



REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA BUREAU OF STANDARDS**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**KENYA BUREAU OF STANDARDS**



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**KENYA BUREAU OF STANDARDS**

**REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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**LIST OF ABBREVIATIONS**

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

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

**KENYA BUREAU OF STANDARDS**  
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**I. CORPORATE INFORMATION**

**(a) KEBS Headquarters**

Kenya Bureau of Standards  
Popo Road, South C, off Mombasa Road  
P.O. Box 54974 – 00200  
**NAIROBI - KENYA**

**(b) KEBS Contacts**

Telephone: (254 20) 6948000  
E-mail: [info@kebs.org](mailto:info@kebs.org)  
Website: [www.kebs.org](http://www.kebs.org)

**(c) KEBS Bankers**

**i. National Bank of Kenya Limited**

National Bank Building  
Harambee Avenue  
P. O. Box 72866-00200  
**NAIROBI**

**ii. Co-operative Bank of Kenya Limited**

Co-operative Bank House  
Haile Selassie Avenue  
P. O. Box 48231 – 00100  
**NAIROBI**

**iii. Kenya Commercial Bank Limited**

KCB Towers  
Kenya Road, Upper Hill  
P. O. Box 48400-00100  
**NAIROBI**

**(d) Independent Auditors**

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

**(e) Principal Legal Adviser**

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

## **II. KEBS KEY INFORMATION AND MANAGEMENT**

### **a) Background information**

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

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

### **KEBS Structure**

KEBS is structured into six functional Directorates namely: -

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

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

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**b) Principle Activities**

**KEBS Mandate**

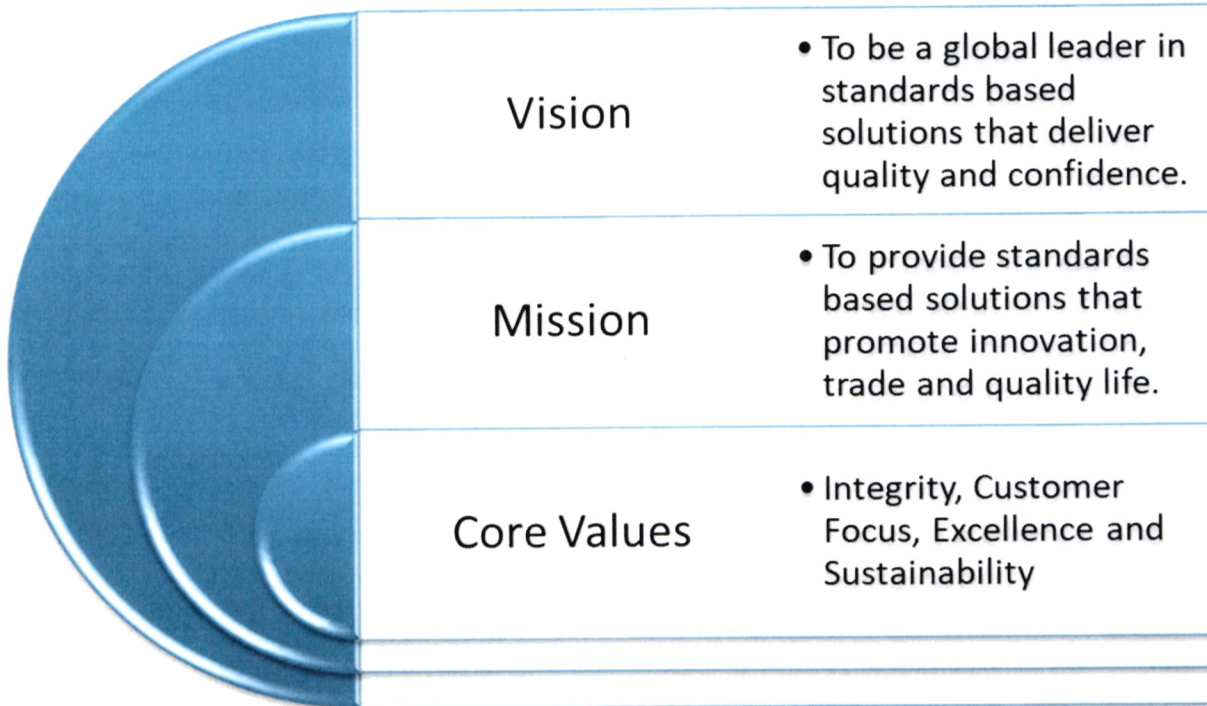
The functions of KEBS as mandated by the Standards Act, Chapter 496 of the Laws of Kenya are *inter alia*:

To promote standardization in industry and commerce;

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

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

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



## STRATEGIC OBJECTIVES



Enhance delivery of our mandate by improving operational efficiency by 7% annually.

Improve customer satisfaction by 0.5% annually, by providing Standards, Metrology and Conformity Assessment (SMCA) solutions that support Vision 2030 and Sustainable Development Goals (SDGs),



Attain international recognition and sustain leadership in Standards, Metrology and Conformity Assessment (SMCA) through institutional strengthening and alignment to international best practices

Provide Standards, Metrology and Conformity Assessment (SMCA) solutions that promote innovation.



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**d) Key Management**

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

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

**e) Fiduciary Management**

The key management personnel who held office during FY ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

**Table 1: Key Management Personnel**

No.	Designation	Name
1.	Managing Director	Lt. Col (Rtd) Bernard Njiraini
2.	Director Finance & Strategy	Mohammed Adan
3.	Director Human Resource & Communication	Chris Kibett
4.	Director Standards Development & Trade	Esther Ngari
5.	Ag. Director Quality Assurance & Inspection	Bernard Nguyo
6.	Ag. Director Market Surveillance	Caroline Outa
7.	Director Metrology & Testing Services	Dr. Henry Kibet Rotich
8.	Head of Legal Department	Maria Goretti Nyariki
9.	Head of Finance	CPA Anne Wanjala
10.	Head of Audit & Risk	CPA Lincoln Nyamai
11.	Head of Procurement	Dr. John Ngeno

**f) Fiduciary Oversight Arrangements**

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

During the financial year ended 30<sup>th</sup> June 2019, the NSC consisted of 13 members including a non-executive chairman and the managing director. The NSC had 7 committees whose members and mandate are as listed below:

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Figure 1: NSC Committee Membership




<b>NSC COMMITTEES MEMBERSHIP</b>						
<b>STANDARDS APPROVAL COMMITTEE</b> 1. Edward Njoroge 2. Ken Wathome 3. Mary W. Matu 4. Joseph Mbeva 5. John Njera 6. Patrick Musila 7. John Kisegu - (in attendance) 8. Fouzia Abdirahman 9. Eric Mungai Wagithuku 10. Gilbert Langat 11. Hellen Nangithia 12. Eng. Bernard Ngore 13. Bernard Njiraini	<b>FINANCE COMMITTEE</b> 1. Fouzia Abdirahman 2. John Njera 3. Patrick Musila 4. Eng. Bernard Ngore 5. Bernard Njiraini	<b>PERMIT APPROVAL COMMITTEE</b> 1. Bernard Njiraini 2. Joseph Mbeva 3. Hellen Nangithia 4. John Kisegu - (in attendance) 5. Edward Njoroge	<b>AUDIT COMMITTEE</b> 1. Eric Mungai 2. Hellen Nangithia 3. Joseph Mbeva 4. Gilbert Langat 5. John Kisegu - (in attendance)	<b>TECHNICAL COMMITTEE</b> 1. Patrick Musila 2. Joseph Mbeva 3. John Kisegu - (in attendance) 4. Eng. Bernard Ngore 5. Bernard Njiraini	<b>STAFF AND GENERAL PURPOSE COMMITTEE</b> 1. Mary W. Matu 2. Joseph Mbeva 3. Gilbert Langat 4. Eric Mungai 5. John Kisegu - (in attendance) 6. Bernard Njiraini	<b>TRADE COMMITTEE</b> 1. Gilbert Langat 2. Mary Matu 3. Fouzia Abdirahman 4. John Njera 5. Joseph Mbeva 6. Bernard Njiraini

Figure 2: NSC Committee Roles



<b>NSC COMMITTEES ROLES</b>						
<b>STANDARDS APPROVAL COMMITTEE</b> Approval of standards with the provisions of the Standards Act  Approval of policies and strategies that enhance standards development and applicability in the economy.	<b>PERMIT APPROVAL COMMITTEE</b> Administration of the standardization mark scheme in accordance with provisions of standards Act Approval of permits presented. approval of policy on the administration of standardization mark scheme.	<b>TECHNICAL COMMITTEE</b> Receive and review reports from Metrology and Testing, Quality Assurance and Inspection divisions and make recommendations to the NSC for approval  Review capital projects for implementation.	<b>FINANCE COMMITTEE</b> Assist the NSC in overseeing financial policy and procedures formulation, review and Review the institution's budgets and recommend to the NSC for approval Review the quarterly and the annual financial statements and recommend to the NSC for approval.	<b>AUDIT COMMITTEE</b> Strengthening the independence, integrity and effectiveness of audit function Reviewing issues raised by both the internal and external auditors. Advise on risk identification, mitigation measures and the effectiveness of internal control systems	<b>STAFF &amp; GENERAL COMMITTEE</b> Review and recommend to NSC all KEBS human resource policies relating to terms and conditions of service of employees. Oversee the implementation of all approved human resource policies and procedures.	<b>TRADE COMMITTEE</b> Review and recommend to the NSC for approval any interventions, policies, procedures and regulations. Conduct or cause to be conducted surveillance to ensure the quality of standards of any product in the market. Oversee, supervise, monitor and evaluate timely delivery of KEBS services in line with the Service Charter

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**THE NATIONAL STANDARDS COUNCIL**

<p><b>Ken Wathome</b></p> 	<p>Chairman – NSC</p> <p>DOB: 15<sup>th</sup> September, 1962</p> <p>Mr Ken Wathome holds an Executive MBA from the United States International University and a degree in Land Economics from University of Nairobi. He is a registered member of the Institution of Surveyors of Kenya and Estate Agents Registration Board. He is also a graduate of the Owner President Management (OPM) program at the Harvard Business School. He is currently Chair of NW Realite Ltd, Transformational Business Network Kenya, former Chairman of Machakos Investment Promotion Board and Faulu Kenya Bank. He is also a Board Member of AIB Capital and Opportunity Bank of Uganda. He joined the NSC on 12th July 2018 for a period of 3 years.</p>
<p><b>Lt. Col (Rtd) Bernard N Njiraini</b></p> 	<p>Managing Director</p> <p>DOB: 16<sup>th</sup> August, 1971</p> <p>Mr. Bernard Njiraini Holds a Master's and a bachelor degree in Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology. He holds a post graduate diploma in strategic studies from University of Nairobi and is a member of the Institution of Engineers of Kenya.</p> <p>He previously worked as the production manager at the Kenya Ordnance factory and as the Managing Director Numerical Machining Complex.</p>
<p><b>Mary Wanja Matu</b></p> 	<p>Board Member</p> <p>DOB: 4<sup>th</sup> February, 1960</p> <p>Mary Matu is a graduate of University of Alabama Birmingham and an Alumni of the JFK School of Government at Harvard University. She has over 25 years' experience in Health Management and Health Systems Strengthening. She joined the NSC on 17<sup>th</sup> April 2015 for a period of three years. She retired on 16<sup>th</sup> April 2018 and was reappointed on 10<sup>th</sup> May 2018 as a member of the NSC. She is currently the chairperson of Staff &amp; General Committee</p>

