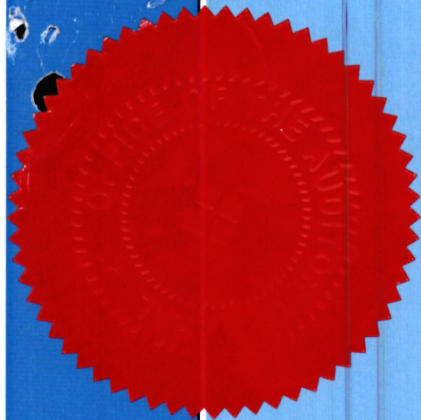


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY

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THE AUDITOR-GENERAL

ON

KENYA BUREAU OF STANDARDS (KEBS)

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



KENYA BUREAU OF STANDARDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2021**

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

**Kenya Bureau of Standards
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LIST OF ABBREVIATIONS

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

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KENTRADE	Kenya Trade Network Agency
KPI	Key Performance Indicator
MBA	Master's in Business Administration
MD	Managing Director
MSC	Master of Science
MSME	Micro Small and Medium Enterprises
NMI	National Metrology Institute
NQI	National Quality Institute
NRL	National Research Laboratory
NSC	National Standards Council
OSHA	Occupational Safety and Health Act
PVoC	Pre-Export Verification of Conformity
RVA	Raad Voor Accreditatie (Dutch Accreditation Council)
SCAC	State Corporations Advisory Committee
SMCA	Standards, Metrology and Conformity Assessment
SDGs	Sustainable Development Goals
SME	Small and Medium Enterprise
SO	Strategic Objective
TBT	Technical Barriers to Trade
TQM	Total Quality Management
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

KEBS is structured into six functional Directorates namely: -

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

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

(b) Principal Activities

i. KEBS Mandate

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

- a. To promote standardization in industry and commerce;
- b. To make arrangements or provide facilities for the testing and calibration of precision instruments, gauges and scientific apparatus, for the determination of their degree of accuracy by comparison with standards approved by the Minister on the recommendation of the Council, and for the issue of certificates in regard thereto;
- c. To make arrangements or provide facilities for the examination and testing of commodities and any material or substance from or with which and the manner in which they may be manufactured, produced, processed or treated;
- d. To control, in accordance with the provisions of this Act, the use of standardization marks and distinctive marks;
- e. To prepare, frame, modify or amend specifications and codes of practice;
- f. To encourage or undertake educational work in connexion with standardization;

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- g. To assist the Government or any local authority or other public body or any other person in the preparation and framing of any specifications or codes of practice;
- h. To provide for co-operation with the Government or the representatives of any industry or with any local authority or other public body or any other person, with a view to securing the adoption and practical application of standards;
- i. To provide for the testing at the request of the Minister, and on behalf of the Government, of locally manufactured and imported commodities with a view to determining whether such commodities comply with the provisions of this Act or any other law dealing with standards of quality or description.

ii. KEBS Strategic Direction

KEBS is implementing a five-year strategic plan 2017-2022 whose theme is "*Together We Deliver*". KEBS vision, mission, core values and the strategic objectives are presented in Figures 1 and 2 below:

Figure 1 KEBS Strategic Direction

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

Figure 2 KEBS Strategic Objectives



Enhance delivery of KEBS mandate by improving operational efficiency by 10% annually



Improve Customer Satisfaction by 1% annually by providing SMCA solutions that support Vision 2030, "Big Four" Agenda and SDGs.



Attain international recognition and sustain leadership in SMCA through institutional strengthening and alignment to international best practices.



Provide SMCA solutions that promote innovation.

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(c) Key Management

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

- i. Managing Director,
- ii. Directors, and
- iii. Chief Managers/Regional Managers.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility are as listed in Table 1:

Table 1: Key Management Personnel

SR. No.	Designation	Name
1.	Managing Director	Lt Col (Rtd.) Bernard Njiraini
2.	Director Finance & Strategy	Mohammed Adan
3.	Director Human Resource & Administration	Nelly Mulema
4.	Director Standards Development	Esther Ngari
5.	Ag. Director Quality Assurance & Inspection	Bernard Nguyo
6.	Director Market Surveillance	Peter Kaigwara
7.	Director Metrology & Testing Services	Dr. Henry Kibet Rotich
8.	Ag. Chief Manager Legal Department	Brian Mmbwanga
9.	Chief Manager Finance	CPA Anne Wanjala
10.	Chief Manager Audit & Risk	CPA Lincoln Nyamai
11.	Chief Manager Supply Chain	Jane Ndinya

(e) Fiduciary Oversight Arrangements

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

During the financial year ended 30th June 2021, the NSC consisted of 10 members including a Non-Executive Chairman and the Managing Director. The NSC had 4 committees whose members and mandate are as listed in Table 2.

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Table 2: National Standards Council Committee Membership and Roles

NSC COMMITTEE MEMBERSHIP	ROLES
STANDARDS APPRAISAL COMMITTEE 1. Rodgers Abisai 2. Eric Mungai Wagithuku 3. Julius Kirima 4. Gerald Mwangi 5. Bernard N. Njiraini	<ul style="list-style-type: none"> • Appraisal of Kenya Standards and other Standard related deliverables with the provisions of the Standards Act • Recommends the composition, reconstitution, merging and disbanding of technical committees to NSC. • Determination of appeals emerging from the Standards Approval Process.
AUDIT AND RISK COMMITTEE 1. Eric Mungai Wagithuku 2. Patrick Musila 3. Gerald Mwangi 4. Veronica Okoth	<ul style="list-style-type: none"> • Provide assurance from management that all financial and non-financial internal control on risk management function are operating effectively and reliably. • Receive, Review and provide an independent view to NSC on KEBS financial reporting and the Integrity of financial reports. • Oversight over the internal Audit and Risk department. • Oversight implementation of audit recommendations of the Internal Audit Department, Office of the Auditor General, Public Investment Committee audit • Strengthening the independence, integrity and effectiveness of audit function • Reviewing issues raised by both the internal and external auditors. • Advise on risk identification, mitigation measures and the effectiveness of internal control systems • Oversight KEBS compliance with regulatory and statutory requirements and promote a culture of lawful and Ethical Behaviour.
FINANCE, STAFF & GENERAL PURPOSE COMMITTEE 1. Hellen Nangithia 2. Rodgers Abisai 3. Julius Kirima 4. Veronica Okoth 5. Bernard N. Njiraini	<ul style="list-style-type: none"> • Assist the NSC in overseeing financial policy and procedures formulation, and review • Review the institution's budgets and recommend to the NSC for approval • Review the procurement plan for Approval and reapproval by NSC • Review quarterly and annual financial statements and procurement reports and recommend to the NSC for approval. • Review and recommend to NSC all KEBS human resource policies relating to terms and conditions of service of employees. • Oversee the implementation of all approved human resource policies and procedures.
TECHNICAL TRADE AND PERMITS APPROVAL COMMITTEE 1. Gilbert Langat 2. Patrick Musila	<ul style="list-style-type: none"> • Consider and review Quarterly and annual Corporate GOK/KEBS Performance Contract and reports compliance with PC to the NSC. • Consider the Project reports, guide management and report to the NSC the status of both donor and KEBS funded projects. • Recommend regulations, policy statements and procedures to the NSC for approval.

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<p>3. Rodgers Abisai 4. Julius Kirima 5. Bernard N. Njiraini</p>	<ul style="list-style-type: none">• Receive and review reports from Metrology and Testing, Quality Assurance and Inspection, Market Surveillance directorates, and make recommendations to the NSC for approval• Conduct or cause to be conducted surveillance to ensure the quality of standards of any product in the market.
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Note: The name on bold is the chairperson of the committee

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KEBS Headquarters

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

NAIROBI - KENYA

(f) KEBS Contacts

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

(g) KEBS Bankers

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

(h) Independent Auditors




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

(i) Principal Legal Adviser




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

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2. THE NATIONAL STANDARDS COUNCIL

REF	DIRECTORS	DETAILS
1.	<p>Eng. Bernard Ngore</p> 	<p>NSC Chairman: DOB: 25th December 1970</p> <p>Eng. Bernard Ngore holds a Bachelor's Degree in Mechanical Engineering from JKUAT, International Diploma in Administrative Management from the Institute of Administrative Management of London and certificate on Effects of Engineering activities on global warming from Edinburgh University, Scotland. He is a registered professional mechanical engineer with Engineers Board of Kenya (EBK) and is a member of the Institute of Engineers of Kenya (IEK).</p> <p>He is the founder and CEO of Top Quality Motors Ltd, former Board member of Numerical Machining Complex, former chair of Kenya Motor Repairs Association and is a member of Infrastructure and Transport Sector Board of the Kenya Private Sector Alliance (KEPSA).</p> <p>He was appointed to the NSC on 15th November 2019.</p>
2.	<p>Lt Col (Rtd.) Bernard N Njiraini</p> 	<p>Managing Director and Secretary to the Board DOB: 16th August 1971</p> <p>Lt Col (Rtd.) Bernard Njiraini holds a Master's and a Bachelor's degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from the University of Nairobi and is a member of the Institute of Engineers of Kenya (IEK).</p> <p>He previously worked as the Managing Director, Numerical Machining Complex and as the Production Manager at the Kenya Ordnance factory.</p> <p>He was appointed as the Managing Director on 29th August 2019.</p>
3.	<p>Gilbert K. Langat</p> 	<p>Board Member DOB: 1st January 1971</p> <p>Director Gilbert Langat holds a Bachelor's degree in Management, from Moi University, an Executive Training from Birmingham University and Executive Public Policy from Strathmore Business School (SBS).</p> <p>He is the CEO of Shippers' Council of Eastern Africa, the Chairman of Port of Mombasa Corridor Charter, and a former director Kenya National Highways Authority. He is also a board member at Kenya Trade Network Agency.</p> <p>He is an independent director and is currently the chair of the Technical, Trade and Permits Approval Committee.</p> <p>He was appointed to the NSC on 14th December 2018 for a period of 3 years.</p>

