

REPUBLIC OF KENYA



*Paper laid by
Majority Party Whip
Hon B. Washiale, MP
Tuesday 5/6/2018
[Signature]*

OFFICE OF THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

TABLE OFFICE
S/No:
05 JUN 2018
Sign:
PAPER LAID

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA ACCREDITATION SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2017**

**KENYA
ACCREDITATION
SERVICE (KENAS)**

June 30
2017

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**



The Financial Statements are prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

KENYA ACCREDITATION SERVICE (KENAS)

Table of Contents

Page

I. Contents

I. CORPORATION'S INFORMATION AND MANAGEMENT	ii
II. THE BOARD OF DIRECTORS.....	v
III. MANAGEMENT TEAM.....	vii
IV. CHAIRMAN'S STATEMENT	x
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xi
VI. CORPORATE GOVERNANCE STATEMENT.....	xiii
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xvi
VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT.....	xvi
IX. REPORT OF DIRECTORS.....	xviii
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xviii
XI. INDEPENDENT REPORT OF THE AUDITOR GENERAL	xx
XII. STATEMENT OF FINANCIAL POSITION	1
XIII. STATEMENT OF FINANCIAL PERFORMANCE.....	2
XIV. STATEMENT OF CHANGES IN NET ASSETS	3
XV. STATEMENT OF CASH FLOWS.....	4
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVII. NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2017.....	8
XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	22
XIV. APPENDIX 1: PROJECTS IMPLEMENTED BY ENTITY.....	24
XIV. APPENDIX 2: INTER- ENTITY TRANSFERS.....	24
XIV. APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	24

KENYA ACCREDITATION SERVICE (KENAS)

I. CORPORATION'S INFORMATION AND MANAGEMENT

(a) Background Information

The Kenya Accreditation Service (KENAS), is a State Corporation that was established under the State Corporations Act, Cap 446, Laws of Kenya vide Legal Notice No. 55/2009. It is recognised by the Government of Kenya as the sole National Accreditation Body for Kenya. Its principal role is the provision of accreditation services to Conformity Assessment Bodies (CAB's) that carry out various conformity assessment tasks that include inspection, testing and certification in all fields and or sectors of our economy such as Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation. Its establishment started in July 2004 and was nurtured and supported by the Kenya Bureau of Standards (KEBS), the National Standards Body (NSB) and the Government of Kenya through the Ministry of Industry, Trade and Cooperatives.

(b) Principal Activities

The Principal activities of the organisation include provision of Accreditation services to Conformity Assessment Bodies (CAB's). KENAS key mandates are as listed below;

- i) Develop, regulate and review the criteria or requirements for accreditation of Conformity Assessment Bodies (CAB's)
- ii) Accredit CAB's
- iii) Open, maintain and update the register of accredited CAB's
- iv) Design and issue identification numbers and certificates to all accredited CAB's
- v) Publish in the Gazette all CAB's that have been accredited within a particular year, annually
- vi) Promote the use of accreditation marks and certificates issued to accredited CAB's
- vii) Promote competence and equivalence of accredited CAB's
- viii) Establish and nurture relations and cooperation with regional and international accreditation Bodies, persons, associations and organizations that KENAS may consider desirable or appropriate, in furtherance of the objectives and purposes for which KENAS was established
- ix) Promote accreditation as a means of facilitating regional and international trade and enhancing economic performance and transformation
- x) Participate in the formulation of regional and international guidelines and standards to facilitate the accreditation process
- xi) Raise awareness on the importance and purpose of Accreditation and
- xii) Promote KENAS as the sole National Accreditation Body (NAB) in the scope of accreditation

(c) Top Management Team

The organization's day-to-day operations and direction are managed by the following key organs:

The Chief Executive Officer and two Deputies, in charge of Technical Services and Finance and Administration respectively

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were as indicated in the Management Team at page 5

KENYA ACCREDITATION SERVICE (KENAS)

(e) Fiduciary Oversight Arrangements

The Board of Directors of the organization is chaired by a Non-Executive Chairperson appointed by the President of the Republic of Kenya. All Directors have extensive business and administrative experience in both the private and/or public sectors that is applied in the management of KENAS. Board meetings are held regularly to review the organization's performance against set targets and business plans as well as to formulate and implement strategy. Various Committees whose Chair Persons report to the Full Board have been established and operationalized to complement the functions of the Board in providing oversight policy direction to the organization.

(f) Finance Human Resource and General Purpose Committee

The Finance Human Resource and General Purpose Committee is chaired by Non Executive Board Member and meets at least once a quarter. During the Financial year, members were Mr Hassan Issack Hache (Chair), Ms. Nancy Nkorote (Member), Mr. Sammy Milgo (Former CEO/Member), and MS Stella Osoro (Member). The Committee's responsibilities include ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, public relations, administration Human Resource Development and offering oversight role on all financial, human resource and other general operational matters, overseeing the development, review and implementation of Human Resource Policy Manual, advising the board on organisation structure, departmental/divisional function/staffing levels and facilitating, developing, reviewing and implementation of the schemes of service and career guidelines, facilitating training and capacity building, reviewing staff performance appraisal reports and overseeing disciplinary matters.

(g) Audit Committee

The Audit Committee is chaired by a Non Executive Board Member with members who are Non Executive. During the Financial year, members were Dr. Joyce Jefwa (Chair), Stephen Odua (Member) and MS Stella Osoro (Member). The responsibilities of the Committee include reviewing the financial information of the organization, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the organization.

(h) Accreditation Committee






The Accreditation Committee is chaired by a Non Executive member and meets at least once a quarter and whenever need arises. The members were Mr. Erastus Kimuri (Chair who retired in December 2016), Mr. James Onyango Odongo, Mr. Mohamed Abdi Sheikh, Ms. Elizabeth Lutomia Nambiro, Mr. Liston Cheruiyot Kirui, Mr. George Maingi Munyao, Mr. Charles Gachahi, Mr. Dennis Moturi, Mrs. Susan Ochieng and the former CEO, Mr. Sammy Milgo who was also a Member/ Secretary. The Committee's responsibilities include provision of technical direction on all accreditation decisions and adjudications on accreditation matters in an independent, objective and impartial manner

KENYA ACCREDITATION SERVICE (KENAS)



- (i) **KENAS Headquarters**
Embankment Plaza, 2nd Floor,
Longonot Road, Off Kenya Road,
Upper Hill,
P.O. Box 47400 - 00100'
NAIROBI.
- (j) **KENAS Contacts**
Telephone: +254 725 227 640 / +254 787 395 679
Email: info@kenyaaccreditation.org / info@kenas.go.ke
Website: www.kenas.go.ke; www.kenyaaccreditation.org
- (k) **Principal Bankers**
Kenya Commercial Bank,
Kipande Branch,
P.O. Box 30012-00100
NAIROBI
- (l) **Independent Auditors**
Auditor General
Kenya National Audit Office'
Anniversary Towers - University Way'
P.O. Box 30084 - 00100'
NAIROBI.
- (m) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 - 00200
NAIROBI

KENYA ACCREDITATION SERVICE (KENAS)

II. THE BOARD OF DIRECTORS






#	Director's Name	Key Qualifications/Work Experience/Profile
1	<p>Hon. Dr. Robert Onsare Monda</p> 	<p>Born in 1959. He is a Holder of Bachelor of Veterinary Medicine. Retired on 10th May, 2017</p> <p>Has a wealth of 28 years experience as</p> <ul style="list-style-type: none"> • District Veterinary Officer • Chairman of Departmental Committee of Parliament on Health • Member of Parliament Nyaribari Chache constituency • Research on medical areas including publication of various Acts and Bills.
2	<p>Mr. Hassan Issack Hache</p> 	<p>Mr. Hassan Issack Hache was born on 12th Dec. 1972. Has a wealth of experience in administration and management. Holder of a</p> <ul style="list-style-type: none"> • Dip in human resource and personnel management • Degree in public administration • Masters in Public Administration and Management specializing in administration and management in community development and NGO management.
3	<p>Dr. Joyce Jefwa</p> 	<p>Born in on 29th Nov. 1962. Appointed a Director on 22nd Dec. 2016. She is a Holder of a</p> <p>Has a wealth of over 30 years of experience as a Scientist. She is a Holder of a</p> <ul style="list-style-type: none"> • PhD in Botany • Diploma in Biosafety and Biotechnology • Msc. in Conservation of Soil Fertility • Bachelors Degree in Ed Science Botany, Zoology & Education – Kenyatta University.
4	<p>Ms. Nancy Nkirote</p> 	<p>Born in 1963. Appointed a Director on 22nd Dec. 2016</p> <p>Has a wealth of over 28 years of experience in Human Resource Management, Institutional Leadership and Governance</p> <p>She is a Holder of a</p> <ul style="list-style-type: none"> • PhD – Organizational Leadership, • Master of Business Administration (HR) • Certified Public Secretary (CPS) K; • Diploma in Management • Bachelor of Commerce
5	<p>Mr. Stephen Odua</p> 	<p>Mr. Stephen Odua was born on 26th December 1967. Has a wealth of over 23 years of experience in the Public Sector. Holder of MSc. in Entrepreneurship. Currently Assistant Director of Industries, MOIED. Alternative Representative, PS – MOI&I</p>

