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DATE:	26 APR 2023
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TABLED BY:	Hon. Naomi Wako, M.P. Deputy Majority Whip
CLERK-AT-TABLE:	Christine Ndiniba

REPORT

THE AUDITOR-GENERAL

ON

**KENYA BUREAU OF
STANDARDS (KEBS)**

**FOR THE YEAR ENDED
30 JUNE, 2022**



KENYA BUREAU OF STANDARDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

**Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2022**

**Kenya Bureau of Standards
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LIST OF ABBREVIATIONS

ABMS	Anti- Bribery Management System
ACCA	Association of Chartered Certified Accountants
AGPO	Access to Government Procurement Opportunities
BCom	Bachelor of Commerce
BCMS	Business Continuity Management System
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	Certified Public Accountant
CPA (K)	Certified Public Accountant, Kenya
CPS	Certified Public Secretaries
CPS (K)	Certified Public Secretary, Kenya
CSR	Corporate Social Responsibility
EA	East Africa
EAC	East African Community
EBK	Engineers Board of Kenya
EGMS	Excisable Goods Management System
EHS	Environment, Health & Safety
FAO	Food and Agriculture Organization
FKE	Federation of Kenya Employers
FY	Financial Year
IIA	Institute of Internal Auditors
ICPSK	Institute of Certified Public Secretaries of Kenya
IFC	International Finance Corporation
ISO	International Organization for Standardization
IEK	Institution of Engineers of Kenya
ISMS	Information Systems Management System
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KEBS	Kenya Bureau of Standards
KENAS	Kenya Accreditation Services
KFS	Kenya Forest Services
KEPSA	Kenya Private Sector Alliance
KENTRADE	Kenya Trade Network Agency

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KPI	Key Performance Indicator
MBA	Master's in Business Administration
MD	Managing Director
MSC	Master of Science
MSME	Micro Small and Medium Enterprises
NMI	National Metrology Institute
NQI	National Quality Institute
NRL	National Research Laboratory
NSC	National Standards Council
OSHA	Occupational Safety and Health Act
PVoC	Pre-Export Verification of Conformity
RVA	Raad Voor Accreditatie (Dutch Accreditation Council)
SCAC	State Corporations Advisory Committee
SMCA	Standards, Metrology and Conformity Assessment
SDGs	Sustainable Development Goals
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
WHO	World Health Organization
WTO	World Trade Organization

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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 manufactured 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 is structured into seven Directorates namely: -

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

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

(b) Principal Activities

i. KEBS Mandate

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

- a) To promote standardization in industry and commerce.
- b) 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;
- c) 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;
- d) To control, in accordance with the provisions of this Act, the use of standardization marks and distinctive marks;
- e) To prepare, frame, modify or amend specifications and codes of practice;
- f) To encourage or undertake educational work in connection with standardization;
- g) 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;
- h) 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;

- i) 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.

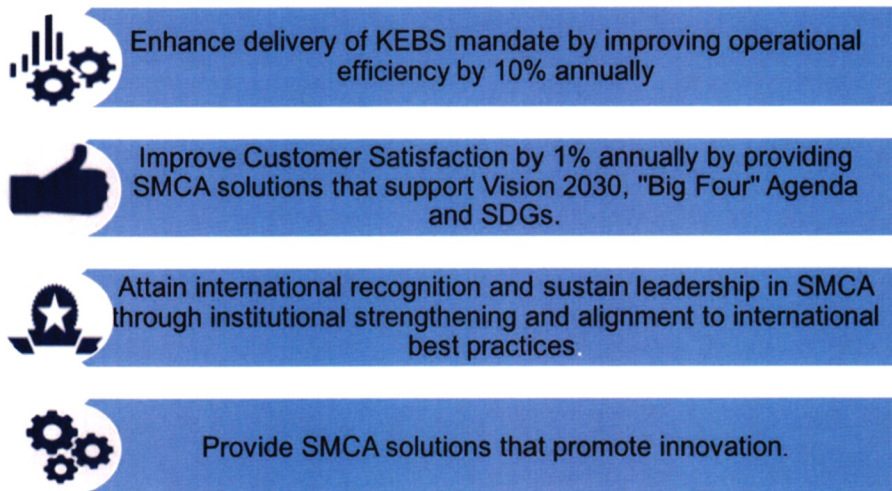
ii. KEBS Strategic Direction

KEBS has completed the implementation of a five-year strategic plan 2017-2022 whose theme was “*Together We Deliver*”. KEBS vision, mission, core values and the strategic objectives are presented in Figures 1 and 2 below:

Figure 1: KEBS Strategic Direction

	Vision	<ul style="list-style-type: none"> • To be a global leader in standards based solutions that deliver quality and confidence.
	Mission	<ul style="list-style-type: none"> • To provide standards based solutions that promote innovation, trade and quality life.
	Core Values	<ul style="list-style-type: none"> • Integrity, Customer Focus, Excellence and Sustainability

Figure 2: KEBS Strategic Objectives



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(c) Key Management

KEBS day-to-day management is comprised of the following:

- i. The National Standards Council
- ii. Managing Director,
- iii. Directors, and
- iv. Chief Managers/Regional Managers.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility are as listed in Table 1:

Table 1: Key Management Personnel

Sr. No.	Designation	Name
1.	Managing Director	Lt. Col (Rtd) Bernard N. Njiraini
2.	Director Finance & Strategy	Mohammed Adan
3.	Director Human Resource & Administration	Nelly Mulema
4.	Director Standards Development & Trade	Esther Ngari
5.	Director Quality Assurance & Inspection	Dr. Geoffrey Muriira
6.	Director Market Surveillance	Peter Kaigwara
7.	Director Metrology & Testing Services	Dr. Henry Kibet Rotich
8.	Director Legal Services & Corporate Secretary	Miriam Boit Kahiro
9.	Head of Finance	CPA Anne Wanjala
10.	Head of Audit & Risk	CPA Lincoln Nyamai
11.	Head of Procurement	Jane Ndinya
12.	Head of Planning and Strategy	Samson Butichi

(e) Fiduciary Oversight Arrangements

KEBS board of directors are referred to as the National Standards Council (NSC) as stipulated in the Standards Act. The NSC is the governing body that is responsible for overseeing the operations of KEBS. 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.

During the financial year ended 30th June 2022, the NSC consisted of nine (9) members including the Chairman and the Managing Director. The NSC had four (4) committees namely Standards Appraisal Committee, Technical Trade and Permits Approval Committee, Audit and Risk Committee, Finance, Staff and General-Purpose Committee

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(f) KEBS Headquarters

Kenya Bureau of Standards
Popo Road, South C, off Mombasa Road
P.O. Box 54974 – 00200
Nairobi – Kenya

(g) KEBS Contacts

Telephone:(254) 20 6948000
Mobile: 0722 202137 or 0734 600 471/2
Toll Free Line: 1545
E-mail: info@kebs.org
Website: www.kebs.org

(h) KEBS Bankers

- 1. National Bank of Kenya Limited**
National Bank Building
Harambee Avenue
P. O. Box 72866-00200
Nairobi - Kenya
- 2. Co-operative Bank of Kenya Limited**
Co-operative Bank House
Haile Selassie Avenue
P. O. Box 48231 – 00100
Nairobi – Kenya
- 3. Kenya Commercial Bank Limited**
KCB Towers
Kenya Road, Upper Hill
P. O. Box 48400-00100
Nairobi – Kenya




(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GPO 00100
Nairobi – Kenya




(j) Principal Legal Adviser

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





2. THE NATIONAL STANDARDS COUNCIL

<p>1.</p>	 <p>Dr. Jeremiah Kinyua - NSC Chairman DOB: 14th March 1973</p>	<p>DR Kinyua holds a PHD in Strategic Management from Kenyatta University, an MBA in Strategic Management and Bachelor of Science degree in Agricultural Engineering from Egerton University. He has vast experience in public policy planning, development, and deployment of key strategic resources for effective and efficient performance. He is a member of the Engineers Registration Board and Kenya Society of Agricultural Engineers.</p> <p>He previously worked as head and Field Enforcement Operations Unit of Nairobi Region Domestic Taxes Department and Enforcement Division, at Kenya Revenue Authority and at Rift Valley Machinery Services Ltd. He has been a Part Time Lecturer in Excise Law and Processes at the Kenya School of Revenue Administration at the Kenyatta University. He was appointed as the Chairman of the National Standards Council on 20th January 2023 for a period of 3 years</p>
<p>2.</p>	 <p>Managing Director and Secretary to the Board Lt Col (Rtd.) Bernard Njiraini DOB: 16th August 1971</p>	<p>Lt Col (Rtd.) Bernard Njiraini holds a Master's and a Bachelor's degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from the University of Nairobi and is a member of the Institute of Engineers of Kenya (IEK). He previously worked as the Managing Director, Numerical Machining Complex and as the Production Manager at the Kenya Ordnance factory. He was appointed as the Managing Director on 29th August 2019</p>
<p>3.</p>	 <p>Patrick Musau Musila- Board Member DOB: 27th April, 1968</p>	<p>Director Patrick Musila holds a Master's degree in Economics from Marathwada University, India and a Bachelor of Commerce Degree from Jabalpur University, India. He previously worked in the Non-Governmental Organizations sector in the field of monitoring and evaluation, project coordination and has served as an assistant lecturer at Maseno University. He was appointed to the NSC as an independent director on 20th February 2017 for a period of 3 years and re-appointed on 21st February 2020 for a further period of 3 years. He is currently the chair of Technical Trade and Permits Approval Committee.</p>

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4.	 <p>Veronica Okoth- Board Member DOB: 25th May 1980</p>	<p>Director Veronica Okoth holds a Master's degree in Economic Policy and Management from Makerere University, Post Graduate Diploma in Rural Development and Devolved systems from the National Institute for Rural Development, India and a Bachelor's Degree in Economics from Moi university. She also worked as a Director Economic Pillar in the Kenya Vision 2030 Delivery Secretariat and a Director Public Private Partnerships under the National Treasury. She is currently the Director, National Assets and Liabilities Management – National Treasury. She was appointed to the NSC on 5th May 2021 as an alternate to the Cabinet Secretary - National Treasury and Planning.</p>
5.	 <p>Col (Rtd.) DR Kasili Mutambo - Board Member DOB:12th August 1961</p>	<p>Director DR Kasili Mutambo holds a Doctor of Philosophy Degree (Ph.D.) in Diplomacy and International Affairs from Pole Universitaire Euclide (EUCLID University), MBA in Information Security Management from Swiss Management Centre University, Zug, Switzerland, Master of Defence Studies Degree (MDS) from Bangladesh National University, and a Bachelor of Business Administration in Information Security (BBAIT) Degree from Swiss Management University, Zug, Switzerland. He is a member of the Information Technology - Information Sharing and Analysis Centre (ISAC); National Institute of Standards and Technology (NIST) Research Gate and Ludwig von Mises Institute for Austrian Economics/Mises Institute (Austrian). DR Kasili was appointed to the NSC on 6th October 2021 for a period of 3 years. He is currently the chair of Audit and Risk Committee.</p>
6.	 <p>Dr. Eddah Boyani -Board Member DOB: 15th March 1984</p>	<p>Director Dr Eddah Boyani holds a Bachelor of Medicine and Bachelor of Surgery degree (MBCh.B) from the University of Nairobi, she has a vast experience in medicine and is a Medical Quality Manager at Avenue Group. She was appointed to the NSC on the 6th of October 2021 for a period of 3 years.</p>

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7.	 <p>Edward Njoroge, MBS- Board Member DOB: 26th November 1952</p>	<p>Director Edward Njoroge holds a BSc (Hons) Chemistry/Biochemistry from Makerere University and an MBA in Leadership and Sustainability – University of Cumbria, 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 Officer – Kenya Electricity Generating Company (KENGEN). He was appointed to the NSC on 10th May 2018 and re appointed on 6th October 2021 for a period of 3 years. He is currently the chair of the Standards Appraisal committee</p>
8.	 <p>Rodgers O. Abisai – Board Member DOB: 27th February 1970</p>	<p>Director Rodgers Abisai holds an LL.B. (Hons) degree from the University of Nairobi. He is an advocate of the High Court of Kenya, Commissioner of Oaths and Notary Public. He is a private legal practitioner specializing in Commercial Litigation, Conveyance and Labour Law and has over 24 years' experience in the legal field. He was appointed to the NSC on 15th November 2019 as an independent director for a period of 3 years. He is currently the chair of the Finance, Staff and General-Purpose Committee.</p>
9.	 <p>Julius K. Kirima, HSC – Board Member DOB: 20th November 1962</p>	<p>Director Julius Kirima holds a Bachelor's Degree in Chemistry and Mathematics from the University of Nairobi, and a Master's Degree in Entrepreneurship from JKUAT. He is currently the Director of Industries, Chemical & Mineral directorate and technical advisor, State Department for Industrialization and previously worked as the Ag Executive Director for the Anti counterfeit agency. He was appointed to the NSC on 29th April 2021 as an Alternate to the Principal Secretary, State Department of Industrialization under the Ministry of Industrialization, Trade and Enterprise Development</p>
10.	 <p>Miriam Boit Kahiro - Corporation Secretary DOB: 12th April 1984</p>	<p>Miriam Boit-Kahiro holds a Master's Degree (LLM) in International Corporate Governance & Financial Regulation from the University of Warwick, United Kingdom and a Bachelor's Degree in Law from Moi University, Eldoret. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and a Certified Secretary. She is a member of both the Law Society of Kenya and the Institute of Certified Secretaries of Kenya. She has legal experience spanning over 15 years with expertise in the fields of Capital Markets, Public Sector Regulatory Affairs and Corporate Governance.</p>





