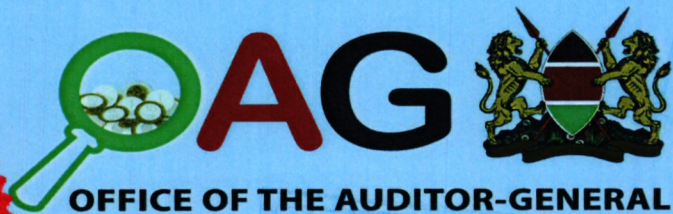


REPUBLIC OF KENYA



*Enhancing Accountability*

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OF KENYA  
LIBRARY

THE NATIONAL ASSEMBLY  
PARDOSI ADI  
DATE: 30 NOV 2022 DAY: Wednesday  
TABLED  
REPORT Low  
BY: Getunde chebet

OF

**THE AUDITOR-GENERAL**

ON

**KENYA ACCREDITATION SERVICE**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
12 MAY 2022  
**RECEIVED**  
**Kenya  
Accreditation  
Service**  
*... Delivering Trust*

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**KENYA ACCREDITATION SERVICE (KENAS)**


**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2021**

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

 <b>THE NATIONAL ASSEMBLY</b> PARLIAMENT BUILDING	
DATE: 30 NOV 2022 <span style="float: right;">Wednesday</span>	
TABLED BY:	LOM
CHIEF CLERK:	Getunde Chebet

**Kenya Accreditation Service (KENAS)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

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## **1. KEY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

Kenya Accreditation Service (“the Service” or “KENAS”) was re-established by the Kenya Accreditation Service Act 2019 (“the Act”) on 19<sup>th</sup> August 2019. The Service is domiciled in Kenya under the State Department for Industrialization in the Ministry of Industrialization, Trade and Enterprise Development.

The institutional structure of the Service is comprised of The Board of Directors, the Accreditation Advisory Committee, the Chief Executive Officer, three (3) directorates, twelve (12) departments, nine (9) divisions, and four (4) units/sections. The Service also has an Accreditation Tribunal, which is made up of independent persons who hear appeals regarding to accreditation decisions.

### **(b) Principal Activities**

The principal mandate of the Service is to accredit and exercise oversight over organizations (both private and public) that carry out conformity assessment activities. These organizations include; testing laboratories, calibration laboratories, medical laboratories, certification bodies, inspection and verification bodies.

<b>Vision Statement</b>	A symbol of trust in quality, safety, and environmental assurance.
<b>Mission Statement</b>	To provide greater confidence in accredited conformity assessment services to businesses, government, regulators, consumers, and the public
<b>Value Proposition</b>	<i>Delivering Trust</i>
<b>Core Values</b>	The core values of the Service are enshrined in the acronym iPace– Integrity, Professionalism, Accountability, Client-focused and Excellence

### **(c) Key Management**

The day-to-day management is under the following key organs:

- i. Board of Directors;
- ii. Accounting Officer who is Chief Executive Officer; and
- iii. Delegated Management Staff assigned direct fiduciary responsibilities.

### **(d) Fiduciary Management**

The key Management personnel who held office during the financial year ended 30 June 2021 and who had direct fiduciary responsibility were;

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No.	Designation	Name
1.	Chief Executive Officer	Mr. Martin Chesire
2.	Chief Manager Inspection and Certification	Mrs. Susannah Munyiri-Ochieng
3.	Chief Manager Corporate Services	Mr. John Mburu Kamau
4.	Ag. Chief Manager Laboratories	Ms. Doris Mueni
5.	Manager Finance and Accounts	Mr. Henry Wandabwa
6.	Manager Internal Audit	Mr. Elijah Kandie
7.	Ag. Manager Supply Chain Management	Ms. Flormina Ngina Musee
8.	Ag. Manager Scheme Development, Training and Advocacy	Mr. Michael K. Talam

**(e) Fiduciary Oversight Arrangements**

The Service's key fiduciary oversight arrangements were as follows:

- Audit and Risk Assurance Committee (ARC) – manages the Service's risk while ensuring compliance to all applicable laws and regulations
  - Finance and Investment Committee (FIC) – oversees the Finance and Procurement operations
  - Human Resource Committee (HRC) – oversees HR and Administrative policies and strategies
  - Technical and Strategy Committee (TEC) – oversees the Core business of the Service
- Parliamentary Oversight Committees

**(f) KENAS Headquarters**

P.O. Box 47400-00100  
Embankment Plaza, 2nd Floor  
Longonot Road, Upper Hill  
Nairobi, KENYA

**(g) KENAS Contacts**

Telephone: +254 725 227 640  
Email: [md@kenyaaccreditation.org](mailto:md@kenyaaccreditation.org) and [info@kenyaaccreditation.org](mailto:info@kenyaaccreditation.org)  
Website: [www.kenas.go.ke](http://www.kenas.go.ke)

**(h) KENAS Banker(s)**

Kenya Commercial Bank  
Kipande Branch  
P.O. Box 30012

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GPO 00100  
Nairobi, KENYA



**(i) Independent Auditor(s)**

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



**(j) Principal Legal Adviser**

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



**2. THE BOARD OF DIRECTORS**

Ref	Directors	Details
1.	 <p data-bbox="308 1043 730 1133">Dr. Nancy N. Muriuki, PhD, MBA, BCom. Dip., CPS(K)</p>	<p data-bbox="767 421 1437 696">Dr. Nancy Muriuki was born in 1963. She is an independent Director and Chair of Finance Committee of the Board. She is currently an adjunct lecturer at Pan Africa Christian University (PAC) in Nairobi, as well as the founding Director of Africa Success Enhancement Lab (ASEL), which provides training on corruption prevention through servant leadership.</p> <p data-bbox="767 730 1437 1084">Dr. Muriuki's areas of expertise include Governance and Leadership, Human Resource Management/ Development, and Corporate Secretarial Practice. She has over 32 years of experience, having worked as the Director of Human Resources at Amref and as the Company Secretary/Human Resources Manager at CIC Insurance Group. She has also worked for the Kenyan government as a Civilian Administration Officer at the Kenya Navy and Defense Headquarters.</p>
2.	 <p data-bbox="352 1749 689 1877">Mr. Danson M. Ngaari, MBA, BSc. Global Health, PGDipCDTech.</p>	<p data-bbox="767 1160 1437 1514">Mr. Danson M. Ngaari was born in 1962. He is an independent Director and Chair of Human Resource Committee of the Board. He has over 20 years of experience in management, institutional leadership, and Governance. in the year 1962. He is an independent Director and the Chair of the Board's Human Resources Committee. He has over 20 years of experience in management, institutional leadership, and governance.</p> <p data-bbox="767 1547 1437 1904">Mr. Danson started his career as a prosthetic, and surgical dental technologist at the Ministry of Health, then later practiced at Kenyatta National Hospital and later at the University of Nairobi. He further practiced and managed dental laboratories in Malaysia before venturing into a private consulting and medical supplies business. He is a member of the Kenya Dental Technologist Association and various community Associations.</p>




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Ref	Directors	Details
3.	 <p data-bbox="411 920 643 1010">Mr. Alex Gatundu LLM, Dip.LLB</p>	<p data-bbox="778 376 1449 857">Mr. Alex Gatundu was born in 1973. He was appointed as an independent Director in January 2020. He is the Chair of Audit and Risk Management Committee of the Board. He is an advocate of the High Court of Kenya with some 22 years experience in Law practice, and he is the Managing Partner of Gatundu &amp; Co Advocates and called to the Bar in December 1998, and he specializes in Civil and Commercial law practice. He is a Certified Retirement Benefits Trustee and has held several leadership positions at the African Bar Association (Kenya Forum) and the Law Society of Kenya.</p>
4.	 <p data-bbox="371 1809 679 1899">Mr. Duncan Nyale Msc.IT, BSc. IT, Dip.IT</p>	<p data-bbox="778 1037 1449 1272">Mr. Duncan Nyale is an independent Director and Chair of Technical Committee of the Board. He is a seasoned Technical, Public Policy and Administration advisor with over 15 years' experience in Corporate Governance, Information and Communication Technologies (ICT) and Education.</p> <p data-bbox="778 1305 1449 1742">He is a Lecturer and a former Ag. Director of the Directorate of Computing and e-Learning at the Cooperative University of Kenya. He has partnered and researched with several national and international organizations including Ford Foundation, Centre for Intellectual Property and Information Technology Law at Strathmore University (CIPIT), Collaboration on International ICT Policy for East and Southern Africa (CIPESA), Kenya ICT Action Network (KICTANet), ARTICLE 19 Eastern Africa, Paradigm Initiative Nigeria among others.</p> <p data-bbox="778 1776 1449 2045">Mr. Nyale has extensively consulted for numerous private and public sector organizations on matters policy development and project management including the Ministry of Interior, Mombasa and Kilifi County Governments, the Anglican Church of Kenya, Moringa School and several NG-CDF committees. He has held various Board positions and previously</p>




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Ref	Directors	Details
		worked as Head of ICT, Business Solutions Developer, ICT Project Manager and Software Engineer.
5.	 <p data-bbox="403 1126 635 1211">Ms. Stella Osoro MA, BA, CPA(K)</p>	<p data-bbox="770 521 1439 674">Ms. Stella was born in 1984. She was appointed alternate to PS National Treasury. She is an experienced Public Sector Economist and Accountant.</p> <p data-bbox="770 707 1439 779">Currently, Ms. Osoro works at the National Treasury and Planning as a Principal Economist.</p>
6..	 <p data-bbox="408 1749 630 1834">Ms. Nancy Muya BSc.</p>	<p data-bbox="770 1238 1439 1473">Ms. Muya was born in 1960. She was appointed in July 2020 as alternate to PS state Department for Industrialisation. She has over 25 years in Civil Service, offering her expertise in industrial development at the Ministry of Industrialization, Trade and Enterprise Development.</p> <p data-bbox="770 1507 1439 1697">Ms. Muya has undertaken several short term training programmes during her work experience in industrial development, Policy formulation, processing technologies, management and leadership, locally and internationally. Has served in various boards.</p>