KENYA ACCREDITATION SERVICE (KENAS)






6	<p>Ms. Stella Osoro</p> 	<p>Ms. Stella Osoro was born on 11th January 1984. Has a wealth of experience as an Economist in Public Sector. Currently working as a Senior Economist at Treasury</p> <p>Holder of a</p> <ul style="list-style-type: none"> • Master of arts in economic policy management • Bachelor of arts in economics
7	<p>Sammy K. Milgo</p> 	<p>He is the former Chief Executive Officer. Born in 1960 Retired on 21st June, 2017</p> <p>Has a wealth of experience in standardization, conformity assessment and accreditation of over 30 years</p> <p>Holder of :</p> <ul style="list-style-type: none"> • Executive Master of Business Administration (Strategic Management option) • Msc. Food Science & Technology • Bsc. Food Science & Technology • Diploma in Quality Management • Diploma in Quality Infrastructure Development in Support of World Trade. • Pursuing Phd degree in climate change and adaptation

KENYA ACCREDITATION SERVICE (KENAS)




III. MANAGEMENT TEAM

#	Holder's photo	Key position and Profile
1	<p>Sammy K. Milgo</p> 	<p>He is the former Chief Executive Officer. Born in 1960 Retired on 21st June, 2017 Has a wealth of experience in standardization, conformity assessment and accreditation of over 30 years Holder of :</p> <ul style="list-style-type: none"> • Executive Master of Business Administration (Strategic Management option) • Msc. Food Science & Technology • Bsc. Food Science & Technology • Diploma in Quality Management • Diploma in Quality Infrastructure Development in Support of World Trade. • Pursuing Phd degree in climate change and adaptation
2	<p>Susan M. Ochieng</p> 	<p>She is the Deputy Director Technical Services. Born in 1972. Appointed Acting Chief Executive officer on 21st June 2017. Has a wealth of experience of over 20 years Holder of:</p> <ul style="list-style-type: none"> • Masters in Business Administration (Operation Management option) • Bachelor of Science (Chemistry) • Acting CEO (from 21st June 2017)
3	<p>John M. Kamau</p> 	<p>He is the Deputy Director Finance And Administration. Born in 1969 Has a wealth of experience of over 22 years Holder of :</p> <ul style="list-style-type: none"> • Master of Business Administration (Finance option) • Bachelor of Commerce degree (accounting) • CPA (K), Membership No. 4212 • CPS (K), Membership No. 1810
4	<p>Felista Nyakoe</p> 	<p>She is the Assistant Director Testing And Calibration Born in 1973 Experience of over 18 years Holder of:</p> <ul style="list-style-type: none"> • Masters in Business Administration (Strategic Management option) • Bsc. Dairy Science and Technology
5	<p>Henry Wandabwa</p> 	<p>He is the Assistant Director Finance. Born in 1972 Has a wealth of experience of over 19 years Holder of :</p> <ul style="list-style-type: none"> • Master of Business Administration (Finance option) • Bachelor of Commerce degree (Accounting) • CPA (K), Membership No. 6859

KENYA ACCREDITATION SERVICE (KENAS)

6	<p>Doris Mueni Mengo</p> 	<p>She is the Assistant Director Health & Safety Born in 1981 Has a wealth of experience of over 12 years Holder of:</p> <ul style="list-style-type: none"> • Master of Science in Medical Microbiology • Bachelor of Science in Medical Microbiology • Diploma in Quality infrastructure in Support of World Trade
7	<p>Michael Talaam</p> 	<p>He is the Assistant Director Certification Born in 1975 Has a wealth of experience of over 18 years</p> <ul style="list-style-type: none"> • Executive Masters of Business Administration • Bachelor of Industrial Technology (Medical Engineering option)
8	<p>Abraham Wekesa</p> 	<p>He is the Assistant Director Inspection & Verification Born in 1973 Has a wealth of experience of over 17 years Holder of:</p> <ul style="list-style-type: none"> • Master of Environmental Science • Bachelor of Science (Chemistry and Biochemistry) • Higher Diploma In Project Management.
9	<p>Abraham Birgen</p> 	<p>He is the Ag. Assistant Director Human Resource and Training. Born in 1974. Exited on 8th March 2017. Has a wealth of experience of over 16 years Holder of:</p> <ul style="list-style-type: none"> • Masters of Business Administration (Strategic Management option) • Bachelor of Commerce (Management option) • Higher Diploma in Human Resource Management
10	<p>Elizabeth Muema</p> 	<p>She is the Assistant Director Communication and Public Relations. Born in 1982 Has a wealth of experience of over 11 years Holders:</p> <ul style="list-style-type: none"> • BA in Communication – Specialised in public relations
11	<p>Elijah Kiptoo Kandie</p> 	<p>He is the Internal Auditor Born in 1977 Has a wealth of experience of over 15 years in Audit, Accounting and Risk management Holder of:</p> <ul style="list-style-type: none"> • Bachelor of Business Management (Accounting) • CPA (K), Membership No. 15053 • Member of Institute of Internal Auditors

KENYA ACCREDITATION SERVICE (KENAS)

12	<p>Mwanasha Rajab Mwadzoyo</p> 	<p>She is an advocate of the High Court of Kenya and the Legal Officer. Born in 1984 Has a wealth of experience in the legal field of Seven years. Holder of :</p> <ul style="list-style-type: none"> • Bachelor of Law • Dip (KSI) • Member of Law Society of Kenya (P.105/10335/14)
13	<p>Ezekiel Kakayi Asera</p> 	<p>He is the Information Communication Technology Manager. Born in 1981. Has a wealth of experience of over 15 years in the field of ICT. Holder of:</p> <ul style="list-style-type: none"> • Bachelor of Science in Computer Information Systems • Higher Diploma in Information Technology • Higher Diploma in Human Resource Management • Diploma in Computer Studies • Certified Information Systems Auditor (CISA) • Certified ITIL Practitioner and PRINCE2 Practitioner, • Registered Technical Trainer in Computer Studies <p>He is a Silver member of ISACA, Member No. 653839, a licensed HR Practitioner and a member of IHRM(K) Member No. 06769</p>
14	<p>Flormina Ngina</p> 	<p>She is the Procurement Officer Born in 1970. Has a wealth of experience of over 15 years in the field of Procurement and Supply chain management . Holder of:</p> <ul style="list-style-type: none"> • Masters of Business Administration (Procurement and Supply Chain) • Bachelor of Business Administration (Entrepreneuership) • Member Chartered Institute of Purchasing and Supply Chain (MCIPS), Member No. 03129990 • Member kenya Institute of Supplies Management (KISM), Licence No. 64634

KENYA ACCREDITATION SERVICE (KENAS)

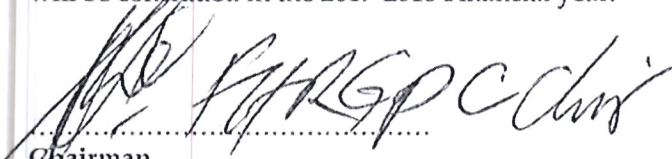
IV. CHAIRMAN'S STATEMENT

The Kenya Accreditation Service (KENAS), is a State Corporation that was established under the State Corporations Act, Cap 446, Laws of Kenya vide Legal Notice No. 55/2009. It is recognised by the Government of Kenya as the sole National Accreditation Body for Kenya. Its principal role is the provision of accreditation services to Conformity Assessment Bodies (CAB's) that carry out various conformity assessment tasks that include inspection, testing and certification in all fields and or sectors of our economy Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation. Its establishment started in July 2004 and was nurtured and supported by the Kenya Bureau of Standards (KEBS), the National Standards Body (NSB) and the Government of Kenya through the Ministry of Industry, Trade and Cooperatives.