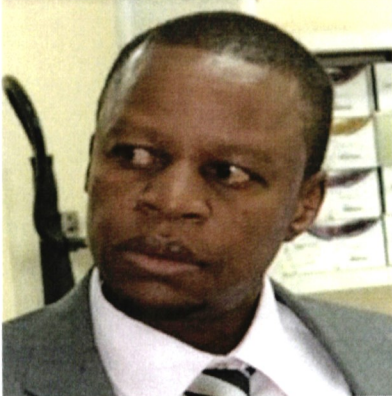


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<p>Fouzia Abdirahman</p> 	<p>Board Member</p> <p>DOB: 28<sup>th</sup> May, 1968</p> <p>Fouzia Abdirahman holds an MBA and BSc in International Business. She has vast experience in International organizations having held managerial positions in the field of logistics and procurement. She joined the NSC on 17<sup>th</sup> April 2015 for a period of three years. She retired on 16<sup>th</sup> April 2018 and was reappointed on 10<sup>th</sup> May 2018 as a member of the NSC. She is currently the chairperson of Finance Committee.</p>
<p>Joseph Mbeva</p> 	<p>Board Member</p> <p>DOB: 2<sup>nd</sup> September, 1966</p> <p>Mr. Joseph Mbeva holds a Master's degree in Intellectual Property from Franklin Pierce Centre for Intellectual Property/School of Law, USA. He is an Alternate board member to the Principal Secretary -Ministry of Industry, Trade and Cooperatives in KEBS, Micro and Small Enterprise Authority (MSEA) and Kenya Industrial Property Institute.</p>
<p>John Njera</p> 	<p>Board Member</p> <p>DOB: 2<sup>nd</sup> July, 1967</p> <p>Mr. John Njera holds a Master in Computer Science from National University of Science and Technology and a BSC Mathematics from Kenyatta University. He has served as a Fiscal Analyst for the last 13 years at the National Treasury. He is the Alternate board member to the Principal Secretary -National Treasury.</p>

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<p>John Kisegu</p> 	<p>In Attendance</p> <p>DOB: 1965</p> <p>Mr. John Kisegu holds a MBA in Strategic Management and BEd from Kenyatta University. He is an Assistant Inspector General State Corporations. He previously worked in Efficiency Monitoring Unit, Ministry of Youth Affairs from 2007 to 2012. He also served in the Ministry of Education in the Quality Assurance section. Mr Kisegu represents the Inspector General - State Corporations at the NSC, Kenya Power Board, Unclaimed Financial Assets Authority Board and Moi University Council. He joined the NSC on 3<sup>rd</sup> May 2017.</p>
<p>Patrick Musau Musila</p> 	<p>Board Member</p> <p>DOB: 27<sup>th</sup> April, 1968</p> <p>Mr. Patrick Musila holds a MA in Economics from Marathwada University, and a BCom from Jabalpur University, India. He has vast experience in Non-Governmental Organizations in the field of monitoring and evaluation, project coordination and has served as an assistant lecturer at Maseno University. He joined the NSC on 20<sup>th</sup> February 2017 for a period of 3 years and he is currently the chairperson of the Technical Committee.</p>
<p>Edward Njoroge</p> 	<p>Board Member</p> <p>DOB: 26<sup>th</sup> November 1952</p> <p>Mr. Edward Njoroge holds a MBA Leadership and Sustainability from Cumbria University, U K. and aBSc (Hons) Chemistry and Biochemistry from Makerere University. 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 - KENGEN. He joined the NSC on 10<sup>th</sup> May 2018. He is currently the chairperson of the Standards Approval Committee and ISO president.</p>

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<p><b>Eric Wagithuku Mungai</b></p> 	<p>Board Member</p> <p>DOB: 10th July, 1965</p> <p>Mr. Mungai studied management at the Boston University School of Management. He is a Director of Evelyne College of Design and also a Director of the Betting Lotteries Governing Board for the County of Nairobi among other entities. He joined the NSC on 17<sup>th</sup> April 2015 for a period of three years and reappointed on 14<sup>th</sup> December 2018. He is currently the Chairperson for Audit Committee.</p>
<p><b>Hellen Nangithia</b></p> 	<p>Board Member</p> <p>DOB: 30<sup>th</sup> March 1962</p> <p>Hellen Holds a Bachelor of Education Arts from Kenyatta University. She previously worked as a County Executive Committee member for Meru County, Public Service and Administration and Education and technology. She also served as the chairperson Kenya Secondary Schools Heads Association Tigania East Sub County. She joined the board on the 14<sup>th</sup> December 2018</p>
<p><b>Gilbert K. Langat</b></p> 	<p>Board Member</p> <p>DOB: 1971</p> <p>Mr. Gilbert Holds a BA degree in Management, from Moi University, Executive Training from Birmingham University and Executive Public Policy from Strathmore Business School (SBS). He is the CEO of shipper's council of Eastern Africa, the Chairman of port of Mombasa corridor charter, and a former director Kenya National Highways Authority. He Joined the board on the 14<sup>th</sup> December 2018 and is currently the chairperson of the Trade Committee.</p>

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**Eng. Bernard Ngore**

Board Member

DOB: 25<sup>th</sup> December 1970

Eng. Bernard Ngore holds a BSC in mechanical engineering from JKUAT, International Diploma in Administrative Management from Institute of Administrative Management of London and certificate on effects of engineering activities on global warming from Edinburgh University, Scotland. He is a registered professional mechanical engineer with Engineers Board of Kenya (EBK) and member of Institute of Engineers of Kenya (IEK)

He is the founder and CEO of Top Quality Motors Ltd and former Board member of Numerical Machining Complex. He is a former chair of Kenya Motor Repairs Association and a member of Infrastructure and Transport Sector Board of KEPISA. He joined the board on the 3<sup>rd</sup> May 2019.

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**MANAGEMENT TEAM**

The management team is as presented in the table below

<p><b>Lt. Col ( Rtd) Bernard N. Njiraini</b></p> 	<p><b>Managing Director</b></p> <p>Mr. Bernard Njiraini Holds a Master's and a bachelor degree in Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology. He holds a post graduate diploma in strategic studies from University of Nairobi and is a member of the Institution of Engineers of Kenya. He previously worked as the production manager at the Kenya Ordnance factory and as Managing Director Numerical Machining Complex</p>
<p><b>Mohammed Adan</b></p> 	<p><b>Director Finance and Strategy</b></p> <p>Mr. Mohammed Adan holds an MSC in Accounting and Financial Management and BA in Accounting &amp; Business Management from university of Hertfordshire (UK). He is also a Chartered Accountant, ACCA (UK)</p>
<p><b>Esther Ngari</b></p> 	<p><b>Director Standards Development</b></p> <p>Esther Ngari holds an Executive MBA from Jomo Kenyatta University and a BSC in Dairy Science and Food Technology from Egerton University. Esther is a Quality Management and Environmental Management Systems auditor.</p>

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**Bernard Nguyo**



**Ag. Director- Quality Assurance & Inspection**

Mr. Bernard Nguyo holds a Bachelors of Technology Degree in Textile Engineering from Moi University and International Advanced Diploma in Computer Studies from NCC Education - United Kingdom. He has over twenty years' experience in conformity assessment and is a trainer in Quality inspections.

**DR. Henry Kibet Rotich**



**Director Metrology & Testing**

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




**Christopher Kibett**



**Director Human Resource & Communication**

Mr. Christopher Kibett holds a MBA from University of Nairobi, BSC from Kenyatta University and Higher National Diploma in Human Resource Management. He exited from KEBS in February 2019.

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<p><b>Maria Goretti Nyariki</b></p> 	<p><b>Head of Legal Department</b></p> <p>Ms. MariaGoretti Nyariki is an advocate of the High Court of Kenya and holds a LLM from University of Nairobi, LLB (Hons) Degree from Pune University, India, a BA Political Science from Punjab University, India and a Post Graduate Diploma in Law. She is a member of ICPSK in good standing and a member of the Law Society of Kenya and the Chartered Institute of Arbitrators.</p>
<p><b>CPA Lincoln Mutisya Nyamai</b></p> 	<p><b>Head of Audit</b></p> <p>CPA Lincoln Nyamai holds an MBA Finance from University of Nairobi and a BBA in Finance and Accounting from Kenya Methodist University. He is a member of ICPAK and Institute of Internal Auditor and the secretary of the Audit Committee of the NSC Board.</p>
<p><b>DR. John Ngeno</b></p> 	<p><b>Head of Procurement</b></p> <p>DR. John Ngeno holds a Phd in Business Administration - Supply Chain and an MSC in Procurement from Jomo Kenyatta University of Agriculture &amp; Technology and a Bachelor in commerce ( Marketing ) from Jomo Kenyatta University of Agriculture &amp; Technology.</p>

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**CPA Anne Wanjala**



**Head of Finance**

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

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**III. CHAIRMAN'S STATEMENT**



I have great pleasure to present the KEBS annual report and unaudited accounts for the FY 2018/2019.

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

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

During the year under review, 725 standards were developed of which 66 support the Big Four Agenda and Kenya's Vision 2030. In the same year, Twenty-Seven (27) schemes of supervision and control were reviewed to enhance the certification of textile products in support of the big 4 agenda. In addition, KEBS certified 13,341 products, 8,889 calibration services were offered and Seventeen (17) Calibration and Measurement Capabilities (CMCs) were published in the BIPM database.

KEBS increased the testing scopes from 139 to 170, resulting to 63,323 samples being tested. In the same period 304 trainings were conducted and 210 management systems certificates were issued. KEBS has continued to deliver to its mandate and we are optimistic we will keep the momentum.

However, there are challenges both internal and external that KEBS faces these include, negative publicity which affected KEBS reputation, litigation and compliance risk as a result of our operations. In view of the above risks, KEBS has institutionalized a risk management framework to ensure business continuity. Currently, we are implementing KEBS 2017-2022 Strategic Plan and together we will deliver guided by our commitment to service delivery, excellence, leadership and innovation. We believe that through this plan we will achieve great results for Kenyans.

On behalf of the National Standards Council, I 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.  
Ken Wathome

*For [Signature]*  
**NSC CHAIRMAN.**

Date: 30/06/2020

#### **IV. REPORT OF THE MANAGING DIRECTOR**



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

#### **KEBS MAJOR ACHIEVEMENTS DURING THE YEAR**

##### **Standards Development**

Standards form the basis for trade as they translate the market conditions into a precise set of requirements to be met. During the year under review, KEBS developed 725 new standards, out of which 66 support the Big Four Agenda and Kenya's Vision 2030 and total of 1104 Standards were reviewed and maintained. These standards, once implemented, will complement Kenyan regulations and improve access of products to markets.

As part of our commitment to entrench the culture of quality in the market, a total of 61 standards propagation fora against a target of 50 were carried out focusing on specific sectors of the economy. These fora are important in raising awareness on newly developed standards as well as aiding in use, uptake and absorption of already existing standards.

##### **Quality Assurance**

During the year under review, a total of 13,341 products (3,076 products under SMEs and 10,265 products under large firms) were certified so as to improve their quality, competitiveness and access to markets. KEBS continued to implement Pre-Export Verification of Conformity to standards (PVoC) with a compliance level of 95%.

##### **Metrology and Testing**

A total of 8,889 calibration services were offered against a target of 8,100. In addition, a total of 17 CMCs were maintained and published as a demonstration of our capability in measurements. In the testing department, the testing capability was enhanced with an increase in testing scopes from 139 to 170. Furthermore, a total of 63,323 samples were tested against a target of 54,700.

##### **National Quality Institute (NQI) and Certification Body**

The NQI conducted a total of 304 trainings against a target of 268. In addition, 253 SMEs were trained against a target of 130 on ISO 9001 module / food safety standards for SMEs. These trainings assist firms to improve their production systems and processes. A total of 210 management systems certificates were issued during the year.

##### **Youth internships/ industrial attachment/Apprenticeships**

KEBS progressively involved 50 youth in internship, and 251 industrial attachment/or apprenticeship programs against a target of 300. These youth opportunities complement the government efforts to provide human and financial resources to facilitate access to quality education, which is critical in the protection and enjoyment of human rights in addition to enhancing the competitiveness of Kenya's human capital.

