam Yusuf	Independent	Member	10	4	N/a	5	N/a	12	12

Table 3: Board Committee Meetings

Board Meetings Per Committee

Description	Total Planned	Actual Total
National Standards Council	20	20
Staff & General Committee	9	11
Standards Approval committee	4	5
Finance Committee	8	10
Technical Committee	8	7
Permits Approval Committee	4	3
Audit Committee	9	21
Total	62	77

k) Conflict of Interest

This was an agenda item in the board meetings and members were required to declare any conflict of interest.

l) Governance Audit

The governance audit was carried out by SCAC appointed auditors.

m) Ethics and Conduct

The NSC members are of good conduct and ethics.

n) Risk Management

Risk management is an integral part of the day-to-day business operation in KEBS. The NSC and the management are committed to implementing the risk management framework for effective operations to ensure that KEBS meets its mandate and for continuous improvement.

KEBS has in place a sound system of risk oversight and management and internal control to identify, assess, monitor and manage material risks related to the conduct of its activities. The aim of the risk management framework is to continually improve the management of risk and reduce the risks to acceptable levels as guided by risk appetite and risk tolerance statements. The risk management framework is reviewed by our certification body (BSI) for continuing suitability and effectiveness during management system external audits. KEBS has also integrated the performance management tool (Balanced Scorecard) with risk management process for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated fully and it has in place strategies that provide a structured, systematic and focused approach to managing risk.

o) Internal Audit and Assurance

The main function of internal audit is to provide assurance of the internal control and governance processes for continual improvement. KEBS internal controls are defined by approved policies and procedures, which contain operational and financial controls. Internal audit assurance is carried out by an independent internal audit department with oversight from the audit committee of NSC. The audit committee reviews internal audit plans and reports with a view of assessing compliance to various approved policies, procedures, relevant regulations and laws and as well as evaluating the adequacy and effectiveness of KEBS internal controls.

p) External audit

The office of Auditor General provides external assurance through system audit and financial statements audit.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

This annual report captures the overall performance of KEBS based on its key interventions and performance indicators in line with the performance contract.

This report highlights the financial and operational performances, challenges in relation to performance management, major risks facing the organization and corporate social responsibility activities carried out during the 2017/2018 financial year.

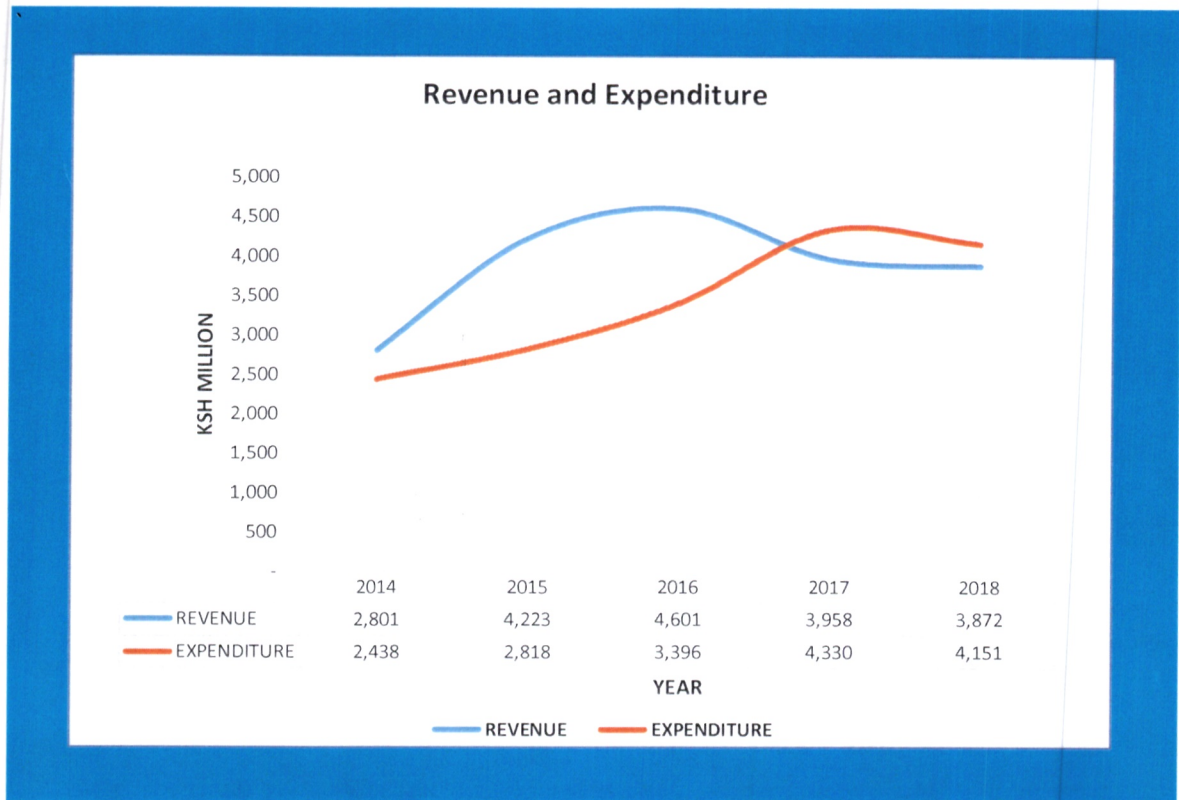
1. Operational and financial performance of the organisation

The operations of KEBS are based on the Strategic Plan 2017/2022 and the annual KEBS-GOK Performance contract guidelines. The annual work plans are implemented using the Balance Scorecard methodology. Presented below are the discussion and analysis of KEBS performance for the period under review.

a) Financial Performance

There has been a registered growth in revenue for the last four (4) years from a low of Kshs 2.3 billion in FY 2013 to a high of Kshs 4.6 billion in FY 2015 mainly attributed to the NSC, management and the entire staff commitments towards the achievement of KEBS vision. In the year 2018, the revenue dropped to Kshs 3.8 billion from Ksh3.9 billion reported in FY 2017. This drop was attributed to a change in government policy, which affected one of the revenue-generating stream. The revenue and expenditure were as presented in figure 7 below:

Figure 7: Revenue and Expenditure



During the year under review the expenditure incurred was Kshs 4.1 Billion against revenue of Kshs 3.8 Billion leading to a deficit of Kshs 267 Million.

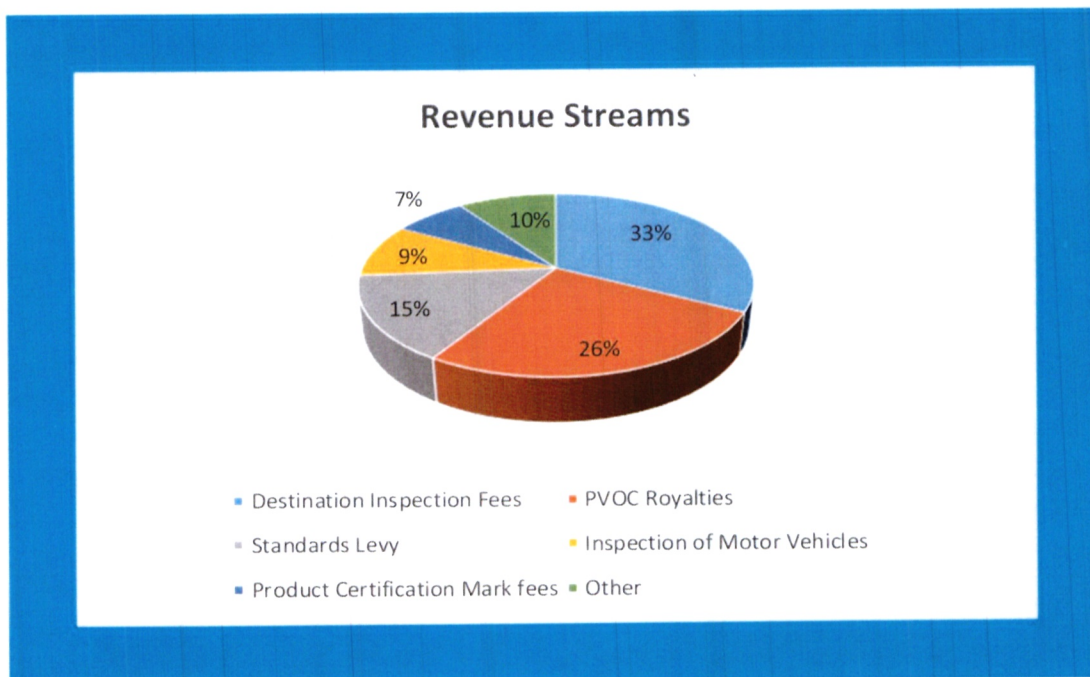
i) Revenue

Revenue decreased by 3% as compared to FY 2017 and as compared to FY 2016, there was a further reduction of 17%. This was attributed to:

- a) Reduction in destination inspection fees following change in government policy on imported products.
- b) Reduction in revenue from system certification of 17%. This was affected by change in performance contracting guidelines which dropped the requirement for ISO certification for the government ministries, departments and Agencies
- c) Reduction in laboratory analysis and calibration fees due to the reduction in private samples tested and equipment calibrated during the year.

Figure 8 below presents the revenue streams as at the end of the period.

Figure 8: Revenue streams

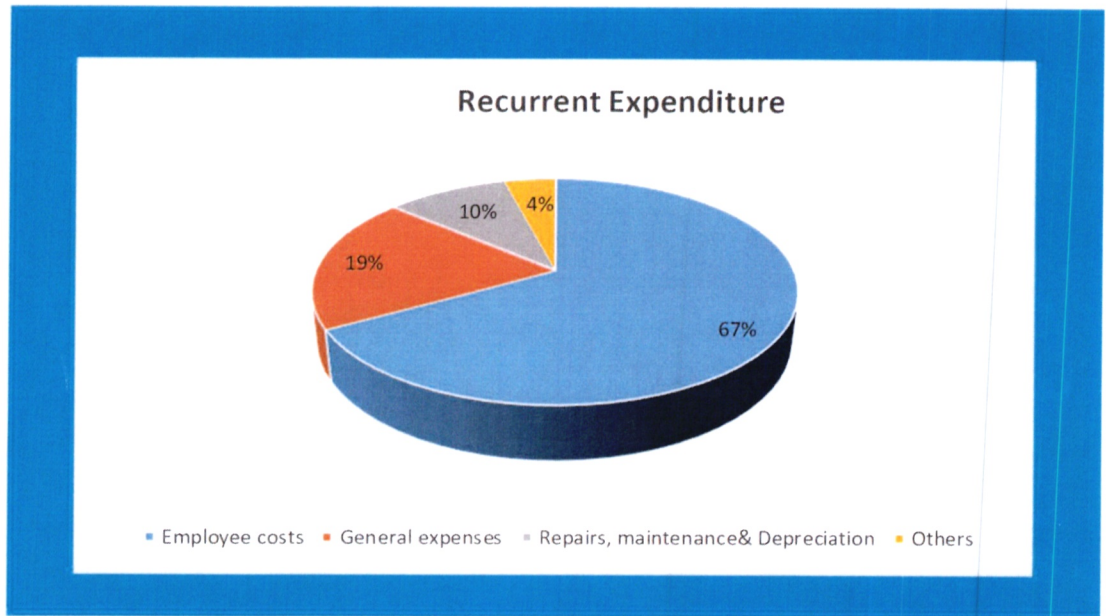


All the top five revenue streams fell under the category of regulatory income (destination inspection, PVoc royalties, standards levy, inspection of motor vehicles and product certification fees).

ii) Expenditure

The organisation's expenditure has been increasing for the last four (4) years at a lower rate than revenue. The increase was majorly attributed to increased organisational activities. In 2018, the expenditure marginally reduced by 4% from Kshs 4.3 billion reported in the previous year to Kshs. 4.1 billion. The reduction was mainly attributed to lower expenditure in pension cost and termination of remuneration to NSC members as eight (8) directors retired in April 2018. Only two (2) were reappointed and one (1) was a new appointment. There was however an increase in the finance expenditure due to the costs associated with running an overdraft facility. It is also important to note that on the recurrent expenditure, employee costs constituted the highest costs of the organisation as KEBS is a service organisation. The distribution of recurrent expenditure is as presented in figure 9 below.

Figure 9: Recurrent Expenditure



iii) Total Assets

KEBS assets have doubled over the last five years as a result of the following:

- 1) Acquisition of KEBS building in Coast Region
- 2) Completion of the construction of regional offices in the Lake Region
- 3) Acquisition of the state of art equipment so as to increase testing scopes and improve efficiency in testing and measurement test results
- 4) Investment in the ICT infrastructure to facilitate business continuity

The total asset over the last five years is as presented in figure 10 below:

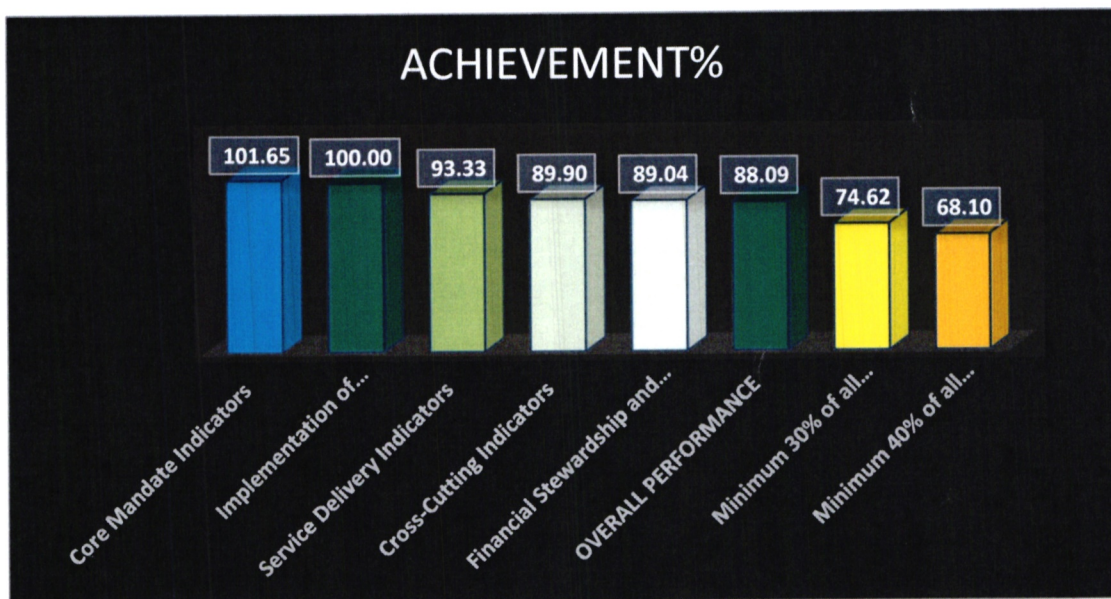
Figure 10: Total Assets



b) Operational Performance

The overall weighted aggregate performance score for KEBS in 2017-2018 Financial Year was **88.09%**, which is in the range of **Very Good**. The summary of achievement is as presented in figure 11 below:

Figure 11: KEBS Achievements FY 2017/2018



c) Challenges in relation to the performance management

- i. Rapid technological changes, which require KEBS to put large capital outlays for their replacement, adequate staffing levels and low levels of system integration.
- ii. Delay in release of performance contracting guidelines which affects the setting of targets internally and the implementation period.
- iii. Lack of funding by the national government

KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

2. Key Projects and Investments Decision

a) KEBS Infrastructure

i) Completed and Ongoing Projects

During the year under review, KEBS committed to operationalize Lake Region offices and compete North Rift office and Laboratories. Lake Region offices were completed (see figure 13) and occupied while The construction of KEBS North Rift laboratories and offices is ongoing and is estimated to be at 50% completion. Table 3 below presents the projects that were completed and the ones that are ongoing.