3. MANAGEMENT TEAM

1.	<p>Lt Col (Rtd.) Bernard N. Njiraini</p> 	<p>Managing Director Lt Col (Rtd.) Bernard Njiraini holds a Master's and a Bachelor's degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from the University of Nairobi and is a member of the Institute of Engineers of Kenya (IEK).</p>
2.	<p>Mohammed Adan</p> 	<p>Director - Finance and Strategy Mr. Mohammed Adan holds a Master of Science in Accounting and Financial Management and Bachelor's Degree in Accounting & Business Management from University of Hertfordshire (UK). He is a Chartered Accountant-ACCA (UK).</p>
3.	<p>Esther Ngari</p> 	<p>Director - Standards Development Esther Ngari holds an Executive Masters in Business Administration from JKUAT and a Bachelor's Degree in Dairy Science and Food Technology from Egerton University. She is a member of the National Quality Institute</p>
4.	<p>Dr. Henry Kibet Rotich</p> 	<p>Director - Metrology & Testing Dr. Henry Rotich holds a PhD in Hydrology and Water Resources from Jilin University, China and a Master of Science in Analytical Chemistry from North East Normal University, China. He also holds an Executive MBA from JKUAT. He is a member of the Chemical Society of Kenya</p>

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5.	<p>Peter Ngángá Kaigwara</p> 	<p>Director - Market Surveillance Peter Kaigwara holds a Master of Science Degree in Environmental Chemistry and Bachelor of Science degree in Chemistry from the University of Nairobi</p>
6.	<p>. Nelly Cheronó Mulema</p> 	<p>Director - Human Resource and Administration Nelly Mulema holds a Master's in Business Administration from the University of Nairobi and a Bachelor of Arts Degree from the University of Delhi, India. She is a Member of Institute of Human Resource Management</p>
7.	<p>Dr. Geoffrey Muriira</p> 	<p>Director - Quality Assurance & Inspection Dr. Geoffrey Muriira holds a PhD in Medical Biochemistry from Kenyatta university, Masters of Plant Biotechnology from Marche Politecnica Universitat in Ancona, Italy, Masters of Science in Biochemistry and a Bachelor of Science Degree in Biomedical both from Egerton University. He is a Board member of the Association of official Analytical Communities (AOAC) and a member of the Chemical Society of Kenya</p>
8.	<p>. Miriam Boit Kahiro</p> 	<p>Director - Legal Services and Corporation Secretary. Miriam Kahiro holds a Master's Degree (LLM) in International Corporate Governance & Financial Regulation from the University of Warwick, United Kingdom and a Bachelor's Degree in Law from Moi University, Eldoret. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and a Certified Secretary. She is a member of the Law Society of Kenya and the Institute of Certified Secretaries of Kenya.</p>

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9.	<p>CPA Anne Nelima Wanjala</p> 	<p>Chief Manager - Finance CPA Anne Wanjala holds a Master's Degree in Business Administration, Finance and Bachelor of Commerce in Accounting and Business Management from Daystar University. She is a CPA (K) and a Certified Finance Analyst (CFA, - EA.)</p>
10.	<p>CPA Lincoln Mutisya Nyamai</p> 	<p>Chief Manager - Audit & Risk CPA Lincoln Nyamai holds a Master's Degree in Business Administration- Finance from the University of Nairobi and a Bachelor of Business Administration in Finance and Accounting from Kenya Methodist University. He is a CPA (K) and a member of the Institute of Internal Auditor's (IIA).</p>
11.	<p>Jane Ndinya</p> 	<p>Chief Manager - Supply Chain Jane Ndinya holds a Master's Degree in Strategic Management from the University of Nairobi and a Bachelor of Education Degree (Accounts, Commerce and Economics) from the University of Nairobi. She is a member of the Chartered Institute of Procurement and Supplies and Kenya Institute of Supplies Management.</p>
12.	<p>Samson Butichi</p> 	<p>Chief Manager - Planning and Strategy and Quality Management Representative Samson Butichi holds an MBA in Strategic Management from ESAMI/MsM and a Bachelor of Science Degree in Chemistry/Biochemistry from Egerton University. He is a KEBS CB Registered Lead Auditor, Lead Trainer, and member of the Kenya Institute of Management</p>

4. CHAIRMAN'S STATEMENT



The National Standards Council plays an important role of oversight to KEBS to ensure the delivery of Standards, Metrology and Conformity Assessment services to its stakeholders. Towards this role, I have great pleasure to present the KEBS annual report and financial statements for the FY 2021/2022.

As an organization, our vision is to become a global leader in standards-based solutions that deliver quality and confidence. The year 2021/2022 marked the end of our 2017/2022 Strategic Plan which focused on four thematic areas of enhancing operational efficiency, improvement of customer satisfaction, alignment with international best practice and promotion of innovation. I am glad to note that the realization of the five year strategic objectives was excellent as summarized below:

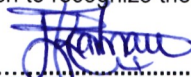
S/No.	Strategic Objective	% Achievement
SO1	Enhance delivery of KEBS mandate by improving operational efficiency by 10% annually.	98.47
SO2	Improve Customer Satisfaction by 1% annually by providing SMCA solutions that support Vision 2030, Big Four Agenda and SDGs.	89.12
SO3	Attain international recognition and sustain leadership in SMCA through institutional strengthening and alignment to international best practices.	77.78
SO4	Provide SMCA solutions that promote innovation	100.00
	% Overall, 2017-2022 SP implementation level	91.34

During the year under review, the National Standards Council tasked management with the development of the 2022/2027 Strategic Plan having learnt lessons from the implementation of the current plan. The National Standards Council was able to lead in the entire process covering the environmental scan, determination of change drivers, definition of the strategic focus and consolidation of Strategic Pillars and Foundations that will focus KEBS for the next five years. There was extensive stakeholder engagement during all the stages of the process that ensured that the needs and expectations of our interested parties have been considered and form the action plan for the strategic period.

On our key mandate, we developed 1,082 new standards out of which 66 were in support of the Big Four Agenda under the Kenya Vision 2030, certified 23,151 products enabling them to access market, completed 8,670 calibrations, analysed 49,000 products in our laboratories and inspected 317,000 imported products at our ports of entry.

It is worth noting that we had several challenges that hindered our operations especially the Russia-Ukraine Conflict, court awards to litigants and crystallised legal contingent liabilities. We were able to respond to these challenges based on the implementation of a robust management system in Quality Management, Information Security Management, Business Continuity management and Anti-Bribery management that have kept the organization as a going concern.

On behalf of the National Standards Council, I sincerely express my 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.


.....
Dr. JEREMIAH KINYUA

NSC CHAIRMAN.

Date: 01/03/2023

5. REPORT OF THE MANAGING DIRECTOR



The Kenya Bureau of Standards is a premier organization charged with the responsibility of standards development, calibration and measurements, product certification and inspection, testing, market surveillance, system certification and training in standards. This role has further been inculcated in the implementation of United Nation's Sustainable Development Goals, the Africa Union Agenda 2063, the Kenya Vision 2030 through the Big Four Agenda and the Manufacturing Sector Performance Standards.

KEBS major achievements during the year:

Standards Development

The focus for the standardization work has been on development of market driven standards, harmonization of standards at the regional and the African Continental level, as well as adoption of International Standards. This is a strategy to support trade across Africa with the implementation of the African Continental Free Trade Area (AfCFTA).

A total of 1,082 standards were developed against a target of 729 standards with a positive variance of 353 Standards. Among these are 66 standards in support of the Big Four initiatives and the Kenya Vision 2030 flagship projects.

National Quality Institute (NQI)

The trainings undertaken by the NQI assist firms to improve their production systems and processes, manage risks related to among others quality, Business Continuity, Information Security and environmental conservation. A total of 228 trainings were undertaken against a target of 260 translating to 87.7% achievement.

Quality Assurance

KEBS issued 23,151 product certification permits to manufacturers to enable them access markets both nationally and regionally. Out of these, 16,660 permits were issued to large firms and 6,491 permits were issued to MSMEs to support their growth. This performance is attributed to:

- i. Implementation of a reviewed product certification scheme that increased the validity period of permits to 2 years.
- ii. Use of test reports from accredited or approved laboratories which reduced the product certification turnaround time.
- iii. Collaboration with the Association of Supermarkets to stock certified products which increased the demand for certified product.

Import Inspection

KEBS participated in joint verification of imports with other stakeholders and during this year **317,314** consignments were released against the target of **338,000** translating to **93.88%** achievement.

Metrology and Testing

Calibration plays a pivotal role in ensuring that measuring equipment give precise and valid results that are traceable to national and international measurement units and thus facilitating fair trade. The Metrology function calibrated 8,670 equipment against a target of 8,700 equipment, translating to 99.6% achievement. Additionally, 49,362 samples were tested against a target of 57,000 translating to 86.6% achievement. **Total Revenue/ Expenditure**

In the year under review, a total of **KES 5.042 Billion** was generated against a target of **KES 5.567 Billion translating to 90.57% achievement**. This was a very impressive performance given the prevailing economic slowdown as well as the effects of the Russia-Ukraine conflict. In terms of expenditure, approximately **KES 5.297 Billion** was utilized against a target of **KES 5.365 Billion** translating to 99%.

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



.....
**LT COL (RTD.) BERNARD N. NJIRAINI.
MANAGING DIRECTOR**

Date: 01/03/2023

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

KEBS had four (4) strategic themes and objectives within its Strategic Plan for the period 2017/2022. These strategic pillars are as presented in the Figure 3 below:

Figure 3: Strategic Themes



These strategic themes were operationalized and monitored through the KEBS/Gok Performance Contract and the corporate Balanced Scorecard and annual work plans as detailed in Table 2 below. KEBS also implemented a performance contract which was monitored on quarterly and annual basis using the performance contract monitoring tools provided by the Public Sector Performance Management Unit. KEBS achieved its performance targets for the FY 2021/2022 period for its 4 strategic pillars, as indicated in the table below:

Table 2: KEBS FY 2021/2022 Performance

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Pillar 1: Excellence	Enhance delivery of KEBS mandate by improving operational efficiency by 10% annually.		<ul style="list-style-type: none"> i. Automate key processes ii. Optimum utilization of human capital iii. Optimum utilization of resources iv. Business process re-engineering v. Business Process Outsourcing vi. Implement a Business Continuity Management System vii. Competency development viii. Sustain Performance Management System ix. Monitoring and evaluation of processes 	98.47%

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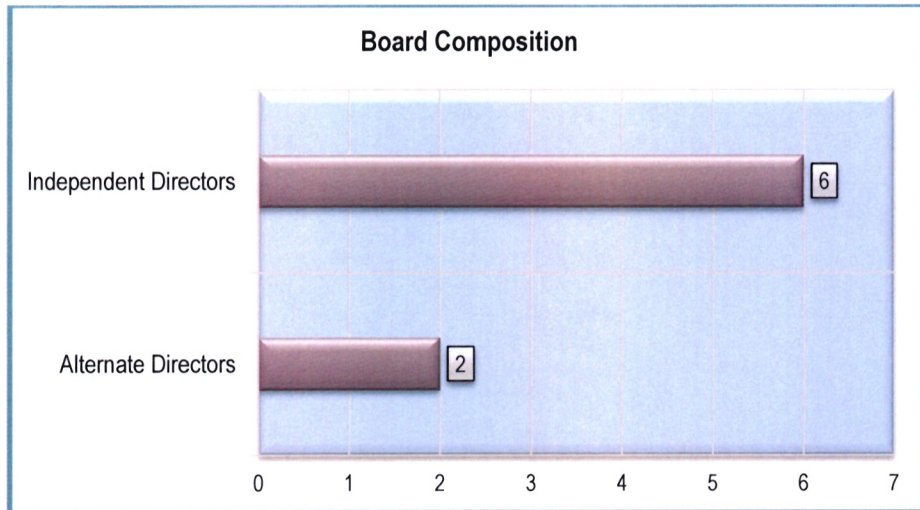
Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Pillar 2: Customer Focus	Improve Customer Satisfaction by 1% annually by providing SMCA solutions that support Vision 2030, Big Four Agenda and SDGs.	i.	<ul style="list-style-type: none"> ii. Compliance with service delivery charter iii. Implementation of the customer satisfaction index recommendations iv. Implementation of service delivery innovation v. Implementation of stakeholder engagement programmes vi. Implementation of communication strategy 	89.12%
Pillar 3: Leadership	Attain international recognition and sustain leadership in SMCA through institutional strengthening and alignment to international best practices.	i.	<ul style="list-style-type: none"> ii. Implementation of accreditation and certification systems iii. Maximize use of standards by the public sector iv. Strengthen NMI, NRL and NQI v. Align legal and regulatory framework of KEBS to international best practices vi. Influence regional and international market policy directions through standardization 	77.78%
Pillar 4: Innovation	Provide SMCA solutions that promote innovation.	i.	<ul style="list-style-type: none"> ii. Implementation of Research, Development and innovation Strategy iii. Implementation of strategic agreements iv. No. of new products developed v. No. of new revenue streams 	100%

7. CORPORATE GOVERNANCE STATEMENT

a) NSC Composition

During the year under review, the NSC was composed of six (6) independent non-executive directors and two (2) alternate directors representing Cabinet Secretary, National Treasury and Planning, and Principal Secretary, State Department of Industrialization. In addition, a representative from the Office of the Inspector General State Corporations attended board meetings.