##### **Implementation of Access to Government Procurement Opportunities (AGPO)**

Tenders valued at Kshs 92.24 million were awarded to youth, women and people living with disabilities under the AGPO. Out of this value, a total of Kshs 1.14 million was awarded to persons living with disability.

**KENYA BUREAU OF STANDARDS  
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**Buy Kenya Build Kenya**

A total of Kshs 413.5 million was used to procure locally produced goods and services in support of the Buy Kenya, Build Kenya.

**Upgrade of Regional Offices**

The construction of the North Rift Regional offices and Laboratories is ongoing and is estimated to be 85% complete.

**Total Revenue/ Expenditure**

Revenue amounting to Kshs. 4.19 billion was raised against a total expenditure of Kshs. 4.35 billion. This was an impressive performance owing to the slowed economy that affected the industry.

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

During the year, we benefitted from National Treasury support for regional harmonization of standards and national research valued at Kshs 15.22 million under the Regional Integration and Implementation Programmes (RIIP) and the National Research Fund (NRF). Similarly, we received funds from other Development partners (Foundation Sustalde) amounting to Kshs 3.95 million

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

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



**Lt. Col (Rtd) Bernard N. Njiraini.**

**MANAGING DIRECTOR**

**V. CORPORATE GOVERNANCE STATEMENT**

**a) The roles and functions of the Board**

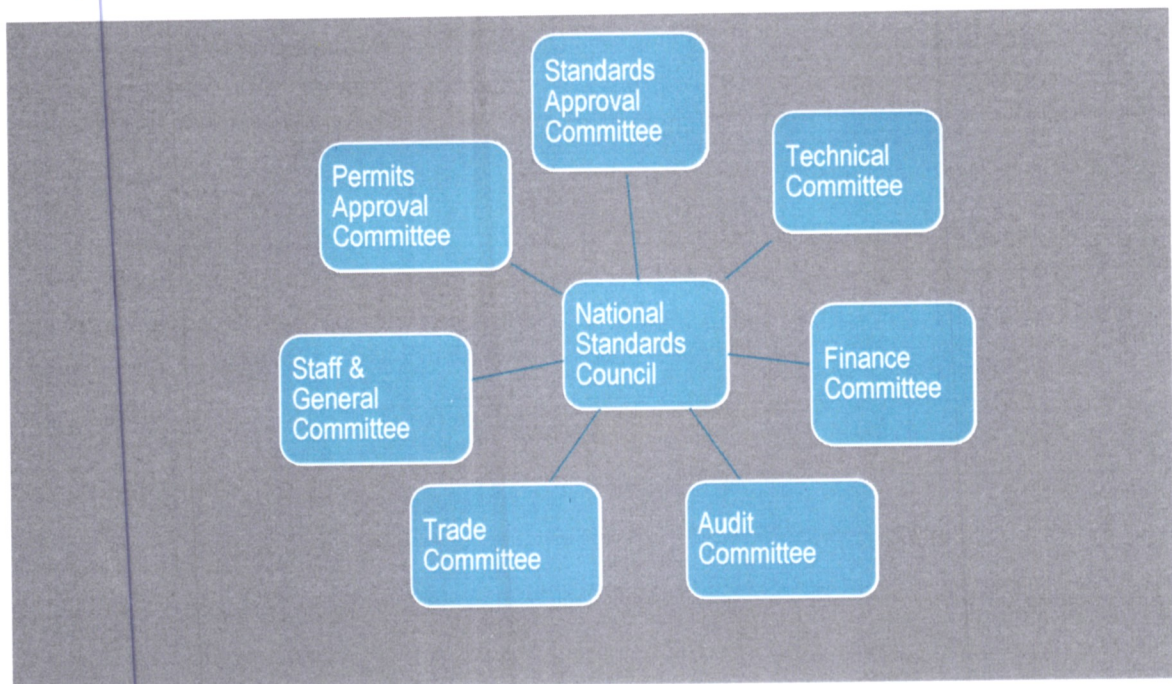
The roles and functions of NSC members is provided for in the Standards Act, Cap 496, Laws of Kenya and the same has been incorporated in the Board Charter.

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

**b) Committees of the Board**

The committees of the Board are as presented in Figure 3 below:

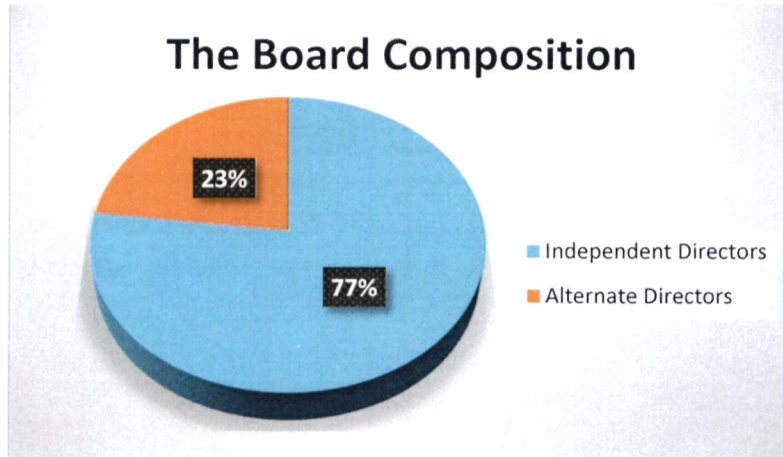
Figure 3: Board Committees



c) **The Board Composition**

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

Figure 4: Board Composition



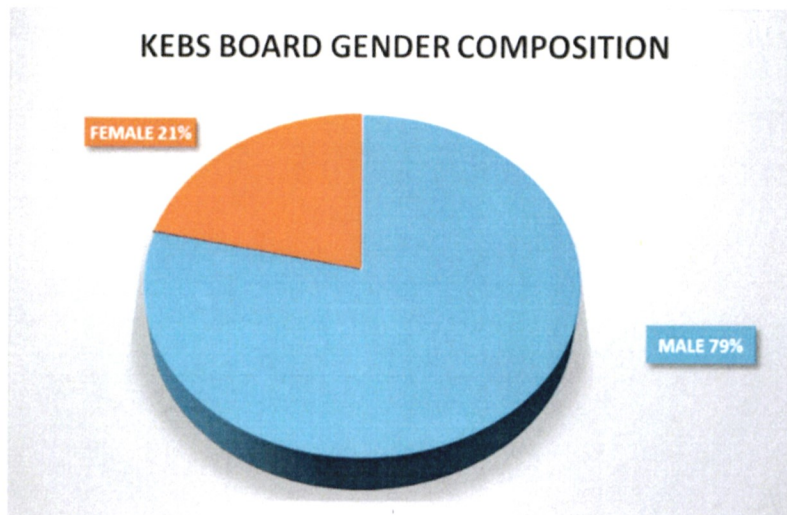
d) **Board Competence**

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

e) **Board Gender Representation**

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

Figure 5: Board Gender Composition



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**f) Board Charter**

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

**g) Appointment and Removal of Directors.**

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

**h) Board Evaluation and Remuneration**

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

**i) Board Induction and Training**

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

**j) Board Committee Meeting**

Board Committee meetings for the year under review are as presented in the table 2 below.

**Table 2: Board Committee Meetings**

<b>Board Committee</b>	<b>Total Planned</b>	<b>Actual Total</b>
National Standards Council	24	18
Permits Approval Committee	5	4
Standards Approval committee	6	3
Staff & General Committee	16	19
Finance Committee	8	4
Audit Committee	9	7
Technical Committee	8	8
Trade Committee	2	2

**k) Conflict of Interest**

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

**l) Governance Audit**

The governance audit was carried out by SCAC appointed auditors.

**m) Ethics and Conduct**

The NSC members are of good conduct and ethics.

**n) Risk Management**

Risk management is an integral part of the day-to-day business operation in KEBS. The NSC and the management are committed to implementing the risk management framework for effective operations to ensure that KEBS meets its mandate and for continuous improvement. KEBS has in place a sound system of risk oversight and management and internal control to identify, assess, monitor and manage material risks related to the conduct of its activities. Risk management framework is to continually improve the management of risk and reduce the risks to acceptable levels as guided by risk appetite and risk tolerance statements. The risk management framework is reviewed by our certification body, the British standards institution (BSI) for continuing suitability and effectiveness by our quality management external auditors. KEBS has also integrated the performance management tool (Balanced Scorecard) with risk management process for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated fully and it has in place strategies that provide a structured, systematic and focused approach to managing risk.

**o) Internal Audit and Assurance**

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

**p) External audit**

The office of the Auditor General provides external assurance through systems and financial audits.

**VI. MANAGEMENT DISCUSSION AND ANALYSIS**

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

This report highlights the financial and operational performances, challenges in relation to performance management, major risks facing the organization and corporate social responsibility activities carried out during the 2018/2019 financial year.

**1. Operational and financial performance of the organisation**

The operations of KEBS are based on the Strategic Plan 2017/2022 and the annual Performance contract. Individual work plans are implemented using the Balance Scorecard methodology which contributes to the overall organizational work plan. Presented below are the discussion and analysis of KEBS performance for the period under review.

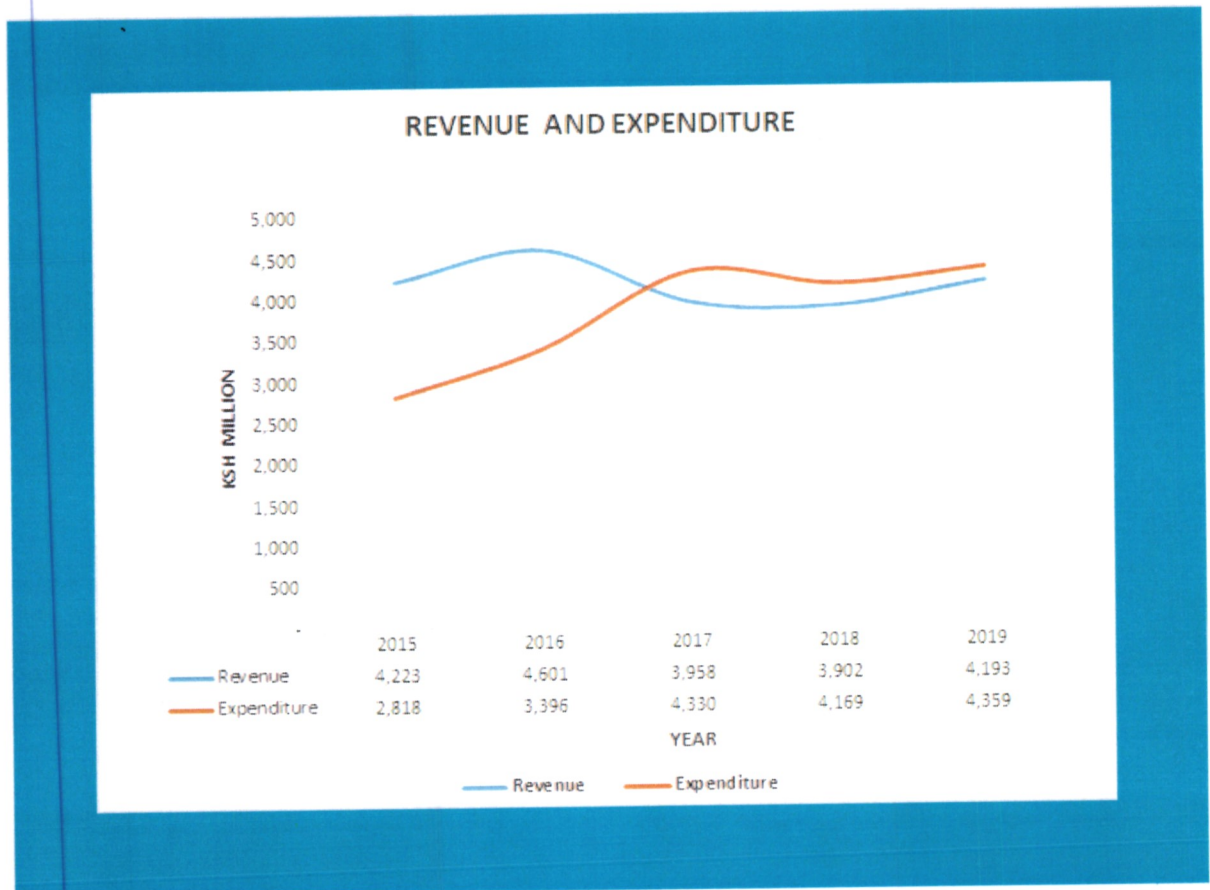
**a) Financial Performance**

KEBS revenue has grown in the last five (5) years from Kshs 2.3 billion in FY 2013 to Kshs 4.60 billion in FY 2016. However, In the financial year 2017 and 2018 the revenue dropped to a minimum of Kshs 3.90 Billion mainly attributed to the effect of change of government regulation. In the FY 2019, the revenue increased to

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Kshs 4.19 billion from Kshs 3.90 billion reported in FY 2018. This increase was mainly attributed to improved collections on PVoC Royalties and Inspection of Motor vehicles. The revenue and expenditure are as presented in figure 6 below:

**Figure 6: Revenue and Expenditure**



During the year under review the expenditure incurred was Kshs 4.35 Billion against revenue of Kshs 4.19 Billion leading to a deficit of Kshs 165.24Million.