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4.	<p>Patrick Musau Musila</p> 	<p>Board Member DOB: 27th April, 1968</p> <p>Director Patrick Musila holds a Master's degree in Economics from Marathwada University, India and a Bachelor of Commerce Degree from Jabalpur University, India. He previously worked in the Non-Governmental Organizations sector in the field of monitoring and evaluation, project coordination and has served as an assistant lecturer at Maseno University.</p> <p>He was appointed to the NSC as an independent director on 20th February 2017 for a period of 3 years and re-appointed on 21st February 2020 for a further period of 3 years.</p>
5.	<p>Eric Wagithuku Mungai, MBS</p> 	<p>Board Member DOB: 10th July, 1965</p> <p>Director Eric Mungai studied management at the Boston University School of Management. He is a Director of Evelyn College of Design and also a Director of the Betting Lotteries Governing Board for the County of Nairobi.</p> <p>He is currently the Chair for the Audit and Risk Committee.</p> <p>He was appointed to the NSC as an independent director on 17th April 2015 for a period of 3 years and reappointed on 14th December 2018 for a further period of 3 years. .</p>
6.	<p>Hellen Kabeti Nangithia</p> 	<p>Board Member DOB: 30th March 1962</p> <p>Director Hellen Nagithia holds a Bachelor of Education Arts from Kenyatta University. She previously worked as a County Executive Committee (CEC) member for Meru County in charge of Education and Technology and also CEC member in charge of Public Service and Administration. She served as the Principal of St. Angela Girls Secondary School, Nguthiru and served as the chair of the Kenya Secondary Schools Heads Association, Tigania East Sub County.</p> <p>She is the chairperson of the Finance, Staff and General Purpose committee.</p> <p>She was appointed to the NSC as an independent director on 14th December 2018 for a period of 3 years.</p>

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7.	<p>Veronica Okoth</p> 	<p>Board Member DOB: 25th May 1980</p> <p>Director Veronica Okoth Holds a Master's degree in Economic Policy and Management from Makerere University, Post Graduate Diploma in Rural Development and Devolved systems from the National Institute for Rural Development, India and a Bachelor's Degree in Economics from Moi university.</p> <p>She also worked as a Director Economic Pillar in the Kenya Vision 2030 Delivery Secretariat and a Director Public Private Partnerships under the National Treasury. She is currently the Director, National Assets and Liabilities Management – National Treasury</p> <p>She was appointed to the NSC on 5th May 2021 as an alternate to the Cabinet Secretary - National Treasury and Planning.</p>
8.	<p>Julius Kithinji Kirima, HSC</p> 	<p>Board Member DOB: 20th November 1962</p> <p>Director Julius Kirima Holds a Bachelor's Degree in Chemistry and Mathematics from the University of Nairobi, and a Master's Degree in Entrepreneurship from JKUAT.</p> <p>He is currently the director of Industries, Chemical & Mineral directorate and Technical advisor, State department for industrialization and previously worked as the Ag Executive Director for the Anti counterfeit agency.</p> <p>He was appointed to the NSC on 29th April 2021 as an Alternate to the Principal Secretary, State Department of Industrialization under the Ministry of Industrialization, Trade and Enterprise - development.</p>
9.	<p>Rodgers Ochako Abisai</p> 	<p>Board Member DOB: 27th February 1970</p> <p>Director Rodgers Abisai Holds an LL. B (Hons) degree from the University of Nairobi. He is an advocate of the High Court of Kenya, Commissioner of Oaths and Notary Public. He is a private legal practitioner specializing in Commercial Litigation, Conveyance and Labour Law and has over 24years experience in the legal field.</p> <p>He was appointed to the NSC on 15th November 2019 as an independent director for a period of 3 years.</p> <p>He is currently the chair of the Standards Appraisal Committee.</p>

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10.	<p>Miriam Boit Kahiro</p>  <p>A portrait photograph of Miriam Boit Kahiro, a woman with dark curly hair, wearing a grey blazer over a white top, smiling against a light-colored wall.</p>	<p>Corporation Secretary</p> <p>DOB:</p> <p>Miriam Kahiro holds a Master's Degree (LLM) in International Corporate Governance & Financial Regulation from the University of Warwick, United Kingdom and a Bachelor's Degree in Law from Moi University, Eldoret. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and a Certified Secretary. She is a member of both the Law Society of Kenya and the Institute of Certified Secretaries of Kenya. She has legal experience spanning over 15 years with expertise in the fields of Capital Markets, Public Sector Regulatory Affairs and Corporate Governance.</p>
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3. MANAGEMENT TEAM

X	Management	Details
1.	<p>Lt. Lt Col(Rtd.) Bernard N. Njiraini</p> 	<p>Managing Director</p> <p>Lt Col (Rtd.) Bernard Njiraini holds a Master's and a Bachelor's degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from the University of Nairobi and is a member of the Institute of Engineers of Kenya (IEK).</p>
2.	<p>Mohammed Adan</p> 	<p>Director - Finance and Strategy</p> <p>Mr. Mohammed Adan holds a Master of Science in Accounting and Financial Management and Bachelor's Degree in Accounting & Business Management from University of Hertfordshire (UK). He is a Chartered Accountant-ACCA (UK).</p>
3.	<p>Esther Ngari</p> 	<p>Director - Standards Development</p> <p>Esther Ngari holds an Executive Masters in Business Administration from JKUAT and a Bachelor's Degree in Dairy Science and Food Technology from Egerton University. She is a member of the National Quality Institute</p>




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4.	<p>Dr. Henry Kibet Rotich</p> 	<p>Director - Metrology & Testing</p> <p>Dr. Henry Rotich holds PhD in Hydrology and Water Resources from Jilin University, China and a Master of Science in Analytical Chemistry from North East Normal University, China. He also holds an Executive MBA from JKUAT. He is a member of the Chemical Society of Kenya.</p>
5.	<p>Peter Ngángá Kaigwara</p> 	<p>Director - Market Surveillance</p> <p>Peter Kaigwara holds a Master of Science Degree in Environmental Chemistry and Bachelor of Science degree in Chemistry from the University of Nairobi</p>
6.	<p>Nelly Cherono Mulema</p> 	<p>Director - Human Resource and Administration</p> <p>Nelly Mulema holds a Master's in Business Administration from the University of Nairobi and a Bachelor of Arts Degree from the University of Delhi, India. She is a Member of Institute of Human Resource Management</p>

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7.	<p>Miriam Boit Kahiro</p> 	<p>Corporation Secretary</p> <p>Miriam Kahiro holds a Master's Degree (LLM) in International Corporate Governance & Financial Regulation from the University of Warwick, United Kingdom and a Bachelor's Degree in Law from Moi University, Eldoret. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and a Certified Secretary. She is a member of the Law Society of Kenya and the Institute of Certified Secretaries of Kenya.</p>
8.	<p>Bernard Munene Nguyo</p> 	<p>Ag. Director - Quality Assurance & Inspection</p> <p>Bernard Nguyo holds a Bachelors of Technology Degree in Textile Engineering from Moi University and an International Advanced Diploma in Computer Studies from NCC Education - United Kingdom.</p> <p>He is a member of the Engineers Board of Kenya</p>
9.	<p>CPA Anne Nelima Wanjala</p> 	<p>Chief Manager, Finance</p> <p>CPA Anne Wanjala holds a Master's Degree in Business Administration, Finance and Bachelor of Commerce in Accounting and Business Management from Daystar University.</p> <p>She is a CPA (K) and a Certified Finance Analyst (CFA, - EA.)</p>

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10.	<p>CPA Lincoln Mutisya Nyamai</p> 	<p>Chief Manager, Audit & Risk</p> <p>CPA Lincoln Nyamai holds a Master's Degree in Business Administration- Finance from the University of Nairobi and a Bachelor of Business Administration in Finance and Accounting from Kenya Methodist University.</p> <p>He is a CPA (K) and a member of the Institute of Internal Auditor's (IIA).</p>
11.	<p>Brian Kimanyano Mmbwanga</p> 	<p>Ag. Chief Manager, Legal Services</p> <p>Brian Mmbwanga holds a Bachelor of Laws (LLB) from The University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law. He is currently pursuing Master's Degree – Master of Business Administration (MBA) from The University of Nairobi.</p>
12.	<p>Jane Ndinya</p> 	<p>Chief Manager, Supply Chain</p> <p>Jane Ndinya holds an Master's Degree in Strategic Management from the University of Nairobi and a Bachelor of Education Degree (Accounts, Commerce and Economics) from the University of Nairobi.</p> <p>She is a member of the Chartered Institute of Procurement and Supplies and Kenya Institute of Supplies Management.</p>

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4. CHAIRMAN'S STATEMENT



The National Standards Council plays an important role of oversight to ensure the delivery of Standards, Metrology and Conformity Assessment services. As an organization, our vision is to become a global leader in standards-based solutions that deliver quality and confidence. We have an ongoing focus on four thematic areas of enhancing operational efficiency, improvement of customer satisfaction, alignment with international best practice and promotion of innovation. As I look at the institution's growth, I am extremely proud of what we have achieved towards this course and look forward to a promising future.