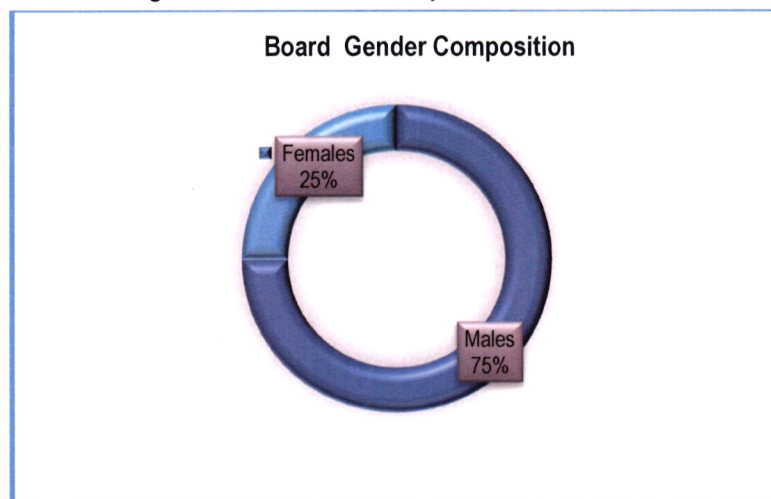
Figure 4: Board Composition



b) NSC Gender Representation

The NSC representation was at 25% female and 75% male as indicated below.

Figure 5: NSC Gender Composition



c) The roles and functions of the Board

The roles and functions of NSC members are provided for in the Standards Act, Cap 496, Laws of Kenya and in the Board Charter as follows:

- 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.

d) Committees of the Board

The committees of the Board are as presented in Figure 6 below:

Figure 6: NSC Committees



Table 4: National Standards Council Committee Membership and Roles

NSC Committee Membership	Roles
<p>Standards Appraisal Committee</p> <ol style="list-style-type: none"> 1. Edward Njoroge 2. Col (Rtd.) DR. Kasili Mutambo 3. Gerald Mwangi – In attendance 4. Dr. Eddah Boyani 5. Lt Col (Rtd.) Bernard N. Njiraini 	<ul style="list-style-type: none"> • Appraise Kenya Standards and other Standard related deliverables within the provisions of the Standards Act. • Recommend the composition, reconstitution, merging and disbanding of technical committees to NSC. • Determine appeals emerging from the Standards Approval Process.
<p>Audit and Risk Committee</p> <ol style="list-style-type: none"> 1. Col (Rtd.) DR. Kasili Mutambo 2. Patrick Musila 3. Gerald Mwangi – In attendance 4. Veronica Okoth 5. Dr. Eddah Boyani 	<ul style="list-style-type: none"> • Provide assurance from management that all financial and non-financial internal control on the risk management function are operating effectively and reliably. • Receive, review, and provide an independent view to NSC on KEBS financial reporting and the integrity of financial reports. • Oversee the Internal Audit and Risk department. • Oversee the implementation of audit recommendations arising from Internal Audit Department, Office of the Auditor General and Public Investment Committee. • Strengthen the independence, integrity, and effectiveness of the audit function. • Review audit matters raised by internal and external auditors. • Advise on risk identification, mitigation measures and the effectiveness of internal control systems. <p>Oversee KEBS compliance with regulatory and statutory requirements and promote a culture of lawful and ethical behaviour.</p>
<p>Finance, Staff & General-Purpose Committee</p> <ol style="list-style-type: none"> 1. Rodgers Abisai 2. Julius K. Kirima 	<ul style="list-style-type: none"> • Assist the NSC in overseeing financial policy and procedures formulation and its review. • Review the institution's budgets and recommend to the NSC for approval. • Review the procurement plan and recommend to the NSC for approval.

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NSC Committee Membership	Roles
3. Veronica Okoth 4. Edward Njoroge 5. Lt Col (Rtd.) Bernard N. Njiraini	<ul style="list-style-type: none"> Review quarterly and annual financial statements and procurement reports and recommend to the NSC for approval. Review and recommend to NSC all KEBS human resource policies relating to terms and conditions of service of employees. Oversee the implementation of approved human resource policies and procedures.
Technical Trade and Permits Approval Committee 1. Patrick Musila 2. Rodgers Abisai 3. Julius K. Kirima 4. Veronicah Okoth 5. Lt. Col(Rtd.) Bernard N. Njiraini	<ul style="list-style-type: none"> Consider and review Quarterly and annual Corporate GOK/KEBS Performance Contract and reports compliance with PC to the NSC. Consider the Project reports, guide management and report to the NSC the status of both donor and KEBS funded projects. Recommend regulations, policy statements and procedures to the NSC for approval. Receive and review reports from Metrology and Testing, Quality Assurance and Inspection, Market Surveillance directorates, and make recommendations to the NSC for approval. Conduct or cause to be conducted surveillance to ensure the quality of standards of any product in the market.

Note: The name on bold is the chairperson of the committee

e) NSC Competence

The NSC members were drawn from diverse professional background and experience to provide necessary expertise and oversight role in the running of the organization as provided in note 2, National Standards Council.

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 in accordance with the *Mwongozo* Code of Governance for State Corporations 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 through the KEBS electronic board document management system (E-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) NSC Evaluation and Remuneration

The NSC evaluation was carried out on 18th July 2022 for the year under review. In the previous financial year 2020/21, the NSC was evaluated on 28th July 2021. The NSC remuneration was done as per the State Corporations Act and relevant Government Circulars.

i) NSC Induction and Training

The induction of the new NSC members and training on corporate governance, KEBS mandate and operations were carried out during the year under review.

j) NSC Committee Meetings

The NSC Committee meetings for the year under review are as presented in Table 3 below.

Table 3: NSC Committee Meetings

Committee	No. of Meetings
National Standards Council	14
Finance, Staff & General Committee	10
Standards Approval committee	2
Technical, Trade, and Permits Approval Committee	9
Audit Committee	5
Consultative Meeting	14

k) Conflict of Interest

This is a standing agenda item in every board meeting and members are required to declare any conflict of interest before commencement of the meeting.

l) Governance Audit

There was no governance audit carried out during the year, however this has been scheduled to be carried out in the next financial year 2022/2023.

m) Ethics and Conduct

The NSC members are expected to be of good conduct and ethics in line with chapter six of the constitution and other related regulations.

8. MANAGEMENT DISCUSSION AND ANALYSIS

This annual report captures the overall performance of KEBS based on its strategic objectives and GoK performance contract indicators.

This section 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 2021/2022 financial year.

8.1 Financial and Operational Performance of the Organisation

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

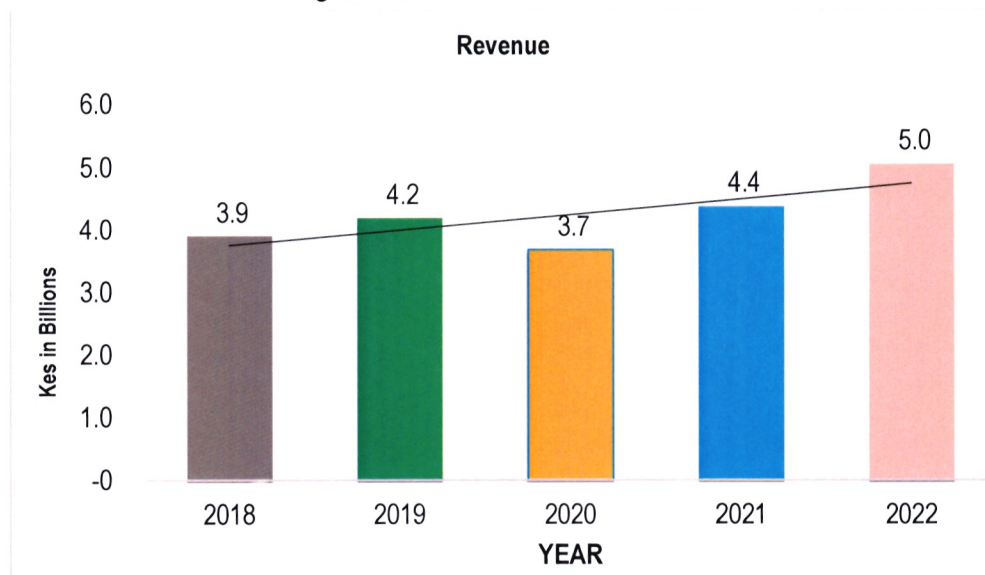
a) Financial Performance

KEBS financial performance was less than optimal in the year under review, however, the achievement in revenue was at an all-time high compared to the last four years.

i. Revenue

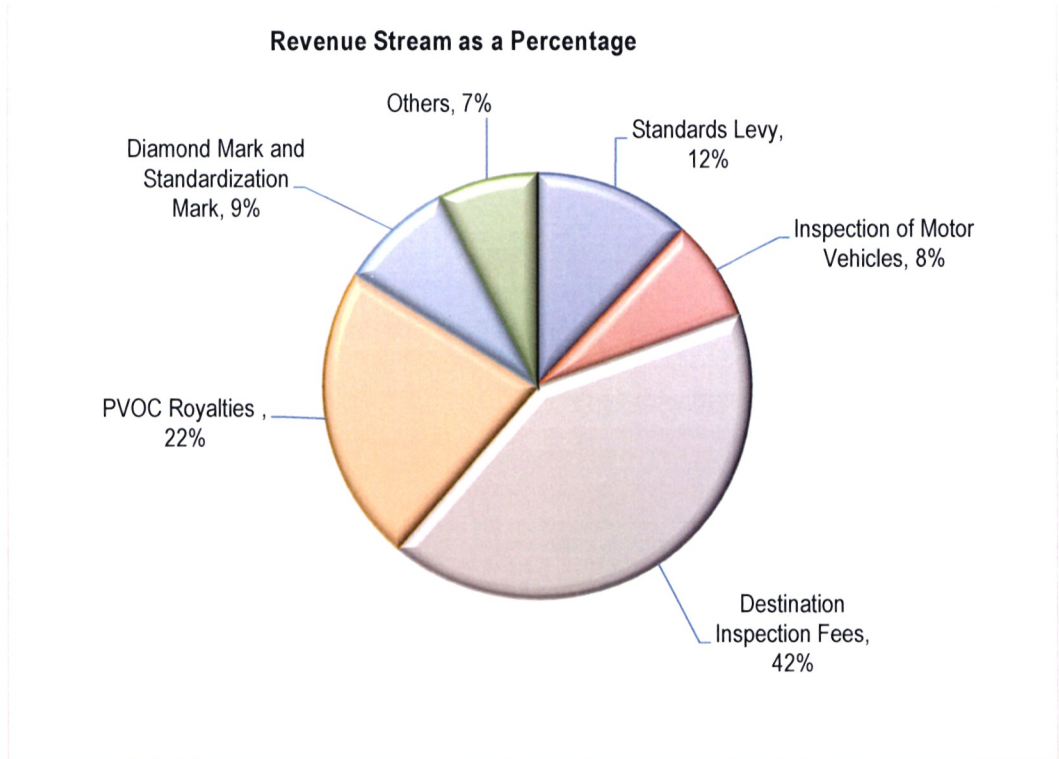
There was a registered rise and drop in revenue in the last five-year period. The comparative analysis of revenue in the period is as presented in Figure 7 below. The year under review registered the highest revenue in comparison to the last 4 years with a high of Kes 5.0 Billion due to change in government policies which positively affected destination inspection and product certification scheme. Similarly, revenue from laboratory fees, system certification and training on standardization increased. The lowest revenue of Kes 3.685 Billion was registered in 2019/20 due to reduction in demand for KEBS services after the emergence of COVID-19.

Figure 7: Revenue



The analysis of revenue generated as per revenue streams is as presented in Figure 8 below.