KENAS performance has improved over the previous six years of operation .The 2016-2017 financial year will be the seventh year that financial statements are audited . It is notable that KENAS has received clean reports from the external auditors in the previous six years.

Further the board has identified inadequate funding by the Government as a key threat to the organisation going concern. The Board in liason with management has put in place initiatives aimed at securing additional funds from Government even as the organisation works harder to increase its customer base and hence revenue generation. This will enable her to be financially independent sooner but not later than the year 2023.

The Organisation Strategic Plan second cycle 2012-2017 comes to an end on Oct. 2017 and Management is in the process of developing the third cycle 2017-2022 and the same will be concluded in the 2017-2018 Financial year.


.....
Chairman

Date: 
.....

KENYA ACCREDITATION SERVICE (KENAS)

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Accreditation, a key quality infrastructure for any country is a key driver of the economy of our country. This is particularly so where it works seamlessly and in harmony with the regulatory infrastructure. Therefore vast amounts of investment in terms of resources need to be allocated to enable achievement of its trade facilitation role. With the improvement of the entire national infrastructure and vast development plans by the Government across all the regions/counties we believe that KENAS will make her contribution in enabling the Government to realize the objectives and goals of Kenya Vision 2030.

KENAS has achieved significant growth in terms of delivery of quality services to its customers and stakeholders since its establishment. The Accreditation services has seen a lot of growth considering the immense client potential since its mandate cuts across all sectors of the economy in both the private and public sectors. Aggressive publicity and marketing of its services to create requisite customer demand pull of its services hence increased revenue generation require sufficient allocation of resources. To this end KENAS wishes to thank the Government through the Ministry of Industry Trade and Cooperatives for the continued support and cooperation, particularly with regards to budgetary support. Government transfers/funding increased by 14.5% from KES.104.8 Million in 2010/11 to KES 120 Million in 2016/17. In total, revenue went up by 2515% from KES 1.3 Million in 2010/11 to KES.34 Million in 2016/17. The total recurrent expenditure increased by 3.1% from Ksh.149.9 Million in 2012/13 to Ksh. 154.6 Million in 2016/17.


KENAS officially has been in operation from 2010 and has continued to receive Government support to date and has made achievements that include:-

- i) Growth in internally generated funds of KES.1.3 Million in the financial year 2010/11 to KES. 34 Million in the year under review (2016/17) a 2515% growth
- ii) Evolution to a fully, fledged independent National Accreditation Body for Kenya, KENAS. A 30 milestone approach/work plan was used to actualize this during the period July 2004 to July 2010. Level of realization of the milestones stands at 92%
- iii) Hiring of additional staff making a complement of 37 (2016-2017).
- iv) Acquisition of office space and equipment that include motor vehicle, computers and furnitures.
- v) Capacity building of officers through various training programmes supported by support partners that include PTB-National Metrology Institute)-Germany, SIDA, UNIDO, GIZ etc.
- vi) Attainment of membership to International Accreditation umbrella organizations. Associate membership to International Laboratory Accreditation Cooperation (ILAC), Accreditation Body member - International Accreditation Forum (IAF) and full member to Africa Accreditation Co-operation (AFRAC).
- vii) The development of the Accreditation Bill which is currently at Cabinet Level and General Assembly for consideration and ratification.
- viii) Undergoing Peer Evaluation

The organisation has continually involved all stakeholders in the development, implementation and review of regulations. This has led to enforcement of regulations in various sectors that include health, in a fair and equitable manner. As stipulated in the service Strategic Plan 2012-2017, KENAS is still on course in its pursuit of business excellence and continual improvement.

KENYA ACCREDITATION SERVICE (KENAS)

Though KENAS has continued to realize progress in terms of delivering on its mandate, her operations have been adversely affected by inadequate funding, particularly during this critical formative stage. By and large the funding level caters for fixed costs that include personal emoluments and rent thus leaving very little for meeting operational expenses. This poses a big threat to its going concern and hence future operational sustainability.



.....
Ag. Chief Executive Officer, KENAS

Date: 28 FEB 2018.....

KENYA ACCREDITATION SERVICE (KENAS)

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which organisations are managed and controlled while ensuring Accountability and Transparency on resource mobilization and utilization. The concept of corporate governance has gained prominence and is enshrined in both Mwongozo-Governance of State Corporations and the Kenya Constitution 2010. This is also articulated by private sector organisations such as the Centre for Corporate Governance in Kenya. The KENAS Board and management recognizes the need to conduct the business and operations of the organization with accountability, integrity and in accordance with generally accepted corporate governance practice coupled with endorsement of internationally developed principles of corporate governance. The Directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the operations of KENAS.

The Kenya Accreditation Service (KENAS)

The Organisation is chaired by a Non Executive Chairperson appointed by the President of the Republic of Kenya. All Directors have extensive business, technical and administrative experience in both the private and/or public sectors that is applied in the provision of oversight and policy direction of KENAS. Board meetings are held regularly to review organizational performance against set targets and business plans. This is besides formulating and implementation of agreed strategies. Various committees whose Chair Persons report to the Board complement the functions of the Board and by extension, the organisation.

(a) Finance Human Resource and General Purpose (FHRGP) Committee

The Finance Human Resource and General Purpose Committee is chaired by Non Executive Board Member and meets at least once a quarter. During the Financial year, members were Mr Hassan Issack Hache (Chair), Ms. Nancy Nkorote (Member), Mr. Sammy Milgo (Former CEO/Member), and MS Stella Osoro (Member). The Committee's responsibilities include ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, public relations, administration Human Resource Development and offering oversight role on all financial, human resource and other general operational matters, overseeing the development, review and implementation of Human Resource Policy Manual, advising the board on organisation structure, departmental/divisional function/staffing levels and facilitating, developing, reviewing and implementation of the schemes of service and career guidelines, facilitating training and capacity building, reviewing staff performance appraisal reports and overseeing disciplinary matters.

(b) Audit Committee

The Audit Committee is chaired by a Non Executive Board Member with members who are Non Executive. During the Financial year, members were Dr. Joyce Jefwa (Chair), Stephen Odua (Member) and MS Stella Osoro (Member). The responsibilities of the Committee include reviewing the financial information of the organization, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the organization.

KENYA ACCREDITATION SERVICE (KENAS)

(c) Accreditation Committee

The Accreditation Committee is chaired by a Non Executive member and meets at least once a quarter and whenever need arises. The members were Mr. Erastus Kimuri (Chair who retired in December 2016), Mr. James Onyango Odongo, Mr. Mohamed Abdi Sheikh, Ms. Elizabeth Lutomia Nambiro, Mr. Liston Cheruiyot Kirui, Mr. George Maingi Munyao, Mr. Charles Gachahi, Mr. Dennis Moturi, Mrs. Susan Ochieng and the former CEO, Mr. Sammy Milgo who was also a Member/ Secretary. The Committee's responsibilities include provision of technical direction on all accreditation decisions and adjudications on accreditation matters in an independent, objective and impartial manner

Delegation of Responsibilities

The preparation of KENAS's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting practice based on appropriate accounting policies consistently applied and supported by reasonable judgment and estimates.

Management ensures that adequate internal financial control systems are developed and implemented for purposes of providing reasonable certainty in respect of:

- Completeness and accuracy of accounting records;
- Integrity and reliability of the KENAS's annual financial statements and
- Safeguarding of KENAS's assets.

The responsibility for the integrity, reliability and objectivity of the organisation financial statements lies with the Directors. The external auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit results.

Statement of Risk Management and Internal Control

The organization recognises its responsibility to manage both internal and external risks as a key component of good corporate governance and is committed to embedding risk management into the daily operations of the Organisation; from the setting of objectives, to financial planning towards achieving the set objectives, through to departmental processes established to aid provision of service by the organization. It is our conviction that effective risk management shall help the organization to achieve its corporate objectives and provide better services, in the spirit of continual improvement and involvement of all stakeholders. The organization has developed and is implementing an Institutional Risk Management Policy Framework (IRMPF)

Responsibility

Risk management is one of the most important activities of the organization. The Service through the Audit Committee is responsible for managing risk within KENAS by ensuring that appropriate risk management strategies and policies are in place, and that processes are adequate and effective. The Audit Committee in liason with management defines KENAS's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks.

The organization has assigned responsibility for risk management to the Chief Executive Officer; hence management ensures that sound risk management processes are put in place and functioning effeciently and effectively. All efforts are made to ensure that costs and resources involved in risk management are in tandem with the expected benefits.