We have remained true to our core mandate in promoting standardization in industry and commerce through standards development, metrology and calibration, testing, import inspection, product certification, system certification, market surveillance and training within the East African Community and COMESA. During the year under review, the National Standards Council tasked management with ensuring that KEBS implements and seek certification to Anti-Bribery Management System and Business Continuity Management System. I am glad to note that management took this challenge in earnest and has designed, established, implemented, and obtained certification to the two standards in addition to Information Security Management System in a record six months. This is an assurance to our stakeholders of our commitment to sustainability and integrity in the provision of SMCA services. In effect, we have also developed the requisite capacity and capability to be able to train and certify other government agencies on the above three management system standards.

In addition, 769 new standards were developed of which 58 support the Big Four Agenda and Kenya's Vision 2030, a total of 18,103 products certified to access markets, 8,655 calibration services completed, 212 management systems certificates issued, 244 trainings in Management System Standards offered and 55,613 product samples tested in our laboratories across the country. In the fight against Covid-19 spread in the country, KEBS offered free standards and testing services for products such as sanitizers, masks and personal protective equipment.

It is worth noting that we had several challenges that hindered our operations especially the current Covid-19 pandemic, court awards to litigants and freezing of our bank accounts. Despite these challenges, KEBS has continued to deliver its mandate and we are optimistic we will keep the momentum. In view of these risks, we expect that the implementation of ABMS, BCMS and ISMS will position KEBS in a vantage position to be able to manage any other possible risks and secure the interests of the organization.

On behalf of the National Standards Council, I have great pleasure to present the KEBS annual report and unaudited accounts for the FY 2020/2021. I sincerely express my gratitude and appreciation to our stakeholders and wish to recognize the commitment and the hard work displayed by the management and staff throughout the year.

.....

ENG. BERNARD M. NGORE

Date: 

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER



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

KEBS MAJOR ACHIEVEMENTS DURING THE YEAR

ISO Certifications

KEBS in its pursuit to ensure organizational resilience and good governance structures made a strategic decision to implement the following standards that are aligned to international best practice:

- i. ISO 22301:2019 Security and Resilience Business Continuity Management System (BCMS)
- ii. ISO 37001:2016 Anti-Bribery Management System (ABMS)
- iii. ISO 27001:2013 Information Security Management System (ISMS)

During the year, all the activities required for the establishment, documentation, implementation and external auditing for the three standards were completed. British Standards Institution (BSI) has issued a recommendation note for certification.

Standards Development

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

A total of 769 standards have been developed against a target of 564 standards with a positive variance of 205 Standards. Among these are 65 standards in support of the Big Four initiatives and the Kenya Vision 2030 flagship projects as detailed below:

- i. Thirty-Five (35) Agro-processing standards
- ii. Six (6) standards in Engineering on Building and Construction materials in the housing sector
- iii. Twenty-Four (24) Textile and Leather standards developed

Quality Assurance

In the 2020/2021 period, KEBS issued 18,103 permits to firms that are manufacturing products to enable them access markets both nationally and regionally. Out of these 13,108 permits were issued to Large firms and 4,995 permits were issued to MSMEs to support their growth. This was realized because of the following:

- i. Implementation of a reviewed product certification scheme that increased the validity period of permits to 2 years.
- ii. Use of test reports from accredited or approved Laboratories which is aimed at reducing the product certification turnaround time.
- iii. Collaboration with the Association of Supermarkets to stock certified products which increased the demand for Certified products.
- iv. Implementation of the Exercisable Goods Management System (EGMS) for water and beverages through Kenya Revenue Authority which requires evidence of certification of such products.
- v. The roll out of "Wajibika na KEBS" awareness campaign which increased the level of consumer awareness and demand for certified products.

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Metrology and Testing

Calibration plays a pivotal role in ensuring that measuring equipment give precise and valid results that are traceable to national and International measurement units and thus facilitating fair trade. The Metrology function was able to undertake 8,655 equipment calibrations against a target of 8,336 equipment, with a positive variance of 319 calibrations.

Additionally, 55,613 samples were tested against a target of 45,000 with a positive variance of 10,613 samples. The positive variance was attributed to the fact that most laboratories operated on full schedule due to the increased workload from quality assurance, market surveillance and private samples and shift arrangement during the year under review.

National Quality Institute (NQI)

A total of 244 trainings on management systems were undertaken against a target of 218 trainings with a positive variance of 26 trainings. The positive cumulative variance was due to the opening up of the economy and increase in requests for trainings through our online training platform. These trainings assist firms to improve their production systems and processes, manage risks related to among others quality, business continuity, information security and environmental conservation.

Ease of Doing Business

KEBS participated in joint verification of imports and during the year 100% of clearance documents (Import declaration forms, Customs entries, KEBS consignment documents) were processed through the Kenya Electronic Single Window System against a target of 100%.

Upgrade of Regional Offices

The construction of the North Rift Regional office was completed and occupied while the laboratories construction is ongoing. The KEBS Headquarters was also upgraded through the construction of the perimeter wall and installation of CCTV system.

Total Revenue/ Expenditure

A total revenue of **Kes 4.38 billion** was generated against an expenditure of **Kes 5.87, billion** leaving a deficit of **Kes 1.49 billion** in the year under review. The huge deficit was mainly attributed to the recognition of a decretal sum award to Geochem Middle East by the Court of law and the emergence of Covid-19 pandemic that affected KEBS planned activities.

It is worth noting that we had several challenges that hindered our operations especially the current Covid-19 pandemic, court awards to litigants and freezing of our bank accounts. The freeze on KEBS accounts by the courts in relation to the Geochem Vs KEBS case affected key activities that had been planned for the better part of the third quarter. This was an unprecedented business continuity risk that caught management unaware and highly exposed. In view of the above risks, management has stepped up the implementation of a Business Continuity Management System based on ISO 22301 which protects the organization from disruptive incidents and enhances our resilience and continuity. Additionally, management has stepped up the implementation of the Anti-Bribery Management System based on ISO 37001 to enhance the governance and accountability structures. The implementation of ABMS, BCMS and ISMS will enable KEBS to manage any other possible risks and secure the interests of the organization in a sustainable manner.

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



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

Date: 29.06.2022

6. STATEMENT OF KEBS PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

KEBS has four (4) strategic themes and objectives within its Strategic Plan for the FY 2017/2018- 2021/2022. These strategic pillars are as presented in the figure below:

Figure 3: Strategic Themes



KEBS develops its corporate Balanced Scorecard and annual work plans based on strategic themes as detailed in Table below. Assessment of the Board's performance against its annual work plan is done on a quarterly basis using the Balance Scorecard methodology. KEBS achieved its performance targets set for the FY 2020/2021 period for its 4 strategic pillars, as indicated in the diagram below:

Table 3: KEBS Performance Against Strategic Objectives

Strategic Pillar	Objective	KPI	Activities	Achievement
Pillar 1: Excellence	Enhance delivery of KEBS mandate by improving operational efficiency by 10% annually.	100%	<ol style="list-style-type: none"> 1. Automate key processes 2. Optimum utilization of human capital 3. Optimum utilization of resources 4. Business process re-engineering 5. Business Process Outsourcing 6. Implement a Business Continuity Management System 7. Competency development 8. Sustain Performance Management System 	81.70%

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Strategic Pillar	Objective	KPI	Activities	Achievement
			9. Monitoring and evaluation of processes	
Pillar 2: Customer Focus	Improve Customer Satisfaction by 1% annually by providing SMCA solutions that support Vision 2030, Big Four Agenda and SDGs.	66%	<ol style="list-style-type: none"> 1. Compliance with service delivery charter 2. Implementation of the Customer satisfaction index recommendations for FY 2019/20 3. Implementation of service delivery innovation 4. Implementation of stakeholder engagement programmes 5. Implementation of communication strategy 	58.90%
Pillar 3: Leadership	Attain international recognition and sustain leadership in SMCA through institutional strengthening and alignment to international best practices.	100%	<ol style="list-style-type: none"> 1. Implementation of accreditation and certification systems 2. Maximize use of standards by the public sector 3. Strengthen NMI, NRL and NQI 4. Align legal and regulatory framework of KEBS to international best practices 5. Influence regional and international market policy directions through standardization 	50%
Pillar 4: Innovation	Provide SMCA solutions that promote innovation.	100%	<ol style="list-style-type: none"> 1. Implementation of Research, Development and innovation Strategy 	50%

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Strategic Pillar	Objective	KPI	Activities	Achievement
			2. Implementation of strategic agreements 3. No. of new products developed 4. No. of new revenue streams	

The annual performance targets for core mandate are derived from these objectives and monitored using the performance contract monitoring tools provided by the Public Service Commission and the output is included in the corporate Balanced Scorecard. Monitoring of the PC targets is done on quarterly basis and reports submitted to the relevant Ministries Departments and Agencies.