Table 4: Completed and On-going Projects

Capital Project (Figures in KShs '000)								
No.	Project Name	Project Cost	% completion as at 30th June, 2018	Timeline		Sources of Funds	Viability of the Project	Benefits of the Project
				Start date	Expected date of completion			
1	Construction of Regional office and laboratories -Kisumu Office	154,329	100%	16/09/2015	08/09/2017	A-I-A	The Project has been completed	To ensure efficiency and effectiveness for the provision of services; To expand the scope of testing to include tests in key sectors of the economy; To carry out tests in conducive environment that does not pose risk to staff and the public; To expand on site calibration capability in the fields of mass, pressure and temperature
2	Recarpeting works of KEBS Compound	55,000	100%	06/11/2017	11/01/2018	A-I-A	The Project has been completed	To enhance KEBS corporate image;
3	Construction of Regional office and laboratories -Eldoret Office	150,000	50%	21/11/2016	20/10/2018	A-I-A	KEBS has allocated adequate resources for the completion of the project	To ensure efficiency and effectiveness for the provision of services; To expand the scope of testing to include tests in key sectors of the economy; To carry out tests in conducive environment that does not pose risk to staff and the public; To expand on site calibration capability in the fields of mass, pressure and temperature
4	Supply and fixing of Epoxy Resin flooring and Aluminium Partitioning works for Regional Office & Laboratories in Kisumu	14,000	50%	04/09/2018	30/09/2018	A-I-A	KEBS has allocated adequate resources for the completion of the project	To enhance KEBS corporate image; To ensure efficiency and effectiveness for the provision of services;
Total		373,329						

Figure 12: North Rift Regional Office and Laboratory under Construction



ii) Acquisition of testing equipment

KEBS have invested in state of the art testing equipment with the support of the following partners: Trade Mark East Africa, European Union – Standards and Market Access Program. Subsequently, the utilization of these equipment has improved operational efficiency by 33% in the last five years. The Acquisition of these equipment will enable KEBS to increase the testing scope, improve proficiency in testing and improve efficiency through reduction in turn-around-time and overall compliance with service delivery timelines. Some of the equipment acquired with the assistance of EU-SMAP project are as given in figure 10 below.

Figure 13: KEBS Testing Equipment Funded under EU-SMAP Project



KENYA BUREAU OF STANDARDS
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iii) Automation

KEBS has continued to invest in Information Communication and Technology both hardware and software. The current automation level stand at 48%. The current computer ratio per user is 1:2

iv) Standards Development

As a way improving stakeholder engagement in the standardization process, a three-year national Standardization Plan 2016-19 was developed and is being implemented, this plan is accessible to the public through the KEBS website.

b) Major risks facing the organisation and the Mitigation measures,

- i. Over reliance on regulatory revenue streams. KEBS needs to strengthen the other non-regulatory revenues so as to leverage and reduce the impact of reduction in revenue from regulatory revenue streams.
- ii. Substandard goods brought in through non-official routes. This has been addressed through increased efforts in market surveillance, and sensitization of the public on use of the "20023 messaging system on confirmation of products in case of doubt.
- iii. Reputational risk arising from widespread negative publicity. KEBS seeks to improve its image by conducting campaigns and upon seizure of substandard goods, the destruction of the goods in public according to the laid procures and relevant regulations.
- iv. Credit risk due to fluctuation of interest rate. KEBS has ensured that the Overdraft facility is regularly maintained and a ceiling has been put in place as a way of controlling the finance cost.
- v. Liquidity risk due to restricted cash in bank. KEBS has negotiated for an overdraft to cater for the liquidity short fall that may arise due to the restriction of funds.
- vi. Market Risk-the possibility that KEBS may suffer a loss due to inflation or the fluctuation of currencies. KEBS negotiates for favourable exchange rates for mitigation of Currency fluctuation and also purchases by use of local purchase orders as a commitment of prices to mitigate on price fluctuations.

c) KEBS compliance with statutory requirements

The organisation complied with all mandatory statutory requirements from remittance of the statutory deductions within the set time line to holding of the board meetings as required.

d) Material arrears in statutory and other financial obligations

At the close of the financial year, the organisation did not have any material statutory arrears. Only financial obligations were in form of commitments that were yet to actualise this appears under the statement of capital commitment and litigations.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING

1. Corporate Social Responsibility

KEBS Corporate Social Responsibility (CSR) is aimed at creating a positive impact on the society. The main objective is to maximize KEBS contribution to sustainable development through sponsorship of causes involving women, youth and persons living with disability. The following CSR activities were undertaken:

a) Hand in Hand Awareness Program

This program targeted vulnerable women SMEs aimed at sensitizing them on quality to enhance their entrepreneurship activities.

Figure 15: Hand in Hand Program



b) Visit to children's homes St. Joseph Shelter of Hope.

KEBS supported the less fortunate in the society through visit to various children's home.

Figure 16: Visits to St. Joseph's and Kwetu Children's Home



**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING (continued)

c) Mama Ngina Children's Home

KEBS team visited Mama Ngina children home where orphaned children are rescued and taken care of. KEBS spent quality time with the kids aged one-day old to school going children of 12years. The team played, dinned and created awareness of quality products to them through the recognition of KEBS quality marks.



Happy children receive donations of uniforms, clothes and other assorted food items

d) NOVA Pioneer High School

KEBS held a one-week internship and career development opportunity for high school students from NOVA Pioneer school for leaders and innovators. The exercise aimed at giving the students a real time application of the skills they learn in class to the market place.



2. Sustainability Report

a) People

There is a Human Resource Manual guiding on recruitment and selection, terms and condition of employment and retention strategies. The policy provides for affirmative action eg. age, gender and persons living with disabilities and regional balancing. The NSC promotes gender and disability mainstreaming. KEBS handles staff grievances as per human resource policy.

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING (continued)

b) Wellness

A wellness program for monitoring BMI, blood sugar and blood pressure was carried out at KEBS with total attendance of 2281 persons (1254 Male and 1027 female). In addition, KEBS provided wellness gym facilities in which 819 members attended.



c) Competency Development

KEBS maintains a skills matrix which defines the competencies required for the realization of the objectives. A total of 733 Skill based programmes and 17 broad based programmes were carried out base on the annual training plan.

d) Occupational health and safety.

KEBS undertook the following activities under the Occupational Health & Safety Act, 2007 and related EHS legislation. A routine Occupational Health and safety Inspection was conducted and Workplace Registration Certificates were maintained. In addition, routine medical examinations for staff exposed to specific hazards were carried out and an annual emergency/fire evacuation drills were conducted. Over 500 trees were planted at the Head office and Kisumu Regional office.



KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING (continued)

e) Corruption prevention

Integrity is one of KEBS core values. The organization has continued to implement the anti-corruption policy and corruption prevention through the guidance of the anti-corruption committee. The anti-corruption committee is composed of various head of departments with the head of human resource department as the secretariat and chaired by the managing director. KEBS implemented various strategies to combat corruption.

f) Whistle Blowing Policy

KEBS is committed to protecting the identity of all employees and stakeholders when they provide information regarding corruption related activities or participate in investigation. KEBS has provided channels of reporting corruption such as toll free line and emails. The NSC and management encourages staff to whistle blow without victimization.

g) ISO Accreditation/Certification.

KEBS maintains accreditation for its metrology, testing and certification functions. In addition, we hold an ISO 9001 Certification for standards development, product certification, market surveillance and the National Quality Institute.

i. ISO 17025 Accreditation - Metrology

KEBS maintained the ISO/IEC 17025 accreditation status of five Metrology laboratories: AC/DC, Force, Mass, Temperature, Force and Volume and Flow and ISO 9001 certification for instrumentation/ workshop section

ii. ISO 17025 Accreditation - Testing

KEBS Testing Laboratories are accredited to ISO 17025 by the South African National Accreditation Services (SANAS). The third edition of accreditation standard 17025 was reviewed and released in November 2017 and is currently being implemented

iii. ISO 17021 Accreditation

KEBS – CB maintained accreditation to ISO/IEC 17021 by RVA and KENAS

iv. ISO 17065 Accreditation

The KEBS Quality Assurance Department has undertaken Gap Analysis, review of pre-assessment findings and reviewed quality documents based on the same bringing the implementation level to 86%.

v. ISO 17020 Accreditation

The KEBS Inspection Body selected an accreditation body to carry out document review, pre-assessment and initial assessment which moved the level of project implementation to 86%.

vi. ISO 9001 Certification

KEBS holds certification to ISO 9001:2015 by BSI. The organization was successfully recertified to the same standard in February 2018.