KENYA ACCREDITATION SERVICE (KENAS)

Internal Controls

Internal controls are designed to support the organization in achieving its objectives. The risks related to the achievement of objectives need are identified and evaluated for purposes of management. Thus, identification and assessment of risks is a prerequisite for internal control in KENAS. The continuity of operations is ensured by safeguarding critical functions and prudent utilization of resources.

KENYA ACCREDITATION SERVICE (KENAS)

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Stewardship

The Organisation realized Revenue totaling to KES 149,027,019 during the financial Year compared with 149,182,405 realised in the 2015-2016. GOK budgetary allocation of KES 115 Million which was the same as the previous year 2015-2016.

Accreditation Services

The following were the achievements during the financial year under review

- a) Conducted twelve (12) accreditation sensitization workshops.
- b) Developed two (2) accreditation infrastructure for textile and leather sectors
- c) Accredited Passenger bus body inspection agency
- d) Developed fourteen (14) Regulations/Criterias among them the following;
 - i. Criteria for conformity for medical biochemistry laboratories
 - ii. Criteria for laboratories accredited to calibrate tachometers, centrifuges and measure rotational speed
 - iii. Criteria for laboratory accreditation in the field of viscosity and liquid density metrology
 - iv. Criteria for the accreditation of laboratories testing of textiles and garments
 - v. Criteria for laboratories performing foundation testing
 - vi. Criteria for accreditation of laboratories performing electrical testing
 - vii. Criteria for transition guide for ISO/IEC 17021-2:2012
 - viii. Criteria for transition guide for ISO/IEC 17021-3:2017
- e) Assessed ninety (90) Conformity bodies. Among the bodies assessed were as follows;
 - (i) Bureau veritas
 - (ii) KRA
 - (iii) Endeavour
 - (iv) Intertek Daresalam- preassessment
 - (v) Twiga
 - (vi) Biologic Solutions
 - (vii) Sonic quality inspectors
 - (viii) New Sonic Quality Inspectors
 - (ix) Azania
 - (x) Unga Limited
 - (xi) National microbiology laboratory- PT (ISO 17043)
 - (xii) National HIV Reference Laboratory
 - (xiii) Migori County Hospital Laboratory
 - (xiv) Ampathplus Care Laboratory
 - (xv) Ampath Reference Laboratory
 - (xvi) Kisumu county laboratory
 - (xvii) Nairobi Hospital
 - (xviii) Participated in the assessing of 5 Aga Khan university hospital laboratories accredited by SANAS
 - (xix) Avante Garde
 - (xx) Intertek Dar es Salam - preassessment
 - (xxi) Bureau Veritas Certification of Kenya

KENYA ACCREDITATION SERVICE (KENAS)

VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

KENAS believes in adding value to the community by investing in their economic and social growth. This is achieved through partnership and participation, critical development and implementation of Corporate Social Responsibility (CSR) programmes aimed at addressing some of the social, environmental and economic challenges facing Kenyan communities. In future, and subject to resource availability, the organization plans to enhance such activities in a more robust and coordinated manner for purposes of undertaking similar activities in other Counties in future subject to budgetary provisions.

KENYA ACCREDITATION SERVICE (KENAS)

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the entity's affairs.

Principal activities

The principal activities of the entity is the provision of accreditation services to Conformity Assessment Bodies (CAB's) that carry out various conformity assessment tasks that include inspection, testing and certification in all fields and or sectors of our economy such as Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation.

Results

The results of the entity for the year ended June 30, 2017 are set out on page 1


Directors

The members of the Board of Directors who served during the year are shown on page VI. During the year 2016/2017, Hon. Dr. Robert Onsare Monda and Sammy Milgo retired as Directors on 10th May 2017 and 21st June 2017 respectively and Dr. Joyce Jefwa and Nancy Nkirote were appointed with effect from 22nd December 2016.

Auditors

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

By Order of the Board


.....
Ag. Chief Executive Officer, KENAS

Date: 28-FEB-2018

KENYA ACCREDITATION SERVICE (KENAS)

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012, section 21 of the Energy Act 2006 and section 9 of the State Corporations Act cap 446 laws of Kenya, require the Directors to prepare financial statements in respect of the organization, which give a true and fair view of the state of affairs of the organization at the end of the financial year/period and the operating results of the organization for that year/period. The Directors are also required to ensure that the organization keeps proper accounting records which disclose with reasonable accuracy the financial position of the Organisation besides safeguarding its assets.

The Directors are also responsible for the preparation and presentation of the organization's financial statements, which give a true and fair view of the state of affairs of the organization for and as at the end of the financial year (period) ended June 30, 2017. This responsibility includes oversight on: (i) maintainance of adequate financial management arrangements (ii) ensuring that arrangements continue to be effective throughout the reporting period; (iii) maintainance of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the organization; (iv) design, implementation and maintainance of internal controls relevant to the preparation and fair presentation of the financial statements, (v) ensuring controls are free from material misstatements, whether due to error or fraud; (vi) safeguarding the assets of the organization; (vii) selection and application of appropriate accounting policies; and (viii) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the organization's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act Cap 446 laws of Kenya. The Directors are of the opinion that the organization's financial statements give a true and fair view of the state of the organization's transactions during the financial year ended June 30, 2017, and of the organization's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization's financial statements as well as the adequacy of the systems of internal financial control.

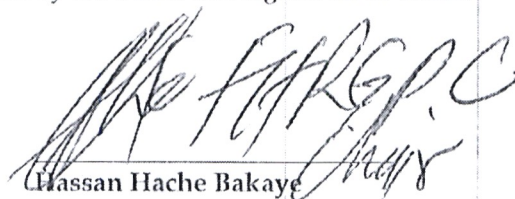
The Directors have also taken note of the threats to the going concern of the organisation and hence its future sustainability occasioned by inadequate budgetary allocation by the Government. Thus the directors are making all efforts in liason with management in pursuing improved budgetary allocation to mitigate against this threats, particularly during this critical formative stage of the organisation.

Approval of the financial statements

The KENAS's Financial Statements have been approved by the Board and signed on its behalf by:



Susan M. Ochieng
Ag. Executive Officer/ Board Member



Hassan Hache Bakaye
KENAS Board Member

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCREDITATION SERVICE FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Accreditation Service set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Accreditation Service as at 30 June 2017, 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 Kenya Accreditation Service Order, 2009.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion, Emphasis of Matter and Other Matter sections of my report, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Non Remittance of Statutory Deductions

The Service had not remitted Pay as You Earn (PAYE) statutory deductions totalling Kshs.12,387,627 to the Kenya Revenue Authority (KRA) as at 30 June 2017. In addition, 6% withholding Value Added Tax (VAT) of Kshs.434,651 had also not been remitted to KRA. Although the management has indicated that it has made efforts to clear the arrears, requirement by KRA obliges all tax agents making payments to persons or suppliers to withhold VAT and subsequently remit the tax proceeds to the Commissioner on or before 20th of every month following the month in which the deduction was made.

Report of the Auditor-General On the Financial Statements of Kenya Accreditation Service for the year ended 30 June 2017

Consequently, the Service is likely to suffer penalties and interest as a result of failure to remit the statutory deductions to the Kenya Revenue Authority.

2. Trade and Other Payables from Exchange Transactions

The Service had an outstanding pending bills totalling Kshs.18,502,462 as at 30 June 2017 which includes a balance of Kshs.8,200,190 due to Kenya Bureau of Standards (KEBS). The amount related to services rendered and paid for by KEBS on behalf of the Service before the two institutions were separated. Failure to settle the bills in the year to which they relate deprives the providers of services/goods of their daily livelihood and also distort the budget programmes for the subsequent financial year when they are settled.

3. Long Outstanding Receivables Balance

The statement of financial position reflects under current assets- receivables from exchange transactions a balance of Kshs.26,825,857 which include an amount of Kshs.19,073,014 that have remained outstanding for more than one accounting period. The Service has not incorporated provision for bad debts in its financial statements. This is contrary to one of its significant accounting policies which state that trade receivables are carried at anticipated realizable value and an estimate is made for doubtful receivables based on the review of all outstanding amounts at the end of the year while bad debts are written off when all reasonable steps to recover them have failed.

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

Emphasis of Matter

Material uncertainty related to Going Concern

The statement of financial performance, indicates that the Service recorded a deficit Kshs.7,021,449 (2016 – Deficit Kshs.8,923,202) during the year ended 30 June 2017 and, as of that date, the Service's current liabilities exceeded its current assets by Kshs.4,030,856 (2016-Kshs.5,151,386). These events or conditions, indicate that a material uncertainty exists that may cast significant doubt about the Service's ability to continue as a going concern.

My opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion, Emphasis of Matter and Other Matter sections of my report, there were no Key Audit Matters to report in the year under review.

Other Matter

1. Governance

The Service has four independent directors but none of them is a financial expert contrary to the requirements of the Public Financial Management Reforms (PFMR) 2015 and Mwongozo Code of Governance that at least one Board member should be a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management or accounting and is a bon-fide member of a professional body regulating the Accountancy profession, and in compliance with the requirements thereof.

2. Delayed Contract Execution

The Service's management and a local company, entered into a contract for the supply, implementation and training of SAGE ACCPAC ERP on the 19 April 2013 for a total cost of Kshs.5,975,500. According to the implementation plan, the project was supposed to be completed within eight months from the date of the contract. Management has attributed the delay in contract execution to insufficient funding and inadequate supervision of contract implementation by the responsible entities due to lack of enough staff. Failure to execute the contract within the stipulated duration might result in additional costs.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern accounting assumption unless the management either intends to liquidate the corporation or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

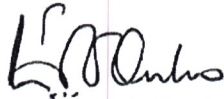
As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Services's 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 going concern 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service to cease to continue as a going concern.
- 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 Services's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 March 2018

KENYA ACCREDITATION SERVICE (KENAS)

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

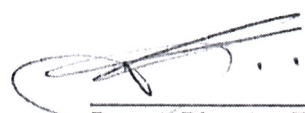
	NOTES:	2017 KES	2016 KES
Assets			
CURRENT ASSETS			
Cash and Bank equivalents	16	12,967,126	19,981,780
Receivables from exchange transactions	17	26,825,857	18,472,654
Receivables from non-exchange transactions	18	2,922,822	2,762,342
Inventories	15	297,787	140,060
		43,013,591	41,356,836
NON - CURRENT ASSETS			
Property, Plant and Equipment	12	8,730,481	12,794,136
Work In Progress	21	7,698,012	5,975,500
Intangible Assets	13	-	431,443
		16,428,493	19,201,079
Total Assets		59,442,085	60,557,917
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange transactions	19	18,502,462	16,403,372
Trade and Other Payables from Non Exchange transactions	20	28,541,984	30,094,850
Total Liabilities		47,044,447	46,498,222
Net Assets		12,397,638	14,059,694
Capital Funds			
Accumulated Funds	14	25,000,000	20,000,000
Accumulated Surplus	14	(19,862,361)	(13,200,305)
Revaluation Reserve	14	7,260,000	7,260,000
Total net Assets and Liabilities		12,397,639	14,059,695

The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board

of Directors on

by: 
Chief Executive Officer

Date: 28-Feb-2018


Deputy Director Finance & Adm.
ICPAK Member No. 4212

Date: 28/02/2018


Chairman

Date: 28/02/2018

The notes set out on pages 7 to 20 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Income	NOTES:	2017 KES	2016 KES
Revenue from Non-Exchange transactions	5	115,982,033	118,568,384
Revenue from Exchange transactions	6	33,044,986	31,229,270
Total Revenue		<u>149,027,019</u>	<u>149,797,655</u>
Expenses			
Personal Emoluments	7	87,355,897	83,748,384
Board Expenses	8	4,337,035	4,699,907
Administrative Costs	9	42,392,420	52,181,103
Other Operating Costs	10	22,125,961	18,802,797
Total Expenses		<u>156,211,313</u>	<u>159,432,192</u>
		(7,184,294)	(9,634,537)
Other gains/(Losses)			
Foreign exchange Gain	11	162,845	711,335
Surplus (Deficit)		<u>(7,021,449)</u>	<u>(8,923,202)</u>

The notes set out on pages 7 to 20 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Fund KES	Revaluation Reserve KES	Accumulated Surplus KES	TOTAL KES
Balance as at 30th June 2015	-	-	(7,572,076)	(7,572,076)
Government Capital Grants	20,000,000		-	20,000,000
Revaluation Reserve	-	7,260,000	-	7,260,000
Adjustments for the year	-	-	3,294,974	3,294,974
Surplus/(Deficit) for the year	-	-	(8,923,202)	(8,923,202)
Balance as at 30th June 2016	20,000,000	7,260,000	(13,200,304)	14,059,696
Government Capital Grants	5,000,000	-	-	5,000,000
Revaluation Reserve	-	-	-	-
Adjustments for the year	-	-	359,393	359,393
Surplus/(Deficit) for the year	-	-	(7,021,449)	(7,021,449)
Balance as at 30th June 2017	25,000,000	7,260,000	(19,862,361)	12,397,639

Refer to Note 14 of the financial statements

Accumulated Fund refers to accumulated Government Development Grants received over the years. Revaluation Reserves relates to surplus realised on revaluation of Motor vehicles. Accumulated surplus relates to accumulated surplus/Deficit over the years.

The notes set out on pages 7 to 20 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTES:	2017 KES	2016 KES
Cash generated from operations			
Surplus for the year before		(7,021,449)	(8,923,202)
Adjustments for :			
KEBS-QUSAC Bank Balance*	14	-	3,780,085
Disposal of Fixed Assets - Gain/Loss	14	-	24,114.96
Credit note for Eka Hotel Invoice 81016	14	-	15,199.50
Credit note for CMC LRK-SINV+044373	14	-	73,036.63
Invoice No 128 for Accreditation Services	14	-	(345,000)
Invoice No 14 for Accreditation Services	14	-	(40,000)
Return of GIZ un utilised funds	14	-	(370,900)
2015-2016 Excess Penalty provision written off	14	685,024	-
Credit Note for INV505 Reversed	14	49,950	-
Invoice No. INVREC000079 Reversed	14	(192,500)	-
2015-2016 Expenditure Accounted	14	(183,081)	-
Provision for Leave days 2014-2015	14	-	10,533
Provision for Audit Fees	14	-	172,000
Depreciation expense	12 & 13	3,367,634	4,744,379
Amortisation expense	12 & 13	2,691,161	5,102,677
Total Cash generated from operations		(603,262)	4,242,942
Working Capital adjustment			
Change in inventories	15	(157,727)	(17,685)
Change in Trade and Receivables	17 & 18	(8,513,683)	(6,497,186)
Change in Trade and other Payables	19 & 20	546,225	2,070,939
Net Changes in Working Capital		(8,125,185)	(4,443,932)
Net Cash from Operating Activities		(8,728,447)	(200,989)
Cash flows from Investing Activities			
Property Plant & Equipment	12 & 13	(1,563,695)	(61,000)
Work in Progress	21	(1,722,512)	(4,475,500)
Intangible Assets	13	-	-
Net Cash flows used in investing Activities		(3,286,207)	(4,536,500)
Cash flows from Financing Activities			
GOK Grants Development	14	5,000,000	20,000,000
Disposal of Computers	12	-	69,438
Net Cash flows From Financing Activities		5,000,000	20,069,438
Net Increase in Cash & Cash Equivalents		(7,014,655)	15,331,949
Analysis of Cash and Cash Equivalents			
Net Cash & Cash Equivalents at July	16	19,981,782	4,649,833
Net Cash & Cash Equivalents at 30 June 2017	16	12,967,128	19,981,782

The notes set out on pages 7 to 20 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

KENYA ACCREDITATION SERVICE
Statement of Comparison of Budget and Actual amounts
For the Year ended 30 June 2017