7. CORPORATE GOVERNANCE STATEMENT

a) The roles and functions of the Board

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

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

b) Committees of the Board

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

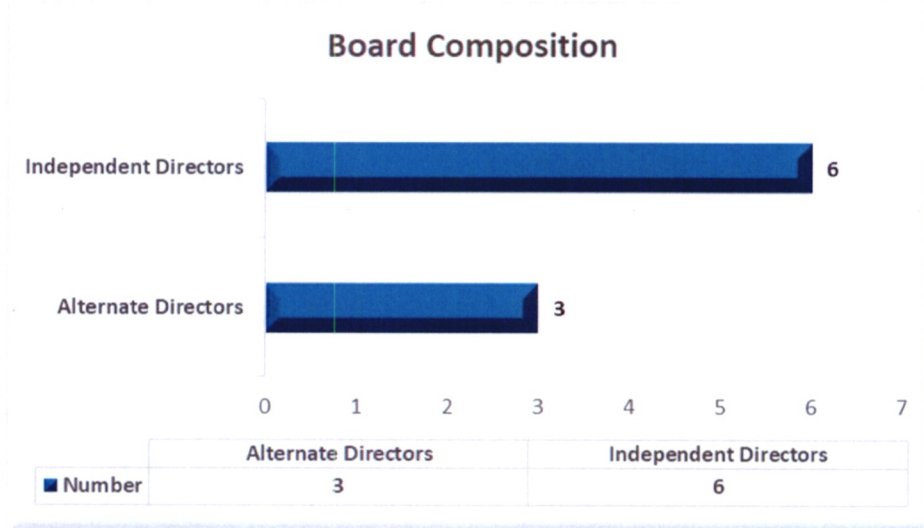
Figure 4: Board Committees



c) Board Composition

The Board members are drawn from diverse professional background. During the year under review, the board was composed of seven (7) independent non-executive directors and three (3) alternate directors representing Cabinet Secretary; National Treasury and planning, Principal Secretary; State Department of Industrialization and the Inspector General State Corporations.

Figure 5: Board Composition



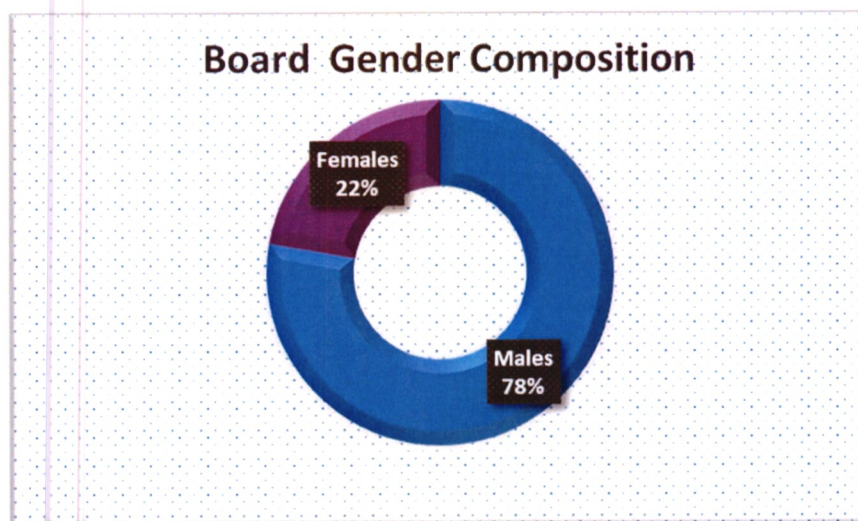
d) Board Competence

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

e) Board Gender Representation

In terms of gender presentation, the board had 22% female members and 78% male members as indicated below.

Figure 6: Board Gender Composition



f) Board Charter

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

g) Appointment and Removal of Directors.

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

h) Board Evaluation and Remuneration

The board evaluation was carried out in the month of August 2020 for the FY 2019/20 and for the year under review, the NSC was evaluated on 28th July 2021. The Board remuneration was as per the State Corporations Act and relevant Government Circulars.

i) Board Induction and Training

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

j) Board Committee Meeting

Board Committee meetings for the year under review are as presented in table 3 below.

Table 4: Board Committee Meetings

Committee	Planned No. of Meetings	Actual No. of Meetings

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National Standards Council	7	29
Finance, Staff & General Committee	7	18
Standards Approval committee	7	4
Technical, Trade, and Permits Approval Committee	7	8
Audit Committee	7	5
AD-HOC Meetings	0	3
Consultative Meeting	0	24

k) Conflict of Interest

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

l) Governance Audit/Board Evaluation

The NSC was evaluated by SCAC on 12th August 2020 for the FY 2019/20. For the year under review, NSC was evaluated on 28th July 2021.

m) Ethics and Conduct

The NSC members are expected to be of good conduct and ethics

n) Risk Management

Risk management is an integral part of the day-to-day business operation in KEBS. The NSC and the management are committed to implementing a risk management framework to ensure delivery of KEBS mandate and continual improvement guided by the KEBS risk appetite and risk tolerance statements. KEBS has established a sound risk oversight system to identify, assess, monitor and manage material risks related to the conduct of its activities. The risk management framework is reviewed by our certification body (BSI) for continuing suitability and effectiveness. KEBS has also integrated the performance management tool (Balanced Scorecard) with the risk management process for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated fully and it has institutionalized strategies that provide a structured, systematic and focused approach to managing risk.

o) Internal Audit and Assurance

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

p) External audit

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

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8. MANAGEMENT DISCUSSION AND ANALYSIS

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

This report highlights the financial and operational performances, challenges in relation to performance management, major risks facing the organization and corporate social responsibility activities carried out during the 2020/2021 financial year.

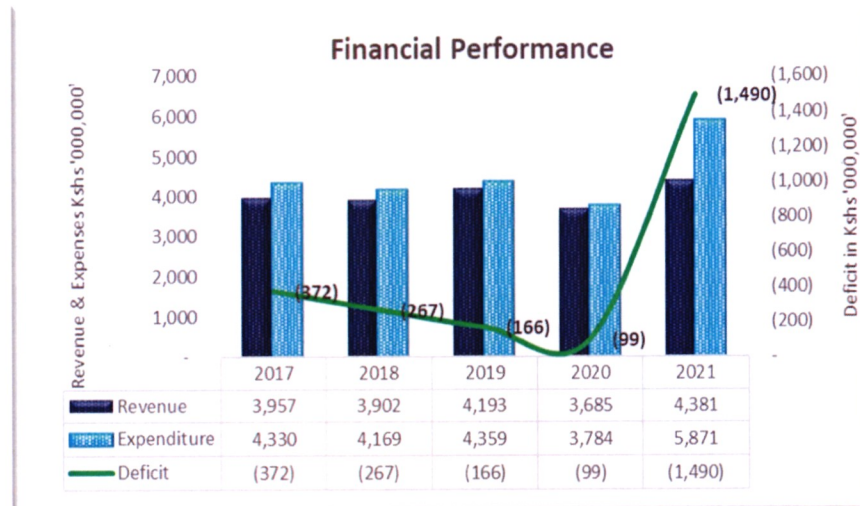
1. Financial and Operational Performance of the Organisation

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

a) Financial Performance

Overall KEBS financial performance was less than optimal in the year under review. However, the achievement in revenue was at an all-time highest when compared to the last four previous years. There was also a significant increase in expenditure. The comparative analysis of revenue and expenditure in the last five years of this strategic period are as presented in Figure 7 overleaf.

Figure 7: Revenue and Expenditure



During the year under review, revenue of Kes 4.38 Billion was realised against an expenditure of Kes 5.87 Billion leading to a deficit of Kes 1.49 Billion.

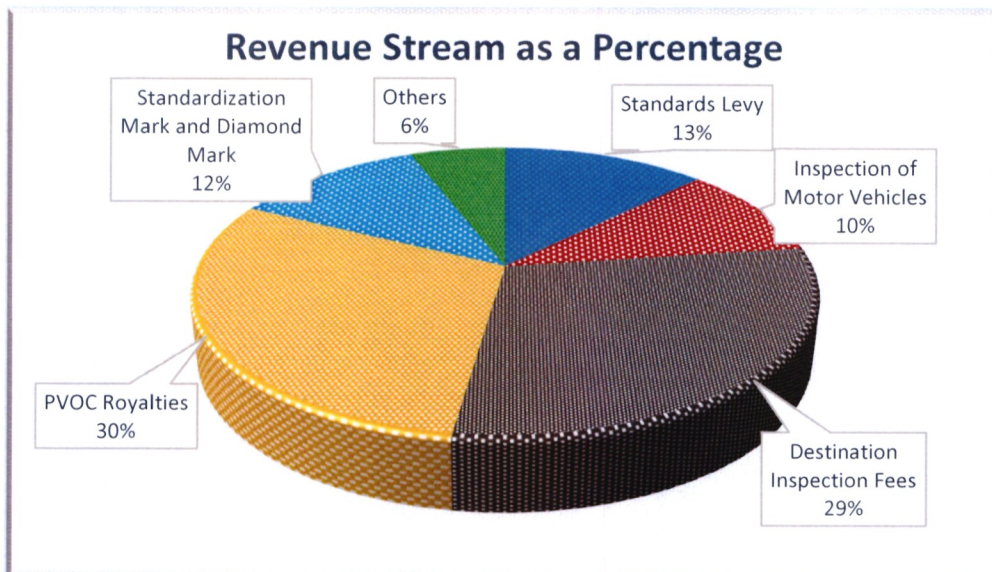
i) Revenue

There was a registered rise and drop in revenue in the last five-year period. The current year under review registered the highest revenue in comparison to the last 5 years with a high of Kes 4.4 billion in the FY 2020/21 and with the lowest being of Kes 3.685 billion in 2019/20. Other Financial years in comparison reported improvement in revenue by an increase from Kes 3.9 billion in 2016/17 to Kes 4.1 billion in the year 2018/19. The improved achievement of Kes 4.38 billion in FY 2020/21 was attributed to change in government policies which affected destination inspection

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while product certification scheme permit validity term was extended from one year to 2 years. The implementation of Ministry of Health guideline to curb the spread of COVID-19 pandemic affected services that required physical interaction with clients such as inspection of manufacturing processes in factories, calibration and metrology services, system certification and training on standardization. The revenue generated is as presented in Figure 8 below.