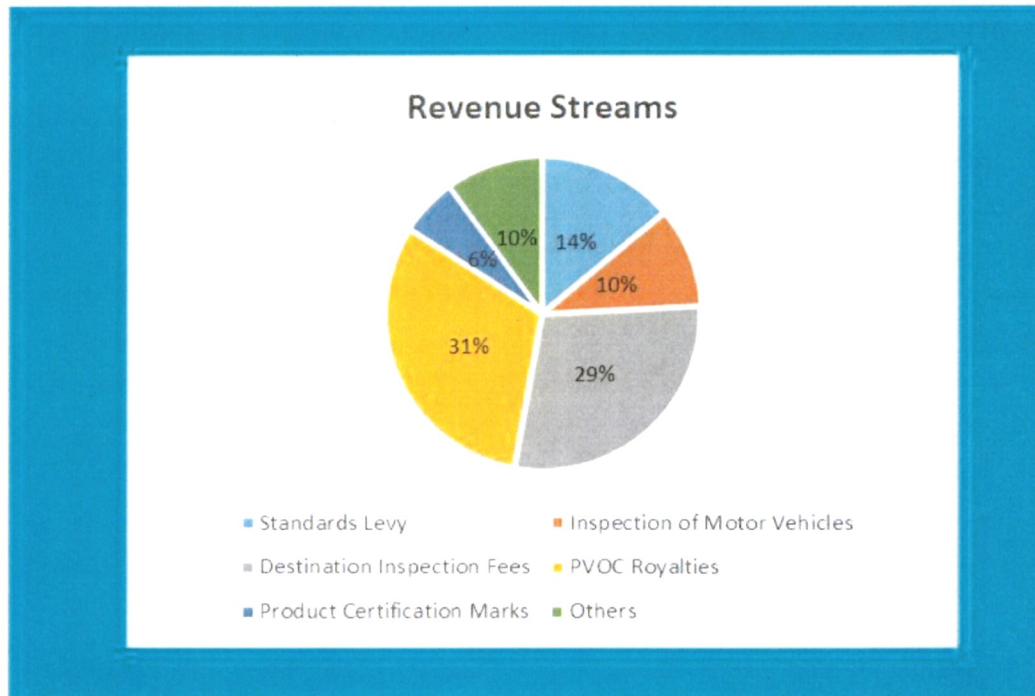
**i) Revenue**

Revenue overallly increased by 7% in the FY 2019 as compared to FY 2018. This was due to increased:

- a) Fees from PVoC Royalties by 29.8%.
- b) Inspection of Motor Vehicles and seminar revenues by 19% and 34 % respectively.
- c) System Certification and Laboratory analysis
- d) fees by 25 % and 16.8%respectively.
- e) Other revenues that registered marginal increase included Standardisation Mark and NQI membership fees.

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

Figure 7: Revenue streams

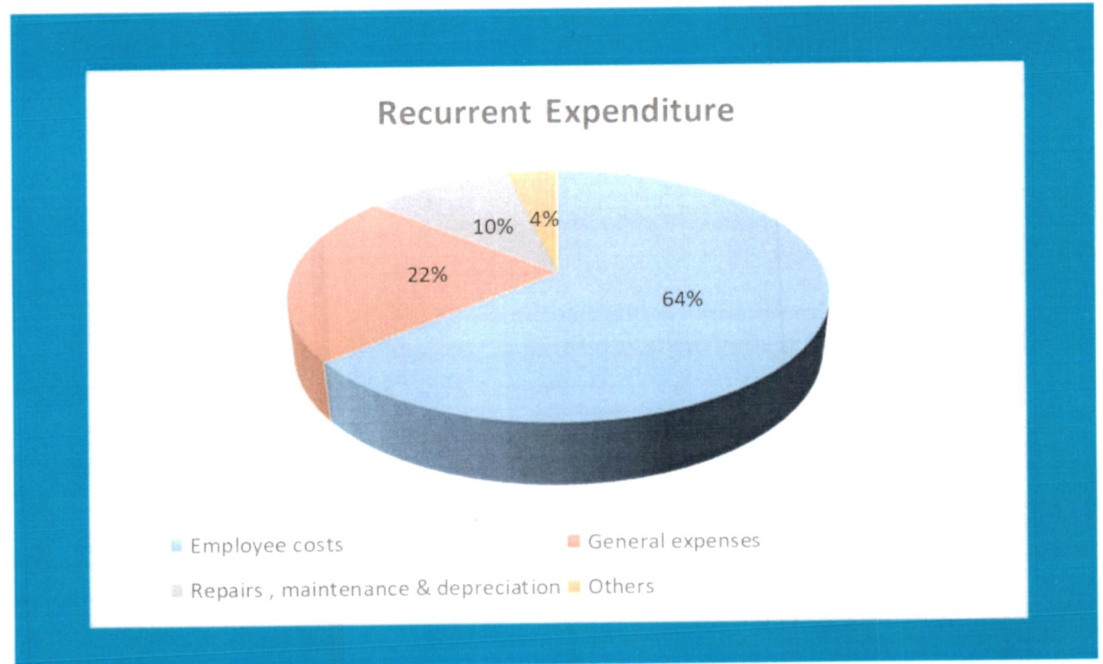


All the top five revenue streams fell under the category of regulatory income (destination inspection, PVoC royalties, standards levy, inspection of motor vehicles and product certification fees).

ii) **Expenditure**

The organisation's expenditure increased by 4.6 % . The increase was mainly attributed to increase in employee costs, repairs and Maintenance, general and other expenses. Increase in the remuneration of directors was due to execution of planned internal and external activities during the year, while repairs and maintenance, general and other expenses increased due to the increase in technical and other general activities of the organization during the year. The distribution of recurrent expenditure is as presented in figure 8 overleaf.

Figure 8: Recurrent Expenditure



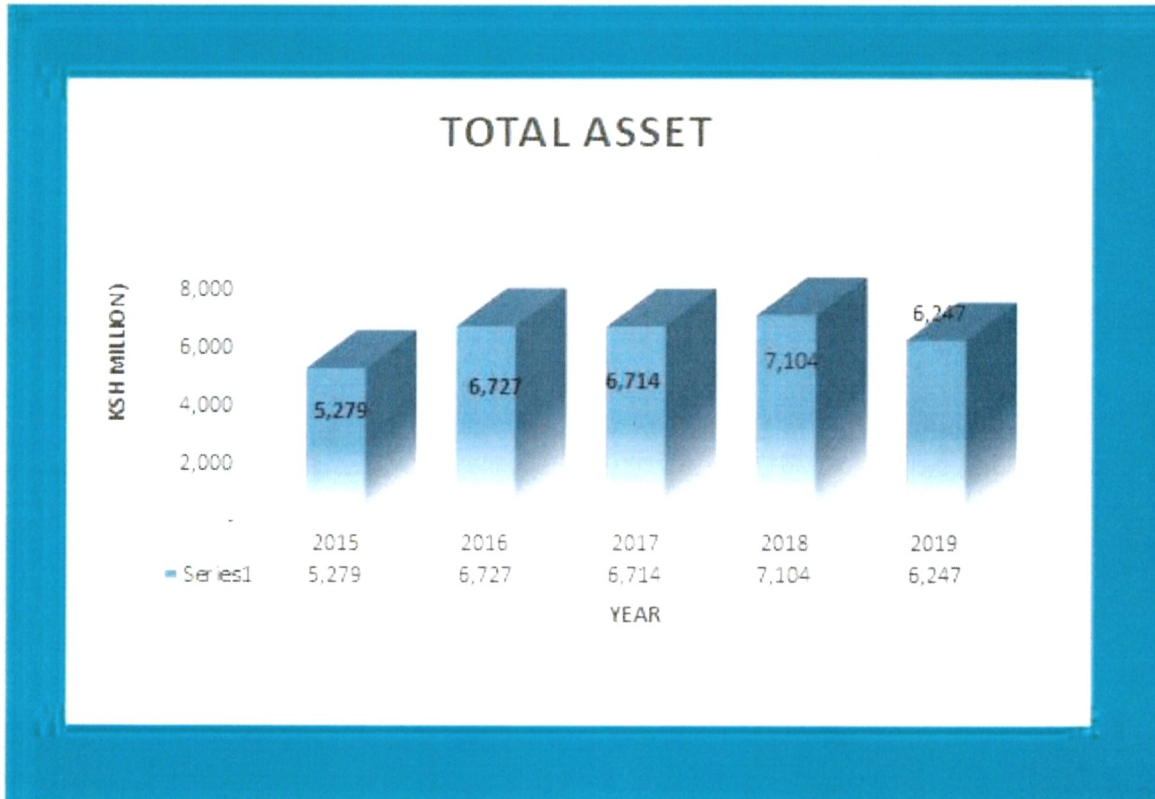
**iii) Total Assets**

KEBS assets have been increasing over the last years as compared to the year 2015 as a result of the following:

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

The total asset over the last five years is as presented in figure 9 overleaf:

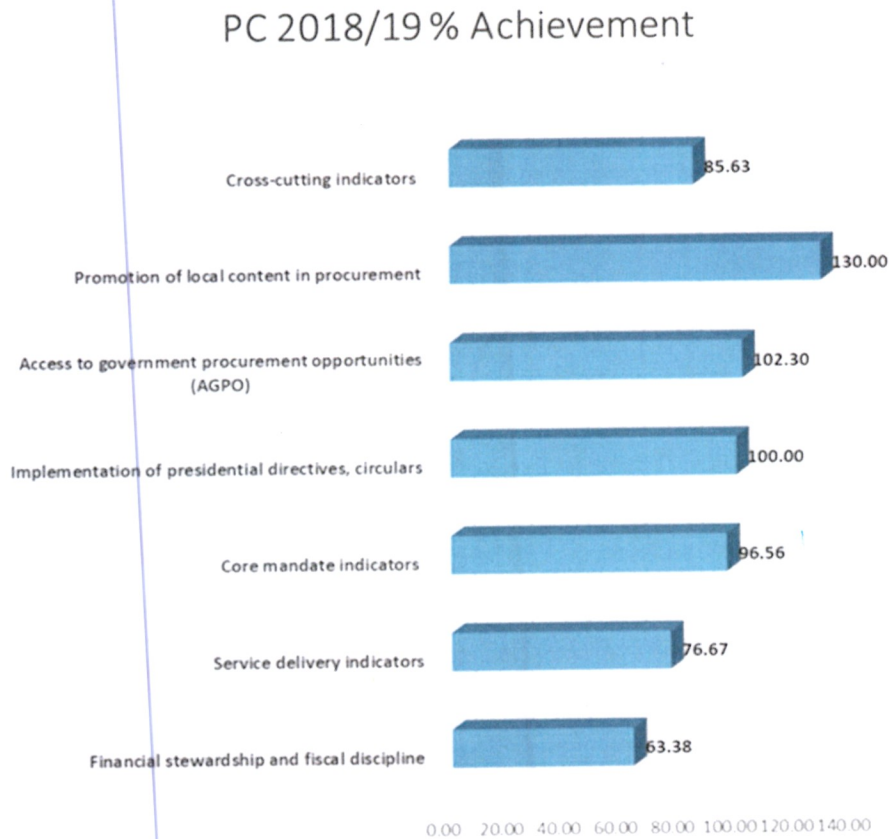
Figure 9: Total Assets



**b) Operational Performance**

The overall weighted aggregate performance score for KEBS in 2018-2019 Financial Year was **93.50%**, which is in the range of **Very Good**. The summary of achievement is as presented in figure 10 below:

Figure 10: KEBS Achievements FY 2018/2019



#### Challenges in relation to the performance management

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

**2. Key Projects and Investments Decision**

**i) Completed and Ongoing Projects**

During the year under review, KEBS commissioned Lake Region offices and the North Rift office and Laboratories are estimated to be 85 % complete and ongoing.