Revenue	Original Budget 2016- 2017 KES	Adjustments KES	Final Budget 2016-2017 KES	Actual KES	Variance KES
Cash Balance B/F - Priority Area MOHC	7,797,886	-	7,797,886	7,797,886	-
Governments Grants Recurrent	115,038,400	-	115,038,400	115,038,400	-
Govt Grants Development	20,000,000	(15,000,000)	5,000,000	5,000,000	-
Public contributions and Donations	2,300,000	-	2,300,000	943,633	(1,356,367)
Accreditation Fees	25,870,350	-	25,870,350	17,530,358	(8,339,992)
Training Income	7,100,000	-	7,100,000	10,565,150	3,465,150
Miscellaneous Income	6,095,000	-	6,095,000	4,949,478	(1,145,522)
Total Income	184,201,636	(15,000,000)	169,201,636	161,824,905	(7,376,731)
Expenses					
Personal Emoluments	88,190,078	-	88,190,078	87,355,897	834,181
Honoraria	1,044,000	-	1,044,000	854,742	189,258
Medical Expenses	5,800,000	-	5,800,000	5,695,148	104,852
Transport Operating Expenses	1,800,000	800,000	2,600,000	1,260,201	1,339,799
Travelling and Accomodation	300,000	-	300,000	290,574	9,426
Hire of Transport	3,077,000	(2,477,000)	600,000	516,701	83,299
External travelling and Accomodation	50,000	4,535,000	4,585,000	6,002,722	(1,417,722)
Postal and Courier Services	96,000	(46,000)	50,000	20,695	29,305
Telephone	1,480,000	(1,384,000)	96,000	64,989	31,011
Official entertainment	0	1,780,000	1,780,000	1,627,139	152,861
Legal Expenses	3,446,000	(3,446,000)	-	-	-
Contracted Professionals	684,000	1,162,000	1,846,000	2,033,137	(187,137)
Electricity	150,000	534,000	684,000	581,719	102,281
Water	1,020,000	(870,000)	150,000	183,554	(33,554)
Motor vehicle fuel,lubricant and gas	2,680,000	(960,000)	1,720,000	1,518,905	201,095
Seminar expenses	200,000	2,628,400	2,828,400	4,197,080	(1,368,680)
Library expenses	600,000	(400,000)	200,000	12,096	187,904
Purchase of stationery	800,000	(200,000)	600,000	624,882	(24,882)
Publishing printing and photocopy	450,000	350,000	800,000	314,210	485,790
Advertising,Marketing and Publicity	108,000	164,000	272,000	516,074	(244,074)
Newspapers,publications,periodicals	500,000	(392,000)	108,000	89,180	18,820
Welfare	17,249,722	(17,049,722)	200,000	116,250	83,750
Rent and Rates	2,228,000	13,921,722	16,149,722	15,643,003	506,719
Maintenance of office equipments	2,630,600	(2,130,600)	500,000	285,961	214,039
Maintenance of buildings	500,000	(420,000)	80,000	17,889	62,111
Insurance expenses	100,000	2,530,600	2,630,600	2,272,232	358,368
Staff development and Training	800,000	1,428,000	2,228,000	1,599,041	628,959
Subscription fees	1,402,000	(860,000)	542,000	604,400	(62,400)
Computer expenses	199,000	-	199,000	120,910	78,090
Bank Charges	400,000	-	400,000	131,720	268,280
Financial Audit	348,000	-	348,000	-	348,000
Accreditation expenses	7,478,000	(1,200,000)	6,278,000	5,943,008	334,992
Training Expenses	2,500,000	900,000	3,400,000	2,846,869	553,131
Tender allowance and Technical Committee Expenses	344,000	-	344,000	121,120	222,880
Technical Committee Expenses	1,120,000	-	1,120,000	65,127	1,054,873
Peer/Pre-Peer Evaluation Expenses	1,800,000	(530,000)	1,270,000	1,106,754.96	163,245
World Accreditation Day	1,500,000	-	1,500,000	1,360,000	140,000
Board Expenses	3,329,350	-	3,329,350	3,482,293	(152,943)
Penalty and Fines	-	-	-	270,295	(270,295)
Depreciation-Motor Vehicles	-	-	-	1,815,000	(1,815,000)
Depreciation-Furniture & Equipment	-	-	-	1,286,306	(1,286,306)
Depreciation-Computer Hardware	-	-	-	266,328	(266,328)
Amortization-Computer Software	-	-	-	431,443	(431,443)
Amortization-Office Partioning	-	-	-	2,259,718	(2,259,718)
Total Expenses	156,403,750	(1,631,600)	154,772,150	155,805,313	(1,033,163)
Surplus/(Deficit) for the period	27,797,885	(13,368,400)	14,429,485	6,019,592	(6,343,568)

KENYA ACCREDITATION SERVICE (KENAS)

Reasons/explanations for material differences between the budget and actual amounts

a) Public Contributions and Donations: KES 1,356,367

The organization realised less sponsorship income as fewer programmes were funded by our partners such as International Accreditation Cooperation (ILAC)/International Accreditation Forum (IAF) and PTB.

b) Accreditation Income: KES 8,339,992

The organization realized a deficit income of KES 8,339,992 as a result of Low uptake of accreditation services by clients as anticipated because of less awareness and marketing programs that were undertaken due to inadequate budgetary allocation by GOK coupled with the fact that our services are still voluntary in nature.

c) Miscellaneous Income: KES 1,145,522

The organization realized a deficit of KES 1,145,522 as a result of most activities being undertaken within Nairobi and its environments and hence a reduction in facilitation Income. This was also due to budgetary cuts and hence less awareness and marketing programs.

d) Transport Operating Expenses: KES 1,339,799

The expenditure was underspent by KES 1,339,799, due to pooling of activities as one of the austerity measures and also use of taxis by our staff (Uber or little cab), which are economically cheaper.

e) External Travelling Expenses: KES 1,417,722

The expenditure was overdrawn by KES 1,417,722, as part of the expenditure was financed by Development expenditure under Ministry priority areas to the tune of KES 1,425,240. Hence overallly there was no variance.

f) Seminar Expenses: KES 1,368,680

The expenditure was overdrawn by KES 1,368,680 as part of the expenditure was financed by Development expenditure under Ministry priority areas to the tune of KES 2,706,034. Hence overallly there was no variance.

g) Library Expenses: KES 187,904

The expenditure was underspent by KES 187,904, as a result of differment of purchase of new standards to the current year to accommodate upcoming reviews.

KENYA ACCREDITATION SERVICE (KENAS)

h) Publishing Printing and Photocopying Services: KES 485,790

The expenditure was underspent by KES 485,790 due to the austerity measures undertaken coupled with sponsorship from development partners and hence less expenditure.

i) Advertising, Marketing and Publicity Expenses: KES 244,074

The expenditure was overdrawn by KES 244,074 as part of the expenditure was financed through Development expenditure under Ministry priority areas to the tune of KES 237,234.52. Hence overallly there was no variance.

j) Rent and Rates: KES 506,719

The expenditure was underspent by KES 506,719 due to more provision of excess service charge having been made than the actual service charge realized.

k) Maintenance of Office Equipment: KES 214,039

The expenditure was underspent by KES 506,719 since the planned repairs were accomplished in the current financial year.

l) Maintenance of Buildings: KES 62,111

The expenditure was underspent by KES 62,111 since most of the facilities are still new.

m) Insurance Expenses: KES 358,368

The expenditure was underspent by KES 358,368 less premiums were paid during the year.

n) Staff Development & Training Expenses: KES 628,959

The expenditure was underspent by KES 628,959 since some programmes were deferred to the current financial year.

o) Tender allowances

The expenditure was underspent by KES 628,959 since the budget included performance contract forums , which never materialised during the year.

p) Technical Committees Expenses

The expenditure was underspent by KES 628,959 since some most Technical Committes were differred due to changes in standards.

KENYA ACCREDITATION SERVICE (KENAS)

XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017

1. GENERAL INFORMATION

Kenya Accreditation Service (KENAS) is established by and derives its authority and accountability from the State Corporations Act, Cap 446, Laws of Kenya vide Legal Notice No. 55/ 2009. Its principal activity is the provision of accreditation services to Conformity Assessment Bodies (CAB's) that carry out various conformity assessment tasks that include inspection, testing and certification in all fields and or sectors of our economy Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements are prepared in compliance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings (KES), which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. 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

a) IPSAS 33: First time adoption of Accrual Basis IPSAS

KENAS adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.

b) IPSAS 34: Separate Financial Statements

KENAS does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply

c) IPSAS 35: Consolidated Financial Statements

KENAS does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply

d) IPSAS 36: Investments in Associates and Joint Ventures

KENAS does not have investments in associates or joint ventures and therefore the standard does not apply

KENYA ACCREDITATION SERVICE (KENAS)

e) **IPSAS 37: Joint Arrangements**

KENAS does not have an interest in a joint arrangement and therefore the standard does not apply

f) **IPSAS 38: Disclosure of Interests in Other Entities**

KENAS does not have an interests in other entities and therefore the standard does not apply

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue Recognition-IPSAS 23**

(i) **Government Grants**

Government grants are recognized when received

(ii) **Interest Income**

Interest income is recognized when it accrues, by reference to the principal outstanding and the interest rate applicable. All other revenues are recognized at the time goods are supplied or services are provided.

b) **Budget Information-IPSAS 24**

The annual Budget is prepared on accrual basis, taking into account all planned activities and anticipated incomes. A statement of comparison of Budget and actual amount is provided in the financial statements.