Figure 8: Revenue streams



In comparison with the previous year, revenue increased by 19%. This was attributed to:

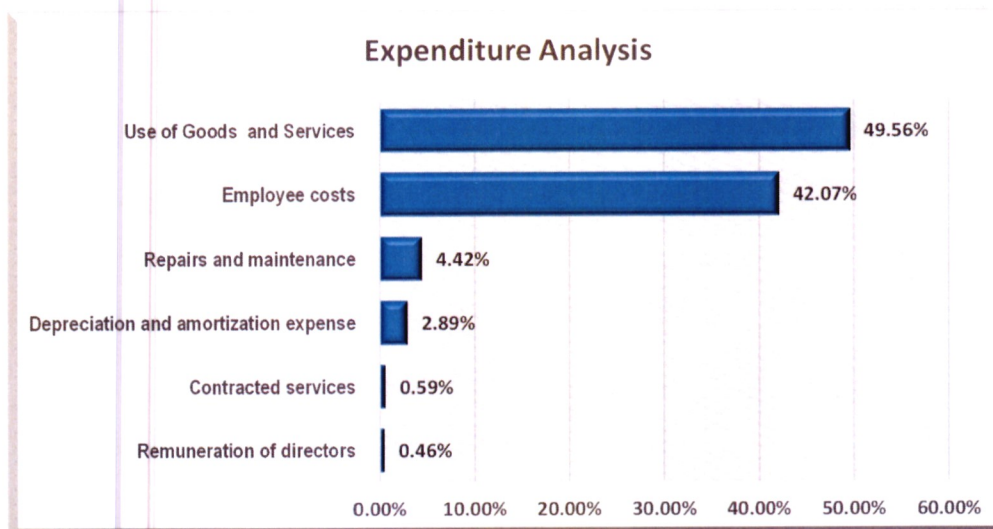
- a) Increase in revenue from destination inspection fees and standardization mark fees by 66% and 73% respectively.
- b) Other revenue streams that recorded improvement include inspection of motor vehicles and sale of standards.

ii) Expenditure

Total expenditure increased by 55% from Kes. 3.78 billion in FY 2019/20 to Kes 5.87 billion in FY 2020/21. The increase was majorly attributed to a litigation expense that crystallised during the year under review. There was also an increase in recurrent expenditure due to increase in use of goods and services. The distribution of recurrent expenditure is as presented in figure 9.

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Figure 9: Recurrent Expenditure



iii) Total Assets

KEBS assets increased over the years 2016 to 2018 upon.

- 1) Acquisition of KEBS building in Coast Region.
- 2) Completion of the regional office in the Lake Region.
- 3) Acquisition of the Laboratory equipment so as to increase testing scopes and improve efficiency in testing and measurement test results.

However, over the last 2 years the value of assets has decreased due reduced capital expenditure, depreciation and remittance of identified cash to the National Treasury in the 2019/20 and 2020/21 Financial Years. The total assets over the last five financial years is as presented in figure 10 below:

Figure 10: Total Assets

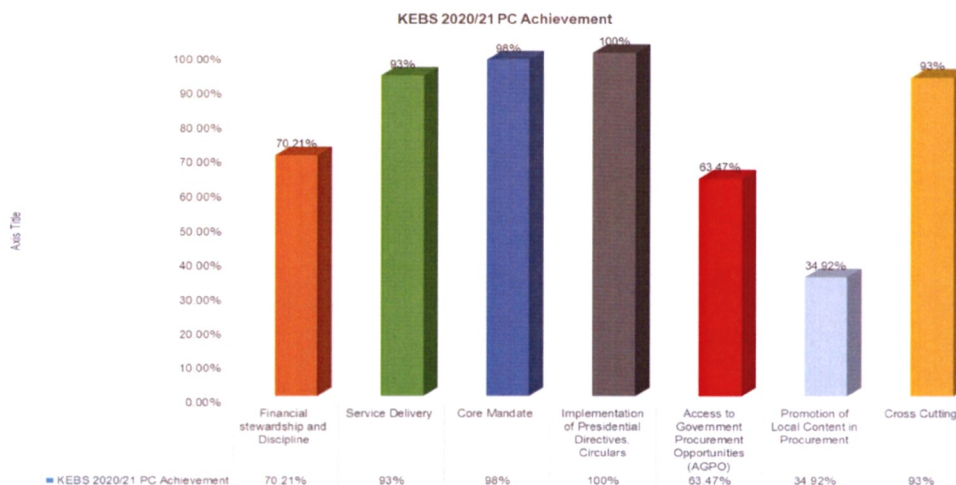


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b) Operational Performance

The overall weighted aggregate performance score for KEBS in 2020-2021 Financial Year was **78.94%**, which is in the range of **good**. The summary of achievement is as presented in figure 11 below:

Figure 11: Operational Performance



It is important to note that there was a drop in operational performance in the year under review as compared to FY 2019/2020. The Current year's performance was 78.94%, while the last financial year's performance was at 83.03%.

c) Challenges related to performance management

Some of the challenges in relation to corporate performance include:

- i. Disruption caused by the emergence of COVID 19 which required scaling down of activities to curb the spread of the pandemic.
- ii. Global effects of COVID 19 which resulted in reduction of imports. This affected PVoC royalties' activities leading to reduced revenues.
- iii. Slow-down in the economy which affected demand for KEBS services and reduction in revenue generated.
- iv. Inadequate staffing levels in the technical areas during the year arising from the termination of the 43 interns.
- v. Commencement of the implementation of Legal Notice No. 78 of April 2020 which affected compliance to PVoC Program.

2. Key Projects and Investments Decision

a) KEBS Infrastructure -Completed and Ongoing Projects

During the year under review, KEBS committed to complete and operationalize North Rift office and Laboratories. The KEBS North Rift laboratories and office was occupied and its completion is currently estimated at 90 %.

b) Acquisition of testing equipment

KEBS has invested in state-of-the-art testing equipment with the support of the following partners: Trade Mark East Africa and European Union – Standards and Market Access Program. Subsequently, the utilization of these

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equipment has improved operational efficiency by 33% in the last five years. The acquisition of these equipment has enabled KEBS to increase the testing scopes, improve proficiency and efficiency in testing and reduce the turn-around-time.

c) Automation

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

3. Major risks facing the organisation and Mitigation measures

a. Financial Risk – Failure to meet set revenue target.

An annual revenue of **Kes** 4.38 billion was generated against a target of **Kes** 5.74 billion with a negative variance of **Kes**1.36 billion. To mitigate this, KEBS will implement the Resource Mobilization and Cost Reduction Strategy.

b. COVID-19 (Corona Virus) Risk- The Corona virus pandemic has greatly impacted on KEBS activities. It has reduced accessibility and availability of KEBS facilities and services and there is likely exposure of KEBS staff to Covid – 19. To mitigate this, KEBS scaled down its activities and continues to educate staff on COVID-19 symptoms and prevention, provide masks, gloves and hand sanitizers to staff. KEBS also facilitates staff to telecommunicate/work from home, encourages social distancing and implements the Executive Order No. 2 of 2020 on suspension of non-essential travels by state and public officers.

c. Legal Risk - This refers to potential adverse outcomes in litigation which could drive liquidity constraints, thereby limiting financial flexibility of KEBS and potentially jeopardize the ability to respond to or take advantage of opportunities or meet other ordinary needs. KEBS will implement strategies to mitigate these risks by installation of a modern teleconferencing facility for hearing of Judicial cases and provision of services to the NSC; use of the automation process for contract and cases management; proper legal representation; alternative dispute resolution i.e. negotiations, mediation, conciliation and setting aside contingency funds for the litigations

d. Compliance risk – due to failure to transition to the new ISO/IEC 17025:2017 (General requirements for the competence testing and calibration laboratories Accreditation) on time to mitigate this, we continue to engage with our accreditation bodies to ensure that any issues are dealt with before we risk the loss of accreditation. Furthermore, we are considering changing the accreditation body to KENAS.

e. Reputational Risk – Our brand identity is extremely important to us and failure to protect this would result in deterioration of our reputation and potential loss of business. To mitigate, we continue to reinforce our values, policies and processes with our employees, business partners and other stakeholders. We take robust action, where necessary, to protect our trademarks, brand and reputation. We also commit to implementation of a communication strategy and stakeholder engagement programmes.

f. Information Security Risk- failure to protect KEBS against inadvertent loss of data or cyber-attack would adversely affect our brand identity and reputation. We are currently implementing ISO 27001 (Information Security Management Systems) and measures to avert any cyber-attacks have been established and implemented.

g. Business interruption risk- KEBS operates in an environment characterized by disruptions that affect service delivery. Failure to address this risk will lead to loss of revenue, inability to meet obligations and inability to continue

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service delivery. To mitigate against this, KEBS implements a Business Continuity Management system based on ISO 22301.