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4.	 <p>Doris Mueni Mengo Ag. Chief Manager, Laboratories MSc., BSc., Dip. QI</p>	<p>She is responsible to the Chief Executive Officer for strategic leadership for the accreditation of Testing, Medical and Calibration laboratories, and the promotion of internationally recognized accreditation in line with the Kenya Accreditation Service Act 2019, EAC SQMT Act 2006 and Mutual Recognition Agreements for facilitation of trade, economic performance, enhancement of health, safety, and protection of the environment.</p>
5.	 <p>Michael Talam Ag. Manager, Scheme Development, Training and Advocacy EMBA, BIT</p>	<p>He is responsible to the Chief Executive Officer in offering advise regarding new scheme development, conformity assessment training, corporate communication and advocacy activities in line with the Kenya Accreditation Service Act 2019, EAC SQMT Act 2006 and Mutual Recognition Agreements for facilitation of trade, economic performance, enhancement of health, safety, and protection of the environment.</p>
6.	 <p>Henry Wandabwa Manager, Finance and Accounts MBA, BCom., CPA(K)</p>	<p>He is responsible for budget and budgetary control, working capital management, financial reporting, development and implementation of sound accounting and financial management systems in line with Public Financial Management (PFM) Act and the International Public Sector Accounting Standards (IPSAS).</p>

**3. MANAGEMENT TEAM**



<p>1.</p>	 <p><b>Martin Chesire</b> Chief Executive Officer EMBA, MSc. BSc., CQP(UK), MIOD(K)</p>	<p>He is responsible to the Board of Directors for the implementation of the Service’s strategic goals, prudent management of resources, giving direction and leadership in the achievement of the Service’s mission and strategic objectives.</p>
<p>2.</p>	 <p><b>John Kamau</b> Chief Manager, Corporate Services MBA, BCom., CPA(K), CPS(K)</p>	<p>He is responsible to the Chief Executive Officer for providing strategic leadership, expert advice and input to the Service to ensure optimal utilization and management of the Service’s resources. Provides accountability in the functional areas of Finance and Accounts, ICT, and Human Resource (HR) and Administration to enable the Service to effectively perform its mandate.</p>
<p>3.</p>	 <p><b>Susannah Munyiri-Ochieng</b> Chief Manager, Inspection and Certification MBA, BSc., Dip. QI, MIOD(K)</p>	<p>She is responsible to the Chief Executive Officer for strategic leadership for the accreditation of Certification, Inspection and Verification bodies and the promotion of internationally recognized accreditation in line with the Kenya Accreditation Service Act 2019, EAC SQMT Act 2006 and Mutual Recognition Agreements for facilitation of trade, economic performance, enhancement of health, safety, and protection of the environment.</p>

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Ref	Directors	Details
9.	 <p data-bbox="368 927 663 1016">Mr. Stephen Kiptinness LLM, LLB, CPS</p>	<p data-bbox="767 376 1437 613">Mr. Stephen Kiptinness was born in the year 1974. He is the Managing Partner at the Kiptinness and Odhiambo Associates. He has over 15 years of experience, having served both in local and international reputable corporate firms and as a legal consultant for various state corporations.</p> <p data-bbox="767 636 1437 748">He is a member of the Institute of Certified Secretaries (ICS) and has served as the contracted Corporation Secretary since September 2019.</p>

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Ref	Directors	Details
7.	 <p data-bbox="421 936 639 1021">Mr. Simon Atebe MBA, BSc.</p>	<p data-bbox="783 376 1455 651">Mr. Atebe was born in 1962. He was appointed in April 2021 as alternate to the PS State Department for Industrialisation and has over 30 years in Civil Service, offering his expertise in Food Safety at the office of the Government Chemist and expertise in industrial development at the Ministry of Industrialization, Trade and Enterprise Development.</p> <p data-bbox="783 685 1455 920">Mr. Atebe has undertaken several short term training programmes during his work experience in Environmental Management, Prohibition of chemical weapons chemical databases, Agriculture, Strategic Leadership and management locally and internationally. He has served in various boards.</p>
8.	 <p data-bbox="336 1576 724 1704">Mr. Martin Chesire EMBA, MSc. BSc., CQP(UK), MIoD(K)</p>	<p data-bbox="783 1066 1455 1301">Mr. Martin Chesire was born in 1973 and was reappointed in March 2021 as the Chief Executive Officer. He is a quality infrastructure professional with over 20 years working with national, regional and international organizations and development partners.</p> <p data-bbox="783 1335 1455 1727">Mr. Chesire joined the Geneva-based International Organization for Standardization (ISO) in 2008, and worked in different roles in ISO's capacity building programmes. Prior to that, he worked at the Kenya Bureau of Standards (KEBS) from mid-1998 and rose to hold the position of Manager, Systems Improvement. He is a Chartered Quality Professional (U.K.), and a member of the Chartered Quality Institute (U.K.) and a member of the Institute of Directors of Kenya.</p>

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7.	 <p><b>Flormina Musee</b> Ag. Manager, Supply Chain Management MBA, BBA, MCIPS (UK), MKISM</p>	<p>She is responsible for undertaking procurement of goods, works and services and management of inventories and disposal of assets in accordance with the Provision of Public Procurement and Asset Disposal Act (PPADA) 2015.</p>
8.	 <p><b>Elijah Kandie</b> Manager, Internal Audit BBM, CPA(K), MIIA(K)</p>	<p>He is responsible for planning and implementing internal audit strategy that provides independent, objective assurance and consulting activity aimed at adding value, improving the operations of the KENAS and establishing risk management controls and governance processes.</p>
9	 <p><b>Mr. Stephen Kiptinness</b> LLM, LLB, CPS</p>	<p>Stephen was born in the year 1974. He is the Managing Partner at the Kiptinness and Odhiambo Associates. He has over 15 years of experience, having served both in local and international reputable corporate firms and as a legal consultant for various state corporations.</p> <p>He is a member of the Institute of Certified Secretaries (ICS) and has served as the contracted Corporation Secretary since September 2019.</p>

#### **4. CHAIRPERSON'S STATEMENT**

On behalf of the Board of Directors of Kenya Accreditation Service (KENAS), I am delighted to present KENAS Annual Report and Financial Statement for the Financial Year 2020/2021.

In the year under review, KENAS successfully implemented the Human Resource Policy Instruments as approved by the State Corporations Advisory Committee (SCAC), whose purpose is to improve operations capacity to our mandate and enhance service delivery. Until August 2020, the Standards Tribunal (under the Standards Act, Cap 496) handled appeals to accreditation decisions by the Service. However, KENAS operationalized the Accreditation Appeals Tribunal to provide an independent and expeditious administrative process. Additionally, KENAS implemented the Legal and Governance Audit recommendations KENAS also finalized its Strategic Plan 2020-2024 that guides the future and serves as a framework for ensuring its long-term sustainability.

The Service continued to influence the formulation and review of accreditation policies, guidelines, and standards on international and regional activities through active participation in international fora. As such, the Service virtually attended and contributed at the annual meetings and activities of the International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC), the African Accreditation Cooperation (AFRAC), and the International Organization (ISO). In addition, this participation served as an avenue of facilitating international trade.

In the year under review, KENAS steered through several challenges that greatly affected operational and financial performance. First, in the wake of the COVID-19 pandemic, everyday activities were hampered by the restrictions issued by the Ministry of Health. For instance, there were delays in undertaking accreditation assessments due to the emergence of COVID-19 infections reported among the Client's personnel posed a significant risk to the Assessment teams. Second, accreditation assessments across the borders were considerably delayed for nearly half-year or deferred altogether due to various travel restrictions issued by host countries.

In light of this, KENAS implemented COVID-19 response strategies and plans, such as conducting accreditation assessments through remote (virtual) assessments and launching virtual training programmes. In addition, given the need for quality and reliable testing under emerging "test for travel release", KENAS expanded the medical laboratory scheme to include COVID-19 (SARS-CoV-2) testing. As a result, two medical testing laboratories granted accreditation in the year under review.

KENAS efforts to fully operationalize the Accreditation Appeals Tribunal faced the challenge of inadequate funding. As a result, the Service used funds meant for Board operations and Staff Development to fund its basic operations, and thus the Service closed the year with pending bills. The institutional and Governance capacity of the Board of Directors also proved to be a challenge during the year under review. In July 2020, the Chairperson and one Director resigned, resulting in two (2) vacant positions within the Board.

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As we advance, as a Board, we aim to spur the Service into greater heights in line with our vision to be “*a symbol of trust in quality, safety and environmental assurance*”, a commitment that we continuously aim to achieve through our internationally recognized accreditation activities. In addition, the Service will continue to chart new territories – with the support of the parent Ministry and through deepening relationships with clients, other stakeholders, and other regulatory bodies.

Finally, I would like to thank most sincerely the Board Committee Chairs, the Board members, and Management who led to the Service's success in the past year through their commitment and dedication. I also extend much gratitude to the Ministry of Industrialization, Trade and Enterprise Development for readily assisting the Board and the Service when always called upon.



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**Dr. Nancy N. Muriuki**  
For the Chairperson of the Board

Date.....11/05/2022.....

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

In compliance with the Public Finance Management Act 2012, the Service has prepared the report of its operations for the Financial Year (FY) 2020/2021. The annual report and financial statements are based on the activities and initiatives the Service has undertaken throughout the financial year. Therefore, it is with great pleasure that I present the 11<sup>th</sup> Annual Report and Financial Statements for the year ended 30 June 2021 for Kenya Accreditation Service (KENAS).

In the year under review, the focus of Management effort were directed to ensure that planned activities were successfully undertaken amidst the COVID-19 operating environment. At the outset, the Management began implementing the approved Human Resource Policy Instruments by the State Corporations Advisory Council (SCAC). As a result, the Service transitioned into a new organizational structure for the first time since 2012, with three (3) Directorates, twelve (12) Departments, nine (9) Divisions and four (4) Sections. This new organizational structure has created better focus, clarity and consistency within the Service aligned to its new legal statute oriented to its expanded mandate. In addition, the organizational structure has streamlined operational activities towards greater delivery efficiency and enhanced compliance with our Service Charter.

At the closing of the last financial year (June 2021), the Service consolidated its strategic thoughts into a five-year Strategic Plan covering 2020-2024. The Strategic Plan anchored on the Third Medium Term Plan (MTP III) and the Government's Big Four Agenda is the Service's blueprint that reflects its stakeholders' key priorities and commitments. The development process for formulating the Strategic Plan involved participatory sessions with a plurality of the Service internal and external stakeholders during different phases from July to October 2020. In the plan, the Service addresses various challenges, namely, low compliance to turnaround time, inadequate financial resources, poor marketing, and low brand awareness, summarized into six (6) Key thematic areas. As a result, the Service began implementing its Strategic Plan 2020-2024 in the year under review.

In the Strategic Plan 2020-2024, the Service aspires by June 2025 to be on the path of financial autonomy with a turnover of Kenya Shillings (KES) 628.9 Million with a positive operating result of about KES 72.9 million with some six hundred and ten (610) accredited bodies. In addition, the Service aims to expand its accreditation schemes covering some twenty (20) new and emerging areas in various sectors of the economy.