c) **Property, Plant and Equipment -IPSAS 17**

All Property, Plant and Equipment are stated at cost or revaluation less depreciation.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in the Statement of Financial performance. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

d) **Depreciation**

Depreciation on assets other than land is calculated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. The assets are disclosed at their carrying amounts and some asstes have been fully depreciated During the Financial year

The annual rates used are as follows: -

Plant, Machinery, Furniture & Fittings	12.50%
--	--------

KENYA ACCREDITATION SERVICE (KENAS)

Motor Vehicles	25%
Computers and Software	33.30%

e) **Intangible Assets -IPSAS 31**

Intangible assets represent computer software which is stated at cost less amortization. Amortization is calculated to write off the cost of the assets on a straight line basis over their estimated useful life of 3 years.

f) **Inventories-IPSAS 12**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

g) **Provisions, Contingent Liabilities and Assets-IPSAS 19**

Provisions are recognized when the Organisation has a present obligation 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 cost can be estimated. There was no contingent liabilities to be reported in the notes to the financial statements.

h) **Subsequent Events- IPSAS14**

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30 2017.

i) **Foreign Currency**

Transactions during the year are converted into Kenya currency at the rate ruling at transaction dates. Assets and Liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya currency at rates ruling at that date. The resulting differences from conversion and translations are dealt with in the statement of comprehensive income in the year in which they arise.

j) **Trade Receivables**

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the end of the year. Bad debts are written off when all reasonable steps to recover them have failed.

KENYA ACCREDITATION SERVICE (KENAS)

k) **Trade Payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed or not.

l) **Employee Benefit Costs**

The Organization also contributes to the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently limited to a maximum of KES. 200 per employee per month.

Contributions by the Organization in respect of retirement benefit costs are charged to the Income Statement in the year to which they relate.

Employees' entitled to annual leave are charged to the Income Statement as they fall due.

Employees on contract are entitled to gratuity at the end of the contract or employment, whichever comes earlier. The estimated monetary liability for such entitlement at the end of the balance sheet date is recognized as an expense accrued.

m) **Cash & Bank Balances**

The Organization's Cash and bank balances consist of Cash in hand and Cash at bank at the balance sheet date.

n) **Related party Transactions**

The Organization's does not have any related party transaction except for the remuneration to the Board of Directors which are governed by the Corporation Act, 486 and as per the Guidelines issued by the National Treasury from time to time. During the year such payment amounted to KES. 4,337,035 which included Honorarium to the Chairman of KES. 854,742 and other allowances as proscribed by the Mwongozo executive order No. 7. KENAS owes Kenya Bureau of Standards KES 8,200,189.65 for operational costs incurred while being hosted at KEBS in its initial stages of inception before it started receiving its own Government Funding. KEBS also hold KES 3,780,085 being bank balance as at 30th June 2011 held on behalf of KENAS.

o) **Financial Instruments- IPSAS 30**

The Organisation is not exposed to any risk that may arise from financial instruments.

KENYA ACCREDITATION SERVICE (KENAS)

	2017	2016
NOTE 5: Revenue from Non-Exchange transactions	KES	KES
(i): Government Grants Recurrent	115,038,400	116,499,460
Total Government Grants	115,038,400	116,499,460
(ii): Public Contributions and Donations		
PTB Sponsorship	546,588	-
Sponsorship-IAF	397,045	194,308
Sponsorship-ACP-EU-TBT PROGRAMME-054/15	-	1,874,616
	943,633	2,068,924
Total Revenue from Non-Exchange transactions	115,982,033	118,568,384
NOTE 6: Revenue from Exchange transactions		
(i): Accreditation Income		
Accreditation Fees-Testing and Calibration	6,667,500	10,521,573
Accreditation Fees-Health and Safety	6,268,559	6,816,360
Accreditation Fees-Inspection and Verification	1,834,299	1,189,329
Accreditation Fees-Certification	2,760,000	2,245,581
	17,530,358	20,772,842
(ii): Training Income		
Training Income-Test and Calibration	5,500,234	1,992,000
Training Income-Health and Safety	4,104,916	3,030,000
Training Income-Inspection and Verification	360,000	434,500
Training Income-Certification	600,000	-
	10,565,150	5,456,500
(iii): Miscellaneous Income		
Sale of Tender documents-Finance	-	3,000
Sale of obsolete items-Finance	15,725	-
Fines and Surcharges	1,000	-
Facilitation Income	4,912,753	4,996,928
Other Miscellaneous Income- Finance	20,000	-
	4,949,478	4,999,928
Total Revenue from Exchange transactions	33,044,986	31,229,270

KENYA ACCREDITATION SERVICE (KENAS)

	2017 KES	2016 KES
NOTE 7: Personal Emoluments		
Basic salary	50,100,837	47,352,680
House Allowance	15,096,129	14,857,500
Commuter Allowance	4,459,936	4,073,200
Entertainment Allowance	1,726,090	1,258,367
Taskforce Allowance	-	-
Telephone Allowance	1,813,964	1,747,033
Passage Allowance	2,327,129	1,060,672
Pension Contributions	8,564,192	9,775,280
NSSF Contributions	87,000	87,400
Gratuity	1,668,420	1,885,811
Acting Allowance	318,821	239,589
Extraneous Allowance	174,000	174,000
Special duty Allowance	101,223	197,708
Gardener Allowance	80,000	240,000
Security Allowance	58,400	175,200
Responsibility Allowance	609,756	314,443
Utilities Allowance	80,000	240,000
Sitting Allowance	-	33,000
Non Practising Allowance	90,000	36,500
Total Personal Emoluments	87,355,897	83,748,384
NOTE 8: Board Allowances and Expenses		
Honorarium for Chairperson	854,742	1,044,000
Mileage	464,423	799,225
Airtickets	275,246	130,265
Retreats	-	16,000
Snacks	148,565	18,250
Sitting Allowances	1,706,779	1,245,722
Consultation	119,815	226,400
Official Functions	640,064	914,845
Accomodation Expenses	127,400	305,200
Total Board Allowances and Expenses	4,337,035	4,699,907

KENYA ACCREDITATION SERVICE (KENAS)

	2017 KES	2016 KES
NOTE 9: Administrative Expenses		
Medical Expenses	5,695,148	5,728,054
Transport Operating Expenses	1,260,201	1,617,831
local Travelling and Accomodation	290,574	302,395
Hire of Transport	516,701	599,135
Postal and Courier Services	20,695	29120
Telephone	64,989	87,971
Official entertainment	1,627,139	1,334,045
Contracted Professionals	2,033,137	1,910,320
Electricity	581,719	613,304
Water	188,554	136,184
Motor vehicle fuel,lubricant and gas expenses	1,518,905	1,261,349
Library expenses	12,096	83,688
Purchase of stationery	624,882	538,274
Publishing printing and photocopy	314,210	135,960
Advertising,Marketing and Publicity	516,074	4,671,453
Newspapers,publications,periodicals and journals	89,180	97,040
Welfare	116,250	-
Rent and Rates	15,643,003	17,974,980
Maintenance of office equipments	285,961	237,631
Maintenance of buildings	17,889	28,600
Insurance expenses	2,272,232	2,134,853
Staff development and Training	1,599,041	2,100,067
Computer expenses	120,910	27,500
Bank Charges	131,720	151,295
Financial Audit expense	406,000	406,000
Penalty and Fines	270,295	-
Tender allowance	121,120	127,000
Depreciation-Motor Vehicles	1,815,000	3,263,412
Depreciation-Furniture & Equipment	1,286,306	1,276,591
Depreciation-Computer Hardware	266,328	204,375
Amortization-Computer Software	431,443	583,241
Amortization-Office Partioning	2,259,718	4,519,436
Total Administrative Expenses	42,392,420	52,181,103

KENYA ACCREDITATION SERVICE (KENAS)

	2017	2016
	KES	KES
NOTE 10: Other Operating Expenses		
External travelling and Accomodation	6,002,722	6,056,207
Seminar expenses	4,197,080	2,407,655
Subscription fees	604,400	581,377
Accreditation expenses	5,943,008	6,919,901
Training Expenses	2,846,869	1,563,631
Technical Committee Expenses	65,127	199,647
Peer Evaluation Expenses	1,106,755	-
World Accreditation Day Expenses	1,360,000	1,074,380
Total Other Operating Expenses	22,125,961	18,802,797