**Figure 11: Lake Regional Office and Laboratory commissioning.**



**ii) Acquisition of testing equipment**

KEBS has invested in state of the art testing equipment with the support of the following partners: Trade Mark East Africa, European Union – Standards and Market Access Program. Subsequently, the utilization of these equipment has improved operational efficiency by 33% in the last five years. The Acquisition of these equipment has enabled KEBS to increase the testing scope, improved proficiency and efficiency in testing and reducing the turn-around-time. One of the equipment acquired with the assistance of EU-SMAP project are as given in figure 12 overleaf.

Figure 12: KEBS Testing Equipment Funded under EU-SMAP Project



**KENYA BUREAU OF STANDARDS  
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**iii) Automation**

KEBS has continued to invest in Information Communication and Technology (ICT) both hardware and software. The current automation level stand at 50%. and the computer ratio per user is 1:2

**iv) Standards Development**

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

**3. Major risks facing the organisation and the Mitigation measures,**

- i. Over reliance on regulatory revenue streams. KEBS needs to diversify its revenue streams.
- ii. Substandard goods brought in through non-official routes. This is being addressed through increased efforts in market surveillance, opening of additional offices in border stations and sensitization of the public on the use of “20023” messaging system on confirmation of products in case of doubt.
- iii. Reputational risk arising from negative publicity. KEBS seeks to improve its image by conducting campaigns for sensitization to the general public on the KEBS mandate,
- iv. Interest rate risk. KEBS has ensured that the Overdraft facility is regularly maintained and a ceiling has been put in place as a way of controlling the finance cost.
- v. Liquidity risk due to restricted cash in bank. KEBS has negotiated for an overdraft to cater for the liquidity short fall that may arise due to the restriction of funds.
- vi. Market Risk-the possibility that KEBS may suffer a loss due to inflation or the fluctuation of currencies. KEBS negotiates for favourable exchange rates to mitigate Currency fluctuation.

**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.

**VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING**

**1. Corporate Social Responsibility**

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

**a) Kenya Society for the Blind Hike**

KEBS Carried out a hike for the blind in Mt. Longonot, the hike was coordinated by the Kenya Society for the Blind. The Kenya Society for the Blind (KSB) is a charitable organization established to champion & coordinate educational matters of visually impaired children.

**The Figure 13: Kenya Society for the Blind Hike**



**b) Corporate Donation of Firewood and Food Items**

As part of KEBS initiatives to provide food and other necessary items to the needy, KEBS donated firewood and dry food items to Starehe boys and Mama Ngina children home in Nairobi. KEBS also participated in the Standard Chartered marathon.

Figure 14: KEBS Participants to the Standard Chartered Marathon.



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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING (continued)**

**2. Sustainability Report**

**a) People**

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

**b) Wellness**

A wellness program for monitoring BMI, blood sugar, blood pressure and an eye Clinic was carried out at KEBS within the year. In addition, KEBS provides gym facilities for Staff members.

**Figure 15: Women Extravaganza – 2019**



**c) Competency Development**

KEBS maintains a skills matrix, which defines the competencies required for the realization of the objectives. A total of 560 skill based programmes and 12 broad based programmes were carried out based on the annual training plan.

**d) Occupational health and safety.**

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

Over 1000 trees were planted at the Head office, Kisumu regional office, Litein Special School for the Deaf (Kericho), Child Welfare Society (Kisii) and Wamumu Rehabilitation School (Kirinyaga). KEBS is in the Process for implementing an integrated environment, health and safety management system based on ISO 45001 and ISO 14001, and 20 Champions have already been trained and certified.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING (continued)



**e) Corruption prevention**

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

**f) Whistle Blowing Policy**

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

**g) ISO Accreditation/Certification.**

KEBS maintains accreditation for its metrology, testing and certification functions. In addition, we hold an ISO 9001 Certification:

**i. ISO 17025 Accreditation - Metrology**

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

**ii. ISO 17025 Accreditation -Testing**

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

**iii. ISO 17021 Accreditation**

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

**iv. ISO 17065 Accreditation**

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

**v. ISO 17020 Accreditation**

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

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**vi. ISO 9001 Certification**

KEBS holds ISO 9001:2015 certification by BSI. The organization was successfully recertified to the same standard in February 2019.

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**VIII. REPORT OF THE DIRECTORS**

The directors submitted their report together with the un-audited financial statements for the year ended June 30, 2019, which show the state of the KEBS affairs.

**Principal Activities**

The principal activities of KEBS are:

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

**Results**

The results of KEBS for the year ended June 30, 2019 are set out on Page 42

**Directors**

The members of the National Standards Council who served during the year are shown on page 9. The following NSC members exited or were appointed to the NSC during the year under review: -

**Table 3- DIRECTORS APPOINTMENT & EXITS**

No.	Board Member	Status
1.	Ken Wathome	Appointed on 12th July 2018
2.	Mugambi Imanyara	Retired on August 2018
3.	Hellen Kabeti Nagithia	Appointed on 14 <sup>th</sup> December 2018
4.	Gilbert Langat	Appointed on 14 <sup>th</sup> December 2018
5.	Eric Mungai Wagithuku	Appointed on 14 <sup>th</sup> December 2018
6.	Eng. Bernard Ngore	Appointed on 10 <sup>th</sup> May 2019

**Surplus Remission**

KEBS did not report any surplus during the year (FY 2019-nil) and hence there was no remittance to the Consolidated Fund.

**Auditors**

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

By Order of the NSC.

**Lt. Col (Rtd) Bernard N. Njiraini  
MANAGING DIRECTOR**

Date: 25.06.2020

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The National Standards Council is responsible for the preparation and presentation of KEBS financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on June 30, 2019. 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 Council accept responsibility for the KEBS financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the requirements of the Standards Act. The Council is of the opinion that KEBS financial statements give a true and fair view of the state of KEBS transactions during the financial year ended June 30, 2019, and of the KEBS financial position as at that date. The Council further confirm the completeness of the accounting records maintained for KEBS, which have been relied upon in the preparation of the KEBS financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the Financial Statements**

The KEBS financial statements were approved by the National Standards Council on \_\_\_\_\_ 2019 and signed on its behalf by:

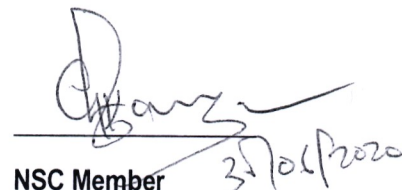


**NSC Chairman**



**Chairperson -Finance Committee**

*30th June, 2020*

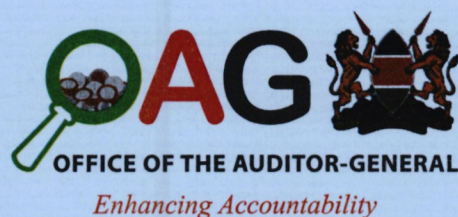


*30/06/2020*

**NSC Member**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 42 to 74, which comprise of the statement of financial position as at 30 June, 2019, 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Bureau of Standards as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Standards Act, Cap 496 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Long Outstanding Receivables from Exchange Transactions**

As previously reported, receivables from exchange transactions balance of Kshs.488,453,918 includes long outstanding debts balance of Kshs.17,500,000 owed by a law firm under receivership in respect of a payment made to the firm for purchase of land in Nairobi. Although the transaction turned out to be fraudulent, recovery of the money had not been made as at 30 June, 2019. The matter was forwarded to the Inspectorate of State Corporations which recommended that the matter be referred to the Ethics and Anti-Corruption Commission for investigation. The outcome of this investigation had not been concluded by the end of the financial year.

The balance also includes a further balance of Kshs.4,283,351 that has been outstanding for a long period. The balance constitutes miscellaneous debtors of Kshs.1,585,822 and

prepayments of Kshs.2,697,529 to three firms for goods and services that were never supplied or rendered. Although the Board had approved the write off of debts amounting to Kshs.42,034,269, The National Treasury approval had not yet been obtained.

In view of the above, the validity and the recoverability of Kshs.21,783,351 included in the receivables from exchange transactions balance in the statement of financial position as at 30 June, 2019 could not be confirmed.

## **2.0 Discrepancies in the Cash and Cash Equivalents**

As disclosed under Note 15, the statement of financial position reflects cash and cash equivalents of Kshs.1,714,218,295. A review of records maintained at the Lake Regional Office revealed the following unsatisfactory matters: -

### **2.1 Unsupported Cash and Cash Equivalents**

Examination of regional office records revealed that total payments from operations amounted to Kshs.38,640,405. However, the ledger controlled at the Head Office indicated the total payments for the same period of Kshs.35,699,738 resulting into a variance of Kshs.2,940,667.

### **2.2 Loss of Cash**

Further, revenue cheques totalling to Kshs.1,844,723 were banked in operations account instead of the revenue collection account and withdrawn after a few days. This matter is in court and the staff involved are under investigation. The matter has not yet been concluded. The bank statements availed for audit review from the region were photocopies and not certified as true copies of original from the bank.

In addition, cash in hand certificates for Mombasa Regional Office reflected unaccounted for cash of Kshs.1,153,872.

Consequently, the accuracy, completeness and validity of cash and cash equivalent balance of Kshs.1,714,218,295 as at 30 June, 2019 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.

### **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 Matters**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised. However, the Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular reference No. PSASB/1/12/(44) of 25 June, 2019.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Irregular Direct Procurement of Legal Services**

During the year under audit review, the Bureau procured and paid Kshs.17,760,000 to a legal firm for the legal service of revision of the Standards Act and the National Quality Policy. There was no evidence that the law firm was competitively sourced as required by the Public Procurement and Asset Disposal Act, 2015 nor was there evidence that the Management sought the approval of the Attorney General in procuring the services as required by Government circular No.AG/CON/6/D/144VOL.11. Further, the contract between the law firm and the Bureau was not provided for audit review.