Another significant development during the reporting year is the operationalization of the Accreditation Appeals Tribunal. The Tribunal was appointed on 22 June 2020 by the Ministry of Industrialization, Trade and Enterprise Development and sworn in by the Chief Registrar of the Judiciary on 21 July 2020. The Tribunal comprises of five (5) members with expertise in law, regulatory matters and technical aspects of accreditation and conformity assessments. The principal mandate of the Tribunal is to provide an independent and expeditious avenue for applicants and accredited bodies aggrieved by the accreditation decisions of the Service. The Service facilitated the induction programme organized by the Judiciary and trained on the *Mwongozo* Code of Governance to build capacity to deliver its mandate.

**6. STATEMENT OF KENAS' PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

The Service has six (6) Strategic Pillars (KPA) anchored by the Strategic Plan 2020 – 2024. The strategic pillars are as follows

1. Accreditation and Assessments;
2. Knowledge Transfer and Advisory;
3. Marketing Communication and Advocacy;
4. Financial Sustainability;
5. Internal Business Processes: and
6. Institutional Capacity and Governance.

The Service derived its annual workplan for FY 2020/2021 from the six (6) KPAs listed above. The Board monitors, evaluates, and reports on the Service's performance on a quarterly basis. The Service had a good overall performance during the year, with a positive result in revenue generated and volume of activities performed when compared to previous years. The Service met its performance targets for its six (6) KPAs for the fiscal year 2020/2021, as shown in the table below.

**Table 1: KENAS Performance against predetermined objectives for FY2020/2021**

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Activities</b>	<b>Achievements</b>
<b>Accreditation and Assessments</b>	Deliver value added assessments and accreditation services	Number of new CABs accredited	Accredit fifty (50) new CABs	Accredited 33 new CABs
		Number of new CABs assessed	Assess 206 CABs	Assessed 243 CABs
		Applications reviewed	Review 64 applications for both new applicants and extension of scopes	Reviewed a total of 53 applications for both new applications and extension of scopes
		New accreditation schemes developed	Develop and roll out four (4) new accreditation schemes	The Service conducted feasibility studies for the projects and developed accreditation criteria. Due to the COVID-19 pandemic, that exacerbated travel restrictions, peer review did not take place.

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<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Activities</b>	<b>Achievements</b>
<b>Knowledge Transfer and Advisory</b>	Strengthen accreditation assessment resource capabilities	Training programmes delivered	Deliver 25 training programmes	Delivered 27 training programmes
		Number of assessors trained	Train 94 assessors	Trained 117 assessors
<b>Marketing, Communication and Advocacy</b>	Enhance KENAS brand visibility	Advocacy and Awareness programmes organized	Organize advocacy and awareness programmes	The Service held structured engagements with six key regulators, hosted the Second Clients Dialogue Forum, and celebrated World Accreditation Day. The Service also observed World Quality Day, World Metrology Day, and World Standards Day, and issued key messaging on all National Public Holidays.
<b>Internal Business Processes</b>	Improve Service Delivery	ICT equipment upgraded or replaced	Upgrade and replace ICT equipment	The Service achieved 90% renewal of its ICT equipment. The Service replaced all windows 7 and 8 computers.
<b>Institutional Capacity and Governance</b>	Strengthen Institutional Capacity and Governance	Operational Strategic Plan	Development of the Strategic Plan	The Service finalized and launched the Strategic Plan 2020-2024.
		% of recommendations implemented from the Legal and Governance audit	Implement recommendations from the legal and governance audit	The Service implemented recommendations arising from the Legal and Governance audit report.

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**7. CORPORATE GOVERNANCE STATEMENT**

KENAS Board of Directors are responsible and accountable to the Government of Kenya, through the Ministry of Industrialization, Trade and Enterprise Development, in ensuring that the Service complies with the law and the highest standards of corporate governance as set out in the Mwongozo Code of Governance. The Board operates under the provisions of Section 7 of the Kenya Accreditation Act 2019.

**Board composition**

During the year under review, ten (10) persons served as Directors at different times. All of whom, except for the Chief Executive Officer and two alternates to the Principal Secretaries, are independent non-executive Directors. Given below is the summary of Directors who served during the FY 2020/2021.

No.	Name	Appointed or reappointed	Role	Note
1.	Dr. Catherine Adeya	15-Nov-2018	Chairperson	Resigned 03-Jul-2020
2.	Dr. Nancy N. Muriuki	17-Mar-2020	Director, Independent	Reappointed
3.	Mr. Danson M. Ngaari	14-Nov-2019	Director, Independent	
4.	Ms. Mercy W. Warui	13-Jan-2020	Director, Independent	Resigned 27-Jul-2020
5.	Mr. Alex Gatundu	13-Jan-2020	Director, Independent	
6.	Mr. Duncan Nyale	13-Jan-2020	Director, Independent	
7.	Ms. Stella Osoro	17-Nov-2015	Director, Alternate to PS the National Treasury	
8.	Ms. Nancy Muya	28-Jan-2020	Director, Alternate to PS State Department for Industrialization	Reassigned 07-Jul-2020
9.	Ms. Simon Atebe	29-April-2021		
10.	Mr. Martin Chesire	19-Mar-2021	Director ex-officio, Chief Executive Officer	Reappointed

**Board Committees**

In the year ended there were four (4) committees of the Board established to assist in the discharge of its responsibilities and oversight obligations efficiently whose overall responsibility is as below;

**1. Audit and Risk Committee (ARC)**

The Audit and Risk Committee (ARC) is responsible for reviewing the accounting policies, financial reporting, and regulatory compliance of the Service. The committee reviews all key internal audit reports and has regular direct access to Manager, Internal Audit.

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**2. Finance Committee (FIC)**

The FIC plays a role in advising the Board on implementation policies and strategies on all financial management, procurement, and related matters of the Service. The FIC reviews and monitors the implementation and effectiveness of finance and procurement policies, annual objectives, plans, budgets, and reports to ensure effective internal controls and risk management.

**3. Human Resource Committee (HRC)**

The HRC is responsible for advising the Board on implementation policies and strategies on all aspects of human resources and administration. This includes policies, procedures and plans on recruitment, staff development, succession planning, exits and retirement, compensation, pension administration, monitoring performance management, and discipline.

**4. Technical Committee (TEC)**

The Technical Committee TEC is responsible for advising the Board on implementation policies and strategies on all aspects of accreditation operations of the Service. This includes advising on overall policies on; accreditation, training, strategy, quality, and related technical aspects of the operational performance of the Service and the Act.

**Board meetings attendance**

During the year FY 2020/2021, the Board met eleven (11) times, of which nine (9) were regular meetings and two (2) special meetings. Therefore, as required by the *Mwongozo* Code of Governance, the Board of Directors dedicated adequate time to discharge its duty in leading the Service effectively as presented in the Table below.

Director's Name	Meetings	Attended	% Attendance	Remarks
<b>Dr. Nancy N. Muriuki</b>	11	11	100	Reappointed Mar 2020
<b>Mr. Danson Ngaari</b>	11	11	100	
<b>Mr. Alex Gatundu</b>	11	11	100	
<b>Mr. Duncan Nyale</b>	11	11	100	
<b>Ms. Stella Osoro</b>	11	11	100	
<b>Ms. Nancy Muya</b>	10	8	80	Reassigned
<b>Ms. Lucy Kariuki</b>	1	1	100	Reassigned
<b>Mr. Martin Chesire</b>	11	11	100	Reappointed Mar 2021

**Board diversity**

The Board composition is made of Directors who have a wide range of skills and competencies, as specified in Section 7(1) of the Kenya Accreditation Service Act 2019. The board satisfies the constitutional requirement of having at least one-third of its existing members be of one gender, with a female to male ratio of 4:5.

**Roles and Responsibilities of directors**

The Code of Governance for State Corporations *Mwongozo* and the Service's Board Charter outlines the roles and responsibilities of Directors.

**Director’s external activities and Conflict of interest**

The Board members conduct their activities while avoiding conflict of interest in line with Annexure I section D (10) (Conflict of interest) and Annexure II section 3.1 (Prevention of conflict of interest) of the *Mwongozo* Code of Governance for State Corporations.

**Board Charter and Committee terms of reference**

The Board Charter derived from the obligations set out in the *Mwongozo* Code of Governance outlines the roles and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, conflict of interest, among others.

**Board remuneration**

The Board of Directors remunerated as per Section 27 of the Kenya Accreditation Service Act 2019 and determined by the Salaries and Remuneration Commission.

**Board Evaluation**

The Board evaluation for FY 2020/2021 conducted in August 2021 as guided by SCAC. The Board evaluation exercise for the FY 2019/2020 carried out in July 2020 under the guidance of SCAC and the results of evaluation presented with areas of improvement noted for action.

**Appointment and removal of directors**

Board appointments is in line with Article 27 of the Constitution and is done in a transparent and formal process governed by the principle of merit and consider mix of skills and competencies and maybe removed from office based on non-performance, non-attendance of meeting, unethical conduct or as set out in any constitutive documents or applicable law.

**Board Induction and Training**

In the year ended the Service facilitated; a *Mwongozo* training for all the new directors, a training on Strategy, Audit and Risk Management Oversight for the Audit Committee and an Advanced Directorship Certification Programme training for the Human Resource Committee.

**Board Ethics and Conduct**

Board members should observe the highest standards of ethical conduct and comply with all laws, rules and regulations to which they are subject.

**Legal, Compliance Governance Audit**

The Service conducted its first Legal, Compliance and Governance Audit during the year under review, and Kiptinness and Odhiambo Associates carried it out in fulfilment of the requirements of the *Mwongozo* Code of Governance of State Corporations.