NOTE 11: Other Gains/(Losses) realised

Gain on foreign exchange transactions	162,845	735,450
Gain on Disposal of Computers	-	(24,115)
Total Gains/Losses realised	162,845	711,335

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 12

KENYA ACCREDITATION SERVICE

Property Plant and Equipment
For the Year ended 30 June 2017

	OFFICE PARTITIONING KES	MOTOR VEHICLES KES	FURNITURE & EQUIPMENT KES	COMPUTER HARDWARE KES	TOTAL KES
Cost		25%	12.5%	33.3%	
At 1st July 2015	22,597,180	22,321,735	10,462,625	5,195,257	60,576,797
Disposals	-	(10,734,435)	(142,500)	(111,000)	(10,987,935)
Revaluations	-	7,260,000			7,260,000
Additions	-	-	61,000.00	-	61,000
AS at 30th June 2016	22,597,180	18,847,300	10,381,125	5,084,257	56,909,862
At 1st July 2016	22,597,180	18,847,300	10,381,125	5,084,257	56,909,862
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Additions	-	-	18,695	1,545,000	1,563,695
AS at 30th June 2017	22,597,180	18,847,300	10,399,820	6,629,257	58,473,557
Depreciation/Amortization					
At 1st July 2015	15,818,026	20,873,321	4,329,364	4,725,581	45,746,293
Disposals	-	(10,734,435)	(48,984)	(110,963)	(10,894,382)
Charge for the Year	4,519,436	3,263,412	1,276,591	204,375	9,263,814
AS at 30th June 2016	20,337,462	13,402,298	5,556,971	4,818,993	44,115,725
At 1st July 2016	20,337,462	13,402,298	5,556,971	4,818,993	44,115,725
Disposals	-	-	-	-	-
Charge for the Year	2,259,718	1,815,000	1,286,306	266,328	5,627,351
AS at 30th June 2017	22,597,180	15,217,298	6,843,277	5,085,321	49,743,076

NET BOOK VALUES

AS at 30th June 2017	3,630,002	3,556,543	1,543,936	8,730,481
AS at 30th June 2016	2,259,718	5,445,001	4,824,154	12,794,136
AS at 30th June 2015	6,779,154	1,448,414	6,133,261	14,830,504

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 13

KENYA ACCREDITATION SERVICE Intangible Assets For the Year ended 30 June 2017

	COMPUTER SOFTWARE KES 33.3%	TOTAL KES
Cost		
At 1st July 2015	2,034,409	2,034,409
Disposals	-	-
Additions	-	-
AS at 30th June 2016	2,034,409	2,034,409
At 1st July 2016	2,034,409	2,034,409
Disposals	-	-
Additions	-	-
AS at 30th June 2017	2,034,409	2,034,409
Depreciation/Amortization		
At 1st July 2015	1,019,725	1,019,725
Charge for the Year	583,241	583,241
AS at 30th June 2016	1,602,966	1,602,966
At 1st July 2016	1,602,966	1,602,966
Charge for the Year	431,443	431,443
AS at 30th June 2017	2,034,409	2,034,409
NET BOOK VALUES		
AS at 30th June 2017	-	-
AS at 30th June 2016	431,443	431,443
AS at 30th June 2015	274,604	274,604

KENYA ACCREDITATION SERVICE (KENAS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

NOTE 14: Capital Fund	2017	2016
(i) Accumulated Fund	KES	KES
Balance as at 1 st July 2016	20,000,000	20,000,000
Government Grants Development	5,000,000	-
Total Accumulated Fund	25,000,000	20,000,000
	2017	2016
	KES	KES
(ii) Revaluation Reserve		
Balance as at 1 st July 2016	7,260,000	-
Surplus (Deficit) for the year	-	7,260,000
Revaluation Surplus	7,260,000	7,260,000
(iii) Accumulated Surplus		
Balance as at 1 st July 2016	(13,200,305)	(7,572,077)
Adjustments for the year:		
KEBS-QUSAC Bank balances	-	3,780,084
Credit note for EKA Hotel Invoice 81016	-	15,200
Credit note for CMC INV LRK SINV+044373	-	73,037
Invoice No 128 for Accreditation Services	-	(345,000)
Invoice No 14 for Accreditation Services	-	(40,000)
Return of GIZ un utilised funds	-	(370,000)
2015-2016 Excess Penalty provision Reversed	685,024	-
Credit Note for INV505 Reversed	49,950	-
Reversal on Withdrawal INVREC000079	(192,500)	-
2015-2016 Expenditure accounted	(183,081)	-
Provision for Leave days	-	10,553
Provision for Audit Fees 2015-2016	-	172,000
Surplus (Deficit) for the year	(7,021,449)	(8,923,202)
	(19,862,361)	(13,200,305)

KENYA ACCREDITATION SERVICE (KENAS)

	2017	2016
	KES	KES
NOTE 15: Inventories		
Consumable stores	297,787	140,060
NOTE 16: Cash andCash equivalents		
KCB Main Account	11,269,463	17,612,144
KCB Dollar Account	1,697,662	2,369,639
Total Cash andCash equivalents	<u>12,967,126</u>	<u>19,981,780</u>

KENYA ACCREDITATION SERVICE (KENAS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

NOTE 17: Receivables - Exchange transactions	2017	2016
	KES	KES
Current receivables		
Sundry Debtors	230,170	387,797
General Debtors	26,595,687	18,084,857
Total Receivables - Exchange transactions	26,825,857	18,472,654
NOTE 18: Receivables - Non-exchange transactions		
Guarantee Deposits	389,000	389,000
Salary Advance	708,012	697,790
Prepaid Insurance	996,927	996,927
Prepaid Expenses	828,883	587,435
Total Receivables - Non-exchange transactions	2,922,822	2,762,342
	2017	2016
	KES	KES
NOTE 19: Trade and Other Payables from Exchange transactions		
Trade Payables	18,471,099	16,338,745
Withholding Tax (6%)	31,364	64,627
Total Trade and Other payables from exchange transactions	18,502,462	16,403,372
	2017	2016
	KES	KES
NOTE 20: Trade and Other Payables from Non-Exchange transactions		
Provision For Audit Fees	406,000	406,000
Provision For Professional Fees	680,000	877,600
Provision For leave Days	2,502,314	2,621,033
Provision For General supplies	1,722,512	710,000
Staff Claims	6,079,712	3,143,400
P.A.Y.E	12,387,627	13,971,148
NSSF	-	29,160
Pension Contributions	-	1,416,246
Staff Welfare	210,800	136,000

KENYA ACCREDITATION SERVICE (KENAS)

	2017	2016
	KES	KES
Staff Loans	-	2,818
Coop Bank Loans	-	2,000
IESA Shares and Loans	-	24,267
VAT	403,287	4,379,807
Overpayment Recovery	7,631	-
Other General Claims	75,776	-
Prepayments	4,066,325	2,320,720
) Total Trade and Other Payables from Non-Exchange transactions	28,541,984	30,094,850
Note 21: Work In Progress	2017	2016
	KES	KES
Work In Progress-Computer Hardware	1,722,512	-
ERP Software	5,975,500	5,975,500
Total Work In Progress	7,698,012	5,975,500

KENYA ACCREDITATION SERVICE (KENAS)

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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 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 (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>The Auditor General had given a qualified Opinion on the basis of the matters below . The management hereby purpose to maintain the position in furture and ensure full accountability of public funds</p>					
1	Non Remittance of Statutory Deductions	<p>The management has made efforts to pay statutory deductions and reduced the outstanding balance for prior years to KES 10,844,120. Management has formally pursued the matter with Kenya revenue Authority(KRA) by having a payment proposal/plan.</p> <p>Additional the management had requested the parent ministry and the National Treasury to consider more funds to settle the same or waiver/write off PAYE since book entry.</p>	Deputy Director Finance and Administration	Ongoing	June 2019

KENYA ACCREDITATION SERVICE (KENAS)

2.	Pending Bills	Management instituting measures through having the Accreditation bill enacted which will ultimately boost the revenue generation and reduce bills going forward. Additionally management pushing parent Ministry and the National treasury for more funding in future through budget and MTEF forums/meeting.	Deputy Director Finance and Administration	Ongoing	June 2018
----	---------------	---	--	---------	-----------

XVIX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	None					
2	None					

There were no projects implemented by the Organisation that was funded by development partners.

XVX. Appendix 2: INTER-ENTITY TRANSFERS

There was no inter-entity transfers during the financial year under review

XVXI. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

There was no transfers from other Government entities during the financial year under review

Vertical line on the left side of the page.

Vertical line on the right side of the page.