Figure 8: Revenue streams

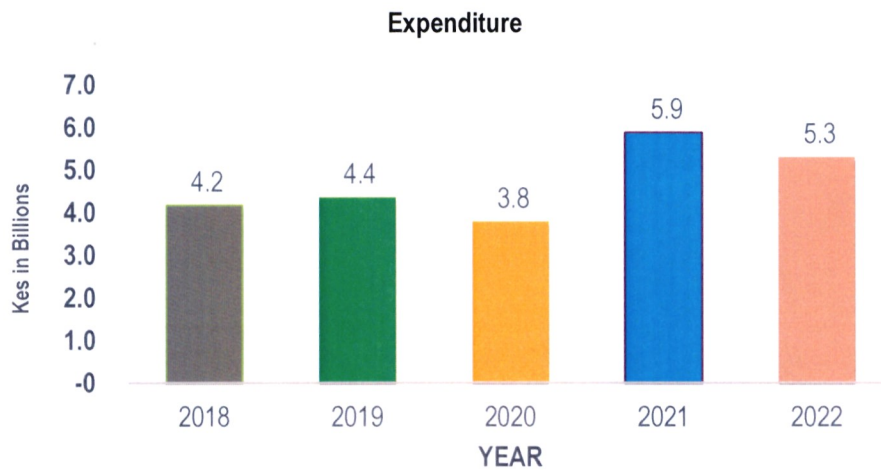


From the analysis, distribution of revenue was as follows: destination inspection 42%, PVOC royalties 23%, Diamond Mark and Standard Mark 12%, Inspection of Motor Vehicles 8%, standards levy 7% from others 8%.

i) Expenditure

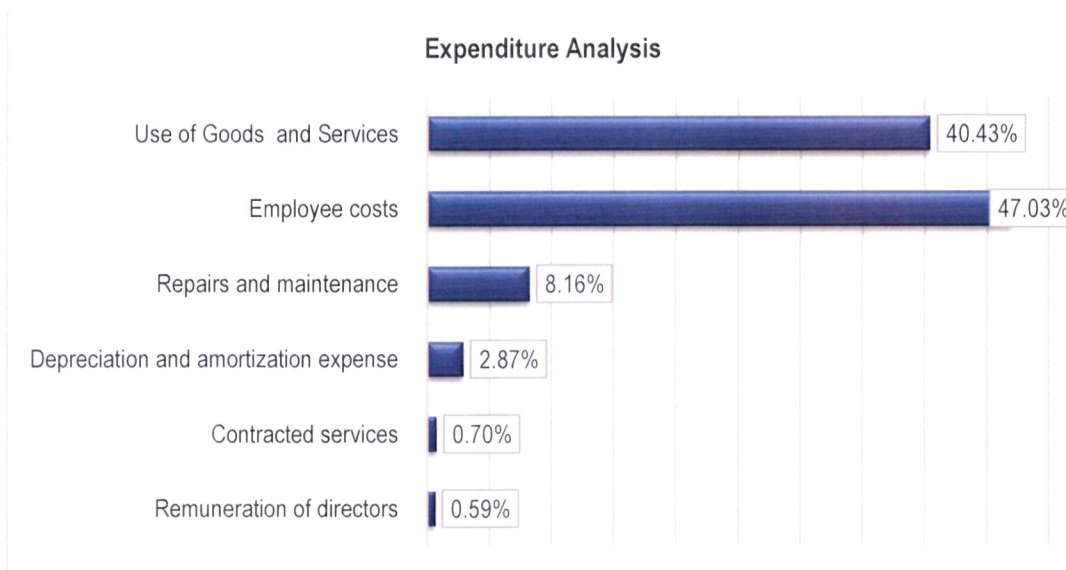
Total expenditure decreased by 10 % from Kes. 5.87 Billion in FY 2020/21 to Kes 5.30 Billion in FY 2021/22. The decrease was majorly attributed to austerity measures applied during the year under review despite crystallization of some litigation cases.

Figure 9: Comparative expenditure for FY 2017 to 2022



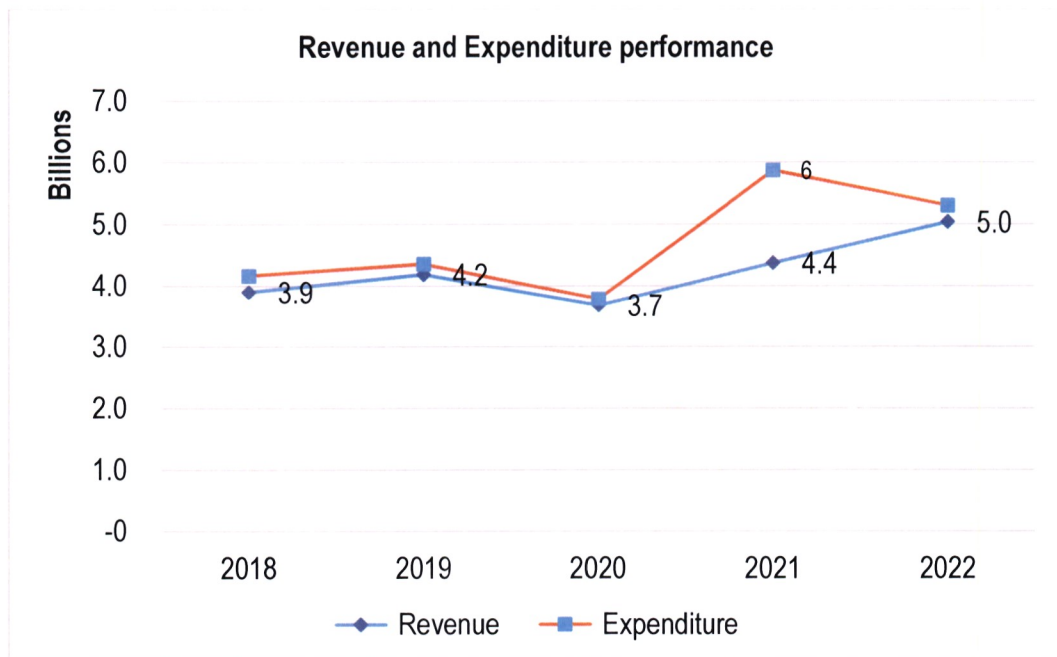
The distribution of recurrent expenditure is as presented in Figure 10.

Figure 10: Recurrent Expenditure



Overall, the revenue and expenditure trend analysis for the last five years are as represented by the figure 11 below:

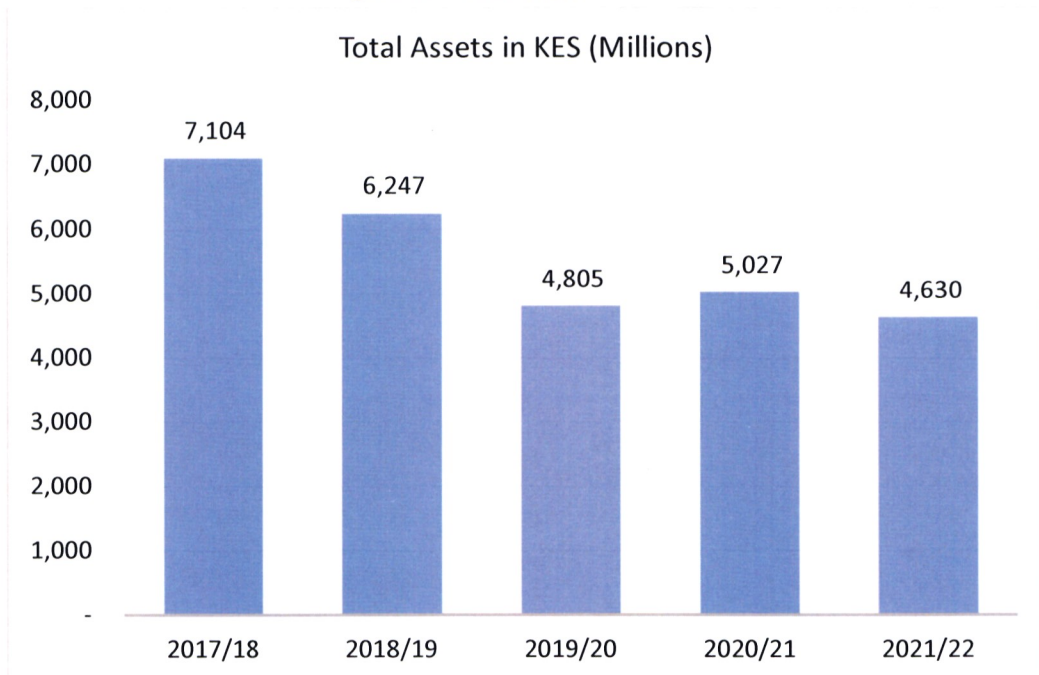
Figure 11: Revenue and Expenditure performance



iii) Total Assets

In FY 2017/18, KEBS assets increased due to; Acquisition of KEBS building in Coast Region, Completion of the regional office in the Lake Region and Acquisition of the Laboratory equipment to increase testing scopes and improve efficiency in testing and measurement test results. However, over the last 2 years the value of total assets has decreased due reduced capital expenditure, depreciation, crystallization of contingent litigation cases and remittance of identified cash to the National Treasury in the 2019/20 and 2020/21 financial years. The total assets over the last five financial years are as presented in figure 13 below:

Figure 12: Total Assets

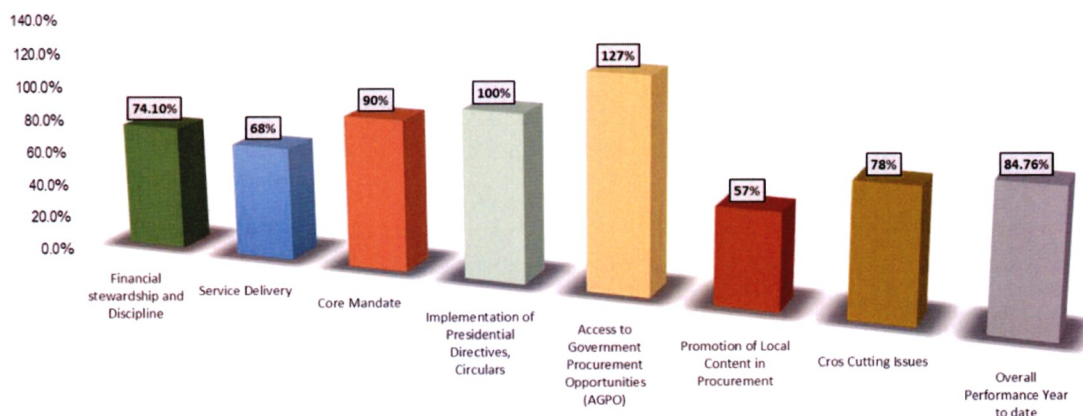


b) Operational Performance

The overall weighted aggregate performance score for KEBS in 2021-2022 Financial Year was **84.76%**, which is in the range of **good**. The summary of achievement is as presented in figure 14 below:

Figure 13: Operational Performance

KEBS PC 2021/2022 Achievement



It is important to note that there was an improvement in operational performance in the year under review as compared to FY 2020/2021. The Current year's performance was 84.76%, while the last financial year's performance was at 78.94%.

c) Challenges related to performance management

Some of the challenges in relation to corporate performance include:

- i. The effects of the materialization of multiple litigations against KEBS which led disruption of operations. The resultant courts award increased liquidity risks.
- ii. The ongoing Russia-Ukraine war affected inflow of imports from the region which subsequently led to less-than-optimal revenues from import inspection.
- iii. The increased inflation and subsequent high cost of living affected the purchasing power and led reduced demand for KEBS services. The inflation increases the cost the of doing business especially regarding operational cost.
- iv. Slow-down in the economy due to electioneering activities affected demand for KEBS services and reduction in revenue generated.
- v. Inadequate staffing levels in the technical areas during the year.
- vi. Global effects of COVID 19 which resulted in reduction of imports. This affected PVoC activities leading to reduced revenues.

8.2 Key Projects and Investments Decision

a) KEBS Infrastructure

During the year under review, KEBS committed to complete and operationalize North Rift office and Laboratories. The KEBS North Rift laboratories and office were handed over "as is" at 90% completion.

b) Automation

KEBS has continued to invest in Information Communication and Technology (ICT) both hardware and software. The current automation level stands at 55.5%.

8.3 Major risks facing the organisation and Mitigation measures

a) Legal Risk

This refers to potential adverse outcomes in litigation which could drive liquidity constraints, thereby limiting financial flexibility of KEBS and potentially jeopardizing the ability to respond to or take advantage of opportunities or meet other ordinary needs. KEBS will implement strategies to mitigate these risks by use of the automation process for contract and cases management; proper legal representation and enhance the internal capacity; alternative dispute resolution i.e. negotiations, mediation, conciliation and setting aside contingency funds for the litigations.

b) Financial Risk – Failure to meet set revenue target.

An annual revenue of **Kes 5.042** billion was generated against a target of **Kes 5.567** billion resulting to a shortfall of **Kes 525** million which was equivalent to **9%**. To mitigate this, KEBS will implement the Resource Mobilization and Cost Reduction Strategy.

c) Reputational Risk

KEBS brand identity is extremely important and failure to protect this would result in deterioration of KEBS reputation and potential loss of business. To mitigate, KEBS continues to reinforce its values, policies and processes with employees, business partners and other stakeholders. KEBS takes robust action, where necessary, to protect its trademarks, brand and reputation and commits to implement the communication strategy and stakeholder engagement programmes.

d) Information Security Risk

Failure to protect KEBS against inadvertent loss of data or cyber-attack would adversely affect its brand identity and reputation. KEBS is currently implementing ISO 27001:2013 (Information Security Management Systems) and measures to avert any cyber-attacks.

e) Business Continuity risk

KEBS operates in an environment characterized by disruptions that affect service delivery. Failure to address this risk will lead to loss of revenue, inability to meet obligations and inability to continue service delivery. To mitigate against this, KEBS implements a Business Continuity Management system based on ISO 22301:2019.

8.4 KEBS compliance with statutory requirements

The organisation complied with statutory requirements. At the close of the financial year, the organisation did not have any material statutory arrears except financial obligations in form of commitments that were yet to be actualised. These appear under the statement of capital commitment and litigations.

8.5 Review of the economy and sector

During the Covid19 Pandemic, there was a decline in economic growth as the human capital was largely idle during the period under review. The Government of Kenya eased the Covid-19 restriction in the year 2021 after availing the vaccine to its population. Following the easing of COVID-19 restrictions and reopening of the economy as well as implementation of targeted stimulus interventions by the Government, the economy has continued to recover.