4 KEBS compliance with statutory requirements

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

a) Review of the economy and sector

Whilst the health impacts of COVID-19 have been substantial, the resulting economic strife has been equally significant. In Kenya, many businesses shut their doors and international borders closed, impacting domestic and international trading activity.

The economic recovery in 2019, ignited by renewed political stability and buoyed by positive investor sentiment, quickly gave way to sustained shrinkage in economic activity in 2020. This was mainly due to the impact of COVID-19 pandemic. Various economic interventions such as tax cuts and holidays were enacted to mitigate the impact of the pandemic, the strain of global and regional spill over effects was considerable.

Pre-pandemic forecasts by the National Treasury of a 6% economic growth in 2020 were reduced to 1.5% according to a World Bank report on post-pandemic estimates, published in April 2020. Combined with significant levels of job losses, the inevitable impact of this was the forestalling of developmental projects which would have otherwise stimulated economic growth. Towards the end of 2020, however, hope began to return with, amongst other Government initiatives, the commencement of the Nairobi expressway project which is set to improve productivity and economic performance by easing traffic flow and connecting key economic hubs in Kenya and the region.

KEBS is a state agency under the State Department for Industrialization. The State Department of Industrialization is mandated to formulate and implement policies to promote manufacturing, value addition, enterprise development, quality standards, industrial research and innovation, creation of enabling business environment and industrial skills development. The State Department is implementing priority programmes under the manufacturing sector, which is one of the key pillars identified under the Kenya Vision 2030, Medium Term Plan III and 'Big Four Agenda' to accelerate economic growth and development. The industrialization sector has immense potential for wealth and employment creation and poverty alleviation. The sector is also expected to play a key role in contributing to the overall economic growth of the country by at least 10% economic growth per annum and propel Kenya towards becoming Africa's industrial hub.

KEBS therefore falls under the auspices of the industry sector. In this sector, KEBS plays a critical role of developing and promoting quality standards. This is one of the core mandates of KEBS and is committed to providing standardization solutions that support Vision 2030, Big Four Agenda and United Nation's Sustainable Development Goals (SDGs).

The annual report for FY 2020/21 was prepared against a backdrop of uncertainties largely caused by the impact of Covid-19 global pandemic. KEBS missed targets in some fronts due to slowed business activities occasioned by Covid-19 pandemic. The organization is mitigating the risk on Covid-19 infection by implementing Business Continuity Management strategies and the guidelines issued by the Ministry of Health. Continued adherence to these protocols has led the organization to deliver its services uninterrupted and continued to achieve its mandate.

b) Future development

KEBS has committed to undertake the following in the FY 2021/22

- a) Provide Standards based solutions that support the realization of the Kenya Vision 2030, Big Four Agenda and United Nation's Sustainable Development Goals (SDGs)
- b) Maintain the Business Continuity Management System to ensure resilience and continuity in the face of the constant changes in the operating environment. This will include regular exercising and testing of business

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continuity plans to confirm capabilities of the system.

- c) Maintain Information Security Management System to ensure confidentiality, Integrity and availability of information and information assets.
- d) Maintain Anti-Bribery Management System to ensure sound governance structures.
- e) Complete the automation of Quality Assurance, Inspection, Market Surveillance, Standards Levy and Standards Development, National Quality Institute (NQi) and Certification Body (CB) processes.
- f) Operationalize the KEBS' MSME policy which is consistent with the National MSME policy.
- g) Attain accreditation to ISO/IEC 17020 Conformity assessment — Requirements for the operation of various types of bodies performing inspection.
- h) Attain Accreditation to ISO/IEC 17065:2012 Conformity assessment — Requirements for bodies certifying products, processes and services.
- i) Support the State Department of Industrialization to Implement ISO 37001 Anti Bribery Management System

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Presented below are policies and activities that promote environmental and sustainability of KEBS business processes.

i) Sustainability strategy and profile

One of the strategies in the KEBS 2017-2022 Strategic Plan is the establishment of Business Continuity Management System to enhance operational efficiency, ensure resilience and continuity of service delivery. Towards the institutionalization of this management system, KEBS has analysed and prioritized its business processes, undertaken business impact analysis and risk assessment, developed business strategies and solutions, developed business continuity plans and regularly exercises and tests the capability of its business continuity plans.

ii) Environmental performance

a. KEBS Environmental Policy Statement

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

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

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

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

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

b. Evidence of the policy

The environmental policy is as presented in Figure 12 below:

Figure 12: KEBS Environmental Policy



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c. Successes and Shortcomings

Success and shortcomings in relation to environmental performance are presented in the table below:

Table 5: Successes and Shortcomings

Focal Area	Annual Targets / Activities	Indicator	Complete	Pending
Environmental Sustainability Planning	Environment Policy	Environmental Policy in place since June 2015.	X	
	Structures to address environmental issues	Environmental (EHS) Committees in place at HQ and Regional offices	X	
	Internal Environmental Inspections on monthly basis	EHS Inspections carried out periodically and reports filed	X	
	Environmental Audit	Audit Report		X
	Environmental Awareness campaigns	Scheduled campaign activities		X
Pollution Control	Waste management interventions	Initiatives to segregate and reduce waste implemented	X	
	Installation of waste segregation bins	Waste bins provided in Laboratories and installed around the HQ compound	X	
	Conduct noise level survey – Materials Lab	Noise Level Report with recommendations for Materials Laboratories	X	
	Laboratory waste disposal	500 used / empty chemical bottles disposed to a willing buyer through the disposal process at HQ; Treatment of laboratory waste water in Kisumu	X	
Climate Change	Energy saving initiatives – conduct internal energy audit to act as a baseline	Internal energy audit report with recommendations		X

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Focal Area	Annual Targets / Activities	Indicator	Complete	Pending
	Rain water harvesting as an alternate source of water	Feasibility report on rainwater harvesting		X
Environmental Ecological Enhancement	Conduct annual tree planting exercise	Number of trees planted – a total of 8000 trees were planted in the year. KEBS adopted part of Mt. Kenya forest (Hombe Forest) where 8000 trees were planted in November 2020	X	
Environmental Education and Awareness	Display Environmental Policy in strategic locations	Physical (offices) and online (website & entropy)	X	
	Identify, train and appoint environmental champions	EHS champions trained/appointed as members of the EHS committees in HQ and regions.	X	
	Participation in environmental events with communities and schools	Evidence of participation in environmental events – tree planting with local community at Mt. Kenya (Hombe) forest in November 2020	X	
	Sensitization of staff on environmental sustainability relevant to KEBS mandate	Records of sensitization sessions – staff sensitisation was mainly focussed on Covid-19 mitigation.		X
	Recognition of environmental champions	Evidence of appreciation of environmental sustainability champions		X

d. Efforts to manage biodiversity

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

e. Waste management policy

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

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

f. Efforts to reduce environmental impact of the KEBS services

These include:

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

iii) Employee welfare

KEBS employs HR Policy and procedure manual, Career Guideline and other applicable policies in the recruitment, training and performance management activities. These policies provide for consideration of a minimum of a third (1/3) of either gender in recruitment, appointments and promotion. Also as guided by the HR Policy, KEBS has developed and implements both recruitment and training plans to ensure staff skills are enhanced. KEBS implements a Performance Management System (PMS) for enhancement of efficiency and effectiveness as provided for by PL8. KEBS complies with the provisions of the Occupational Health & Safety Act, 2007 and related EHS legislation and implements KEBS Corporate Safety Policy QPL2.

iv) Market place practices-

KEBS has outlined its effort as below.

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

KEBS purposes to implement Article 227 of the constitution where fairness is key in the whole supply chain process as guided by the Public Procurement and Asset Disposal Act (PPADA) 2015 and Public Procurement and Asset Disposal Regulations (PPADR) 2020. KEBS has given priority to disadvantaged groups and National Contractors in line with Access to Government Procurement Opportunities (AGPO) and promotion of local content ensuring Citizens are given priority in Procurement Opportunities.

c) Responsible marketing and advertisement

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

All KEBS marketing and advertisements provide stakeholders with information on quality content, which is honest and a factual representation of KEBS products, delivered in a framework of social values. All KEBS marketing tools are transparent and fully disclose information on various products offered by KEBS and their application. KEBS marketing and advertising are not discriminatory and do not manipulate consumer's emotions for any gain.

The information is targeted to uphold quality of products within the market, including public surveillance by using KEBS Toll-free Line 1545 and KEBS Short code 20023 for verification of product certification to quality standards.

In the FY 2020/ 2021 KEBS mainly applied these modes of marketing and advertising:

1. Digital Marketing through social media and online search advertising, KEBS website, targeted e-mail and bulk SMSs
2. KEBS placed advertisement in newspapers, industry specific magazines. Sector specific information packets, posters and video casts were disseminated as promotional materials for advocacy, sensitization and community outreach for KEBS services.