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

VIII. REPORT OF THE DIRECTORS

The directors submitted their report together with the un-audited financial statements for the year ended June 30, 2018, which show the state of the KEBS affairs.

Principal Activities

The principal activities of KEBS are:

1. Promoting Standardization in commerce and industry.
2. Providing testing and calibration Services
3. Controlling the use of standardization marks.
4. Educating stakeholders and clients on standardization.
5. Facilitating the implementation and practical application of standards
6. Maintaining and disseminating International System of units (SI) of measurement.

Results

The results of KEBS for the year ended June 30, 2018 are set out on Page 44

Directors

The members of the National Standards Council who served during the year are shown on page 5. The following NSC members exited or appointed to the NSC during the year under review: -

No.	Board Member	Status
1	Mary Wanja Matu	Retired on 16 th April 2018 and Re-appointed on 10 th May 2018
2	Wisdom Mwamburi	Retired on 16 th April 2018
3	Eric Mungai Wagithuku	Retired on 16 th April 2018
4	Mohammed Hussein Ali	Retired on 16 th April 2018
5	Gladys Maingi	Retired on 16 th April 2018
6.	Nazir Gulam Yusuf	Retired on 16 th April 2018
7.	Mboche Waithaka	Retired on 16 th April 2018
8	Fouzia Abdirahaman	Retired on 16 th April 2018 Re-appointed on 10 th May 2018
9	Edward Njoroje	Appointed on 10 th May 2018

Surplus Remission

KEBS did not report any surplus during the year (FY 2017-nil) and hence there was no remittance to the Consolidated Fund.

Auditors

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

By Order of the NSC.



**Bernard N. Njiraini
AG. MANAGING DIRECTOR**

Date: 01 August 2019

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Standards Act (Cap 496) require the National Standard Council to prepare financial statements in respect of KEBS, which give a true and fair view of the state of affairs of KEBS at the end of the financial year/period and the operating results of the KEBS for that year/period. The Council is also required to ensure that the Bureau keeps proper accounting records, which disclose with reasonable accuracy the financial position of KEBS. The Council is also responsible for safeguarding the assets of KEBS.

The National Standards Council is responsible for the preparation and presentation of KEBS financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

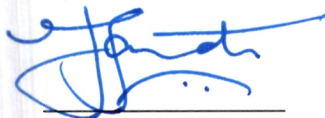
- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of KEBS;
- c) Designing, implementing and 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;
- d) Safeguarding the assets of KEBS
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the KEBS 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 requirements of the Standards Act. The Council is of the opinion that KEBS financial statements give a true and fair view of the state of KEBS transactions during the financial year ended June 30, 2018, and of the KEBS financial position as at that date. The Council further confirm the completeness of the accounting records maintained for KEBS, which have been relied upon in the preparation of the KEBS financial statements as well as the adequacy of the systems of internal financial control.

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

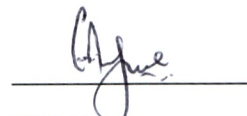
Approval of the Financial Statements

The KEBS financial statements were approved by the National Standards Council on _____ 2018 and signed on its behalf by:



NSC Chairman

Chairperson -Finance Committee



NSC Member



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 43 to 70, which comprise the statement of financial position as at 30 June 2018, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Bureau of Standards as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Standards Act, Cap 486 of the Laws of Kenya.

Basis for Qualified Opinion

1. Receivables from Exchange Transactions

- i. As reported in the previous year, receivables from exchange transactions balance of Kshs.438,443,599 as at 30 June 2018 includes long outstanding debts of Kshs.17,500,000 owed by a law firm under receivership in respect of a payment made to the firm for purchase of land at Donholm Estate in Nairobi. Although the transaction turned out to be fraudulent, recovery of the money had not been made as at 30 June 2018. Further, the Public Investments Committee recommended that the Ethics and Anti-Corruption Commission investigates the matter and recommend for prosecution any person found culpable in defrauding the organization and also report progress on this matter to the National Assembly within six (6) months. The outcome of this investigation has not been disclosed. In addition, the organization requested for write-off of the long outstanding amount, but is still awaiting approval by the National Treasury.
- ii. As previously reported, prepayments of Kshs.2,697,529 to three firms for goods and services that were never supplied or rendered has also not been recovered

or written off while the adequacy of provision for bad and doubtful debts of Kshs.49,137,406 made in the financial statements could not be ascertained.

- iii. A review of the Bureau's records revealed that debtors amounting to Kshs.213,159,161 have remained outstanding for more than ninety (90) days contrary to the Bureau's credit policy. The amount of Kshs.213,159,161 includes Kshs.27,874,303 that did not have any movement from previous year. Although the board had approved the write off of debts amounting to Kshs.42,034,269, Treasury approval has however not been obtained.

In view of the above, it has not been possible to confirm the accuracy and recoverability of receivables from exchange transactions balance of Kshs.438,443,599 as at 30 June 2018.

2. Plant, Property and Equipment

The plant, property and equipment balance of Kshs.3,232,918,593 as at 30 June 2018 includes work-in-progress figure of Kshs.115,972,720 which excludes preliminary cost amounting to Kshs.101,938,209 being consultancy costs incurred on the construction of coast region laboratories. As previously reported, the Bureau abandoned the project and instead acquired a new building for its operations in Mombasa with the preliminary cost of Kshs.101,938,209 remaining as work in progress since 2012/2013. During the year 2016/2017, management expensed the preliminary costs in the financial statements and charged it under project and consultancy expenses.

In the circumstances, no value for money was obtained on the expenditure of Kshs.101,938,209.

3. Legal Matters – Procurement of Legal Firms

During the year under review, the Bureau incurred Kshs.132,888,962 on legal services including services obtained from Rachier & Amollo and Advocates on 28 July 2017 via letter ref: KEBS/COA/132/2017 (4) which sought further legal support from Iseme Kamau and Muema Advocates) to represent the Bureau in the Court of Appeal Civil application No.132 of 2017 between the and Geo Chem Middle East when the High court declined to set aside an arbitral award made in favour of Geo Chem Middle for a total sum of US Dollars 15,401,504.71 plus interest.

Further, the management wrote to the Office of Attorney General on 28 July 2017 via letter ref: KEBS/CONF/IMP/INSP/1 VOL 3(49) seeking approval to appoint the two firms to represent the Bureau in the above stated case. The Office of the Attorney General via response letter referenced AG/CON/6/D/144/Vol.II dated 31 July 2017 granted a conditional approval subject to the Bureau providing the AG with the minutes and report of the evaluation committee on the method of procurement and justification for the appointment of the two firms. However, no evidence was availed for audit review to confirm whether the Office of the Attorney General approved the appointment of the firms or whether the seeking of approval by the Bureau from

Attorney General was a mere ratification of procurement decision KEBS had already made.

In the circumstances, it was not possible to confirm that the above procurement was done in line with the procurement law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Bureau of Standards in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Restricted Bank Balances

As previously reported, cash and cash equivalents balance of Kshs.2,677,706,819 as at 30 June 2018 include Kshs.391,801,342 held in Kenya Commercial Bank, Cooperative Bank of Kenya and National Bank of Kenya attached by a court order dated 14 June 2017 issued in the case of GeoChem Middle East versus Kenya Bureau of Standards (KEBS). Information available indicates that GeoChem Middle East was in 2009 contracted to inspect petroleum products but the contract was suspended by the Government of Kenya. GeoChem Middle East filed arbitration proceedings against KEBS in 2015 claiming loss of earnings and was awarded about Kshs.1.5 billion in July 2016. The management of the Bureau appeal against the award in the High Court was dismissed and GeoChem Middle East application to enforce the award was allowed. GeoChem Middle East managed to have the funds held in the three bank accounts frozen all with a cumulative balance of Kshs.391,801,341 which the Bureau has not been able to access as at 30 June 2018 but the court case was still ongoing.