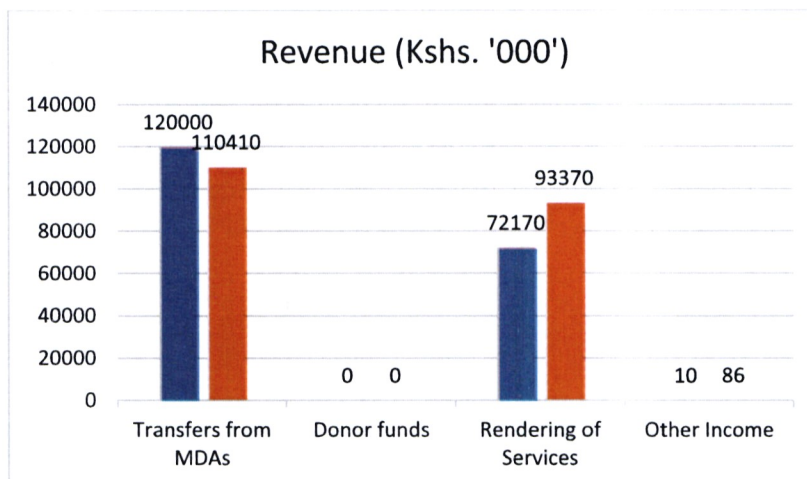
**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**a) Summary of financial results against the budget**

	<b>Budget FY 2018/2019</b>	<b>Actual FY 2018/2019</b>	<b>Budget FY 2019/2020</b>	<b>Actual FY 2019/2020</b>	<b>Budget FY 2020/2021</b>	<b>Actual FY 2020/2021</b>
Revenue	183,733,717	188,450,712	189,900,000	192,180,501	230,410,000	203,865,960
Expenditure	183,733,717	184,608,283	189,900,000	204,825,505	230,410,000	242,905,693

**Revenue**

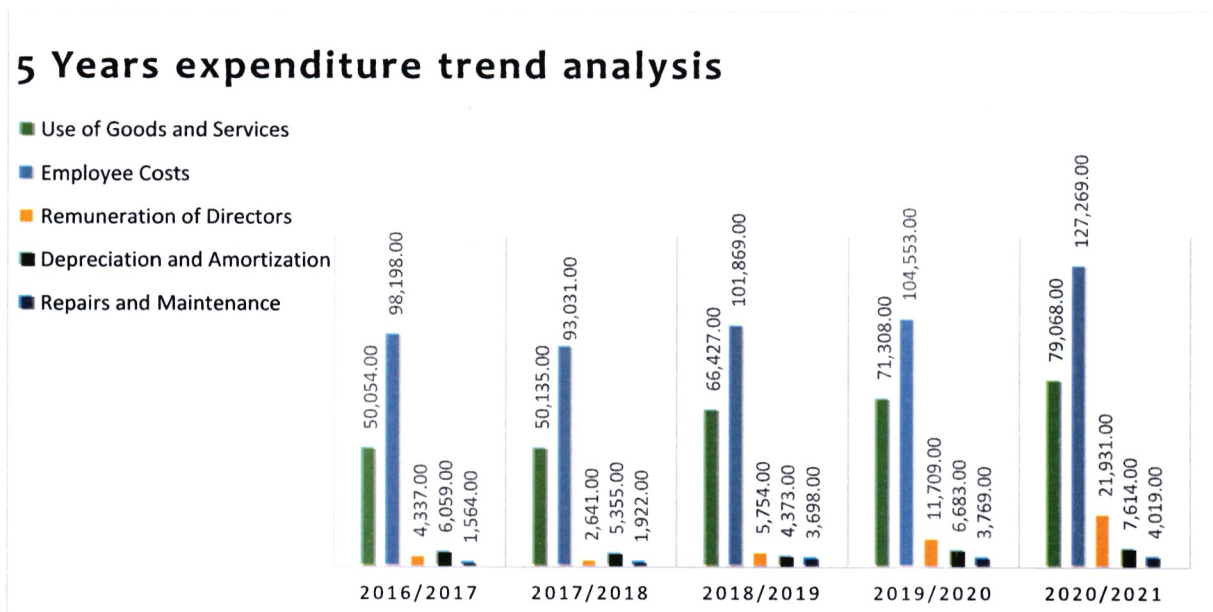
For the year under review, the Service saw a marginal increase in total revenue generated by 6.1% from KES 192.1 million in FY2019/2020 to KES 203.8 million in FY2020/2021. The slow growth is a result of the COVID-19 pandemic, which led to the cancellation of some on-site assessments and training activities that were to take place in the year. Nevertheless, in terms of internally generated revenue, there was moderate growth of 29.4% (KES 21.2Million) to KES 93.3 million compared to the previous year’s result of KES 72.1 Million. The chart below represents the revenue structure of the Service.



**Expenditure**

At the year ended 30 June 2021, the Service spent the most considerable portion on Personnel Emoluments followed by administrative costs. The chart below represents the expenditure profile for the previous five (5) years.

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This Five (5) year analysis presents a comparison expenditure over the period indicated. The remuneration of Directors includes KES 4,414,993 relating to Accreditation Appeals Tribunal Expenses.

#### **b) Operational Performance**

##### **Accreditation and Training Services**

The Service reviewed fifty-three (53) accreditation applications, conducted two-hundred and forty-three (243) assessments, trained one-hundred and seventeen (117) assessors, delivered twenty-seven (27) training courses and accredited thirty-three (33) new CABs, bringing the total number to two hundred and thirty-seven (237) accredited bodies, an increase from one hundred and eighty-seven (187) in the preceding year.

##### **Capacity Development**

The Service enhanced its efficiency in assessment processes, staff mobility, and overall client service by implementing a digital workplace strategy. In response to increased ICT security threats and the COVID-19 pandemic that affected its operations, the Service developed and rolled out the online application module for training services and renewed its ICT equipment while maintaining the staff to computer ratio to 1:1.

##### **International and Regional Obligations**

The Service participated in regional and international meetings of the International Accreditation Forum (IAF), International Laboratory Accreditation Cooperation (ILAC), the African Accreditation Cooperation (AFRAC) and the International Organization for Standardization (ISO). Coupled with returning of ballots and documents for commenting thus achieving a 96.5% participation score. Due to its active participation, the Manager, Testing Laboratories, was elected to the position of Vice-Chairperson in the AFRAC Technical Committee.

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**New Initiatives**

In terms of new initiatives, the Service sought stakeholder participation in reviewing the Accreditation agreement during the second Client Dialogue Forum. Thus, it served as a transition of the Service to a new dispensation aligned with the Act. The Service also took part in the Biashara Centre Initiative in Mombasa, Eldoret and, Kisumu put in place by the National Government to provide essential business and trade services closer to the people.

**Compliance with Statutory requirements**

The Service complied largely with its Legal Instrument, *the Kenya Accreditation Service Act 2019*. In addition, the Service also complied with other legal requirements such as submission of statutory deductions which include PAYE and Withholding tax, National Social security Fund (NSSF), National Health Insurance Fund (NHIF), Higher Education Loans Board (HELB), Pension Contributions, remittance of voluntary Staff deductions for loans and cooperatives. The Service conducted its first Legal and Governance Audit.

**c) Major risks facing the Service**

**(i) Staff capacity**

Due to continued staff exits over the last a few years and the moratorium imposed on suspension of recruitment by the Service, the HR policy instruments are implemented, and the Service now has the low capacity in terms of skills and number of Staff to be able to fully deliver its mandate.

**(ii) Non - Performing Debtors**

The current debtors' portfolio, there were many debtors whose fees remained outstanding since 2012/13. The total amount owed by this group of clients during the FY2020/2021 amounted to KES 6,198,625.26. The total outstanding receivables for the FY2020/2021 amounts to KES 32,691,685, including the non-performing debtors of KES 6,198,625.26.

**d) Material Arrears in statutory and other financial obligations**

The outstanding trade payable amounting to KES 16,618,063, KES 11,271,697 was more than thirty (30) days, as shown in the table below.

**Trade Payables Status**

Description	Over 30 days	Over 60 days	Over 90 days	Total
Trade payables (KES)	3,642,073	2,004,107	5,625,517	11,271,697
Trade payables (%)	32	18	50	100

In addition, the Staff gratuity expanded to KES 13,333,318 made up of KES 2,963,950 from the previous years and KES 10,369,368 for the current year. In addition, the gratuity of KES 4,176,050 matured in June 2021. Gratuity accrues monthly and payable upon maturity of the respective staff contracts.

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Service exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

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

The Service has continued to ensure that it meets its financial, social and environmental obligations for long-term sustainability. In the year under review, the Service ensured that the resources were allocated to technically and financially feasible programmes as well as environmentally and socially sustainable. Some sustainability activities planned at the onset of the year under review, ranging from social, financial, and environmental.

#### **Financial**

In the year under review, the Service engaged stakeholders in several forums for business collaborations geared towards sustainability. For example, during the second Client Dialogue Forum, the Service expounded on the streamlined Credit Management Policy and took views to increase revenue without exerting pressure on its accredited Clients.

The Service held several stakeholder dialogue meetings while preparing and launching the Strategic Plan 2020-2024. One of the Strategic Plan objectives is that the Service increases revenue and revenue streams through accreditation services, training, and advocacy. A significant success of the Strategic Plan was the promotion of value-added services, facilitated international trade and improved service delivery.

On behalf of the CABs offering vital services, the Service continued to engage Donors to fund accreditation services and pay up accrued debts to prevent suspensions and withdrawals of accreditation. As a result, the initiative significantly reduced the deficit of outstanding fees from accreditation services.

#### **Social**

The Service activities aligned towards climate change mitigation, poverty alleviation, social entrepreneurship, and mentorship opportunities. The Service engaged stakeholders during the Second Clients Dialogue Forum, Strategic Plan Validation workshop and the World Accreditation Day as part of business collaborations geared towards sustainability. Through the Biashara Centre initiative, services taken closer to the people, raising awareness of accreditation.

### **(ii) Environmental Performance**

The Service is at the forefront of enhancing environmental stewardship and sustainability in compliance with national and international laws, in cognizance of the fact that a clean environment is a key to any business operations.

The Service embarked on a tree planting exercise in Maasai Mau forest and Meru during the year under review, planting over 6 000-tree seedlings.

To ensure sustainable business development and growth, the Service committed to upholding good environmental practices and operations in a sustainable manner that exceed the applicable legal

and regulatory requirements. Therefore, the Service is committed to reducing environmental impact and continually improving environmental performance as an integral and fundamental part of business strategy and operating methods. For example, in line with the greening Kenya agenda to achieve forest cover of 10% by 2022, the Service collaborated with the Ministry of Environment in several tree-planting exercises while promoting the culture of environmental protection among school-going children. In addition, the Service adopted the use of motion detector light systems to reduce carbon footprint.

### **(iii) Employee Welfare**

We recognize that our employees are the most valuable resource in the company. In the reporting year, the Service conducted skills gap and training needs analysis and trained 88.8% of the staff members to address skills gaps and training needs identified. In addition, the Service conducted annual and mid-year performance appraisals to improve the quality of work and overall performance.

The Service has an Occupational Health and Safety Committee that is developing the policy on safety and compliance with the Occupational Safety and Health Act of 2007.

The Human Resource Policy and Procedures manual, 2019, guides the Service in the selection and recruitment process considering the two-third gender rule and smooth succession plan. In the year under review, the male to female gender ratio was 1:1 and 57% of staff were between the ages of 31-45 years, which allows smooth transitions into leadership positions.