KEBS is committed to consumer privacy through the implementation of Information Security Management System (ISMS).

KEBS has a robust complaint management system which includes a procedure (PL 6) to ensure customer concerns are captured and addressed. Consumer complaints are addressed through KEBS market surveillance consumer complaint procedure. Through these procedures KEBS investigate all customer complaints and seek to resolve them immediately.

d) Product stewardship

KEBS ensures that consumers have the right to the following:

(a) Goods and services of reasonable quality. KEBS has developed over 7,000 standards for various goods and services, that provide industry with guidelines including the minimum requirements for product quality. KEBS laboratories are accredited to ISO 17025 to ensure proficiency of the tests. KEBS certification marks are symbols that assure the public that products bearing these marks have been tested for quality, health and safety. These marks include the Standardization Mark, Diamond Mark and the International Standardization Mark. To safeguard consumer rights on quality, KEBS carries out regular market surveillance of products in the Kenyan market.

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(b) Information necessary for consumers to gain full benefit from KEBS goods and services;

KEBS disseminates its information for advocacy, sensitization and community outreach. This is done through social media, KEBS website, webinars, advertisement, workshops, shows and exhibitions, promotional materials, KEBS magazine, institutional visits, KEBS call center and toll free line.

(c) To protect the consumer's right to be heard and access to information.

KEBS has implemented a robust complaint management system, which is effective in ensuring customer concerns on various products are addressed. KEBS investigates all customer complaints and seek to resolve them immediately.

KEBS has also implemented the Access to Information Act which allow interested parties to access information regarding the institution.

v) **Corporate Social Responsibility / Community Engagements**

KEBS is committed to giving back to the society by promoting common welfare programmes, exhibiting social concern, sponsoring social and charitable causes in community development. During the year under review, KEBS participated in 11 charitable activities across the country. These activities included free trainings, donation of standards to SMEs, adoption of forest, donation of tree seedlings to women groups and mobilization of partners for donations.

Figure 13: Donation of Tree seedlings by KEBS



Donation of surgical face masks to Chepkutung secondary in Kericho county.

Figure 14: Donation of Surgical Masks to Schools



Figure 15: Donation of Iron sheets and Sensitization Talk to Mururia Boys High School



Figure 17: Adoption of Hombe Forest (7.5 Hectares)



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KEBS CSR IMPACT:

1. Environmental conservation at Hombe forest
2. Increased forest cover
3. Organizational effort towards the mitigation of the spread of Covid-19
4. The entrenchment of a quality culture in the society
5. To support various national campaigns on Social and development issues.

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10. REPORT OF THE DIRECTORS

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

i) Principal activities

The principal activities of the entity are ;

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

ii) Results

KEBS results for the year ended June 30, 2021 are set out on Page 49

iii) Directors

The NSC members who served during the year are shown on page 10 and the following NSC members were appointed or exited the NSC during the year under review:

Table 6: Board Directors Appointment and Exits

No.	Board Member	Status
1.	Fouzia Abdirahman	Retired on 9 th May 2021
2.	Mary Wanja Matu	Retired on 9 th May 2021
3.	Eddy Njoroge	Retired on 9 th May 2021
4.	Julius K. Kirima	Appointed on 29 th April 2021
5.	Veronica Muthoni Okoth	Appointed on 5 th May 2021
6.	Joseph Mbeva	Retired on 29 th April 2021
7.	John Njera	Retired on 5 th May 2021

iv) Surplus remission

KEBS did not make any surplus during the FY 2020/21 and therefore no remittance to the Consolidated Fund

v) Auditors

The Auditor General is responsible for the statutory audit of KEBS in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30th June 2021.

By Order of the NSC.



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

29.06.2021

Date

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The National Standards Council is responsible for the preparation and presentation of KEBS financial statements, which give a true and fair view of the state of affairs of KEBS for and as at the end of the financial year ended June 30, 2021. These responsibilities include:

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

The NSC accept responsibility for the KEBS financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the requirements of the Standards Act. The NSC is of the opinion that KEBS financial statements give a true and fair view of the state of KEBS transactions during the financial year ended June 30, 2021, and of the KEBS financial position as at that date. The NSC further confirm the completeness of the accounting records maintained for KEBS, which have been relied upon in the preparation of the KEBS financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The KEBS financial statements were approved by the NSC on 29.06.2022 2021 and on its behalf by:

Signature

Name

Eng. Bernard M. Ngoro

NSC Chairman

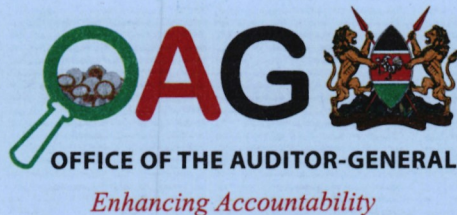
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REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS (KEBS) FOR THE YEAR ENDED 30 JUNE, 2021

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 the entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, the statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts

for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Bureau of Standards as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and complies with the Public Finance Management Act, 2012 and the Standards Act (Cap 496) of the Laws of Kenya, July, 1974.

Basis for Qualified Opinion

Current Receivables from Exchange Transactions

The statement of financial position and as disclosed under Note 15 to the financial statements reflects current receivables from exchange transactions balance of Kshs.551,009,027. The balance is net of specific provision for bad and doubtful debts of Kshs.52,548,453 which is a reduction from previous year's provision by Kshs.5,469,529. However, no documentary evidence was provided to support the recovered debts and the decrease in provision has not been accounted for in this financial statements.

Further, a review of the aging analysis of the receivables balance revealed that an amount of Kshs.211,404,755 in respect of trade debtors have been outstanding for more than ninety days and for which no provisions for doubtful debts was made.

In the circumstances, the accuracy and completeness of current receivables from exchange transactions balance of Kshs.551,009,027 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 Bureau of Standards Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Uncertainty on Sustainability of Services

The statement of financial position reflects current liabilities balance of Kshs.2,230,912,850 against current assets of Kshs.1,067,472,852 resulting to a negative working capital of Kshs.1,163,439,998. Further, the statement of financial performance for the year under review indicates that the Bureau's deficit increased by Kshs.1,391,986,352 from Kshs.99,323,302 in the year ended 30 June, 2020 to Kshs.1,491,309,654 in the year under review.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2021. However, Management has indicated in the progress on follow up of Auditor recommendations at appendix 1 of the financial statements that the unresolved issues will be resolved during the financial year 2022.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects actual revenue Kshs.4,377,907,414 against the final budget of Kshs.5,739,908,559 resulting in a short fall of Kshs.1,362,001,145 or 24% of the budget. Further, the statement reflects actual expenditure for the year as Kshs.5,872,000,256 against the final budget of Kshs.5,242,965,771 resulting in an over expenditure of Kshs.629,034,485 or 12% of the budget.

The Management attributed the shortfall in revenue to low demand of the Bureau's services during the Covid 19 pandemic period and the over expenditure was due to legal expenses incurred in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the E-Procurement

The Executive Order No. 2 of 2018 required The National Treasury to ensure that by 1 January, 2019 all public entities undertake procurement through e-procurement module

of Intergrated Financial Management Information System (IFMIS). However, during the year the Bureau continued to use its own Enterprise Resource Planning (ERP) for processing procurement requests and procurement document which include local purchase orders, local service orders and purchase requisition vouchers (PRVs) which is not integrated with IFMIS.

In the circumstances, Management was in breach of the law.

2. Unsupported General Insurance Covers

The statement of financial performance and Note 12 to the financial statements reflects use of goods and services amount of Kshs.2,911,030,838. Included in this amount is Kshs.26,344,891 for insurance expenses out of which an amount of Kshs.11,157,170 was paid for insurance covers from March, 2021. However, the general insurance covers policies between the insurance company and the Bureau were not provided for audit. Further, the Bureau used direct procurement method to procure the insurance services and no justification was provided for use of this method.