2. Supply and Implementation of Application Software for KEBS Integrated Quality Assurance and Inspection Operation

As reported in the previous year, the Management paid Kshs.13,497,120 being 60% of contract sum Kshs.22,495,200 to a local company for the supply and implementation of applications software for Bureau's integrated quality assurance and inspection operations. The contract was signed in the year 2012 and was to take duration of 8 months with a provision of extension of not more than 14 days. The amount has remained as work in progress since 2012/13 and it appears the project stalled. This is a clear indication of weak contract administration controls which may lead to loss of funds already paid in the event the contract is not completed. Consequently, the Bureau is likely to lose Kshs13,497,120 already paid as part of the contract.

3. Pre-Export Verification of Conformity (PVOC) for Exports to Kenya

As reported in the previous year, the statement of financial performance for the year ended 30 June 2015 reflected revenue from exchange transactions amounting to

Kshs.3,707,985,187 out of which Kshs.2,375,571,667 was earned from PVOC Program. Available information revealed that a local freight company imported goods with a custom value Kshs.187,652,754 but were not subjected to Destination Inspection (DI) and duty thereof at 15% on value. Had the goods been subjected to the inspection and duty levied, the Bureau would have recorded additional revenue of Kshs.28,147,193. Consequently, an amount of Kshs.28,147,193 was not collected or accounted for as receivables. The management has not made any efforts to recover the amount.

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. Except for the matters described in the Basis for Qualified Opinion section. I have determined that there are no Key Audit Matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, 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 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about

whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Bureau's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Bureau either cease operations, or have no realistic alternative but to do so.

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 standard which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

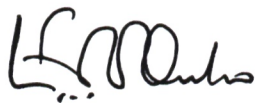
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease 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 Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

26 August 2019

KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

X. REPORT OF THE INDEPENDENT AUDITORS ON KEBS

Auditor General

Date

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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

The notes set out on pages 49 to 70 form an integral part of these Financial Statements

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Standards Levy	1	581,694,329	583,113,171
Revenue from exchange transactions			
Rendering Of Services	2	3,189,682,609	3,154,389,941
Government Transfer-(RIIP)	3	25,000,000	-
Finance Income - External Investments	4	91,839,626	191,742,008
Other Income	5	13,809,394	28,164,209
Total revenue		3,902,025,959	3,957,409,329
Expenses			
Employee costs	6	2,772,348,030	2,920,285,678
Remuneration of directors	7	53,850,323	77,742,511
Depreciation and amortization expense	8	194,689,347	169,604,524
Repairs and maintenance	9	205,569,180	285,401,800
Contracted services	10	31,021,223	127,522,135
General expenses	12	825,194,648	740,225,917
Finance costs	13	86,388,365	8,818,032
Total expenses		4,169,061,117	4,329,600,597
Other gains/(losses)			-
Loss on Disposal			(941)
Deficit for the period		(267,035,158)	(372,192,209)
Remission to National Treasury		-	-
Net Surplus for the year		(267,035,158)	(372,192,209)

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

XII. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	2,677,706,819	2,693,846,005
Receivables from exchange transactions	16	438,443,599	409,061,460
Current portion of long-term receivables from exchange transactions	16	609,628,046	510,314,856
Receivables from non-exchange transactions	17	34,703,177	54,226,133
Inventories	18	98,525,005	98,324,193
		3,859,006,646	3,765,772,647
Non-current assets			
Property, plant and equipment	23	3,232,918,593	2,931,551,709
Intangible assets	24	11,810,488	16,872,126
		3,244,729,082	2,948,423,835
Total assets		7,103,735,728	6,714,196,482
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	369,029,031	241,953,148
Current portion of borrowings	21	938,695,028	165,873,701
		1,307,724,059	407,826,849
Non-current liabilities			
Non-current employee benefit obligation	20	-	396,721,128
		-	396,721,128
Total liabilities		1,307,724,059	804,547,977
Net assets		5,796,011,669	5,909,648,505
Revaluation Reserves		990,156,591	990,156,591
Accumulated surplus		3,810,386,872	4,077,422,030
Capital Fund		995,468,206	842,069,884
Total net assets and liabilities		5,796,011,669	5,909,648,505

The Financial Statements set out on pages 43 to 70 were signed on behalf of the NSC by:



Ag. Managing Director
Bernard N. Njiraini

Date: 09 August 19



Director Finance and Strategy
Mohammed Adan

Date: 01/08/2019



NSC Chairman
Ken Wathome

Date: 01/08/2019

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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

	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2016	990,156,591	4,449,614,240	842,069,884	6,281,840,715
Total comprehensive income	-	(372,192,209)	-	(372,192,209)
Capital/Development grants received during the year				
Transfer of depreciation/amortisation from capital fund to retained earnings				
At June 30, 2017	990,156,591	4,077,422,030	842,069,884	5,909,648,505
At July 1, 2017	990,156,591	4,077,422,030	842,069,884	5,909,648,505
Revaluation gain				
Total comprehensive income		(267,035,158)		(267,035,158)
Capital/Development grants received during the year			153,398,322	153,398,322
At June 30, 2018	990,156,591	3,810,386,872	995,468,206	5,796,011,669

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

XIV. STATEMENT OF CASH FLOWS AS AT JUNE 30, 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
Net cash flows from operating activities		321,457,086	(358,032,006)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	23	(490,994,594)	(519,323,611)
Add Back - Equipment Grant (Smap)		153,398,320	
Proceeds from sale of property, plant and equipment			9,000
Net cash flows used in investing activities		(337,596,274)	(519,314,611)
Net Increase in cash and cash equivalents		(16,139,188)	(877,346,617)
Cash and cash equivalents at beginning.		2,693,846,005	3,571,192,622
Cash and cash equivalents as at 30th June 2018	15	2,677,706,816	2,693,846,005

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Standards Levy	640,043,600		640,043,600	581,694,329	-58,349,271
Revenue from exchange transactions					
Rendering of services	3,866,137,000	50,100,000	3,916,237,000	3,189,682,609	- 676,454,391
Government Transfer-(RIIIP)	25,000,000	-	25,000,000	25,000,000	-
Finance Income	54,000,000		54,000,000	91,839,626	37,839,626
Other Income	2,997,000		2,997,000	13,809,394	10,812,394
Total revenue	4,588,177,600	50,100,000	4,638,277,600	3,902,025,959	- 686,151,641
Expenses					
Employee costs	3,179,312,568		3,179,312,568	2,772,348,030	406,964,538
Remuneration of directors	74,960,000		74,960,000	53,850,323	21,109,677
Depreciation and amortization expense	82,044,000		82,044,000	194,689,347	- 112,645,347
Repairs and maintenance	278,989,200		278,989,200	205,569,180	73,420,020
Contracted services	47,076,000	- 1,000,000	46,076,000	31,021,223	16,054,777
General expenses	1,106,675,036	140,124,789	1,246,799,825	825,194,648	281,480,388
Finance costs	8,080,000		8,080,000	86,388,365	- 78,308,365
Total expenditure	4,777,136,805	139,124,789	4,916,261,594	4,169,061,117	608,075,688
Surplus for the period	- 188,959,205		- 188,959,205	- 267,035,158	

Notes for material deviation

i) Standards Levy

The following was noted:

- a) Closure of some manufacturing firms owing Standards Levy.
- b) Slowed economic performance due to long electioneering period.

ii) Laboratory Analysis Fees

There was a large number of samples received during the period from quality assurance, market surveillance and standards developments. Such samples do not generate revenue.

iii) Metrology Services and System Certification

The variation was due to:

- a) Increased competition for metrology/certification services in Kenya
- b) Staff shortage to handle the metrology/system certification.

v) Inspection of Petroleum

This was an anticipated revenue however; the poor performance is due to some legal framework that was not concluded.

vi) Finance cost

This is attributed to the growth in the overdraft facility held by KEBS.

vii) **Depreciation and Amortization Expenses**

This is due to increase in equipment from EU-SMAP Grant and the completion of Mombasa and Kisumu Regional Buildings that were transferred from work in progress.