### **(iv) Market place practices**

- a) Responsible competition practice:** The Service has put in place measures to prevent corruption within accreditation services offered by establishing and carrying out a quarterly corruption risk assessment and implementing the mitigation measures proposed. The Service has entered into agreements to carry out mutual engagements with foreign Accrediting Bodies. The purpose of these engagements is to enhance/oversee a smooth transition of the Kenyan Conformity Assessment Bodies (CABs) accredited to different accreditation jurisdictions and to improve compliance to international standards.
- b) Responsible Supply Chain and supplier relations:** Procurement policies have been in place to ensure fair competition considering the economy, efficiency, transparency, and accountability according to legal and statutory requirements consistent with the governing law. The Service adheres to the Public Procurement and Assets Disposal Act 2015 and the Public Procurement and Assets Disposal regulations 2020 to increase transparency in procurement processes and pay the suppliers on time.
- c) Responsible marketing and advertisement:** The majority of the Kenyan populace is increasingly becoming aware of the importance of accreditation. Further, it is notable that the Covid-19 pandemic created an interest and drive significantly from the health sector and its sponsoring agencies, to understand and procure accreditation services. During the advocacy and awareness programmes conducted, the Service reinforced the social and ethical values of accreditation, especially the need for accreditation in critical sectors.

**d) Product Stewardship:** Article 46 of the Constitution of Kenya provides that consumers have the right to information necessary for them to gain full benefit from goods and services. It further provides that consumers have the right to protect their health, safety and economic interests. The Service is aware of this, working in close relationship with Regulators and Government stakeholders to ensure that the rights and interests of consumers safeguarded by being involved in formulation, monitoring, and implementation of policies and standards.

**(v) Corporate Social Responsibility**

The Service is committed to building sustainable community relations with the communities around the sectors it supports. The Service has continued to work in partnerships with other stakeholders to uplift the standards of those communities.

## **10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2021, which show the state of affairs of the Service.

### **(i) Principal activities**

As stipulated under Section 6 of the Act, the core mandate of the Service is to accredit and exercise oversight over organizations (both private and public) that carry out conformity assessment activities. These organizations include; testing laboratories, calibration laboratories, medical laboratories, certification bodies, and inspection and verification bodies.

The Service promotes the competence of accredited bodies worldwide through signatory membership to regional and international bodies, training, establishing criteria and requirements for accreditation schemes based on international standards and guidelines, and other research activities.

### **(ii) Results**

The results of the Service performance for the year ended 30 June 2021 are set out on page 1 of these financial statements.

### **(iii) Directors**

The members of the Board of Directors who served during the year are shown on page (vi) to page (x). During the year, Director Lucy Kariuki exited the Service in July 2020; Director Mercy Mathenge resigned in July 2020; Director Nancy Muya appointed in June 2020 and later reassigned in May 2021; Director Simon Atebe appointed in April 2021.

### **(iv) Surplus remission**

The Service did not realize any surplus during the FY2020/2021 and hence no remittance to the Consolidated Fund.

### **(v) Auditors**

The Auditor-General is responsible for the statutory audit of the Service under Article 229 of the Constitution of Kenya and the Public Audit Act, 2015 for the FY 2020/2021, ended 30th June 2021 in accordance to Section 23 of the Public Audit Act, 2015, which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name: **STEPHEN KIPTINNESS**  
Acting Corporation Secretary

Signature: 

Date: **29/04/2022**

## **11. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

According to Section 81 of the Public Finance Management Act, 2012 and Section 31 of *the Kenya Accreditation Service Act 2019 (17 of 2019)* require the Directors to prepare financial statements of Kenya Accreditation Service which give a true and fair view of the state of affairs of the service as at the end of the Financial Year 2020/2021. The Directors are also required to ensure that the Service keeps proper accounting records, which disclose reasonable accuracy of the financial position of the Service. The Directors are also responsible for safeguarding the assets of the Service.

The Directors are responsible for the preparation and presentation of the Kenya Accreditation Service's financial statements, which give a true and fair view of the state of affairs of the Service for and as at the end of the FY 2020/2021 ended on 30 June 2021. This responsibility includes:

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

The Directors accept responsibility for the Service's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kenya Accreditation Service Act, 2019.

The Directors are of the opinion that the Kenya Accreditation Service financial statements give a true and fair view of the state of the Service's transactions during the financial year ended 30 June 2021, and of the Service's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Service, which have been relied upon in the preparation of the Service's financial statements as well as the adequacy of the systems of internal financial control.


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


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**Approval of the financial statements**

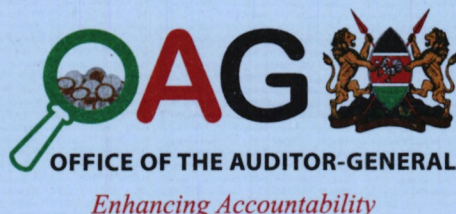
The Kenya Accreditation Service financial statements were approved by the Board on 21/09/2021 and signed on its behalf by:

Signature:   
Name: Dr. Nancy Muriuki  
For the Chairperson of the Board

Signature:   
Name: MARTIN CHESIRE  
Accounting Officer

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA ACCREDITATION SERVICE FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Accreditation Service set out on pages 1 to 35, which comprise the statement of financial position as at 30 June, 2021, 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, 2010 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 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 Kenya Accreditation Service as at 30 June, 2021, 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 Act, 2019 and the Kenya Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment of Kshs.9,516,539 which, as disclosed in Note 21 to the financial statements, includes motor vehicles with an original cost of Kshs.5,590,000 but which were fully depreciated. Although the motor vehicles are still in use, no revaluation has been done contrary to the provisions of Section 44 of the International Public Sector Accounting Standards 17 which requires such revaluation to be carried out.

Consequently, the completeness and accuracy of the property, plant and equipment of Kshs.9,516,539 as at 30 June, 2021 could not be confirmed.

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

### **Emphasis of Matter**

#### **Material Uncertainty Relating to Going Concern**

The statement of financial performance reflects an operating loss for the period under review of Kshs.36,035,212; (2019/2020: loss of Kshs.5,842,229), resulting to increased accumulated deficit of Kshs.52,538,809; (2019/2020: Kshs.17,171,952). Further, the statement of financial position reflects current assets and liabilities balances of Kshs.38,341,130 and Kshs.57,607,996 respectively, resulting to net liability position of Kshs.19,266,866 (2019/2020: net asset position of Kshs.11,296,815).

Management has not assessed the ability of the Service to continue as a going concern and the financial statements have been prepared on a going concern basis on the

assumption that the service will continue to get financial support from the National Government and creditors.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Managing Director's Report, Statement of Performance Against Predetermined Objectives, Report of the Directors, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Corporate Social Responsibility Statement and the Statement of Directors' Responsibilities.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## **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 matter 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**

#### **Non-Compliance with Quorum for Board Meetings**

The statement of financial performance reflects an expenditure of Kshs.21,931,009 in respect of remuneration of Directors which, as disclosed in Note 12 to the financial statements includes sitting allowances of Kshs.6,894,770 out of which an amount of Kshs.120,000 was paid for three committee meetings. However, the meetings were attended by two (2) Members each and therefore there were no quorum. This is contrary to Section 4 of Chapter 8 of Mwongozo Code of Governance which states that the quorum for Board committee meetings shall be three (3) Members.

The Management was in breach of the guidelines on Board meetings.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and the 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 which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Service's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Service 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 Service's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts which 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 noncompliance. 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 Service's 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 which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**22 July, 2022**


**Kenya Accreditation Service (KENAS)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**


**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

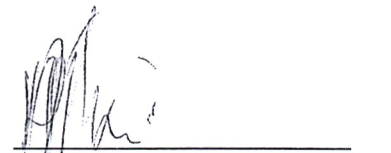
		2020-2021	2019-2020
Revenue	Notes	Kshs.	Kshs.
<b>Revenue from Non-Exchange transactions</b>			
Transfers from Other Governments Entities	6	110,410,000	120,000,000
		<b>110,410,000</b>	<b>120,000,000</b>
<b>Revenue from Exchange transactions</b>			
Rendering of Services	8	93,370,385	72,170,601
Other Incomes	9	85,575	9,900
		<b>93,455,960</b>	<b>72,180,501</b>
<b>Total Revenue</b>		<b>203,865,960</b>	<b>192,180,501</b>
<b>Expenses</b>			
Use of Goods and Services	10	79,068,233	71,307,896
Employee Costs	11	127,269,102	104,552,909
Remuneration of Directors Expenses	12	21,931,009	11,709,438
Depreciation and Amortization expenses	13	7,614,079	6,683,163
Repairs and maintenance	14	4,018,748	3,769,325
<b>Total Expenses</b>		<b>239,901,172</b>	<b>198,022,730</b>
		<b>(36,035,212)</b>	<b>(5,842,229)</b>
Gain on Sale of Assets	15	89,734	7,238
Gain on Foreign exchange transactions	16	2,393,259	664,958
<b>Deficit</b>		<b>(33,552,219)</b>	<b>(5,170,033)</b>

The notes set out on pages 7 to 32 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
 Accounting Officer  
 Martin Chesire

  
 Chief Manager Corporate  
 Services ICPAK M/No. 4212  
 John M. Kamau

  
 For the Chairperson of the  
 board  
 Dr. Nancy N. Muriuki

Date: 2022-05-11

Date: 11/05/2022

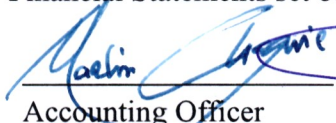
Date: 11/05/2022

**Kenya Accreditation Service (KENAS)  
Annual Report and Financial Statements  
For the year ended June 30, 2021**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

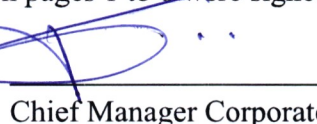
		2020-2021	2019-2020
<b>Assets</b>	<b>Notes</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	17	1,562,829	499,440
Current Portion of Receivables from exchange transactions	18	32,691,685	33,715,769
Receivables from non-exchange transactions	19	3,540,082	4,187,084
Inventories	20	546,534	506,535
<b>Total Current Assets</b>		<b>38,341,130</b>	<b>38,908,828</b>
<b>Non-Current Assets</b>			
Property, plant and Equipment	21	9,516,539	11,364,915
Intangible Assets	22	3,242,033	6,196,833
<b>Total Non-Current Assets</b>		<b>12,758,572</b>	<b>17,561,748</b>
<b>Total Assets</b>		<b>51,099,702</b>	<b>56,470,576</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	23	57,607,996	27,612,013
<b>Total Current Liabilities</b>		<b>57,607,996</b>	<b>27,612,013</b>
<b>Total Liabilities</b>		<b>57,607,996</b>	<b>27,612,013</b>
<b>Net Assets</b>		<b>(6,508,294)</b>	<b>28,858,563</b>
Reserves	24	16,030,515	16,030,515
Accumulated surplus	24	(52,538,809)	(17,171,952)
Capital Fund	24	30,000,000	30,000,000
<b>Total Net Assets and Liabilities</b>		<b>(6,508,294)</b>	<b>28,858,563</b>