In the circumstances, it was not possible to confirm that the above procurements of law firms were done in accordance with the procurement law.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and 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 Board of Directors**

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

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

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


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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**19 August, 2021**

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2019**

The notes set out on pages 46 to 73 form an integral part of these Financial Statements

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Standards Levy	1	582,749,455	581,694,329
<b>Revenue from exchange transactions</b>			
Rendering Of Services	2	3,511,904,754	3,189,682,609
Government Transfer-( RIIP& NRF)	3	15,225,500	25,000,000
Finance Income	4	72,216,394	91,839,626
Other Income	5	11,046,167	13,809,394
<b>Total revenue</b>		<b>4,193,142,269</b>	<b>3,902,025,959</b>
<b>Expenses</b>			
Employee costs	6	2,794,058,618	2,772,348,030
Remuneration of directors	7	79,617,127	53,850,323
Depreciation and amortization expense	8	194,627,785	194,689,347
Repairs and maintenance	9	284,127,330	205,569,180
Contracted services	10	21,018,257	31,021,223
General expenses	12	931,518,504	825,194,648
Finance costs	13	53,871,232	86,388,365
<b>Total expenses</b>		<b>4,358,838,852</b>	<b>4,169,061,117</b>
<b>Other gains/(losses)</b>			
Gain on Disposal		459,269	
<b>Deficit for the period</b>		<b>(165,237,314)</b>	<b>(267,035,158)</b>
Remission to National Treasury		-	-
<b>Net Surplus for the year</b>		<b>(165,237,314)</b>	<b>(267,035,158)</b>

KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

XII. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	1,714,218,295	2,677,706,819
Receivables from exchange transactions	16	488,453,918	438,443,599
Current portion of long-term receivables from exchange transactions	16	683,774,054	609,628,046
Receivables from non-exchange transactions	17	36,271,886	34,703,177
Inventories	18	69,287,674	98,525,005
		<b>2,992,005,827</b>	<b>3,859,006,646</b>
<b>Non-current assets</b>			
Property, plant and equipment	23	3,246,227,002	3,232,918,593
Intangible assets	24	8,267,342	11,810,488
		<b>3,254,494,344</b>	<b>3,244,729,082</b>
<b>Total assets</b>		<b>6,246,500,171</b>	<b>7,103,735,728</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	500,264,351	369,029,031
Current portion of borrowings	21	115,461,465	938,695,028
		<b>615,725,816</b>	<b>1,307,724,059</b>
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>615,725,816</b>	<b>1,307,724,059</b>
<b>Net assets</b>		<b>5,630,774,355</b>	<b>5,796,011,669</b>
Revaluation Reserves		990,156,591	990,156,591
Accumulated surplus		3,645,149,558	3,810,386,872
Capital Fund		995,468,206	995,468,206
<b>Total net assets and liabilities</b>		<b>5,630,774,355</b>	<b>5,796,011,669</b>

The Financial Statements set out on pages 42 to 73 were signed on behalf of the NSC by:



Managing Director  
Lt Col (Rtd) Bernard N. Njiraini



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



NSC Chairman  
Eng. Bernard Ngore

Date: 25.06.2020

Date: 25/06/2020

Date: 30/06/2020

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019**

	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2016</b>	990,156,591	4,449,614,240	842,069,884	6,281,840,715
Total comprehensive income	-	(372,192,209)	-	(372,192,209)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2017</b>	990,156,591	4,077,422,030	842,069,884	5,909,648,505
<b>At July 1, 2017</b>	990,156,591	4,077,422,030	842,069,884	5,909,648,505
Revaluation gain	-	-	-	-
Total comprehensive income	-	(267,035,158)	-	(267,035,158)
Capital/Development grants received during the year	-	-	153,398,322	153,398,322
<b>At June 30, 2018</b>	990,156,591	3,810,386,872	995,468,206	5,796,011,669
Total comprehensive income	-	(165,237,314)	-	-
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2019</b>	990,156,591	3,645,149,558	995,468,206	5,630,774,355

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**XIV. STATEMENT OF CASH FLOWS AS AT JUNE 30, 2019**

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>Net cash flows from operating activities</b>		(759,554,742)	321,457,086
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	23	(206,005,778)	(490,994,594)
Add Back - Equipment Grant ( Smap)			153,398,320
Proceeds from sale of property, plant and equipment		2,072,000	
<b>Net cash flows used in investing activities</b>		(203,933,778)	(337,596,274)
<b>Net Increase in cash and cash equivalents</b>		(963,488,521)	(16,139,188)
Cash and cash equivalents at beginning.		2,677,706,819	2,693,846,005
<b>Cash and cash equivalents as at 30th June 2019</b>	<b>15</b>	<b>1,714,218,296</b>	<b>2,677,706,819</b>

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Standards Levy	860,585,560	-	860,585,560	582,749,455	(277,836,105)
<b>Revenue from exchange transactions</b>					
Rendering of services	4,002,497,500	(469,473,000)	3,533,024,500	3,511,904,754	(21,119,746)
Government Transfer-( RIIP)	28,100,000	-	28,100,000	15,225,500	(12,874,500)
Finance Income	10,000,000	30,000,000	40,000,000	72,216,394	32,216,394
Other Income	2,425,000	-	2,425,000	11,046,167	8,621,167
<b>Total revenue</b>	<b>4,903,608,060</b>	<b>(439,473,000)</b>	<b>4,464,135,060</b>	<b>4,193,142,269</b>	<b>(270,992,791)</b>
<b>Expenses</b>					
Employee costs	2,966,404,874	36,620,000	3,003,024,874	2,794,058,618	208,966,256
Remuneration of directors	74,960,000	500,000	79,960,000	79,617,127	342,874
Depreciation and amortization expense	226,009,000	-	226,009,000	194,627,785	31,381,215
Repairs and maintenance	318,394,650	(2,917,600)	315,477,050	284,127,330	31,349,720
Contracted services	33,626,000	-	33,626,000	21,018,257	12,607,743
General expenses	1,450,222,536	(346,612,390)	1,103,610,146	931,518,504	172,091,642
Finance costs	60,000,000	-	60,000,000	53,871,232	6,128,768
<b>Total expenditure</b>	<b>5,129,617,060</b>	<b>(307,909,990)</b>	<b>4,821,707,070</b>	<b>4,358,838,852</b>	<b>462,868,217</b>
Adjusted for Disposal				459,269	
<b>Surplus for the period</b>	<b>(226,009,000)</b>	<b>-</b>	<b>(226,009,000)</b>	<b>(165,237,314)</b>	<b>-</b>

**Notes for material deviation**

**i) Standards Levy**

The following was noted:

- a) Closure of some manufacturing firms owing Standards Levy.
- b) Slowed economic performance in the Financial Year under review.
- c) Non materialization of the MOU with National Construction authority on Standards Levy.

**ii) Rendering of Services**

**a. Laboratory Analysis fees**

There was a reduction of testing of private samples in the period under review.

**b. Metrology Services and System Certification**

The variation was due to:

- 1.) Increased competition for metrology/certification services in Kenya
- 2.) Staff shortage to handle the metrology/system certification.
- 3) Increase of accredited laboratories in the market.

**iii) Expenditure.**

The Variation was due to.

- a. Austerity measures in travelling and accommodation
- b. There were no Employment and Internship during the year.

**Summary of reallocations**

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

**XVI. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

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

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

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The standard is currently not applicable to KEBS

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard is currently not applicable to KEBS</p>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>• The nature of such social benefits provided by the entity;</li> <li>• The key features of the operation of those social benefit schemes; and</li> <li>• The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p>The Standard is applicable to KEBS and will consider to adopt it when it becomes effective.</p>

**iii. Early adoption of standards**

KEBS did not early adopt any new or amended standards in year 2019.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Revenue recognition**

**i. Revenue from non-exchange transactions- IPSAS 23  
Standards Levy Fees**

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

**ii. Rendering of services**

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

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

**iii. Interest income**

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

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

**b) Budget information – IPSAS 24**

The original budget for FY 2018-2019 was approved by the National Treasury on 13<sup>th</sup> June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by KEBS upon receiving the respective approvals in order to conclude the final budget.

KEBS budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements. The amounts in the financial statements were recast and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

**c) Taxes**

**Sales tax**

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

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

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

KEBS recognises expenses and assets at gross amount.

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

**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 –IPSAS 17**

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

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

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

Free hold land and work in progress is not depreciated.

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

**e) Operating Leases -IPSAS 13**

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

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

**f) Intangible assets –IPSAS 31**

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

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

**g) Inventories – IPSAS 12**

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

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

**h) Financial Instruments – IPSAS 29**

**Financial assets**

**Initial recognition and measurement**

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

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.  
KEBS does not have any financial instrument.

**i) Provisions –IPSAS 19**

Provisions are recognized when KEBS has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**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.

**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.

**Nature and purpose of reserves**

Reserves are created and maintained in terms of specific requirements. KEBS Revenue reserves are maintained for purposes of purchase of equipment, construction of regional offices and laboratories,

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

contingent liabilities and capital commitments that become payable. Revaluation reserves refer to the change in fixed assets since the last revaluation in 2009.

**j) Changes in accounting policies and estimates – IPSAS 3**

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

**k) Employee benefits – IPSAS 39**

**Retirement benefit plans**

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. KEBS last actuarial valuation was done in March 2018.

**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.

**l) Related parties- IPSAS 20**

The organization regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the NSC members, Managing Director, Divisional Directors, Heads of other various departments and regional Managers within KEBS.

**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.

**Comparative figures**

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

**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, 2019

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

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

The preparation of the KEBS financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However,

uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

**a) Estimates and assumptions**

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

**b) Going Concern**

The financial 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.

**c) Useful lives and residual values**

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

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

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

- Buildings the lease period-99years
- Equipment 10 years
- Computer 3 years
- Motor vehicle 5 years
- Intangible assets (Software) -3 years
- Free hold Land and Work in Progress is not depreciated.

**d) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

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

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

<b>1. STANDARDS LEVY</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Standards Levy	582,749,455	581,694,329
<b>Total</b>	<b>582,749,455</b>	<b>581,694,329</b>
<b>2. RENDERING OF SERVICES</b>		
Inspection of Motor Vehicles	430,037,425	361,116,062
Laboratory Analysis Fees	45,760,979	38,808,480
Metrology Services Fees	68,509,740	68,630,460
Systems Certification Fees	59,753,878	47,794,919
Seminar Fees	111,862,418	83,370,410
Diamond Mark Fees	27,851,310	67,307,939
Sale of Standards & Development Fees	23,073,334	25,084,823
Destination Inspection Fees	1,201,564,223	1,271,403,288
Standardization Mark Fees	218,171,861	209,682,264
PVOC Royalties	1,311,812,152	1,010,474,801
NQI Membership Fee	13,507,433	6,009,163
<b>Total revenue from the rendering of services</b>	<b>3,511,904,754</b>	<b>3,189,682,609</b>
<b>3. Government Transfer</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
RIP Project	7,081,000.00	25,000,000
NRF	8,144,500.00	-
<b>Total Government Transfers</b>	<b>15,225,500.00</b>	<b>25,000,000</b>
<b>4. INTEREST INCOME</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest Income	72,216,394	91,839,626
<b>Total finance income – external investments</b>	<b>72,216,394</b>	<b>91,839,626</b>
<b>5. OTHER INCOME</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Miscellaneous Income	7,092,584	13,809,394
Other Development Partners	3,953,583	-
<b>Total other income</b>	<b>11,046,167</b>	<b>13,809,394</b>