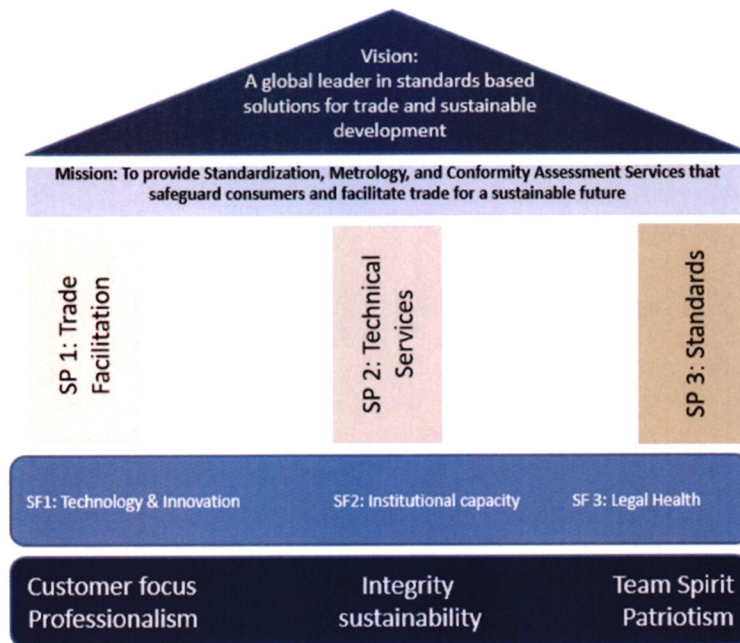
According to the National Treasury's Quarterly Economic and Budgetary Review report for the period ending 31st December 2021, The Kenyan economy has continued to recover in 2021, as a result, the economy strengthened to grow by 2.0 percent in the first quarter of 2021 and accelerated to 11.9 percent in the second quarter and 9.9 percent in the third quarter. Overall, the economy grew by an average of 7.8 percent in the three quarters of 2021 (January to September 2021) compared to a contraction of 0.8 percent in a similar period of 2020. The positive economic growth can be evidenced by the consistent meeting and surpassing of revenue targets by Kenya Revenue Authority in the various quarters of 2021-2022 and the overall exceeding of the revenue collection targets by Sh148. 9 billion in the fiscal year ended June 2022.

The Ministry of industrialization Trade and Enterprise Development has championed the policy on Buy Kenya Build Kenya which is a key strategy to encourage local production and consumption. This is implemented through the reservation of 40% procurement budget for local content aimed at propelling the country's industrialization, job creation and alleviation of poverty.

8.6 Future development

KEBS has begun the implementation of the transformative KEBS 2022-2027 Strategic plan comprised of three strategic pillars (SP) and three strategic foundations (SF) as summarized in the temple below:

Figure 14: KEBS Strategic Direction



www.kebs.org

SP1: Trade Facilitation

To transform KEBS regulatory service provision through promotion of MSMEs for enhancement of their competitiveness, establishment and operationalization of imports destination inspection and promotion of consumer protection from substandard products, protection of the environment and creation of a level playing ground for economic operators

SP2: Technical Services

To transform and enhance the KEBS technical services to global standards with Africa regional coverage by upscaling private testing, reference materials production and proficiency testing; diversification of calibration services (medical laboratory equipment; development of regional calibration centers and focus on niche clients) and Increase scope and regional coverage for systems certification and training services.

SP3: Standards

To transform standards development for local content and export market needs through Development and harmonization of market driven standards; enhance uptake of standards and modernization of the national measurement reference standards.

SF1: Technology and Innovation

To enhance KEBS transformation through automation and integration of systems through Automation of key KEBS processes, Integration of key automated systems and Modernization of laboratories.

SF2: Institutional Capacity

To strengthen KEBS institutional capacity to enhance productivity and ensure efficient and effective services delivery through optimal staffing and culture change; acquisition of offices, laboratories buildings and equipment, and telecommunications; resource mobilization, enhance revenue collection and prudent use of resources; enhance

corporate image and branding; strengthening internal controls; enhance the implementation, monitoring and evaluation framework; and contribute to climate change mitigation and adaptation.

SF3: Legal Health

To strengthen KEBS legal services for institutional resilience through management of legal risks; strengthening legislative and regulatory framework and enhance good governance and board performance

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KEBS exists to provide standards-based solutions for trade and sustainable development. KEBS is committed to safeguard customers, the environment and facilitate trade for a sustainable future. Below is an outline of KEBS's policies and activities that promote sustainability.

i. Sustainability strategy and profile

KEBS has aligned its processes to international standards to ensure social economic and environmental sustainability. In pursuit of this, KEBS implements strategies to guarantee financial sustainability while ensuring environmental and social safeguards. Some of the key standards which KEBS is accredited/certified to include ISO/IEC 17025 Laboratory Management System, ISO/IEC 17021 Management System Certification, ISO/IEC 17024 – Personnel Certification, ISO 9001 Quality Management System, ISO 22301 Business Continuity Management System, ISO 37001 Anti-Bribery Management System and ISO/IEC 27001 Information Security Management System.

ii. Environmental performance

a. KEBS Environmental Policy Statement

KEBS adheres to its environmental policy statement in undertaking operations. The policy statement is presented in the figure 12 below

Figure 15: KEBS Environmental Policy



KEBS Kenya Bureau of Standards
Standards for quality life

POLICY STATEMENT

KEBS ENVIRONMENTAL POLICY

In our endeavour to provide standardization solutions for sustainable development, KEBS is committed to managing environmental issues arising from its operations at the Head Office and at all Regional Offices in order to protect the environment.

We are committed to continual improvement of our environmental performance by reviewing the set targets annually.

KEBS is committed to comply with all relevant legal and contractual requirements for environment and shall ensure efficient use of resources and implement measures to minimize environmental pollution.

KEBS corporate culture is based on our core values which include: Integrity, Customer Focus, Environmental sustainability and Excellence.

This policy shall be domesticated at KEBS and communicated to all employees and contractors and integrated in management principles and core values.


Charles Ongwae
Managing Director

26th June 2015
DATE

Website: <http://www.kebs.org>

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b. Successes and Shortcomings

Success and shortcomings in relation to environmental performance are presented in Table 5 below:

Table 4: Successes and Shortcomings

Focal Area	Annual Targets / Activities	Indicator	Complete	Pending
Environmental Sustainability Planning	Environment Policy	Environmental Policy in place since June 2015.	X	
	Structures to address environmental issues	Environmental (EHS) Committees in place at HQ and Regional offices	X	
	Internal environmental inspections on monthly basis	EHS Inspections carried out on monthly basis and reports filed	X	
	Statutory environmental audit	Audit Report		X
	Environmental awareness campaigns	Scheduled campaign activities	X	
Pollution Control	Waste management interventions	Initiatives to segregate and reduce waste implemented	X	
	Installation of waste segregation bins	Waste bins provided in laboratories and installed around the HQ compound	X	
	Laboratory waste disposal (empty chemical bottles)	Disposal report/ minutes/ collection by NEMA-approved	X	
Climate Change	Energy saving initiatives – conduct internal energy audit to act as a baseline	Internal energy audit report with recommendations		X
	Rainwater harvesting as an alternate source of water	Feasibility report on rainwater harvesting		X
Environmental Ecological Enhancement	Conduct annual tree planting exercise	Number of trees planted – a total of 8700 trees were planted in the year. KEBS adopted part of Mt. Kenya Forest (Hombe Forest) where 8000 trees were planted in November 2021.	X	
Environmental Education and Awareness	Display environmental policy in strategic locations	Physical (offices) and online (website & entropy)	X	
	Identify, train and appoint environmental champions	EHS champions trained/ appointed as members of the EHS committees in HQ and regions.	X	
	Participation in environmental events with communities and schools	Evidence of participation in environmental events – tree planting with local community at Mt. Kenya (Hombe) forest in November 2021	X	
	Sensitization of staff on environmental sustainability relevant to KEBS mandate	Records of sensitization sessions		X

c. Efforts to manage biodiversity

This was mainly achieved through the tree planting exercises conducted at the HQ and in the adopted portion of Mt. Kenya Forest. The trees will in turn provide functioning ecosystems that will supply oxygen, clean air and water and improve pollination of plants.

d. Waste management policy

KEBS generates different types of waste during its operations including office, laboratory, medical, gardening and kitchen waste. The waste can broadly be categorized as physical (paper, glass, plastics, e-waste), chemical (used chemicals and reagents, expired chemicals, and reagents) and biological (food remains and samples) waste. This waste can create significant health problems and an unpleasant working environment if not disposed safely and appropriately. If not correctly disposed, waste may provide breeding sites for insect-vectors, pests, snakes, and vermin (rats) that increase the likelihood of disease transmission. It may also pollute water sources and the environment.

KEBS has therefore engaged a NEMA-approved waste management service provider to handle waste generated in the laboratories and general offices. The waste is collected twice every week and disposed in government approved dumpsites.

e. Efforts to reduce environmental impact of the KEBS services

These include:

- ❖ Training of staff on ISO 14001:2015 Standard on Environment Management Systems (EMS).
- ❖ Waste segregation at source especially in the laboratories.
- ❖ Proper disposal of chemical and other wastes via a running contract with a NEMA-approved waste management service provider.
- ❖ Monthly inspections to identify environmental hazards and recommend appropriate preventive and corrective actions.
- ❖ Use of fume hoods in the laboratories to reduce air pollution and enhance air quality for staff.
- ❖ Automation of KEBS processes to reduce use of stationery thus conserving the environment.
- ❖ Treatment of laboratory wastewater in Kisumu regional offices.
- ❖ Monitoring of radiation level in the radiation laboratory.
- ❖ Tree planting by KEBS.

iii. Employee welfare

KEBS implements human resource policies that guide on management of human capital in compliance with the Constitution of Kenya 2010, labours laws and related regulations. In compliance with the constitution, the gender ratio in the institution was at 62% male:38% female. The recruitment process is done through a consultative process where heads of departments determine the skills and competencies required for all jobs. Furthermore, stakeholders are involved in identification and implementation of relevant interventions to address the skill gaps. The recruitment process encourages the female gender and persons with disabilities to apply. Challenges faced during the process are discussed thereafter and improved.

KEBS implements a Training and Development policy that ensures profiling of required skill set, identifies skills gaps and implementation of appropriate interventions to improve on staff competencies. The staff career guidelines outline the requirements for competencies to progress in a job.

KEBS uses the Balanced Scorecard as a performance management tool and implements a reward system in recognition of performance. KEBS has a policy on health and safety which in compliance with OSHA Act, 2007. The work environment is assessed by DOSH for compliance and staff have insurance covers of GPA, Group Life and Medical Scheme.

iv. Market place practices-

KEBS has outlined its effort as below.

a. Responsible competition practice

KEBS implements the Anti Bribery Management system based on ISO 37001. In establishing, implementing and maintaining the system KEBS considers the context of operation, needs and expectations of interested parties including public officials and competitors. Furthermore, KEBS undertakes bribery risk assessment on a quarterly basis to identify critical touch points and implements controls to address potential risks. KEBS requires business associates and suppliers to complete a self-declaration form that the person/tenderer will not engage in any corrupt or fraudulent practices and fulfils the requirements of Public Procurement and Asset Disposal Act of 2015.

b. Responsible Supply chain and supplier relations

KEBS purposes to implement Article 227 of the Constitution where fairness is key in the whole supply chain process as guided by the Public Procurement and Asset Disposal Act (PPADA) 2015 and Public Procurement and Asset Disposal Regulations (PPADR) 2020. KEBS gives priority to special groups in line with Access to Government Procurement Opportunities (AGPO) and encourages procurement of goods and services produced locally.

c. Responsible marketing and advertisement

KEBS works towards creating awareness and visibility of its brand and products. The organization's marketing and advertisements are socially responsible and culturally sensitive to the business community and society.

The marketing and advertisements provide stakeholders with information on quality content, which is a factual and honest representation of its products, delivered in a framework of social values. Marketing tools are transparent and give full disclosure of information on various products offered by KEBS and their application.

The information is targeted to uphold quality of products within the market, including public surveillance by use of KEBS Toll-free Line 1545 and KEBS Short code 20023 for verification of validity of product certification permits and confirmation of employment status of personnel.

In the FY 2021/2022 KEBS mainly applied these modes of marketing and advertising while protecting consumer privacy:

- i. Digital Marketing through social media and online search advertising, KEBS website, targeted e-mail and bulk SMSs.
- ii. KEBS placed advertisement in newspapers, industry specific magazines, sector specific information packets, workshops, shows exhibitions, posters, and video casts to disseminate promotional materials for advocacy, sensitization, and community outreach.

KEBS implements a robust complaint management system to ensure customer concerns and appeals are captured and addressed. Consumer complaints are addressed through KEBS market surveillance consumer complaints procedure.

d. Product stewardship

KEBS ensures that consumers have the right to goods and services of reasonable quality. KEBS has developed over 7,000 standards for various goods and services, that provide industry with guidelines including the minimum requirements for product quality. KEBS implement conformity assessment through the product certification scheme to ensure that locally manufactured products comply with the requirements of relevant standards. certification marks. To safeguard consumer rights on quality, KEBS carries out regular market surveillance of products in the Kenyan market. KEBS laboratories are accredited to ISO/IEC 17025 to ensure proficiency of the tests.

v. Corporate Social Responsibility / Community Engagements

KEBS is committed to giving back to the society by promoting common welfare programmes, exhibiting social concerns, sponsoring social and charitable causes in community development. During the year under review, KEBS participated in 12 charitable activities across the country. These activities included free trainings, donation of learning materials (white boards and accessories), adoption of Hombe forest and donation of fruit seedling trees to various schools across the country.

Figure 13: Donation of Tree seedlings, white boards, and accessories by KEBS



Figure 14: Donation of carpentry equipment to Maua Vocational Training Institute



Figure 15: Adoption of Hombe Forest (7.5 Hectares)



KEBS CSR IMPACT:

KEBS participation in environmental conservation through tree planting at Hombe forest has contributed towards the increase of forest tree cover by 16 hectares as part of the government initiatives. The CSR activities in schools enhanced awareness on KEBS services towards entrenchment of a quality culture in the society.