The notes set out on pages 7 to 32 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

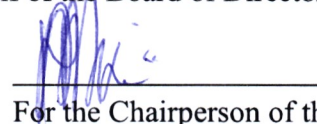
  
Accounting Officer

Martin Chesire

Date: 2022-05-11

  
Chief Manager Corporate  
Services ICPAK M/No. 4212  
John M. Kamau

Date: 11-05-2022

  
For the Chairperson of the  
board  
Dr. Nancy N. Muriuki

Date: 11/05/2022

**Kenya Accreditation Service (KENAS)**  
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**For the year ended June 30, 2021**

**15. STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Revaluation Reserve</b>	<b>Accumulated Surplus</b>	<b>Capital Development Grants/ fund</b>	<b>Total</b>
	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
As at July 1, 2019	16,030,515	(13,984,913)	30,000,000	32,045,602
Government Capital Grants	-	-	-	-
Revaluation Reserve	-	-	-	-
Adjustments for the year	-	1,982,994	-	1,982,994
Surplus/(Deficit) for the year	-	(5,170,033)	-	(5,170,033)
<b>As at June 30, 2021</b>	<b>16,030,515</b>	<b>(17,171,952)</b>	<b>30,000,000</b>	<b>28,858,563</b>
<b>A at 1, July 2020</b>	<b>16,030,515</b>	<b>(17,171,952)</b>	<b>30,000,000</b>	<b>28,858,563</b>
Government Capital Grants	-	-	-	-
Revaluation Reserve	-	-	-	-
Adjustments for the year	-	(1,814,638)	-	(1,814,638)
Surplus/(Deficit) for the year	-	(33,552,219)	-	(33,552,219)
<b>As at June 30, 2021</b>	<b>16,030,515</b>	<b>(52,538,809)</b>	<b>30,000,000</b>	<b>(6,508,294)</b>

**Kenya Accreditation Service (KENAS)  
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**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**


<b>Cash flows from operating activities</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KES</b>	<b>KES</b>
<b>Receipts</b>		
Transfers from Other Government Entities	110,410,000	120,000,000
Rendering Of Services	95,669,827	71,876,550
Other Income	85,575	9,900
<b>Total Receipts</b>	<b>206,165,402</b>	<b>191,886,450</b>
<b>Payments</b>		
Employees Costs	108,533,539	102,908,564
Use of Goods and Services	60,193,735	48,137,330
Rent Paid	-	17,500,032
Remuneration Of Directors	21,931,009	11,709,438
Depreciation and Amortization Expense	7,614,079	-
Repairs and Maintenance	4,018,748	3,769,325
<b>Total Payments</b>	<b>202,291,111</b>	<b>184,024,689</b>
<b>Net cash flows from operating activities</b>	<b>3,874,291</b>	<b>7,861,761</b>
<b>Cashflows from investing activities</b>		
Purchase of Property, plant, equipment and Intangible assets	(3,004,521)	(6,802,775)
Proceeds from sale of Property, Plant and Equipment	193,619	-
<b>Net Cash flows from investing activities</b>	<b>(2,810,902)</b>	<b>(6,802,775)</b>
<b>Cash flows from Financing Activities</b>		
<b>Net Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase/(decrease) in Cash &amp; Cash Equivalents</b>	<b>1,063,389</b>	<b>1,058,986</b>
Cash and Cash equivalents at 1 July	499,440	(559,546)
<b>Cash and cash equivalents at 30 June</b>	<b>1,562,829</b>	<b>499,440</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

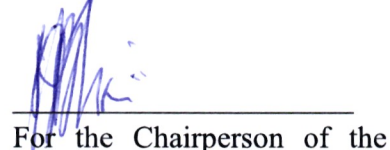
  
Accounting Officer

Martin Chesire

Date: 2022-05-11

  
Chief Manager Corporate  
Services ICPAK M/No. 4212  
John M. Kamau

Date: 11-05-2022

  
For the Chairperson of the  
board  
Dr. Nancy N. Muriuki

Date: 11/05/2022

**Kenya Accreditation Service (KENAS)  
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**17. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2021**

	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual Kshs.	Variance Kshs.	% of Utilization Kshs.
	A	B	C=(A-B)	D	E=(C-D)	F=D/C
<b>Revenue</b>						
Public contributions and Donations	-	-	-	-	-	-
Transfers from other Government Entities	110,410,000	-	110,410,000	110,410,000	-	100%
Rendering Services	69,900,000	24,817,685	95,167,685	93,370,385	1,797,300	98%
Other Income	0	25,282,315	25,282,315	85,575	25,196,740	-%
<b>Total Income</b>	<b>180,310,000</b>	<b>50,100,000</b>	<b>230,860,000</b>	<b>203,865,960</b>	<b>26,994,040</b>	<b>88%</b>
<b>Expenses</b>						
Use of Goods and Services	47,472,978	26,879,852	74,352,830	79,068,233	(4,715,403)	106%
Employee Costs	119,989,812	6,056,498	126,046,310	127,269,102	(1,222,792)	101%
Remuneration of Directors	10,687,210	10,423,650	21,110,860	21,931,009	(820,149)	104%
Rent paid	17,535,022	-	17,535,022	17,535,023	(1)	100%
Depreciation and Amortization	-	2,450,000	2,450,000	7,614,079	(5,614,079)	-
Repairs and Maintenance	2,160,000	1,640,000	3,800,000	4,018,748	(218,748)	106%
<b>Total Expenditure</b>	<b>180,310,000</b>	<b>47,450,000</b>	<b>227,760,000</b>	<b>239,901,172</b>	<b>(12,141,172)</b>	<b>105%</b>
Other Gains/Losses	-	-	-	2,482,993	(2,482,993)	-

**Kenya Accreditation Service (KENAS)  
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	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual Kshs.	Variance Kshs.	% of Utilization Kshs.
Surplus/(deficit) for the year	-	3,100,000	3,100,000	(33,552,219)	36,652,219	-
Capital Expenditure	-	3,100,000	3,100,000	3,004,521	95,479	97%
Total Expenditure	180,310,000	50,550,000	230,860,000	242,905,693	(12,045,693)	105%

**Budget notes**

**1. Actual and budgeted amounts (10% over/ under) IPSAS 24.14**

During the second supplementary, The Service presented additional request of KES 12Million for funding of the Accreditation Tribunal which came into place during the FY under review as required by the KENAS ACT 2019. Due to limited government funding, the Service had to utilize its limited resources, resulting to over expenditure.

**2. Changes between original and final budget. (IPSAS 24.29)**

During the period under review (FY 2020/2021), the Service had an approved budget of KES 180,310,000, during the supplementary budget; the Service got an additional KES 50,550,000 bringing it at a total of KES 230,860,000.

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

The Kenya Accreditation Service is established by and derives its authority and accountability from the Kenya Accreditation Service Act 2019 (Act No. 17 of 2019). It is the successor to the former Service established under the Kenya Accreditation Service Order 2009 (LN. 55 of 2009).

The Service is a State Corporation wholly owned by the Government of Kenya and is domiciled in Kenya reporting to the State Department for Industrialization under the Ministry of Industrialization, Trade and Enterprise Development. The principal activity of the Service is to assess and accredit organizations (both public and private) that provide conformity of assessment services in line with set criteria based aligned to international standards, rules and guidelines across all sectors of the economy.

### **2. Statement of Compliance and Basis of Preparation**

The Service's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value, impaired assets at their estimated recoverable amounts at their present value. The financial statements are prepared on accrual basis.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Service's accounting policies. There are no areas involving a higher degree of judgement, complexity, or where assumptions and estimates are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings (KES), which is the functional and reporting currency of the Service.

The financial statements have been prepared in accordance with the PFM Act 2012, the Kenya Accreditation Service Act 2019, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</li> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</li> <li>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</li> </ul> <p><b>The amendment of the standard did not have any impact on the financial statements for the year ended 30<sup>th</sup> June 2021.</b></p>

**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 2021.*

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><b>The effect on the financial statements is nil, since the Service did not early adopt the standard.</b></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</li> </ol> <p><b>The effect on the financial statements is nil, since the Service did not early adopt the standard.</b></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ol style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> </ol>

**Kenya Accreditation Service (KENAS)**  
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	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b>The effect on the financial statements is nil, since the Service did not early adopt the standard.</b></p>
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*iii. Early adoption of standards*

**KENAS did not early – adopt any new or amended standards in year 2020/2021**

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

**4. Summary of Significant Accounting Policies**

- a) Revenue recognition**
  - (i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

- (ii) Revenue from exchange transactions**

**Rendering of Services**

The Service recognizes revenue from rendering of accreditation and training services when it accrues, and 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 labor hours incurred to date as a percentage of total estimated labor hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**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

**b) Budget information**

The National Assembly approved the original budget for FY 2020-2021 of KES 180,310,000 on May 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, during the supplementary Budget, the Service recorded additional appropriations of 50,100,000 on the 2020-2021 budget following the governing body's approval.

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

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

**Summary of Significant Accounting Policies (Continued)**

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 17 of these financial statements.

**c) Taxes**

**Current income tax**

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

**Sales tax**

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

- i. 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
- ii. 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.

**d) Property, plant and equipment**

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

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

**Summary of Significant Accounting Policies (Continued)**

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

- Furniture and Fittings 12.5%
- Motor Vehicles 25%
- Computers and Software 33.3%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are considered in determining surplus **for the year**.

**e) Leases**

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

**f) Intangible assets**

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

**g) Financial instruments**

**(i) Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

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

**Summary of Significant Accounting Policies (Continued)**

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

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

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

**(ii) Financial liabilities**

**Initial recognition and measurement**

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

**Loans and borrowing**

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

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

**Summary of Significant Accounting Policies (Continued)**

**h) Inventories**

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. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**i) Provisions**

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**j) Contingent liabilities**

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

**k) Contingent assets**

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

**l) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Currently the Service has no reserves maintained.

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

**Summary of Significant Accounting Policies (Continued)**

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

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

**n) Employee benefits**

**Retirement benefit plans**

The Service provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The Service and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the contributions made by the Service are charged to the statement of comprehensive income in the year to which they relate. Employees entitled to annual leave are charged to the Income Statement as they fall due.

**Gratuity obligations**

The Service pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognized when they accrue to employees. A provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation. Total gratuity as at 30<sup>th</sup> June 2021 was KES 13,333,318.