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

<b>6. EMPLOYEE COSTS</b>		
	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic Salary	1,411,676,287	1,358,925,561
House Allowance	364,596,932	364,503,455
Commuter & Other Expenses	208,690,035	207,125,412
Gratuity and Pension Expenses	232,153,844	269,810,088
NSSF Contribution	2,426,400	2,679,800
Transfer Allowance	13,066,991	14,283,202
Leave Allowance	48,030,500	45,524,918
Performance Management	4,463,134	32,086,122
Alcohol & Drug Prevention and HIV Program	6,009,825	9,729,380
Medical Insurance	197,932,835	172,824,353
Staff Awards & Honoraria	18,371,000	32,857,710
Local Travelling and Accommodation	201,380,673	192,941,100
External Travelling	85,260,162	69,056,929
<b>Total Employee Cost</b>	<b>2,794,058,618</b>	<b>2,772,348,030</b>
<b>7. REMUNERATION OF DIRECTORS</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Honoraria	-	-
Board Meeting Expenses	79,617,127	53,293,522
Travelling & Accommodation	-	556,801
<b>Total director emoluments</b>	<b>79,617,127</b>	<b>53,850,323</b>
<b>8. DEPRECIATION AND AMORTIZATION EXPENSE</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, plant and equipment	191,084,638	189,627,709
Intangible assets	3,543,146	5,061,638
<b>Total depreciation and amortization</b>	<b>194,627,785</b>	<b>194,689,347</b>
<b>9 .REPAIRS AND MAINTENANCE</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Transport Operating	19,180,005	18,058,095
Computer Expenses	163,302,362	126,717,003
Maintenance of Office Equipment	26,704,430	7,580,155
Maintenance of Physical Standards & Lab Equipment	13,821,946	13,768,643
Maintenance of Building	51,676,637	37,920,590
Civil & Engineering Alteration	9,441,950	1,524,694
<b>Total repairs and maintenance</b>	<b>284,127,330</b>	<b>205,569,180</b>

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

<b>10. CONTRACTED SERVICES</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Contracted Professional services	21,018,257	31,021,223
<b>Total Contracted Services</b>	<b>21,018,257</b>	<b>31,021,223</b>
<b>11. GRANTS AND SUBSIDIES</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
International Atomic Energy Agency	49,162,428	49,162,428
Kenya Government Grant	612,776,307	612,776,307
W. Germany Government Grant	64,921,147	64,921,147
World Trade Organisation Grant	899,479	899,479
World Bank Grant	39,722,771	39,722,771
Intertek	1,809,742	1,809,742
UNIDO	13,539,254	13,539,254
Trade Mark East Africa	58,910,057	58,910,057
Time Electronics	328,699	328,699
Smag Grant	153,398,322	153,398,322
<b>Total grants and subsidies</b>	<b>995,468,206</b>	<b>995,468,206</b>

Grants from SMAP, WTO, UNIDO, World Bank, Trade Mark East Africa and Time Electronics were all donations the form of laboratory equipment, motor vehicle and computers

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

<b>12. GENERAL EXPENSES</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Post and Delivery	7,760,008	6,561,852
Telephone	7,040,141	6,833,946
Tender Expenses	12,957,125	14,435,333
Electricity, Water and Conservancy	33,318,248	30,039,235
Fuel	26,033,678	20,902,293
Publishing and Printing	5,433,558	2,578,030
Purchase of Uniforms and Clothings	8,720,200	5,917,668
Library	6,442,630	13,745,464
Purchase of Stationery	40,714,570	42,645,620
Advertising and Publicity	37,341,519	37,452,797
Show and Exhibitions	35,650,920	13,358,129
Sports and Welfare	65,808,836	43,326,290
Rent and Rates	35,635,581	33,362,845
Hire of Transport	1,040,802	500
Audit fees	696,000	696,000
Security	20,468,907	20,948,317
Subscriptions	19,090,883	16,319,594
Training	67,993,351	67,387,737
Seminar	60,676,469	28,042,974
World Standards and Metrology days	5,214,450	946,097
Environment, Health & Safety Services	7,869,038	8,960,190
Bad debts	-	-
Legal Expenses	110,163,780	132,888,962
Research and Development in Metrology	9,739,204	12,160,594
Laboratory Material Chemicals & Reagents	116,401,173	103,494,315
Standards Enforcement	12,940,171	12,443,605
Certification Services	10,128,639	8,973,855
Standards Development	46,223,768	66,459,561
Accreditation Services	40,325,865	20,549,131
BIPM CMC Programme	461,654	936,680
Kenya National Committee of IEC	2,754,247	1,197,263
Quality Awards	5,086,112	1,918,000
Insurance	37,910,129	29,456,991
Bank Charges	1,414,016	2,139,486
Regional Integration expenses	25,328,366	18,115,295
Hortigreen Expenses	1,421,420	-
NRF Expenses	5,313,047	-
<b>Total General Expenses</b>	<b>931,518,504</b>	<b>825,194,648</b>

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

<b>13. FINANCE COSTS</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Bank overdrafts	53,871,232	86,388,365
<b>Total finance costs</b>	<b>53,871,232</b>	<b>86,388,365</b>
<b>14. GAIN /LOSS ON SALE OF ASSETS</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Property ,Plant and Equipment	459,269	-
<b>Total Gain on Disposal</b>	<b>459,269</b>	<b>-</b>
<b>15(a) CASH AND CASH EQUIVALENTS</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank	478,431,914	934,150,748
Cash	775,056	399,680
Short-term deposits	1,075,970,860	1,518,513,316
Staff Mortgage Account	159,040,466	224,643,075
<b>Total cash and cash equivalents</b>	<b>1,714,218,295</b>	<b>2,677,706,819</b>

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

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

<b>(i) Current Accounts</b>			
<b>FINANCIAL INSTITUTION</b>	<b>ACCOUNT No.</b>	<b>2018/2019</b>	<b>2017/2018</b>
		<b>Kshs</b>	<b>Kshs</b>
National Bank of Kenya	0100-3002-830-600	38,105,999	346,962,692
National Bank of Kenya	0100-3002-830-602		
National Bank of Kenya	0100-3002-830-603	1,412,128	
National Bank of Kenya	0100-3002-830-604	24,961,655	7,775,155
National Bank of Kenya	0100-3002-830-605	1,157,438	
National Bank of Kenya	0100-3002-830-606	437,274	555,242
National Bank of Kenya	0100-3002-830-607	2,990,121	139,888
National Bank of Kenya	0100-3236-26100	901,028	
National Bank of Kenya	0200-302-830-600	164,164,450	79,066,353
National Bank of Kenya	0100-343-159-300		
National Bank of Kenya	0100-320-408-500		
National Bank of Kenya	0100-328-362-800	1,075,166	
National Bank of Kenya	0100-10510-9703	3,199,785	52,755
Kenya Commercial Bank	110-783-946-7	1,136,588	327,558
Kenya Commercial Bank	110-761-835-5	151,298,370	280,894,637
Co-operative Bank	212-050-445-4700	60,345,283	160,898,171
Co-operative Bank	114-415-044-547-00	23,678,399	15,237,086
M-PESA	804700	3,568,230	42,241,211
<b>TOTAL</b>		<b>478,431,914</b>	<b>934,150,748</b>
<b>(ii) Fixed Deposits</b>			
National Bank of Kenya		1,075,970,860	1,518,513,316
Kenya Commercial Bank			-
Cooperative Bank			-
<b>TOTAL</b>		<b>1,075,970,860</b>	<b>1,518,513,316</b>
<b>(iii) Staff Mortgage</b>			
Kenya Commercial Bank		159,040,466	224,643,075
<b>Others</b>			
Cash At Hand		775,056	399,680
<b>Grand Total</b>		<b>1,714,218,295</b>	<b>2,677,706,819</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**16. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>Current receivables</b>		
Trade Debtors	415,593,650	385,983,729
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	40,292,089	41,459,160
Miscellaneous Debtors	1,585,822	1,585,822
NBK-Interest receivable	6,444,161	16,320,282
Provision for doubtful debts	(58,017,983)	(49,137,406)
Accrued Income (Courier)	-	7,568,464
Prepayments (Medical Insurance)	62,358,649	14,466,020
<b>Total Current receivables</b>	<b>488,453,918</b>	<b>438,443,599</b>
<b>Non-current receivables</b>		
Staff Mortgage Scheme	683,774,054	609,628,046
Total non-current receivables	683,774,054	609,628,046
<b>Total Receivables From Exchange Transactions</b>	<b>1,172,227,972</b>	<b>1,048,071,645</b>

**17. RECEIVABLES FROM NON-EXCHANGE CONTRACTS**

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>Current receivables</b>		
Kenya Revenue Authority	36,271,886	34,703,177
<b>Total current receivables</b>	<b>36,271,886</b>	<b>34,703,177</b>

**18. INVENTORIES**

Description	2018-2019	2017-2018
	Kshs	Kshs
Stationery	34,456,134	9,549,520
Bio Chemical Stock	12,263,788	16,936,083
Standards Stock	15,897,272	69,700,798
Engineering Stock	6,670,480	2,338,604
<b>Total inventories at the lower of cost and net realizable value</b>	<b>69,287,674</b>	<b>98,525,005</b>

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019	2017-2018
	Kshs	Kshs
General Trade Creditors	206,152,579	122,278,679
Library Deposits	93,600	93,600
Audit Fees Payable	696,000	696,000
Accrued Liability on Equipment	-	-
Accrued Retention Fee	37,801,679.33	48,239,751
ISM Account	93,255,248	84,259,989
Staff Deductions Payable	63,650,049	601,865
Accrued Expenses -ISM Mark	59,532,397	59,532,397
Accrued Pension Payable	-	12,722,861
Accrued Legal Expenses	30,012,314	30,012,314
Other Creditors	3,706,869	3,706,869
Unexpended Conditional Grant( RIIP)	5,363,616	6,884,705
<b>Total Trade and Other Payables</b>	<b>500,264,351</b>	<b>369,029,031</b>

**21. BORROWINGS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Balance as at 1st JULY	938,695,028	165,873,701
Bank overdraft during the year	(823,233,563)	772,821,327
<b>Balance at end of the period</b>	<b>115,461,465</b>	<b>938,695,028</b>

	2018-2019	2017-2018
	Kshs	Kshs
<b>Domestic Borrowings</b>		
bank Overdraft from NBK	115,461,465	938,695,028
<b>Total balance at end of the year</b>	<b>115,461,465</b>	<b>938,695,028</b>

Description	2018-2019	2017-2018
	Kshs	Kshs
Short term borrowings(current portion)	115,461,465	938,695,028
<b>Total</b>	<b>115,461,465</b>	<b>938,695,028</b>

KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

22. CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	Kshs	Kshs
<b>Surplus/(Deficit) for the year</b>	(165,237,314)	(267,035,158)
<b>Adjusted for:</b>		
Depreciation	191,084,638	189,627,709
Amortization	3,543,146	5,061,638
Gains /loses/adjustments on assets	(459,269)	-
Preliminary Expenses		-
<b>Working capital adjustments:</b>		
Increase In Inventories	29,237,331	(200,812)
Increase In Receivables	(125,725,032)	(109,172,373)
Increase/ Decrease In Payables	(691,998,243)	503,176,082
<b>Net cash flows from operating activities</b>	<b>(759,554,742)</b>	<b>321,457,086</b>