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10. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the KEBS affairs.

i) Principal activities

The principal activities of KEBS are;

- a. Promoting Standardization in commerce and industry.
- b. Providing testing and calibration Services
- c. Controlling the use of standardization marks.
- d. Educating stakeholders and clients on standardization.
- e. Facilitating the implementation and practical application of standards
- f. Maintaining and disseminating International System of units (SI) of measurement

ii) Results

KEBS results for the year ended June 30, 2022 are set out on Page 1

iii) Directors

The NSC members who served during the year are shown on page Xii and the following NSC members were appointed or exited the NSC during the year under review:

Table 5: Board Directors Appointment and Exits

No.	Board Member	Status
1.	Eric Mungai Wagithuku	Retired on 13 th Dec 2021
2.	Hellen Kabeti Nangithia	Retired on 13 th Dec 2021
3.	Gilbert Langat	Retired on 13 th Dec 2021
4.	Eddy Njoroge	Appointed on 6 th Oct 2021
5.	Col (Rtd.) DR. Kasili Mutambo	Appointed on 6 th Oct 2021
6.	Eddah Boyani	Appointed on 6 th Oct 2021

iv) Surplus remission

KEBS did not remit any surplus in the year under review.

v) Auditors

The Auditor General is responsible for the statutory audit of KEBS in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30th June 2022.

By Order of the NSC.



**Name: Lt Col (Rtd.) Bernard Njiraini
Managing Director**

01/03/2023
Date

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Standards Act (Cap 496) requires the NSC 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 KEBS for the year/period. The NSC is also required to ensure that KEBS keeps proper accounting records, which disclose with reasonable accuracy the financial position of KEBS. The NSC 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 KEBS for and as at the end of the financial year ended June 30, 2022. These responsibilities include:

- 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 NSC 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 NSC 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, 2022, and of the KEBS financial position as at that date. The NSC 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 NSC 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 NSC on 29th Sept 2022 and signed on its behalf by:

Signature

Name



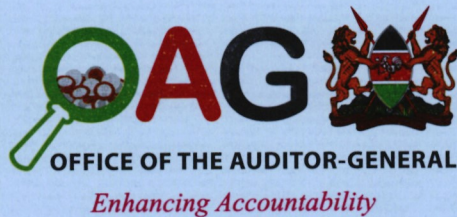
Dr. Jeremiah Kinyua
NSC Chairman



Lt Col (Rtd.) Bernard N. Njiraini
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS (KEBS) FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net

assets, statement of cash flows and the 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, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and complies with the Public Finance Management Act, 2012 and the Standards Act (Cap 496).

Basis for Qualified Opinion

1. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position and as disclosed under Note 18 to the financial statements reflects cash and cash equivalents balance of Kshs.227,623,783. However, the balance excludes an amount of Kshs.18,404,465 being payments in bank statements not captured in the cash book. Management had not explained the genesis of the payments.

In addition, the balances excluded an amount of Kshs.254,025,640 being credits in bank statements not captured in the cash book. Some had been outstanding from June, 2018 and the Management had not explained the genesis of the credits.

Further, the cash and bank balance was arrived at after credits of Kshs.6,782,023 which had not been reflected in the bank statements or in the bank reconciliation statements as outstanding credits.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.227,623,783 could not be confirmed.

2. Long Outstanding Current Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 19 to the financial statements reflects current receivables from exchange transactions balance of Kshs.440,807,626. The balance is net of specific provision for bad and doubtful debts of Kshs.52,548,453 which has remained constant from previous year's provision. However, review of the aging analysis of the receivables balance revealed that an amount of Kshs.288,627,949 in respect of trade debtors have been outstanding for more than ninety days and for which no provisions for doubtful debts was made.

In the circumstances, the accuracy, completeness and recoverability of current receivables from exchange transactions balance of Kshs.440,807,626 could not be confirmed.

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

Emphasis of Matter

Uncertainty on Sustainability of Services

The statement of financial position reflects current liabilities balance of Kshs.2,112,660,281 (2020-2021: Kshs.2,230,912,850) against current assets of Kshs.819,024,389 (2020-2021: Kshs.1,067,472,852) resulting to a negative working capital of Kshs.1,293,635,892 (2020-2021: Kshs.1,163,439,998). Further, the statement of net assets indicates that the Bureau's retained earnings decreased by Kshs.255,383,133 from Kshs.809,516,602 in the year ended 30 June, 2021 to Kshs.554,133,469 in the year under review.

In the circumstances, the Bureau was technically insolvent and the financial statements have been prepared on assumption of continued financial support from the National Government, bankers and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2022. However, Management had indicated in the progress on follow up of Auditor recommendations that the unresolved issues will be resolved during the financial year 2022-2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Bureau's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 which 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 which govern them 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 which 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 misstatement 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 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Bureau's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease 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 which 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 which are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021-2022	2020-2021
		Kes	Kes
Revenue from non-exchange transactions			
Standards Levy	6	600,888,172	550,510,982
Revenue from exchange transactions			
Rendering Of Services	7	4,419,885,754	3,804,297,930
Government Transfer-(RIIP)	8	5,000,000	7,000,000
Finance Income	9	2,841,531	3,289,933
Other Income	10	13,473,086	12,808,570
Total revenue		5,042,088,543	4,377,907,414
Expenses			
Employee costs	11	2,490,547,343	2,470,217,544
Remuneration of directors	12	29,798,181	26,762,370
Depreciation and amortization expense	13	151,991,373	169,553,927
Repairs and maintenance	14	432,840,122	259,648,723
Contracted services	15	37,065,697	34,786,853
Use of Goods and Services	16	2,143,556,249	2,911,030,838
Finance costs	17	11,672,712	-
Total expenses		5,297,471,677	5,872,000,256
Other gains/(losses)			
Gain on Disposal			2,783,187
Deficit for the period		(255,383,133)	(1,491,309,654)
Remittance to National Treasury			-
Net Deficit for the year		(255,383,133)	(1,491,309,654)

The Financial Statements set out on pages 1 to 5 were signed on behalf of the National Standards Council by:



Managing Director
Lt Col (Rtd) Bernard N. Njiraini



Director Finance and Strategy
Mohammed Adan

ACCA
10084733/1562/782

Date: 01/03/23



NSC Chairman
Dr. Jeremiah Kinyua

Member:

Date: 01/03/2023

Date: 01/03/2023

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14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2021-2022	2020-2021
		Kes	Kes
Assets			
Current assets			
Cash and cash equivalents	18	227,623,783	361,232,120
Current receivables from exchange transactions	19	440,807,626	551,009,027
Receivables from non-exchange transactions	20	35,104,395	34,983,766
Inventories	21	115,488,585	120,247,939
Total Current Assets		819,024,389	1,067,472,852
Non-current assets			
Non current receivables from exchange transactions	19	689,510,045	745,863,042
Property, plant and equipment	26	3,141,048,414	3,208,667,357
Intangible assets	27	2,835,698	4,050,997
Total Non current assets		3,833,394,158	3,958,581,397
Total Assets		4,652,418,547	5,026,054,249
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	976,856,257	1,986,508,848
Court Awards	23	766,099,593	-
Current portion of borrowings	24	369,704,431	244,404,002
Total Current Liabilities		2,112,660,281	2,230,912,849
Non-current liabilities		-	-
Total Liabilities		2,112,660,281	2,230,912,850
Total Net assets		2,539,758,266	2,795,141,399
Revaluation Reserves		990,156,591	990,156,591
Accumulated surplus		554,133,469	809,516,602
Capital Fund		995,468,206	995,468,206
Total net assets and liabilities		2,539,758,266	2,795,141,399



Managing Director
Lt Col (Rtd) Bernard N. Njiraini

Date: 01/03/2023



Director Finance and Strategy
Mohammed Adan
ACCA
10084733/1562/782

Date: 01/03/23



NSC Chairman
Dr. Jeremiah Kinyua

Date: 01/03/2023

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Total
	Kes	Kes	Kes	Kes
At June 30, 2020	990,156,591	2,300,826,256	995,468,206	4,286,451,053
Deficit for the year		(1,491,309,654)		(1,491,309,654)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
Transfer to National Treasury				
At June 30, 2021	990,156,591	809,516,602	995,468,206	2,795,141,399
Deficit for the year		(255,383,133)		(255,383,133)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-
Transfer to National Treasury				-
At June 30, 2022	990,156,591	554,133,469	995,468,206	2,539,758,266

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020/2021
		Kes	Kes
Net cash flows from operating activities	25	(50,451,205)	241,424,196
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	26	(83,157,131)	(80,874,649)
Add Back - Equipment Grant (Smap)			
Proceeds from sale of property, plant and equipment		-	4,543,700
Net cash flows used in investing activities		(83,157,131)	(76,330,949)
Net Change in cash and cash equivalents		(133,608,336)	165,093,247
Cash and cash equivalents at 1st July		361,232,120	196,138,873
Cash and Cash Equivalents as at 30th June	18	227,623,784	361,232,120

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



Managing Director

Lt Col (Rtd) Bernard N. Njiraini

Date: 01/03/2023



Director Finance and Strategy

Mohammed Adan

ACCA Member: 10084733/1562/782

Date: 01/03/23



NSC Chairman

Dr. Jeremiah Kinyua

Date: 01/03/2023

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
Revenue	Kes	Kes	Kes	Kes	Kes	%
Standards Levy	888,241,000	-	888,241,000	600,888,172	287,352,828	68%
Revenue from exchange transactions						
Rendering of services	4,667,241,410	-	4,667,241,410	4,419,885,754	247,355,656	95%
Government Transfer-(RIIP)	3,500,000	-	3,500,000	5,000,000	(1,500,000)	143%
Finance Income	2,700,000	-	2,700,000	2,841,531	(141,531)	105%
Other Income	5,460,000	-	5,460,000	13,473,086	(8,013,086)	247%
Total revenue	5,567,142,410	-	5,567,142,410	5,042,088,543	525,053,867	91%
Expenses						
Employee costs	3,008,572,400	-	3,008,572,400	2,490,547,343	518,025,057	83%
Remuneration of directors	30,000,000	-	30,000,000	29,798,181	201,819	99%
Depreciation and amortization expense	188,482,214	-	188,482,214	151,991,373	36,490,841	81%
Repairs and maintenance	431,409,840	-	431,409,840	432,840,122	(1,430,282)	100%
Contracted services	76,976,790	-	76,976,790	37,065,697	39,911,093	48%
Use of Goods and Services	1,629,794,380	-	1,629,794,380	2,143,556,249	(513,761,869)	132%
Finance costs			-	11,672,712	(11,672,712)	
Total expenditure	5,365,235,624	-	5,365,235,624	5,297,471,677	67,763,947	99%
Adjustment for Disposal						
Surplus for the period	201,906,786	-	201,906,786	(255,383,133)	592,817,814	
Capital Expenditure	332,389,000	-	332,389,000	83,157,131	249,231,869	25%

Notes for material deviation.

1. Income

- i) **Standards Levy** These missed the yearly target by 32% due to closure of some of the businesses, lack of raw materials made firms to temporarily close and the slow post Covid 19 recovery of the economy in the country.
- ii) **Rendering of Services**
 - a. **Diamond Mark and Standardization Mark.**
The requirement of paying for standardization mark fees for 2 years contributed to the deviation since the same had over achieved in the previous financial year.
 - b. **PVoC Royalties**
PVoC contracts expired mid-year and due to legal issues, the renewal of the contracts was delayed thus affecting the revenue generated.
- iii) **Finance Income-** increased due to interest earned from the KEBS collection account with balances of over Kes 100 million as at 30th June 2022.
- iv) **Other incomes** increased due to rental income expected from the outsourced canteen space.

2. Expenditure

- i) **Employee Cost-** The expenditure target was not met due to staff exits during the year and lack of new recruitments that were budgeted for.
- ii) **Repairs and Maintenance and Contracted services -** This was underspent due to the delay in procurement process.
- iii) **Use of Goods and services-** This was overspent due to a recognition of a crystalized litigation.

Summary of reallocations

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

18. 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. The principal activities include development and dissemination of standards related information, dissemination of measurement standards, calibration of measurements and testing equipment, laboratory testing, quality assurance, systems certification, training, and quality inspection of all imports.

2. Statement of Compliance and Basis of Preparation

KEBS financial statements have been prepared in accordance with the PFM Act 2012, State Corporation Act Cap 446 and comply with International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Kenya Shillings (Kes) which is the functional and reporting currency. All values have been rounded off 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 accounting policies. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. 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 effective in the year ended 30 June 2022.

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

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

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

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

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Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <p>(a) IPSAS 22 <i>Disclosure of Financial Information about the General Government Sector</i>. Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <p>(b) <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>(c) IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The standard is not applicable to KEBS.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard once adopted will have an increase in leased assets and also an increase in lease liabilities in the financial position. Similarly, it will also have an impact to the statement of comprehensive income due to the increase in the cost of depreciation.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard is not applicable to KEBS.</p>

iii. **Early adoption of standards**

KEBS did not exercise the choice given in the standard to adopt the new or amended standards in the financial year under review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions

Standards Levy Fees

KEBS 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. Revenue from Exchange Transactions

a. 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.

b. 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

The original budget for FY 2021-2022 was approved by the National Treasury on 30th June 2021. 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

i. Value Added Tax (VAT)

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

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT 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 VAT included.