Summary of reallocations

The main reason for the reallocations was to cover for activities not adequately covered in the initial budget.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

KEBS was established under an Act of Parliament and derives its authority and accountability from the Standards Act (Cap.496). KEBS is a state corporation and is domiciled in Kenya. KEBS principal activities include development of Kenya Standards, dissemination of standards related information, quality assurance, maintenance and dissemination of measurement standards, calibration of measurements and testing equipment, laboratory testing, product and quality, systems certification, training and quality inspection of all imports.

2. Statement of Compliance and Basis of Preparation - IPSAS 1

KEBS financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Kenya Shillings (Kshs) which is the functional and reporting currency. All values have been rounded to the nearest shilling. The accounting policies have been applied consistently.

The financial statements have been prepared based on the historical cost, except where otherwise stated in the in the accounting policies below. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Presented in the table below are Relevant new standards and amendments that were to be published standards effective for the year ended 30 June 2018

Standard	Impact
<p>IPSAS 39: Employee Benefits</p>	<p>Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. KEBS operates a defined contribution Pension scheme as per the government directive.</p> <p>The Standard is applicable to KEBS and already applied however the application of this standard had no material impact on the disclosures or the amounts recognized in the financial statements</p>
<p>IPSAS 40: Public Sector Combinations</p>	<p>Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non - exchange transactions that are covered purely under Public Sector combinations as amalgamations.</p> <p>The standard is currently not applicable to KEBS</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. Early adoption of standards

KEBS did not early – adopt any new or amended standards in year 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

i. Revenue from non-exchange transactions- IPSAS 23

Standards Levy Fees

Kenya Bureau of standards recognises revenues from Standards Levy fees, when the event occurs and the asset recognition criteria are met. Other non-exchange revenue is recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the KEBS and the fair value of the asset can be measured reliably.

ii. Rendering of services

Revenue from rendering of services is recognised 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.

iii. Interest income

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

KEBS recognized interest income as it is earned on accrual basis.

b) Budget information – IPSAS 24

The original budget for FY 2017-2018 was approved by the National Treasury on 28th Feb 2017. 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 KEBS upon receiving the respective approvals in order to conclude the final budget.

KEBS budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements. The amounts in the financial statements were recast 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.

c) Taxes

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

KEBS recognises expenses and assets at gross amount.

Corporation tax

As per regulation 219(3) of the PFM regulations 2015, the Cabinet Secretary of Treasury has exempted regulatory authorities from payment of income tax of which KEBS is in that category.

d) Property, plant and equipment –IPSAS 17

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

Depreciation is calculated on a reducing balance at the indicated annual rates:

Buildings	Over the leased period of 99 years
Equipment	10%
Computer	30%
Motor vehicle	20%

Free hold land and work in progress is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus or deficit.

e) Operating Leases (IPSAS 13)

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense and charged in the statement of comprehensive income statement on a straight-line basis over the lease term.

KEBS operating leases are in the form of rental premises and leased printing machines. The payments are expenses in the statement of financial performance

f) Intangible assets –IPSAS 31

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

Amortization is calculated on a reducing balance at the annual rate of 30%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Inventories – IPSAS 12

Inventories are stated at lower of cost and net realisable value. Cost is determined on First in First out (FIFO) method.

h) Financial Instruments (IPSAS 29)

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.

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. KEBS does not have financial instruments

i) Provisions –IPSAS 19

Provisions are recognized when KEBS 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.

j) Contingent liabilities

Contingent liabilities are possible obligations that arose from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events but is not recognized because;

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability

KEBS 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.

k) Contingent assets

KEBS 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Nature and purpose of reserves

Reserves are created and maintained in terms of specific requirements. KEBS Revenue reserves are maintained for purposes of purchase of equipment, construction of regional offices and laboratories, contingent liabilities and capital commitments that become payable. Revaluation reserves refer to the change in fixed assets since the last revaluation in 2009.

m) Changes in accounting policies and estimates – IPSAS 3

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

n) Employee benefits – IPSAS 39

Retirement benefit plans

Kenya Bureau of Standards operates a defined contribution and defined benefit scheme for its employees. The defined contribution scheme is administered by Trustees and is funded from contributions from both the employer and employee at 12% and 10% of the basic salary respectively. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. KEBS last actuarial valuation was done in March 2015.

o) Foreign currency transactions

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

p) Related parties- IPSAS 20

The organization regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Managing Director, Divisional Directors, Heads of Legal, Finance, Internal Audit and Procurement departments.

q) 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 various commercial banks at the end of the financial year.

r) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY – IPSAS 1

The preparation of the KEBS 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

a) 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. KEBS based its assumptions and estimates on parameters available when the 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 KEBS.

b) Going Concern

The financial statement has been prepared on a going concern basis and it is assumed the KEBS will remain a going concern for at least the next twelve months from the date of this statement.

c) Useful lives and residual values

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

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

KEBS recognises useful lives and residual values of assets as follow:

- i. Buildings the leased period-99years
- ii. Equipment 10 years
- iii. Computer 3 years
- iv. Motor vehicle 5 years
- v. Intangible assets (Software) -3 years
- vi. Free hold Land and Work in Progress is not depreciated.

d) 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 16.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date. The provision for bad debts is specific.

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e) Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended **June 30, 2018**

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	2017-2018	2016-2017
	KShs	KShs
Standards Levy	581,694,329	583,113,171
Total	581,694,329	583,113,171

2. RENDERING OF SERVICES

Inspection of Motor Vehicles	361,116,062	337,034,076
Laboratory Analysis Fees	38,808,480	44,874,117
Metrology Services Fees	68,630,460	75,397,369
Systems Certification Fees	47,794,919	57,317,185
Seminar Fees	83,370,410	77,707,681
Diamond Mark Fees	67,307,939	86,109,629
Sale of Standards & Development Fees	25,084,823	20,135,888
Destination Inspection Fees	1,271,403,288	1,346,388,740
Standardization Mark Fees	209,682,264	194,015,150
PVOC Royalties	1,010,474,801	912,139,931
NQI Membership Fee	6,009,163	3,270,175
Total revenue from the rendering of services	3,189,682,609	3,154,389,941

3. Government Transfer

Description	2017-2018	2016-2017
	Kshs	Kshs
RllP Project	25,000,000	-
Total rentals	25,000,000	-

4. INTEREST INCOME

Description	2017-2018	2016-2017
	Kshs	Kshs
Interest Income	91,839,626	191,742,008
Total finance income – external investments	91,839,626	191,742,008

5. OTHER INCOME

Description	2017-2018	2016-2017
	Kshs	Kshs
Miscellaneous Income	13,809,394	28,164,209
Total other income	13,809,394	28,164,209

6. EMPLOYEE COSTS

	2017-2018	2016-2017
	KShs	KShs
Basic Salary	1,358,925,561	1,275,257,657
House Allowance	364,503,455	359,063,747
Commuter & Other Expenses	207,125,412	139,814,053
Gratuity and Pension Expenses	269,810,088	589,053,844
NSSF Contribution	2,679,800	2,532,900
Transfer Allowance	14,283,202	10,208,881
Leave Allowance	45,524,918	47,027,558
Performance Management	32,086,122	4,585,290
Alcohol & Drug Prevention and HIV Program	9,729,380	11,337,490
Medical Insurance	172,824,353	179,406,194
Staff Awards & Honoraria	32,857,710	19,948,581
Local Travelling and Accommodation	192,941,100	198,141,557
External Travelling	69,056,929	83,907,926
Total Employee Cost	2,772,348,030	2,920,285,678

7. REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs	KShs
Honoraria	-	503,226
Board Meeting Expenses	53,293,522	65,596,207
Travelling & Accommodation	556,801	11,643,078
Total director emoluments	53,850,323	77,742,511

8. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	189,627,709	162,373,613
Intangible assets	5,061,638	7,230,911
Total depreciation and amortization	194,689,347	169,604,524

9 .REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Transport Operating	18,058,095	17,206,152
Computer Expenses	126,717,003	118,423,704
Maintenance of Office Equipment	7,580,155	5,104,245
Maintenance of Physical Standards & Lab Equipment	13,768,643	44,020,484
Maintenance of Building	37,920,590	40,658,873
Civil & Engineering Alteration	1,524,694	59,988,342
Total repairs and maintenance	205,569,180	285,401,800

**KENYA BUREAU OF STANDARDS
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10. CONTRACTED SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Contracted Professional services	31,021,223	25,583,926
Preliminary Expenses	-	101,938,209
Total Contracted Services	31,021,223	127,522,135

11. GRANTS AND SUBSIDIES

Description	2017-2018	2016-2017
	KShs	KShs
International Atomic Energy Agency	49,162,428	49,162,428
Kenya Government Grant	612,776,307	612,776,307
W. Germany Government Grant	64,921,147	64,921,147
World Trade Organisation Grant	899,479	899,479
World Bank Grant	39,722,771	39,722,771
Intertek	1,809,742	1,809,742
UNIDO	13,539,254	13,539,254
Trade Mark East Africa	58,910,057	58,910,057
Time Electronics	328,699	328,699
Smap Grant	153,398,322	-
Total grants and subsidies	995,468,206	842,069,884

The grants increased by Kshs 153 Million from grants from SMAP, WTO, UNIDO, World Bank, Trade Mark East Africa and Time Electronics were all donations in kind in the form of laboratory equipment, motor vehicle and computers

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12. GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Post and Delivery	6,561,852	6,646,885
Telephone	6,833,946	13,428,436
Tender Expenses	14,435,333	8,361,782
Electricity, Water and Conservancy	30,039,235	25,677,072
Fuel	20,902,293	19,223,949
Publishing and Printing	2,578,030	3,930,139
Purchase of Uniforms and Clothings	5,917,668	4,974,251
Library	13,745,464	7,061,892
Purchase of Stationery	42,645,620	38,011,742
Advertising and Publicity	37,452,797	68,793,551
Show and Exhibitions	13,358,129	13,166,251
Sports and Welfare	43,326,290	58,590,687
Rent and Rates	33,362,845	50,108,021
Hire of Transport	500	58,500
Audit fees	696,000	696,000
Security	20,948,317	19,249,425
Subscriptions	16,319,594	12,442,617
Training	67,387,737	84,679,807
Seminar	28,042,974	45,176,338
World Standards and Metrology days	946,097	1,389,000
Environment, Health & Safety Services	8,960,190	12,866,219
Bad debts		147,016
Legal Expenses	132,888,962	29,563,067
Research and Development in Metrology	12,160,594	10,582,474
Laboratory Material Chemicals & Reagents	103,494,315	61,401,692
Standards Enforcement	12,443,605	8,847,933
Certification Services	8,973,855	8,482,485
Standards Development	66,459,561	70,824,264
Accreditation Services	20,549,131	19,261,837
BIPM CMC Programme	936,680	3,741,522
Kenya National Committee of IEC	1,197,263	4,922,463
Quality Awards	1,918,000	1,406,860
Insurance	29,456,991	26,511,740
Bank Charges	2,139,486	-
Regional Integration expenses	18,115,295	-
Total General Expenses	825,194,648	740,225,917

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 .FINANCE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Interest on Bank overdrafts	86,388,365	8,818,032
Total finance costs	86,388,365	8,818,032

14.GAIN ON SALE OF ASSETS

Description	2017-2018	2016-2017
	KShs	KShs
Property ,Plant and Equipment	-	(941.00)
Total Loss on Disposal	-	(941.00)

15(a) CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Bank	934,150,748	488,072,222
Cash	399,680	785,548
Short-term deposits	1,518,513,316	1,996,944,620
Staff Mortgage Account	224,643,075	208,043,615
Total cash and cash equivalents	2,677,706,819	2,693,846,005

KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15(b). Detailed analysis of the cash and cash equivalent

(i) Current Accounts			
FINANCIAL INSTITUTION	ACCOUNT No.	2017/2018	2016/2017
		Kshs	Kshs
National Bank of Kenya	0100-3002-830-600	346,962,692	76,091,126
National Bank of Kenya	0100-3002-830-602		154,018
National Bank of Kenya	0100-3002-830-603		1,389,382
National Bank of Kenya	0100-3002-830-604	7,775,155	-
National Bank of Kenya	0100-3002-830-605		2,377,720
National Bank of Kenya	0100-3002-830-606	555,242	875,357
National Bank of Kenya	0100-3002-830-607	139,888	3,304,366
National Bank of Kenya	0100-3236-26100		995,835
National Bank of Kenya	0200-302-830-600	79,066,353	56,009,048
National Bank of Kenya	0100-343-159-300		165,205
National Bank of Kenya	0100-320-408-500		958,358
National Bank of Kenya	0100-328-362-800		164,620
National Bank of Kenya	0100-10510-9703	52,755	172,985
Kenya Commercial Bank	110-783-946-7	327,558	90,415
Kenya Commercial Bank	110-761-835-5	280,894,637	253,601,471
Co-operative Bank	212-050-445-4700	160,898,171	61,497,947
Co-operative Bank	114-415-044-547-00	15,237,086	6,099,696
M-PESA	804700	42,241,211	24,124,673
TOTAL		934,150,748	488,072,222
(ii) Fixed Deposits			
National Bank of Kenya		1,518,513,316	811,114,814
Kenya Commercial Bank		-	378,717,113
Cooperative Bank		-	807,112,693
TOTAL		1,518,513,316	1,996,944,620
(iii) Staff Mortgage			
Kenya Commercial Bank		224,643,075	208,043,615
Others			
Cash At Hand		399,680	785,548
Grand Total		2,677,706,819	2,693,846,005

- ❖ Included in the cash and cash equivalent is restricted cash arising from a court order amounting to Kshs 883,058,939.

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Trade Debtors	385,983,729	367,037,897
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	41,459,160	18,504,783
Miscellaneous Debtors	1,585,822	1,585,822
NBK-Interest receivable	16,320,282	28,571,600
Provision for doubtful debts	(49,137,406)	(49,137,407)
Kenas	-	4,229,475
Accrued Income (Courier)	7,568,464	2,701,001
Prepayments (Medical Insurance)	14,466,020	13,698,134
Prepayment (M/V / Lab Equip maintenance Expenses)		1,672,626
Total Current receivables	438,443,599	409,061,460
Non-current receivables		
Staff Mortgage Scheme	609,628,046	510,314,856
Total non-current receivables	609,628,046	510,314,856
Total Receivables From Exchange Transactions	1,048,071,645	919,376,316

17. RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Kenya Revenue Authority	34,703,177	54,226,133
Total current receivables	34,703,177	54,226,133

18. INVENTORIES

Description	2017-2018	2016-2017
	KShs	KShs
Stationery	9,549,520	12,182,181
Bio Chemical Stock	16,936,083	15,205,740
Standards Stock	69,700,798	69,892,338
Engineering Stock	2,338,604	1,043,934
Total inventories at the lower of cost and net realizable value	98,525,005	98,324,193

**KENYA BUREAU OF STANDARDS
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19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
General Trade Creditors	122,278,679	106,709,069
Library Deposits	93,600	93,600
Audit Fees Payable	696,000	696,000
Accrued Liability on Equipment	-	9,410,638
Accrued Retention Fee	48,239,751	34,704,717
ISM Account	84,259,989	35,176,456
Staff Deductions Payable	601,865	
Accrued Expenses -ISM Mark	59,532,397	21,103,898
Accrued Pension Payable	12,722,861	-
Accrued Legal Expenses	30,012,314	28,858,313
Other Creditors	3,706,869	5,200,457
Unexpended Conditional Grant(RIIP)	6,884,705	
Total Trade and Other Payables	369,029,031	241,953,148

20. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	2017-2018	2016-2017
	KShs	KShs	KShs
Current benefit obligation		-	-
Non-current benefit obligation	-	-	396,721,128
Total employee benefits obligation	-	-	396,721,128

21. BORROWINGS

Description	2017-2018	2016-2017
	KShs	KShs
Balance as at 1st JULY	165,873,701	-
Bank overdraft during the year	772,821,327	165,873,701
Balance at end of the period	938,695,028	165,873,701

	2017-2018	2016-2017
	KShs	KShs
Domestic Borrowings		
bank Overdraft from NBK	938,695,028	165,873,701
Total balance at end of the year	938,695,028	165,873,701

Description	2017-2018	2016-2017
	KShs	KShs
Short term borrowings(current portion)	938,695,028	165,873,701
Total	938,695,028	165,873,701

22. CASH GENERATED FROM OPERATIONS

	2017-2018	2016-2017
	Kshs	Kshs
Surplus/(Deficit) for the year	(267,035,158)	(371,926,499)
Adjusted for:		
Depreciation	189,627,709	162,373,613
Amortization	5,061,638	7,230,911
Gains /loses/adjustments on assets	-	941
Preliminary Expenses	0	101,938,209
Working capital adjustments:		
Increase In Inventories	(200,812)	(2,065,774)
Increase In Receivables	(109,172,373)	(614,230,329)
Increase/ Decrease In Payables	503,176,082	358,912,632
Net cash flows from operating activities	321,457,086	(357,766,296)

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

23. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Work in progress	Plant & equipment, Furniture and fittings	Computers	Motor Vehicle	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	127,390,000	1,539,818,191	177,465,262	1,515,132,484	249,513,619	296,929,578	3,906,249,135
Additions	-	-	227,996,239	200,781,007	31,503,413	59,042,953	519,323,611
Disposals	-	-	-	-	(84,500)	-	(84,500)
Transfers/adjustments	-	-	(101,938,209)	-	-	-	(101,938,209)
At 30th June 2017	127,390,000	1,539,818,191	303,523,292	1,715,913,491	280,932,532	355,972,531	4,323,550,037
Additions	-	297,367,670	109,817,098	286,265,734	45,509,793.00	49,401,970	788,362,264
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	(297,367,670)	-	-	-	(297,367,670)
At 30th June 2018	127,390,000	1,837,185,861	115,972,720	2,002,179,225	326,442,325	405,374,501	4,814,544,631
Depreciation and impairment							
At 1 July 2016	-	70,670,888	-	795,473,151	185,136,924	178,418,311	1,229,699,275
Depreciation	-	6,080,053	-	92,044,034	28,738,682	35,510,844	162,373,613
Impairment	-	-	-	-	(74,559)	-	(74,559)
At 30th June 2017	-	76,750,941	-	887,517,185	213,801,048	213,929,155	1,391,998,329
Depreciation	-	6,080,053	-	111,466,204	33,792,383	38,289,069	189,627,709
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
At 30th June 2018	-	82,830,994	-	998,983,389	247,593,431	252,218,224	1,581,626,038
Net book values							
At 30 th June 2017	127,390,000	1,463,067,250	303,523,292	828,396,306	67,131,484	142,043,376	2,931,551,709
At 30 th June 2018	127,390,000	1,754,354,867	115,972,720	1,003,195,836	78,848,894	153,156,277	3,232,918,593

24. INTANGIBLE ASSETS-SOFTWARE

Description	2017-2018	2016-2017
	KShs	KShs
Cost		
At beginning of the year	143,717,912	143,717,912
Additions	-	-
At end of the year	143,717,912	143,717,912
Additions—internal development	-	-
At end of the year	143,717,912	143,717,912
Amortization and impairment		
At beginning of the year	126,845,786	119,614,875
Amortization	5,061,637.80	7,230,911
At end of the year	131,907,424	126,845,786
Impairment loss	-	-
At end of the year	131,907,424	126,845,786
NBV	11,810,488	16,872,126

25. Financial Risk Management

KEBS activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The organization'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 company has an integrated risk management framework. The company's financial risk management objectives and policies are detailed below:

a) Credit Risk

KEBS credit risk is primarily attributable to its trade receivables. The amounts presented in the financial statements are net of doubtful receivables, estimated by the company management based on prior experience. The credit risk on liquid funds with financial institutions is low. This is because the bank balances are held with regulated financial institutions and are fully performing.

b) Liquidity Risk

Liquidity risk is the risk that the organization will not have sufficient financial resources to meet its obligations when they fall due. The organization was able to meet its maturing obligations when due. The organization manages liquidity risks by continuous monitoring of forecasts and actual cash flows.

c) Market Risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates. The objective of market risk management policy is to protect and enhance the statement of financial position and statement of comprehensive income by managing and controlling market risk exposures within acceptable parameters and to optimise the funding of business operations and facilitate capital expansion. The market risk exposure of the company relates primarily to currency and interest rate risk.

i) Currency risk

The organization is exposed to foreign exchange risk arising from trading with suppliers and customers in foreign currency. Exchange rate exposures are managed within approved policy parameters utilizing of assets and liabilities.

ii) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. KEBS did not have any interest borrowings in the current financial period hence no exposure to interest rate risk

iii) Capital Risk Management

The objective of the entity's capital risk management is to safeguard KEBS ability to continue as a going concern. The entity capital structure comprises of the following funds:

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	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	990,156,591	990,156,591
Retained earnings	3,810,386,872	4,077,422,030
Capital reserve	995,468,206	842,069,884
Total funds	5,796,011,669	5,909,648,505
Total borrowings	938,695,028	165,873,701
Less: cash and bank balances	2,697,372,687	2,486,068,098
Net debt/(excess cash and cash equivalents)	1,758,677,659	2,320,194,397
Gearing	53%	7%

26. Related Party Balances

a) 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 the key management comprises of the managing director, divisional directors, head of Legal, Finance, Internal audit and procurement departments.

b) Key management remuneration

	2017-2018	2016-2017
	Kshs	Kshs
Key Management remuneration	61,190,985	49,893,074

27. Contingent assets and contingent liabilities

Contingent liabilities	2017-2018	2016-2017
	Kshs	Kshs
Legal Litigation against KEBS	2,802,103,747	2,772,091,433
Restricted Cash due to Court Order	883,058,939	-
Total	3,685,162,686	2,772,091,433

28. Capital Commitments (IPSAS 17)

Capital commitments	2017-2018	2016-2017
	Kshs	Kshs
Authorised and contracted for	197,855,245	213,230,245
Total	197,855,245	213,230,245

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Capital Commitments of Kshs. 197.86 Million relates to Local Purchase Orders issued/raised for capital items such as lab equipment, motor vehicles, office equipment and furniture, proposed refurbishment of Mombasa offices and construction of regional offices.

29. Events after the reporting period

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

30. Ultimate and Holding Entity

KEBS is a State Corporation Agency under the Ministry of Industry, Trade and Co-operation. Its ultimate parent is the Government of Kenya.

31. Currency

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

XVII. KEBS PROGRESS REPORT ON PRIOR YEAR AUDIT MATTERS (FINANCIAL YEAR 2016-2017)

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

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XVIII. Appendix 1: PROJECT IMPLEMENTED BY KENYA BUREAU OF STANDARDS

Project: STANDARDS AND MARKET ACCESS PROGRAMME (SMAP) REPORT AS

AT 30th JUNE 2018

Projects implemented by KEBS funded by development partners

Project	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor	Consolidated in these financial statements (Yes/No)
SMAP	FE/KED-023/566	European Union	July 14 to July 17	Financing Agreement	Yes	No

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
SMAP	363,400,000	324,763,279	89%	363,400,000	324,763,278.85	European Union