**o) Foreign currency transactions**

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

**p) Related Parties**

The Service 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 Service, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

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

**Summary of Significant Accounting Policies (Continued)**

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**r) Comparative figures**

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

**s) 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, 2021.

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

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

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

**Estimates and assumptions**

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

**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:

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

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

Name of the entity sending the grant	Amount recognized to statement of financial performance Kshs.	Amount deferred under deferred income Kshs.	Amount recognized in capital fund,	Total transfers 2020/21	Prior year 2019/2020
			Kshs.	Kshs.	Kshs.
State Dept. for Industrialization	110,410,000			110,410,000	120,000,000
<b>Total</b>	<b>110,410,000</b>			<b>110,410,000</b>	<b>120,000,000</b>

**7. Public Contributions and Donations**

	2020-2021	2019-2020
	Kshs.	Kshs.
PTB Sponsorship	-	-
Sponsorship-IAF	-	-
<b>Total Public Contributions and Donations</b>	<b>-</b>	<b>-</b>

**8. Rendering Of Services**

	2020-2021	2019-2020
(I): accreditation income	Kshs.	Kshs.
Accreditation Fees-Testing and Calibration	22,559,646	10,123,418
Accreditation Fees-Health and Safety	32,707,801	30,194,103
Accreditation Fees-Inspection and Verification	4,058,303	1,242,044
Accreditation Fees-Certification	4,952,500	2,013,822
<b>Total Accreditation Income</b>	<b>64,278,250</b>	<b>43,573,387</b>
(II): training income	Kshs.	Kshs.
Training Income-Test and Calibration	3,727,200	9,645,050
Training Income-Health and Safety	3,068,390	1,300,960
Training Income-Inspection and Verification	2,542,012	1,943,840
Training Income-Certification	1,532,685	1,494,400
<b>Total Training Income</b>	<b>10,870,287</b>	<b>14,384,250</b>
(III): facilitation income	Kshs.	Kshs.
Facilitation Income	18,221,848	14,212,964
<b>Total Facilitation Income</b>	<b>18,221,848</b>	<b>14,212,964</b>
<b>Total Revenue from Exchange transactions</b>	<b>93,370,385</b>	<b>72,170,601</b>

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

**9. Other Income**

	2020-2021	2019-2020
	Kshs.	Kshs.
Sale of Obsolete Items	40,375	9,900
Other miscellaneous incomes	45,200	-
<b>Total other Income</b>	<b>85,575</b>	<b>9,900</b>

**10. Use of Goods and Services**

	2020-2021	2019-2020
	Kshs.	Kshs.
Electricity	672,373	740,291
Water	121,279	147,410
Professional services	3,590,350	5,161,548
Subscriptions	860,584	604,822
Advertising	1,077,858	358,744
Audit Fees	406,000	406,000
Conferences and Delegations	4,412,118	687,300
Consumables	3,410,538	2,296,030
Fuel and Oil	2,298,504	2,154,506
Insurance	1,684,462	1,743,756
Legal expenses	5,904,008	3,825,500
Postage	1,209,447	484,114
Printing and stationery	851,507	1,175,557
Hire charges	3,111,796	828,208
Rental	17,535,023	17,500,032
Telecommunication	1,860,069	1,012,587
Training	842,941	839,036
Accreditation Expenses	26,353,863	24,994,708
Other General Expenses	2,865,513	6,347,747
<b>Total Use of goods and Services</b>	<b>79,068,233</b>	<b>71,307,895</b>

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

**11. Employee Costs**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Salaries and Wages	63,419,081	84,002,524
Employee related costs		11,064,626
Employer contribution to health insurance schemes	9819041.74	-
Employer contribution to pension schemes	4478049.56	-
Travel, Motor Car, accommodation, subsistence and other allowances	6,450,297	9,485,759
Housing benefits and allowances	32,405,248	-
Overtime payments	198,016	-
Social Contributions	130,000	-
Gratuity	10,369,368	-
<b>Total Other Operating Expenses</b>	<b>127,269,102</b>	<b>104,552,909</b>

\*Employee related costs consists of employer contribution to pension, NSSF and Gratuity.

**12. Board Expenses**

<b>Board Expenses</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Chairman's Honoraria	-	1,010,000
Director's Emoluments	-	10,699,438
Sitting Allowances	6,894,770	-
Medical Insurance	814,304	-
Induction and Training (seminar)	1,959,705	-
Travel and Accommodation	7,273,443	-
Other Allowances	573,795	-
Tribunal Expenses	4,414,993	-
<b>Total Expenses</b>	<b>21,931,009</b>	<b>11,709,438</b>

**13. Depreciation and Amortization Expense**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Property, Plant and equipment	4,626,523	4,168,778
Intangible Assets	2,987,556	2,514,385
<b>Total Other Operating Expenses</b>	<b>7,614,079</b>	<b>6,683,163</b>

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

**14. Repairs and Maintenance**

	2020-2021	2019-2020
	Kshs.	Kshs.
Property	1,602,778	758,069
Equipment and Machinery	369,690	86,828
Vehicle	2,046,280	2,795,152
Computer and Accessories	0	129,276
<b>Total Other Operating Expenses</b>	<b>4,018,748</b>	<b>3,769,325</b>

**15. Gain on Sale of Assets**

	2020-2021	2019-2020
	Kshs.	Kshs.
Property, Plant and Equipment	89,734	7,238
<b>Total Gain on Sale of Assets</b>	<b>89,734</b>	<b>7,238</b>

**16. Gain on Foreign exchange**

	2020-2021	2019-2020
	Kshs.	Kshs.
Gains on foreign exchange	2,393,259	664,958
<b>Total Gain on Sale of Assets</b>	<b>2,393,259</b>	<b>664,958</b>

**17. Cash and Cash Equivalents**

	2020-2021	2019-2020
	Kshs.	Kshs.
<b>Current Accounts:</b>		
KCB Main Account	930,164	-
Credit Card Account	7,853	247,463
KCB Dollar Account	624,812	251,978
<b>Total Cash and Cash equivalents</b>	<b>1,562,829</b>	<b>499,440</b>

**17 (a) Detailed Analysis of the Cash and Cash Equivalents**

		2020-2021	2019-2020
Financial institution	Account number	Kshs.	Kshs.
<b>Current Account</b>			
Kenya Commercial Bank	1123414459	930,164	-
Kenya Commercial Bank	5566302000004072	7,853	247,463
Kenya Commercial Bank	1125916923	624,812	251,978
<b>Total Cash and Cash equivalents</b>		<b>1,562,829</b>	<b>499,440</b>

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

**18. Receivables from Exchange transactions**

	<b>2020-2021</b>	<b>2019-2020</b>
<b>Current receivables</b>	<b>Kshs.</b>	<b>Kshs.</b>
General Debtors	32,691,685	33,715,769
<b>Total Current Receivables</b>	<b>32,691,685</b>	<b>33,715,769</b>

**19. Receivables from non-exchange transactions**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Other Receivables	3,540,082	4,187,084
<b>Total Other Receivables</b>	<b>3,540,082</b>	<b>4,187,084</b>

**20. Inventories**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Consumable stores	546,534	506,535
<b>Total inventories</b>	<b>546,534</b>	<b>506,535</b>

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

**21. Property, Plant and Equipment**

	Office Partitioning Kshs.	Motor Vehicles Kshs.	Furniture & Equipment Kshs.	Computer Hardware Kshs.	Capital Work in Progress Kshs.	Total Kshs.
Cost						
As at 1st July 2019	25,987,755	11,180,000	3,933,656	6,614,604	377,700	48,093,715
Additions	-	-	1,352,885	3,643,871	(325,604)	4,671,152
Disposals	-	-	(84,600)	-	-	(84,600)
Adjustments	-	-	14	-	(52,096)	(52,082)
<b>AS at 30th June 2020</b>	<b>25,987,755</b>	<b>11,180,000</b>	<b>5,201,955</b>	<b>10,258,475</b>	-	<b>52,628,185</b>
As at 1st July 2020	25,987,755	11,180,000	5,201,955	10,258,475	-	52,628,185
Additions	-	-	640,823	2,330,943	-	2,971,766
Disposals	-	-	(279,387)	(1,295,590)	-	(1,574,977)
Transfer/Adjustment	(22,653,690)	-	-	-	-	(22,653,690)
<b>AS at 30th June 2021</b>	<b>3,390,575</b>	<b>11,180,000</b>	<b>5,563,391</b>	<b>11,293,828</b>	-	<b>31,427,794</b>
<b>Depreciation/Amortization</b>						
As at 1st July 2019	22,653,690	8,384,998	1,117,150	4,950,993	-	37,106,831
Disposals	-	-	(12,338)	-	-	(12,338)
Charge for the Year	678,115	1,397,500	500,954	1,592,209	-	4,168,778
<b>AS at 30th June 2020</b>	<b>23,331,805</b>	<b>9,782,498</b>	<b>1,605,766</b>	<b>6,543,202</b>	-	<b>41,263,271</b>
As at 1st July 2020	23,331,805	9,782,498	1,605,766	6,543,202	-	41,263,271
Disposals	-	-	(122,438)	(1,258,923)	-	(1,381,361)
Transfer/Adjustment	(22,653,690)	-	-	-	-	(22,653,690)
Charge for the Year	678,115	1,397,500	556,417	1,994,491	-	4,626,523

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AS at 30th June 2021	1,412,740	11,179,998	2,039,745	7,278,770	-	21,911,254
<b>NET BOOK VALUES</b>						
AS at 30th June 2019	3,334,065	2,795,002	2,816,506	1,663,611	-	10,609,184
AS at 30th June 2020	2,655,950	1,397,502	3,596,189	3,715,273	-	11,364,914
AS at 30th June 2021	1,977,835	-	3,523,646	4,015,058	-	9,516,539

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

**21. (b) Property, Plant and Equipment at Cost**

	Cost	Accumulated Depreciation	NBV
	Kshs.	Kshs.	Kshs.
Motor Vehicles including motorcycles	11,180,000	11,180,000	-
Computers and Related Equipment	11,293,828	7,278,770	4,015,058
Office Equipment, Furniture and Fittings	8,953,965	3,452,484	5,501,481
<b>AS at 30th June 2020</b>	<b>31,427,793</b>	<b>21,911,254</b>	<b>9,516,540</b>

Property Plant and Equipment includes the following asses that are fully depreciated:-

	2020-2021	2019-2020
	KSHS.	KSHS.
Motor Vehicles including motorcycles	5,590,000	5,590,000
Computers and Related Equipment	3,234,418	3,234,418
Office Equipment, Furniture and Fittings	560,134	560,134
<b>Total</b>	<b>9,384,552</b>	<b>9,384,552</b>