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

For KEBS, expenses and assets are recognised at the gross amount.

ii. Corporation tax

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

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, 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

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 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 expensed in the statement of financial performance

f) Intangible assets

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

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

Inventories

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

Financial Instruments

i. 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.

ii. 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 any financial instrument.

g) Provisions

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.

h) 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.

i) 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.

j) Nature and purpose of reserves

Reserves are created and maintained in terms of specific requirements. KEBS Revenue reserves are maintained for purposes of upgrading and expansion of KEBS quality infrastructure. Revaluation reserves reported refers to the change in fixed assets since the last revaluation in 2009.

Changes in accounting policies and estimates

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.

k) Employee benefits

Retirement benefit plans

KEBS 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.

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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 2018.

l) 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.

m) Related parties

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 of the NSC members, Managing Director, Directors, Heads of other various departments and Regional Managers within KEBS.

n) 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.

o) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The court awards previous reported under legal fees have been reclassified and reported separately.

p) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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 statements have been prepared on a going concern basis and it is assumed that KEBS will remain a going concern for at least the next twelve months from the date of these statements.

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KEBS posted a deficit of Kes **255,383,133** in the financial year under review following crystallization of contingent liabilities occasioned by legal suits which were ruled in favour of the clients that led to recognition of the liabilities in the books of accounts hence the negative working capital.

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:

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

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

- | | | |
|------|--------------------------------------|---------------------|
| i. | Buildings lease period | -99years |
| ii. | Equipment | -10 years |
| iii. | Computer | -3 years |
| iv. | Motor vehicle | -5 years |
| v. | Intangible assets (Software) | -3 years |
| vi. | Lease 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 15.

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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6. STANDARDS LEVY		
Description	2021-2022	2020/2021
	Kes	Kes
Standards Levy	600,888,172	550,510,982
Total Standards Levy	600,888,172	550,510,982
7. RENDERING OF SERVICES		
Inspection of Motor Vehicles	387,025,689	443,253,605
Laboratory Analysis Fees	74,395,108	40,857,330
Metrology Services Fees	83,129,943	72,047,524
Systems Certification Fees	68,370,919	49,907,087
Seminar Fees	93,630,100	64,111,592
Diamond Mark Fees	55,032,749	70,046,524
Sale of Standards & Development Fees	35,374,465	27,732,627
Destination Inspection Fees	2,106,717,982	1,281,581,015
Standardization Mark Fees	377,443,092	446,744,353
PVOC Royalties	1,133,582,810	1,305,286,069
NQI Membership Fee	5,182,896	2,730,205
Total Revenue from Rendering of Services	4,419,885,754	3,804,297,930
8 . Government Transfer		
Description	2021/2022	2020/2021
	Kes	Kes
RIIP Project	5,000,000	7,000,000
NRF	-	-
Total Government Transfers	5,000,000	7,000,000
9. INTEREST INCOME		
Description	2021/2022	2020/2021
	Kes	Kes
Interest Income	2,841,531	3,289,933
Total Interest Income	2,841,531	3,289,933
10. OTHER INCOME		
Description	2021/2022	2020/2021
	Kes	Kes
Miscellaneous Income	9,546,809	9,138,116
Other Development Partners	3,926,277	3,670,453
Total Other Income	13,473,086	12,808,570

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11. EMPLOYEE COSTS		
	2021/2022	2020/2021
	Kes	Kes
Basic Salary	1,484,662,945	1,477,657,894
House Allowance	388,799,344	382,043,184
Commuter & Other Expenses	186,447,951	184,332,851
Gratuity and Pension Expenses	152,444,756	163,706,967
NSSF Contribution	2,457,200	2,582,900
Transfer Allowance	17,375,351	9,201,618
Leave Allowance	46,759,726	48,280,785
Performance Management	4,530,268	7,036,501
Alcohol & Drug Prevention and HIV Program	6,570,434	5,003,834
Medical Insurance	175,631,369	171,676,012
Staff Awards & Honoraria	24,868,000	18,695,000
Total Employee Cost	2,490,547,343	2,470,217,544
12. REMUNERATION OF DIRECTORS		
Board Meeting Expenses		-
Chairman/Directors' Honoraria	960,000	720,000
Sitting allowances	4,550,600	9,782,272
Induction and Training	4,352,012	3,141,236
Travel and accommodation	19,935,569	13,118,863
Total	29,798,181	26,762,370
13. DEPRECIATION AND AMORTIZATION EXPENSE		
Property, plant and equipment	150,776,073	167,817,785
Intangible assets	1,215,299	1,736,142
Total Depreciation and Amortization	151,991,373	169,553,927
14 .REPAIRS AND MAINTENANCE		
Transport Operating	32,895,665	17,956,355
Computer Expenses	211,551,258	185,950,097
Maintenance of Office Equipment	6,159,001	8,366,392
Maintenance of Physical Standards & Lab Equipment	31,665,308	6,423,076
Maintenance of Building	83,537,241	40,952,803
Civil & Engineering Alteration	67,031,649	-
Total Repairs and Maintenance	432,840,122	259,648,723
15. CONTRACTED SERVICES		
Contracted Professional services	37,065,697	34,786,853
Total Contracted Services	37,065,697	34,786,853

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16. USE OF GOODS AND SERVICES		
Description	2021/2022	2020/2021
	Kes	Kes
Post and Delivery	15,570,052	8,553,900
Telephone	3,680,444	6,560,961
Tender Expenses	13,655,250	12,615,028
Electricity, Water and Conservancy	33,010,447	32,676,439
Fuel	27,331,962	21,457,010
Publishing and Printing	5,338,810	3,317,810
Purchase of Uniforms and Clothing's	3,740,473	4,614,803
Library	5,699,271	10,876,324
Purchase of Stationery	38,349,895	27,353,939
Advertising and Publicity	24,614,473	30,161,648
Show and Exhibitions	26,658,792	12,540,631
Sports and Welfare	96,754,630	64,490,358
Rent and Rates	47,022,491	36,419,017
Hire of Transport	3,600	5,300
Audit fees	1,503,360	-
Security	32,469,366	24,393,047
Subscriptions	17,502,396	18,001,286
Training	118,441,821	68,508,144
Seminar	62,558,844	21,444,944
World Standards and Metrology days	3,127,600	1,373,813
Environment, Health & Safety Services	20,803,945	7,484,444
Legal Expenses	71,110,659	2,085,668,596
Research and Development in Metrology	8,950,107	2,581,920
Laboratory Material Chemicals & Reagents	122,093,322	116,305,556
Standards Enforcement	23,303,317	10,566,806
Certification Services	30,766,104	19,856,413
Standards Development	69,302,249	20,018,853
Accreditation Services	67,494,813	34,690,888
BIPM CMC Programme	3,233,329	1,457,400
Kenya National Committee of IEC	6,194,591	53,222
Quality Awards	-	67,200
Insurance	36,104,612	26,344,891
Bank Charges	8,497,236	4,245,557
Regional Integration expenses	12,986,128	1,788,280
Hortigreen Expenses	4,049,407	1,492,028
NRF Expenses	1,117,700	682,110
Local Travelling and Accomodation	201,876,526	170,453,594
External Travelling	32,538,634	1,908,680
Court Awards	846,099,593	-
Total Use of Goods and Services	2,143,556,249	2,911,030,838

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17.FINANCE COSTS		
Description	2021/2022	2020/2021
	Kes	Kes
Interest on Bank overdrafts	11,672,712	-
Total Finance Costs	11,672,712	-
18(a) CASH AND CASH EQUIVALENT		
Description	2021/2022	2020/2021
	Kes	Kes
Bank	51,848,483	244,038,215
Cash	182,899	354,567
Short-term deposits (Restricted Cash)	17,386,100	16,849,698
Staff Mortgage Account (Restricted Cash)	158,206,301	99,989,640
Total Cash and Cash Equivalent	227,623,783	361,232,120

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18. b - CASH & CASH EQUIVELENTS (Detailed)

(i) Current Accounts			
FINANCIAL INSTITUTION	ACCOUNT No.	2021/2022	2020/2021
		Kes	Kes
National Bank of Kenya	0100-3002-830-606	-	2,663,426
National Bank of Kenya	0100-3002-830-607	1,307,931	5,646,893
National Bank of Kenya	0100-3236-26100	2,184,734	3,888,472
National Bank of Kenya	0200-302-830-600	20,700,137	40,551,892
National Bank of Kenya	0100-343-159-300	112,745	-
National Bank of Kenya	0100-320-408-500	1,087,780	2,086,505
National Bank of Kenya	0100-328-362-800	1,357,803	976,848
National Bank of Kenya	0100-10510-9703	-	17,169,224
Kenya Commercial Bank	110-783-946-7	1,311,972	2,145,059
Kenya Commercial Bank	110-761-835-5		10,867,325
Co-operative Bank	212-050-445-4700	2,950,704	318,930
Co-operative Bank	114-415-044-547-00	4,699,682	77,110,732
M-PESA	804700	-	80,612,876
National Bank of Kenya	010-20002830601	14,825,275	-
National Bank of Kenya	010-71002830602	1,309,720	-
National Bank of Kenya	010-71002830601	-	-
TOTAL		51,848,483	244,038,183
(ii) Fixed Deposits			
National Bank of Kenya		17,386,100	16,849,698
TOTAL		17,386,100	16,849,698
(iii) Staff Mortgage			
Kenya Commercial Bank		158,206,301	99,989,640
Sub-Total		227,440,884	360,877,522
Cash At Hand		182,899	354,598
Grand Total (Cash and Bank)		227,623,783	361,232,120
(iv) OVERDRAWN ACCOUNTS			
National Bank of Kenya	0100-3002-830-600	(21,926,912)	-
National Bank of Kenya	0100-3002-830-602	(12,925,957)	-
National Bank of Kenya	0100-3002-830-603	(2,185,288)	-
National Bank of Kenya	0100-3002-830-604	(73,422,709)	-
National Bank of Kenya	0100-3002-830-605	(1,111,685)	-
National Bank of Kenya	0100-3002-830-606	(1,286,251)	
National Bank of Kenya	0100-10510-9703	(7,565,208)	
Kenya Commercial Bank	110-761-835-5	(17,333,712)	
	TOTAL	(137,757,721)	
(v) Overdrawn Mpesa			
M-PESA	804700	(25,035,636)	

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19. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Description	2021/2022	2020/2021
	Kes	Kes
Current receivables		
Trade Debtors	352,666,710	420,017,262
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	6,446,966	28,948,077
Miscellaneous Debtors	1,585,822	1,585,822
Accrued Expenses	81,825,683	-
Provision for doubtful debts	(52,548,453)	(52,548,453)
KCB- KRA receivable	21,600,000	21,600,000
Prepayments (Medical Insurance)	-	104,575,421
Other Debtors- Canteen	3,400,000	1,000,000
Rent Deposits	5,633,369	5,633,369
Total Current receivables	440,807,626	551,009,027
Non-current receivables		
Staff Mortgage Scheme	689,510,045	745,863,042
Total non-current receivables	689,510,045	745,863,042
Total Receivables From Exchange Transactions	1,130,317,671	1,296,872,070
20. RECEIVABLES FROM NON-EXCHANGE CONTRACTS		
Current receivables		
Kenya Revenue Authority	35,104,395	34,983,766
Total current receivables	35,104,395	34,983,766
21. INVENTORIES		
Stationery	22,993,156	25,021,040
Bio Chemical Stock	31,434,194	29,954,105
Standards Stock	52,458,360	58,117,927
Engineering Stock	8,602,876	7,154,866
Total inventories at the lower of cost and net realizable value	115,488,585	120,247,939

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22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Description	2021/2022	2020/2021
	Kes	Kes
General Trade Creditors	382,433,078	296,307,667
Library Deposits	-	93,600
Audit Fees Payable-Auditor Gen.	807,360	807,360
Staff Deductions Payable	103,049,231	-
Accrued Retention Fee	11,406,677	9,215,429
ISM Account	-	93,255,248
Accrued Creditors	292,468,840	-
Accrued Expenses -ISM Mark	21,260,176	59,532,397
Staff Performance Reward Payable	121,690,574	150,687,917
Accrued Legal Expenses	30,012,314	30,012,314
Other Creditors	-	9,748,569
Unexpended Conditional Grant(RIIP & Hortigreen)	2,055,295	7,390,145
Accrued Overdraft Interest	11,672,712	-
Geo Chem Middle East	-	1,329,458,201
Total Trade and Other Payables	976,856,257	1,986,508,848
23.COURT AWARDS LIABILITY		
Description	2021/2022	2020/2021
	Kes	Kes
Court Awards	766,099,593	-
Total Court Awards	766,099,593	-
24. BORROWINGS		
Description	2021/2022	2020/2021
	Kes	Kes
Balance at beginning of the year	244,404,002	31,821,486
Domestic borrowings during the year	289,511,074	212,582,516
Repayments during the year	(164,210,645)	-
Balance at end of the year	369,704,431	244,404,002
	2021/2022	2020/2021
	Kes	Kes
Domestic Borrowings		
Bank Overdraft from NBK	206,911,074	244,404,002
Overdrawn Cashbooks	137,757,721	
Overdrawn Mpesa	25,035,636	
Total balance at end of the year	369,704,431	244,404,002
Description	2021/2022	2020/2021
	Kes	Kes
Short term borrowings(current portion)	369,704,431	244,404,002
Total Borrowings	369,704,431	244,404,002