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

<b>23. PROPERTY, PLANT AND EQUIPMENT</b>														
	Land		Buildings		Work in progress		Plant & equipment, Furniture and fittings		Computers		Motor Vehicle		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>														
At 30 <sup>th</sup> June 2017	127,390,000	1,539,818,191	303,523,292	1,715,913,491	280,932,532	355,972,531	4,323,550,037							
Additions	-	297,367,670	109,817,098	286,265,734	45,509,793.00	49,401,970	788,362,264							
Disposals	-	-	-	-	-	-	-							
Transfer/adjustments	-	-	(297,367,670)	-	-	-	(297,367,670)							
At 30 <sup>th</sup> June 2018	127,390,000	1,837,185,861	115,972,720	2,002,179,225	326,442,325	405,374,501	4,814,544,631							
Additions			23,444,480	77,238,826	19,332,472	85,990,000	206,005,778							
Disposals						(1,612,731)	(1,612,731)							
Transfer/adjustments														
At 30 <sup>th</sup> June 2019	127,390,000	1,837,185,861	139,417,200	2,079,418,051	345,774,797	489,751,770	5,018,937,679							
<b>Depreciation and impairment</b>														
At 30 June 2017	-	76,750,941	-	887,517,185	213,801,048	213,929,155	1,391,998,329							
Depreciation	-	6,080,053		111,466,204	33,792,383	38,289,069	189,627,709							
Disposals	-	-	-	-	-	-	-							
Impairment	-	-	-	-	-	-	-							
Transfer/adjustment	-	-	-	-	-	-	-							
At 30 <sup>th</sup> June 2018	-	82,830,994	-	998,983,389	247,593,431	252,218,224	1,581,626,038							
Depreciation	-	6,080,053		108,043,466	29,454,409.79	47,506,709.17	191,084,638							
Disposals														
Impairment														
Transfer/adjustment														
At 30 <sup>th</sup> June 2019	-	88,911,047	-	1,107,026,855	277,047,841	299,724,934	1,772,710,676							
<b>Net book values</b>														
At 30 <sup>th</sup> June 2017	127,390,000	1,463,067,250	303,523,292	828,396,306	67,131,484	142,043,376	2,931,551,709							
At 30 <sup>th</sup> June 2018	127,390,000	1,754,354,867	115,972,720	1,003,195,836	78,848,894	153,156,277	3,232,918,593							
At 30 <sup>th</sup> June 2019	127,390,000	1,748,274,814	139,417,200	972,391,196	68,726,956	190,026,837	3,246,227,002							

24. INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	Kshs	Kshs
Cost		
At beginning of the year	143,717,912	143,717,912
Additions	-	-
At end of the year	143,717,912	143,717,912
Additions—internal development	-	-
At end of the year	143,717,912	143,717,912
Amortization and impairment		
At beginning of the year	131,907,424	126,845,786
Amortization	3,543,146	5,061,637.80
At end of the year	135,450,570	131,907,424
Impairment loss	-	-
At end of the year	135,450,570	131,907,424
<b>NBV</b>	<b>8,267,342</b>	<b>11,810,488</b>

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**25. Financial Risk Management**

KEBS activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The organization's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. 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 Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	1,172,227,972	1,048,071,645	-	-
Receivables from non exchange transactions	36,271,886	36,271,886	-	-
Bank balances	1,714,218,295	1,714,218,295	-	-
<b>Total</b>	<b>2,922,718,153</b>	<b>2,798,561,826</b>	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	1,048,071,645	1,048,071,645	-	-
Receivables from non exchange transactions	34,703,177	34,703,177	-	-
Bank balances	2,677,307,139	2,677,307,139	-	-
<b>Total</b>	<b>3,760,081,961</b>	<b>3,760,081,961</b>	-	-

**b) Liquidity Risk**

Liquidity risk is the risk that the organization will not have sufficient financial resources to meet its obligations when they fall due. 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 Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30th June 2019</b>				
Trade payables	120,185,545	53,450,817	32,518,217	206,152,579.00
Current portion of borrowings	115,461,465	115,542,072	115,542,072	115,515,203
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>235,647,010</b>	<b>168,992,889</b>	<b>148,058,289</b>	<b>552,698,188</b>
<b>At 30 June 2018</b>				
Trade payables	104,230,827	8,771,281	9,276,569	122,278,678
Current portion of borrowings	938,695,028	-	-	938,695,028
Employee benefit obligation	9,500,000	28,500,000	19,000,000	57,000,000
<b>Total</b>	<b>1,052,425,856</b>	<b>37,271,281</b>	<b>28,276,569</b>	<b>1,117,973,706</b>

**c) Market Risk**

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

**i) 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.

**Foreign currency risk**

At 30 June 2019	Ksh	Other currencies	Total
Financial assets	Kshs	Kshs	Kshs
Investments	-		-
Cash	224,509,733	-	224,509,733
Debtors	209,234,051	-	209,234,051
<b>Total financial assets</b>	<b>433,743,785</b>	<b>-</b>	<b>433,743,785</b>
<b>Financial Liabilities</b>		<b>-</b>	<b>-</b>
Trade and other payables	15,798,771	-	15,798,771
Borrowings	-	-	-
<b>Total financial liabilities</b>	<b>15,798,771</b>	<b>-</b>	<b>15,798,771</b>
<b>Net foreign currency asset/(liability)</b>	<b>417,945,013</b>		<b>417,945,013</b>

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

**Foreign currency risk**

At 30 June 2019	Ksh	Other currencies	Total
Financial assets	Kshs	Kshs	Kshs
Investments	-		-
Cash	224,509,733	-	224,509,733
Debtors	209,234,051	-	209,234,051
<b>Total financial assets</b>	<b>433,743,785</b>	<b>-</b>	<b>433,743,785</b>
<b>Financial Liabilities</b>		<b>-</b>	<b>-</b>
Trade and other payables	15,798,771	-	15,798,771
Borrowings	-	-	-
<b>Total financial liabilities</b>	<b>15,798,771</b>	<b>-</b>	<b>15,798,771</b>
<b>Net foreign currency asset/(liability)</b>	<b>417,945,013</b>		<b>417,945,013</b>

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**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**

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	990,156,591	990,156,591
Retained earnings	3,645,149,558	3,810,386,872
Capital reserve	995,468,206	995,468,206
<b>Total funds</b>	<b>5,630,774,355</b>	<b>5,796,011,669</b>
Total borrowings	115,461,465	938,695,028
Less: cash and bank balances	1,714,218,295	2,697,372,687
Net debt(excess cash and cash equivalents)	1,598,756,830	1,758,677,659
<b>Gearing</b>	<b>7%</b>	<b>53%</b>

**26. 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, Divisional Directors, Head of various departments and Regional managers within KEBS.

**b) Key Management and Directors remuneration**

**Key management remuneration**

	2018-2019	2017-2018
	Kshs	Kshs
Key Management remuneration	128,009,056	61,190,985

**27. Contingent assets and contingent liabilities**

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**CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

<b>Contingent liabilities</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Legal Litigation against KEBS	2,732,894,454	2,802,103,747
Restricted Cash due to Court Order	-	883,058,939
Pension Deficit ( Actuarial Valuation)	152,100,000	-
<b>Total</b>	<b>2,884,994,454</b>	<b>3,685,162,686</b>

KEBS contingent liability in the year under review is Kshs 601. 3 million arising from legal litigations and staff pension actuarial valuation deficit.

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**28. Capital Commitments (IPSAS 17)**

**CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised and contracted for	265,325,256	197,855,245

Capital Commitments of Kshs. 265.3 Million relates to Local Purchase Orders issued/raised for capital items such as lab equipment, motor vehicles, office equipment, construction of regional offices and ICT software

**29. Events after the reporting period**

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

**30. Ultimate and Holding Entity**

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

**31. Currency**

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

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**XVII. KEBS PROGRESS REPORT ON PRIOR YEAR AUDIT MATTERS (FINANCIAL YEAR 2017 / 2018)**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal point : Person to resolve the issue,	Status: (Resolved / Not Resolved)	Timeframe:
<b>BASIS OF QUALIFIED OPINION</b>					
1	<p><b>Receivable from Exchange Transactions- Long Outstanding debts</b></p> <p>a) Kes 17,500,000</p>	<p>A) Makecha &amp; Co. Advocates: Kes 17,500,000 The matter was forwarded to Inspectorate of State Corporation in July 2011 for further direction. The Inspectorate of State Corporation in their letter dated 15th March 2013 recommended that the matter be referred to Ethics and Anti-corruption commission The Principal owner of the law firm passed on several years ago and the law firm is inactive. The debt is unlikely to be recovered</p>	Director Finance and Strategy	Partially Resolved 1) The National Standards Council approved the write off 2) Request for approval for write off made to The National Treasury 3) Response from the Ethics and Anti-corruption commission for further direction is yet to be received	Un determined (The National Treasury Approval)
	b) Kes 19,423,268.55	B) Global Inspection South Africa Kes 19,423,268.55	Director Finance and Strategy	Partially Resolved; 1) The National Standards Council approved the write off	Un determined

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				2) Request for approval for write off made to The National Treasury 3) KEBS is following with the National Treasury on the write off.	(The National Treasury Approval)
		The matter was referred to court and eventually arbitration. The Company did not respond to arbitration. The business closed down in South Africa and hence unable to be reached. Court process and arbitration has been stopped to mitigate against unnecessary legal costs.			
	C) Prepayments Kes 2,697,529	C) Prepayment-Kes 2,697,529: Payments made to: a. Tetra link Kenya Ltd- Kes 2,256,437 b. Bestex Designers-Kes 153,542 c. Home Link Ltd- Kes 287,550 Prepayment for supply of goods in the years 1999-2000 not supplied and supplier not traced. Amount not recoverable	Director Finance and Strategy	Resolved 1) KEBS has put in place controls to ensure that no payment is made without full proof of necessary documentation 2) Write off process to start in 2019-2020 financial year	2019-2020
2	<b>Plant, Property and Equipment</b> Preliminary Cost of Kes 101,938,209 reflected in the Work In Progress	This were initial consultancy costs incurred on the construction of the Coast regional laboratories, the project has since been abandoned and a new building has been acquired for operations in the region. The preliminary costs were paid on the work done		Resolved 1) Preliminary expenses were expensed and removed from work in progress	Done
3	<b>Legal Matters: Procurement of legal firms:</b>	Rachier & Amollo & Co. Advocates was a prequalified legal service provider for the period 2015/2016-2018	Director Finance and Strategy	Pending	

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	Rachier & Amollo and Advocates in the Civil application No. 132 of 2017 between Geochem Middle East Vs KEBS	The matter was considered on 1 August 2017 by the National Standards Council who approved the engagement of the expanded legal team of Rachier Amollo Advocates, Iseme, Kamau and Maema Advocates. The procurement of which was necessitated by the urgency and the impact of the matter on the operations of KEBS			
<b>B. EMPHASIS OF MATTER</b>					
1	Restricted Bank Balances Disclosure in the financial statement on KEBS frozen bank accounts	This was disclosed in the financial statements under note 27 , page 68 of the audited financial statements under " <i>contingent assets and contingent liabilities</i> ". Also it included in note 15(b) under cash and cash equivalent		Resolved	Done
2	Supply and Implementation of Application Software for KEBS integrated Quality Assurance and Inspection Operation	This relates to a contract which was awarded in February 2012 to Circuit Business System. The contract was expected to be completed by January 2013 but this was not the case. The progress towards completion of the project was extremely slow despite consultative meetings held between the contractor and KEBS both at the technical and management levels. The objectives were not attained and the project never reached the end	Director Finance and Strategy	This project was terminated and contractual options in regard to compensation to KEBS is being pursued	Undetermined

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3	<p>Pre-Export Verification of Conformity (PVOC) for Exports to Kenya.</p> <p>Release of goods not subjected to destination inspection with estimated revenue to KES of 28,147,193 expected from M/s Telam Freighters a local freight company</p>	<p>M/s Telam freighters fraudulently released these goods from the port without KEBS intervention. KEBS has therefore blacklisted the agent and placed a demand to the agent to recover the unpaid penalties.</p> <p>The firm has not been active since November 2015. KEBS has however entered into agreement with KRA that customs entries for goods not accompanied with Certificates of Conformity (CoCs) issued by any of KEBS appointed inspection agent will only be passed by Customs department after satisfactory quality inspection by KEBS</p>	<p>Director Finance and Strategy</p>	<p>The firm is inactive since November 2015</p>	<p>Undetermined</p>
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**XVIII. PROJECT IMPLEMENTED BY KENYA BUREAU OF STANDARDS**

There is currently no project funded by the development partners only budget support for specific activities is provided.