**22. Intangible Assets**

	Computer Software	Total
Cost	Kshs.	Kshs.
As at 1st July 2019	8,832,699	8,832,699
Additions	2,131,623	2,131,623
<b>AS at 30th June 2020</b>	<b>10,964,322</b>	<b>10,964,322</b>
As at 1st July 2020	10,964,322	10,964,322
Additions	32,755	32,755
<b>AS at 30th June 2021</b>	<b>10,997,077</b>	<b>10,997,077</b>
<b>Depreciation/Amortization</b>		
As at 1st July 2019	2,253,103	2,253,103
Charge for the Year	2,514,385	2,514,385
<b>AS at 30th June 2020</b>	<b>4,767,488</b>	<b>4,767,488</b>
As at 1st July 2020	4,767,488	4,767,488
Charge for the Year	2,987,556	2,987,556
<b>AS at 30th June 2021</b>	<b>7,755,044</b>	<b>7,755,044</b>
<b>NET BOOK VALUES</b>		
AS at 30th June 2019	6,579,596	6,579,596
AS at 30th June 2020	6,196,834	6,196,834
AS at 30th June 2021	3,242,033	3,242,033

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

**23. Trade and Other Payables**

	2020-2021	2019-2020
	Kshs.	Kshs.
Trade payables	16,618,063	2,648,875
Payments received in advance	12,176,080	17,642,571
Third party payments	22,313,913	3,578,350
Other payables	6,499,940	3,742,217
<b>Total Trade and Other Payables</b>	<b>57,607,996</b>	<b>27,612,013</b>

**24. Capital Fund and Reserves**

	2020-2021	2019-2020
(i) Capital Fund	Kshs.	Kshs.
Balance as at 1st July	30,000,000	30,000,000
Government Grants Capital Development	-	-
<b>Total Accumulated Fund</b>	<b>30,000,000</b>	<b>30,000,000</b>
(ii) Accumulated Surplus	Kshs.	Kshs.
Balance as at 1st July	(17,171,952)	(13,984,913)
Change for the year	(1,814,638)	1,982,994
<b>Surplus (Deficit) for the year</b>	<b>(33,552,219)</b>	<b>(5,170,033)</b>
<b>Total Revenue Reserve</b>	<b>(52,538,809)</b>	<b>(17,171,952)</b>
(iii) Reserves	Kshs.	Kshs.
Balance as at 1st July	16,030,515	16,030,515
<b>Total Reserves</b>	<b>16,030,515</b>	<b>16,030,515</b>
<b>Total Assets and Liabilities</b>	<b>(6,508,294)</b>	<b>28,858,563</b>

**Recognition of Retirement Benefit Asset/ Liability**

**Amounts recognised in the Statement of Financial Position**

The Service also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Service obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KSHS. 200 per employee per month. Other than NSSF the Service also has a defined contribution scheme operated by ICEA Pension Fund. Employees contribute 10% while employers contribute 20% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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

**25. Cash Generated from Operations**

	2020-2021	2019-2020
	Kshs.	Kshs.
<b>Surplus for the year before tax</b>	<b>(36,035,212)</b>	<b>(5,842,229)</b>
<b>Adjusted for:</b>		
Depreciation	7,614,079	6,807,506
Gain on sale of assets	89,734	7,238
Gain on Foreign exchange	2,393,259	664,958
<b>Working Capital adjustments</b>		
Increase in Inventories	(39,998)	(73,167)
Decrease in Trade and Other Receivables	1,671,086	(3,000,418)
Decrease in Retained earnings	(1,814,638)	1,982,994
Increase in Trade and Other Payables	29,995,982	7,314,879
<b>Net cash flows from operating activities</b>	<b>3,874,292</b>	<b>7,861,761</b>

**26. Financial Risk Management**

The Service's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Service's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Service does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Service's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The Service has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Service's management based on prior experience and their assessment of the current economic environment.

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Service has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**Financial Risk Management (Continued)**

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows

**Financial Risk Management**

	<b>Total amount Kshs.</b>	<b>Fully performing Kshs.</b>	<b>Past due Kshs.</b>	<b>Impaired Kshs.</b>
<b>As at 30 June 2021</b>				
Receivables from exchange transactions	32,691,685	10,092,637	22,599,048	-
Receivables from non-exchange transactions	3,540,082	3,540,082	-	-
Bank balances	1,562,829	1,562,829	-	-
<b>Total</b>	<b>37,794,596</b>	<b>15,195,548</b>	<b>22,599,048</b>	<b>-</b>
<b>As at 30 June 2020</b>				
Receivables from exchange transactions	33,715,769	9,152,930	24,562,838	-
Receivables from non-exchange transactions	4,187,084	4,187,084	-	-
Bank balances	499,440	499,440	-	-
<b>Total</b>	<b>38,402,293</b>	<b>13,839,454</b>	<b>24,562,838</b>	<b>-</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Service has significant concentration of credit risk on amounts due from Government entities.

**Financial Risk Management**

**ii) Liquidity risk management**

The Service has built an appropriate liquidity risk management framework for the management on short, medium, and long-term funding and liquidity management requirements. The Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Service under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

**Financial Risk Management (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>As at 30 June 2021</b>				
Trade payables	9,084,049	5,929,072	18,468,963	<b>33,482,084</b>
Current portion of borrowings	-	-	-	-
Provisions	1,406,000	-	406,000	<b>1,812,000</b>
Employee benefit obligation	7,946,402	3,991,376	10,376,134	<b>22,313,912</b>
<b>Total</b>	<b>18,436,451</b>	<b>9,920,448</b>	<b>29,251,097</b>	<b>57,607,996</b>
<b>As at 30 June 2020</b>				
Trade payables	2,041,010	1,560,778	19,191,875	<b>22,793,663</b>
Current portion of borrowings	-	-	-	-
Provisions	834,000	-	406,000	<b>1,240,000</b>
Deferred income	-	-	-	-
Employee benefit obligation	154,633	287,567	3,136,150	<b>3,578,350</b>
<b>Total</b>	<b>3,029,643</b>	<b>1,848,345</b>	<b>22,734,025</b>	<b>27,612,013</b>

**Financial Risk Management**

**iii) Market risk**

The Service has put in place an internal audit function to assist it in assessing the risk faced by the Service on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Service's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Finance Department at the Service is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Service's exposure to market risks or the manner in which it manages and measures the risk

**a) Foreign currency risk**

The Service has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period was **KSHS. 2,393,259.**

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

**Financial Risk Management (Continued)**

**b) Interest rate risk**

Interest rate risk is the risk that the Service's financial condition may be adversely affected because of changes in interest rate levels. The Service's interest rate risk arises from bank deposits. During the year, the Service did not have any interest earning deposits with banks during the year and no interest risk exposure.

**iv) Capital Risk Management**

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

	2020-2021	2019-2020
	Kshs.	Kshs.
Revaluation reserve	16,030,515	16,030,515
Retained earnings	(52,538,809)	(17,171,952)
Capital reserve	30,000,000	30,000,000
<b>Total funds</b>	<b>(6,508,294)</b>	<b>28,858,563</b>
Total borrowings		
Less: cash and bank balances	1,562,829	499,440
Net debt/ (excess cash and cash equivalents)	4,945,465	28,359,123
<b>Gearing</b>	-	-

**26. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Other related parties include:**

- i) The National Government;
- ii) The Ministry of Industrialization, Trade and Enterprise Development;
- iii) Other State Corporations and Ministries, Departments and Agencies;
- iv) Key Management; and
- v) The Board of Directors

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

**Related Party Disclosures (Continued)**

	2020-2021	2019-2020
	Kshs.	Kshs.
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Rendering of services	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Use of Goods and Services	-	-
<b>Total</b>	-	-
<b>b) Grants /Transfers from the Government</b>		
Grants from National Government	110,410,000	120,000,000
<b>Total</b>	<b>110,410,000</b>	<b>120,000,000</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 31 employees	110,869,763	95,067,150
Payments for goods and services for 31	-	-
<b>Total</b>	<b>110,869,763</b>	<b>95,067,150</b>
<b>d) Key management compensation</b>		
Directors' emoluments	21,931,009	11,709,438
Compensation to key management	39,816,326	56,980,837
<b>Total</b>	<b>61,747,335</b>	<b>68,690,275</b>

**27. Events after the Reporting Period**

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

**28. Ultimate and Holding Entity**

The Service is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Industrialization Trade and Enterprise Development. Its ultimate parent is the Government of Kenya.

**29. Currency**

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

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**19. APPENDIX**

**APPENDIX 1: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
C	Non-Implementation of E-Procurement as per Government Directives	The Service held meetings with the National Treasury IFMIS Department on the pilot of the e-Procurement (e-proMIS), linking it with the budgeting modules to integrate with the existing system used by the Service SAGE 300 ERP. Due to In July 2020, COVID-19 restriction, the readiness assessment has delayed. Subsequent follow-up meetings were undertaken, and the last meeting held on 29th April 2021. The Service expects to have the readiness assessment conducted during June 2021.	Not resolved	June 2022

Chief Executive Officer



Date 2021-05-21.....

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

There were no Projects implemented by KENAS for the Fiscal Year 2020/21

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**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>	KENYA ACCREDITATION SERVICE		
	<b>Breakdown of Transfers from the State Department of Industrialization</b>			
	<b>FY 2020/2021</b>			
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (Kshs.)</b>	<b>Indicate the FY to which the amounts relate</b>
	Quarter 1	10/08/2020	17,000,000	2020/2021
	Quarter 1	24/08/2020	5,000,000	2020/2021
	Quarter 1	22/09/2020	5,602,500	2020/2021
	Quarter 2	21/10/2020	27,602,500	2020/2021
	Quarter 3	02/02/2021	27,602,500	2020/2021
	Quarter 4	04/05/2021	27,602,500	2020/2021
		<b>Total</b>	<b>110,410,000</b>	

The above amounts have been communicated and reconciled with the parent Ministry.

**Finance Manager**  
Kenya Accreditation Service

Sign.....

**Head of Accounting Unit**  
State Department for Industrialization,  
Ministry of Industrialization, Trade and  
Enterprise Development

Sign.....

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent /Development /Others	Total Amount - KSHS.	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization, Trade and Enterprise Development	10/08/2020	Recurrent	17,000,000	17,000,000	-	-	-	-	17,000,000
	24/08/2020	Recurrent	5,000,000	5,000,000	-	-	-	-	5,000,000
	22/09/2020	Recurrent	5,602,500	5,602,500	-	-	-	-	5,602,500
	21/10/2020	Recurrent	27,602,500	27,602,500	-	-	-	-	27,602,500
	02/02/2021	Recurrent	27,602,500	27,602,500	-	-	-	-	27,602,500
	04/05/2021	Recurrent	27,602,500	27,602,500	-	-	-	-	27,602,500
	<b>Total</b>			<b>110,410,000</b>	<b>110,410,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>