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. CASH GENERATED FROM OPERATIONS	2021/2022	2020/2021
	Kes	Kes
Deficit for the year	(255,383,133)	(1,491,309,654)
Adjusted for:		
Depreciation	150,776,073	167,817,785
Amortization	1,215,299	1,736,142
Gains /losses/adjustments on assets		(2,783,187)
Preliminary Expenses		
Working capital adjustments:		
Increase / Decrease In Inventories	4,759,354	(10,711,842)
Increase / Decrease In Receivables	166,433,770	(135,324,178)
Increase/ Decrease In Payables	(118,252,568)	1,711,999,130
Net cash flows from operating activities	(50,451,205)	241,424,196

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NOTES TO THE FINANCIAL STATEMENTS (Continued)Property, Plant and Equipment

26. PROPERTY, PLANT AND EQUIPMENT									
	Land	Buildings	Work in progress	Plant & equipment, Furniture and fittings	Computers	Motor Vehicle	Total		
Cost	Kes	Kes	Kes	Kes	Kes	Kes	Kes		Kes
At 1st July 2020	127,390,000	1,838,279,242	236,940,723	2,151,913,707	364,080,975	489,751,770	5,208,356,417		
Additions			5,490,284	61,345,343	14,039,022		80,874,649		
Disposals						(1,760,513)	(1,760,513)		
Transfer/adjustments									
At 30th June 2021	127,390,000	1,838,279,242	242,431,006	2,213,259,051	378,119,997	487,991,258	5,287,470,554		
Additions			26,167,960	45,186,431	11,802,740		83,157,131		
Disposals									
Transfer/adjustments									
At 30th June 2022	127,390,000	1,838,279,242	268,598,966	2,258,445,482	389,922,737	487,991,258	5,370,627,684		
Depreciation and impairment									
At 1st July 2020	-	94,991,100	-	1,211,515,540	285,751,154	318,727,617	1,910,985,412		
Depreciation		6,080,053		100,174,351	27,710,653	33,852,728	167,817,785		
Disposals									
Impairment									
Transfer/adjustment									
At 30th June 2021	-	101,071,153	-	1,311,689,891	313,461,807	352,580,345	2,078,803,196		
Depreciation		6,080,053		94,675,559	22,938,279	27,082,182	150,776,073		
Disposals									
Impairment									
Transfer/adjustment									

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At 30th June 2022	-	107,151,206	-	1,406,365,451	336,400,086	379,662,528	2,229,579,270
Net book value							
As At 30th June 2021	127,390,000	1,737,208,089	242,431,006	901,569,159	64,658,190	135,410,912	3,208,667,357
As At 30th June 2022	127,390,000	1,731,128,036	268,598,966	852,080,031	53,522,651	108,328,730	3,141,048,414

27 INTANGIBLE ASSETS-SOFTWARE							
Description	2021-2022			2020/2021			
	Kes			Kes			
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		139,666,915					137,930,773
Amortization		1,215,299					1,736,142
At end of the year		140,882,214					139,666,915
Impairment loss		-					-
At end of the year		140,882,214					139,666,915
NBV		2,835,698					4,050,997

28. 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. KEBS has an integrated risk management framework. KEBS 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 KEBS 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.

Credit Risk	Total amount	Fully performing
	Kes	Kes
As At 30 June 2022		
Receivables from exchange transactions	1,130,317,671	1,130,317,671
Receivables from non exchange transactions	35,104,395	35,104,395
Bank balances	227,335,507	230,410,631
Total	1,392,757,573	1,395,832,697
As At 30 June 2021		
Receivables from exchange transactions	1,296,872,070	1,296,872,070
Receivables from non exchange transactions	34,983,766	34,983,766
Bank balances	361,232,120	361,232,120
Total Credit Risk	1,693,087,956	1,693,087,956

b) Liquidity risk management

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

Liquidity Risk Management	Less than 1 month	Between 1-3 months
	Kes	Kes
As At 30th June 2022		
Trade payables	1,026,370,430	36,858,890
Current portion of borrowings	125,300,429	-
Total	1,151,670,859	36,858,890
As At 30th June 2021		
Trade payables	302,630,794	1,383,153,023
Current portion of borrowings	244,404,002	218,532,649
Total Liquidity Risk	547,034,796	1,601,685,672

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

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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) Foreign currency risk

KEBS 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.

KEBS manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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

Capital Risk Management	2021/2022	2020/2021
	Kes	Kes
Revaluation reserve	990,156,591	990,156,591
Retained earnings	633,090,140	809,516,602
Capital reserve	995,468,206	995,468,206
Total funds	2,618,714,938	2,795,141,399
Total borrowings	369,704,431	244,404,002
Less: cash and bank balances	227,335,507	361,232,120
Net debt/(excess cash and cash equivalents)	142,368,924	116,828,118
Gearing	14%	9%

29. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to KEBS include those parties who have ability to exercise control or exercise significant influence over KEBS operating and financial decisions. Related parties include the key management comprising of the NSC members, Managing Director, Directors, Head of various departments and Regional Managers within KEBS.

Government of Kenya

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

Other related parties include:

- i) Ministry of Industrialization, Trade and Enterprises Development
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) The National Treasury and Planning
- v) The National Standards Council
- vi) Key management.

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	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Rent income from govt. Agencies	1,786,264	1,786,264
Training and Certification of govt. Agencies	526,572,817	526,572,817
Interest Earned	2,841,531	3,289,933
Total	531,200,613	531,649,014
b) purchases from related parties		
Purchases of electricity from KPLC	28,935,697	29,202,961
Purchase of water from govt service providers	4,074,749	3,473,477
Rent expenses paid to govt agencies	13,643,953	13,643,953
Training and conference fees paid to govt. Agencies	5,899,945	9,745,673
Bank Charges and Interest Payable	33,669,948	4,245,557
Total	86,224,293	60,311,622
c) Grants /transfers from the government		
Grants from national govt	5,000,000	7,000,000
Total	5,000,000	7,000,000
d) Key management compensation		
Directors' emoluments	1,006,000	720,000
Compensation to key management	67,768,100	64,022,850
Total	68,774,100	64,742,850

30.. Contingent assets and contingent liabilities

CONTINGENT ASSETS AND CONTINGENT LIABILITIES		
Contingent liabilities	2021/2022	2020/2021
	Kes	Kes
Legal Litigation against KEBS	815,483,321	882,246,664
Total Contingent Liabilities	815,483,321	882,246,664

KEBS contingent liability in the year is estimated at Kes 815.5 Million on outstanding legal cases and costs.

Contingent Liabilities that crystalized are as detailed below.

Crystalized Contigent liabilities	2021/2022	2020/2021
	Kes	Kes
Geochem Middle East	-	1,850,647,790
Mavji Construction	419,685,073	-
Rachier and Amollo Advocates	426,414,520	-
TOTAL	846,099,593	1,850,647,790

Note: The Crystalized liabilities were not expected and therefore reduced the retained earnings and were funded from the retained earnings.

31. Capital Commitments

CAPITAL COMMITMENTS		
Capital commitments	2021/2022	2020/2021
	Kes	Kes
Authorised and Contracted for	323,944,699	-
Total		-

The Capital Commitments for the year amounted to Kes 323.9 Million. In the previous year, there were no capital commitment due to lack of an approved budget on capital items.

32. Surplus remission

KEBS did not remit any surplus during the year under review.

33. Events after the reporting period

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

34. Ultimate and Holding Entity

KEBS is a State Corporation under the Ministry of Industrialization, Trade and Enterprise Development. Its ultimate parent is the Government of Kenya.

35. Currency

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

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APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1 i	Receivables from exchange transactions	The developer was engaged to develop KEBS staff housing Scheme which did not take place. A deposit of Kes 17,500,000 was paid for the staff housing scheme that was never implemented. The matter was forwarded to Inspectorate of State Corporation in 2011 and later referred to Ethics and Anti-Corruption Commission for investigations. This matter has taken over 20 years and it is unlikely that the monies will be recovered. KEBS made a request for approval from the National Treasury to write off the debt.	Not Resolved	Financial Year 2023
ii)	Prepayments	Prepayment of Kes 2,697,529 was made to three firms for goods and services that were never supplied 1. Tetralink Kenya Ltd – Kes.2, 256,436.75 (2000-2001) 2. Bestex Designers – Kes.153, 542.00 (2000-2001) 3. Home Link Ltd- Kes.287, 550.00 (1999-2000) This has taken over 20 years.	Not Resolved	Financial year 2023
iii)	Miscellaneous debtors of Ksh 1,585,822.00	The miscellaneous debtors of Kes 1,585,822 relate to amounts surcharged on KEBS officers for acts committed by them in the years 2000 and 2001. The staff were dismissed thereafter.	Not Resolved	Financial Year 2023
2.	Property , Plant and Equipment	This refers to payments done (2012) in respect to preliminary activities to consultants for different works towards the commencement of the construction of coast regional offices and laboratories totalling to Kes 101,938,209. The project was later abandoned and KEBS opted for the purchase of a building which was much more cost effective and affordable. The Preliminary costs which were now sunk costs were expensed and removed from the Work in progress.	Not resolved	Financial Year 2023
3.	Cash and Cash Equivalent	This refers to money collected and banked in regional operations bank account that currently is before the court of law.	Not Resolved	
4	Supply and implementation of application software for	This relates to a contract which was awarded in 2012 to Circuit Business System for supply and implementation of an application software. The objectives of this project were not attained. This	Not Resolved	Financial Year 2023

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	KEBS integrated quality assurance and inspection operation	project was terminated and contractual options in regard to compensation to KEBS is being pursued through the court.		
5	Pre-export verification of conformity (PVOC) for exports to Kenya	This is a case of M/s Tellam freighters who allegedly moved the goods from the port without KEBS intervention. To prevent this from occurring, KEBS agreed with KRA that customs entries for goods not accompanied with Certificates of Conformity (CoCs) issued by any of the KEBS appointed inspection agent will only be passed by Customs department upon satisfactory quality inspection by KEBS.	Not Resolved	Financial Year 2023
6	Unapproved procurement of Legal firms.	This relates to lawyers engaged in the case of Geochem Middle East Vs KEBS where; <ul style="list-style-type: none"> a. The National Standards Council resolved that the legal team handling Geochem case be strengthened. b. KEBS obtained a conditional approval and retainer agreement between KEBS and the Law Firms setting out the scope of work was drawn. c. The procurement of the said Law firms was necessitated by the urgency and the impact of the matter had on the operations of KEBS. d. The firms were on the list of pre-qualified list for providers of legal service for the period 2015/2016-2018. 	Not Resolved	Financial Year 2023
7	Non-Compliance with the E-Procurement	KEBS complied with Executive Order No.2 of 2018 by; <ul style="list-style-type: none"> a. maintaining and continuously updating and publicizing its procurement undertaking through the websites, public Notices boards and official government publication. b. KEBS has its own ERP(ACCPAC) which is not integrated with IFMIS, which is used processing procurement requests and procurement documents such as LPO/LSO and purchase requisition of vouchers 	Not Resolved	Financial Year 2023/2024
8	Budget and Budgetary Control	KEBS was not able to collect the budgeted revenue resulting to a short fall of 24%. This was due to the Covid -19 pandemic that had a significant impact on the revenue collection for the year ended 30th June 2021. The demand for KEBS service during this time of COVID 19 pandemic was low	Resolved.	

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		Kenya being a net importer, majorly the imports came from China where factories were not producing during the pandemic and a general slowdown in the economy leading to firms closing down while others who had registered were not able to start manufacturing during the period.		
9	Irregular Procurement of Insurance services.	This relate to an expenditure on general Insurance Amounting to Ksh. 11,157,170 paid to Occidental Insurance Company ltd. This expenditure was properly approved by the organization and the services were received by the organization hence cannot be irregular. KEBS is under obligation to ensure that its assets are sufficiently protected against risk exposures that are insurable. The procurement of insurance services was done through an open tender and awarded to the lowest evaluated bidder. In this case occidental was found to be lowest evaluated bidder.	Resolved	
10.	Uncertainty on Sustainability of Services.	This related to the increase in deficit by Kshs 1,589,696,956 from the Financial year 2020 and 2021. KEBS books of accounts were prepared on the assumption that KEBS is a going concern and will continue with its operations uninterrupted and meet its statutory obligations for the foreseeable future. KEBS posted deficit of Kes 1,490,373,654 in the financial year 2021 following crystallization of contingent liability occasioned by the legal suit Geochem Middle East VS KEBS, where the case was ruled in favour of Geochem Middle East, which led to recognition of the liability in the books of accounts hence the negative working capital. The liability has been fully settled and the KEBS performance greatly improved in the Financial Year 2022.	Resolved.	
11	Trade Receivable and other Receivables	This related to the provision on bad and doubtful debt amounting to Ksh. 52,548,453 in respect of provision for bad and doubtful debts which excludes Ksh. 5,469,529 recovered during the year 2021 and trade debtors outstanding for more than ninety days and no general provisions for doubtful debts was charged amounting to Kshs. 211,404,755. KEBS does not have a policy on general provision and instead applies specific provision in line with the procedure on provision for bad debts as stipulated in the credit policy and the international Financial reporting standards. The practice of general provision has been declining and specifically has been prohibited by international Financial Reporting Standard(IFRS) IAS 39 prohibits creation of general provisions on the basis of past experience due to the subjectivity involved in creating such an estimate. Instead, reporting entity is required to carry out impairment review to determine the recoverability of the receivables and any associated allowance.	Not Resolved	Financial Year 2023

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APPENDIX 2: TRANSFER FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
The National Treasury and Planning	16/05/2022	Recurrent	5,000,000	5,000,000					5,000,000
Total			5,000,000	5,000,000					5,000,000