In the circumstances, it was not possible to confirm if value for money was obtained in the procurement of the general insurance cover.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements which are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Bureau's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

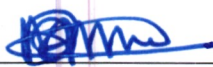
02 September, 2022

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

	Notes	2020-2021	2019/2020
		Kes	Kes
Revenue from non-exchange transactions			
Standards Levy	1	550,510,982	617,261,104
Revenue from exchange transactions			
Rendering Of Services	2	3,804,297,930	3,021,672,059
Government Transfer-(RIIIP)	3	7,000,000	7,000,000
Finance Income	4	3,289,933	26,495,146
Other Income	5	12,808,570	12,509,821
Total revenue		4,377,907,414	3,684,938,130
Expenses			
Employee costs	6	2,470,217,544	2,694,113,148
Remuneration of directors	7	26,762,370	44,621,010
Depreciation and amortization expense	8	169,553,927	140,754,938
Repairs and maintenance	9	259,648,723	219,473,807
Contracted services	10	34,786,853	22,686,058
Use of Goods and Services	12	2,911,030,838	662,612,472
Finance costs	13	-	-
Total expenses		5,872,000,256	3,784,261,433
Other gains/(losses)			
Gain on Disposal		2,783,187	
Deficit for the period		(1,491,309,654)	(99,323,302)
Remittance to National Treasury		-	-
Net Deficit for the year		(1,491,309,654)	(99,323,302)

The Financial Statements set out on pages 1 to 43 were signed on behalf of the Board of Directors by:


Managing Director
 Lt Col (Rtd) Bernard N. Njiraini


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


NSC Chairman
 Eng. Bernard Ngore

Date: 29.06.2022

Date: 29/06/22

Date: 29/06/22

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14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019/2020
		Kes	Kes
Assets			
Current assets			
Cash and cash equivalents	14	361,232,120	196,138,873
Current receivables from exchange transactions	15	551,009,027	431,127,162
Non current receivables from exchange transactions	15	-	734,357,488
Receivables from non-exchange transactions	16	34,983,766	31,047,008
Inventories	17	120,247,939	109,536,097
Total Current Assets		1,067,472,852	1,502,206,628
Non-current assets			
Non current receivables from exchange transactions	15	745,863,042	-
Property, plant and equipment	21	3,208,667,357	3,297,371,006
Intangible assets	22	4,050,997	5,787,139
Total Non current assets		3,958,581,397	3,303,158,145
Total Assets		5,026,054,249	4,805,364,773
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	1,986,508,848	487,092,234
Current portion of borrowings	19	244,404,002	31,821,486
Total Current Liabilities		2,230,912,850	518,913,720
Non-current liabilities		-	-
Total Liabilities		2,230,912,850	518,913,720
Total Net assets		2,795,141,399	4,286,451,053
Revaluation Reserves		990,156,591	990,156,591
Accumulated surplus		809,516,602	2,300,826,256
Capital Fund		995,468,206	995,468,206
Total net assets and liabilities		2,795,141,399	4,286,451,053



Managing Director
Lt Col (Rtd) Bernard N. Njiraini

Date: 29.06.2022



Director Finance and Strategy
Mohammed Adan
ACCA

10084733/1562/782
Date: 25/06/22



NSC Chairman
Eng. Bernard Ngore

Member:

Date: 29/06/22

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15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021


	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Total
	Kes	Kes	Kes	Kes
At June 30, 2019	990,156,591	3,645,149,558	995,468,206	5,630,774,355
Total comprehensive income		(99,323,302)		(99,323,302)
Capital/Development grants received during the year				
Transfer of depreciation/amortisation from capital fund to retained earnings				
Transfer to National Treasury		(1,245,000,000)		(1,245,000,000)
At June 30, 2020	990,156,591	2,300,826,256	995,468,206	4,286,451,053
Deficit for the year		(1,491,309,654)		(1,491,309,654)
Capital/Development grants received during the year				
Transfer of depreciation/amortisation from capital fund to retained earnings				
Transfer to National Treasury				
At June 30, 2021	990,156,591	809,516,602	995,468,206	2,795,141,399

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		Kes	Kes
Net cash flows from operating activities	20	241,424,196	(83,660,684)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	21	(80,874,649)	(189,418,739)
Add Back - Equipment Grant (Smap)			
Proceeds from sale of property, plant and equipment		4,543,700	
Net cash flows used in investing activities		(76,330,949)	(273,079,423)
			(1,245,000,000)
Net Change in cash and cash equivalents		165,093,247	(1,518,079,423)
Cash and cash equivalents at beginning.		196,138,873	1,714,218,296
Cash and Cash Equivalents as at 30th June	14	361,232,120	196,138,873

The Financial Statements set out on pages 1 to 43 were signed on behalf of the Board of Directors by:



Managing Director
Lt Col (Rtd) Bernard N. Njiraini

Date: 29.06.2022



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

Date: 29/06/22



NSC Chairman
Eng. Bernard Ngore

Date: 29/06/22

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
Revenue	Kes	Kes	Kes	Kes	Kes	%
Standards Levy	754,760,000	200,000	754,960,000	550,510,982	(204,449,018)	73%
Revenue from exchange transactions						
Rendering of services	4,997,594,323	(35,721,264)	4,961,873,059	3,804,297,930	(1,157,575,129)	77%
Government Transfer-(RIIP)	15,100,000	-	15,100,000	7,000,000	(8,100,000)	46%
Finance Income	2,700,000	-	2,700,000	3,289,933	589,933	122%
Other Income	5,488,000	(212,500)	5,275,500	12,808,570	7,533,070	243%
Total revenue	5,775,642,323	(35,733,764)	5,739,908,559	4,377,907,414	(1,362,001,145)	76%
Expenses						
Employee costs	3,125,844,056	16,440,800	3,142,284,856	2,470,217,544	672,067,312	79%
Remuneration of directors	30,000,000	-	30,000,000	26,762,370	3,237,630	89%
Depreciation and amortization expense	166,257,000	-	166,257,000	169,553,927	(3,296,927)	102%
Repairs and maintenance	421,784,080	6,408,601	428,192,681	259,648,723	168,543,958	61%
Contracted services	69,600,000	-	69,600,000	34,786,853	34,813,147	50%
Use of Goods and Services	1,373,909,187	32,722,046	1,406,631,233	2,911,030,838	(1,504,399,605)	207%
Finance costs			-	-	-	
Total expenditure	5,187,394,323	55,571,448	5,242,965,771	5,872,000,256	(629,034,485)	112%
Adjustment for Disposal				2,783,187		
Surplus for the period	588,248,000	(91,305,212)	496,942,788	(1,491,309,654)		

Notes for material deviation.

1. Income

- i) **Standards Levy** Standards levy missed the yearly target by 27% due to the Covid 19 Effects that caused closure of businesses and the general depressed economy in the country.
- ii) **Rendering of Services**
 - a. **Destination inspection and Motor Vehicle Inspection**
The Global Lockdowns on the control of Covid -19 slowed importation into the Kenyan Market in the year under review.
 - b. **Industrial Training and System Certification**
The variation was due to:
The revenue streams were affected by implementation of presidential directive on restriction of physical interaction and social distancing due to the Covid -19 Pandemic. This was put on hold for the whole organization.
- iii) **Finance Income-** increased due to interest earned from the KEBS collection account with balances of over Kes 100 million as at 30th June 2021.
- iv) **Other incomes** increased due to disposal of obsolete assets.

2. Expenditure

- i) **Employee Cost-** The expenditure target was not met due to staff exits during the year, termination of the internship programme and lack of new recruitments that were budgeted for.
- ii) **Repairs and Maintenance and Contracted services -** This was underspent due to the delay in procurement process and also the Covid -19 restriction.
- iii) **Use of Goods and services-** This was overspent due to a recognition of a crystalized litigation.

Summary of reallocations

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

18. NOTES TO THE FINANCIAL STATEMENTS

a. General Information

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

b. Statement of Compliance and Basis of Preparation

KEBS financial statements have been prepared in accordance with the PFM Act 2012, State Corporation Act Cap 446 and comply with International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Kenya Shillings (Kes) which is the functional and reporting currency. All values have been rounded off to the nearest shilling. The accounting policies have been applied consistently.

The financial statements have been prepared based on the historical cost, except where otherwise stated in the accounting policies. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

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c. NOTES TO THE FINANCIAL STATEMENTS (Continued)

i. Adoption of New and Revised Standards

Relevant new standards and amendments to published standards effective for the year ended 30 June 2021 Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>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</p> <p>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</p> <p>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.</p> <p>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</p> <p>The amendments did not have any impact on the KEBS financial statements.</p>

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

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iii. Early adoption of standards

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Revenue recognition

i. Revenue from non-exchange transactions

Standards Levy Fees

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

ii. Revenue from Exchange Transactions

a. Rendering of services

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

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

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

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

2) Budget information

The original budget for FY 2020-2021 was approved by the National Treasury on 30th June 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 KEBS upon receiving the respective approvals in order to conclude the final budget.

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

3) Taxes

i. Value Added Tax (VAT)

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

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

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

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

ii. Corporation tax

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

4) Property, plant and equipment

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

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

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

Free hold land and work in progress is not depreciated.

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

5) Operating Leases

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

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

6) Intangible assets

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

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

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Inventories

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

Financial Instruments

i. Financial assets

Initial recognition and measurement

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

ii. Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

KEBS does not have any financial instrument.

7) Provisions

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

8) Contingent liabilities

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

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

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

9) Contingent assets

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

10) Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

11) Employee benefits

Retirement benefit plans

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

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

12) 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.

13) Related parties

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

14) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

15) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The comparative figure for employee Costs (local and foreign Travelling) amounting to Kshs 192,711,206 have been moved from employee cost to use of goods and services to conform to the required changes in presentation.

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16) 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

e. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

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

b) Going Concern

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

KEBS posted deficit of **Kes 1,491,309,654** in the financial year under review following crystallization of contingent liability occasioned by the legal suit Geochem Middle East VS KEBS, where the case was ruled in favour of Geochem Middle East, which led to recognition of the liability in the books of accounts hence the negative working capital.

In view of the huge deficit KEBS has taken corrective actions as follows:

There was a disclosure in the financial statement under Financial Risk Management Section

(b)-Liquidity Risk.

The organization has been servicing the outstanding Geochem Middle East Liability and is committed to clear within a period six (6) months ending June 2022, the servicing of this liability is available for review.

KEBS has continued to meet its statutory obligations meaning that there were no material arrears in tax payments, pensions liability, etc.

c) Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the KEBS

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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

- Buildings - lease period-99years
- Equipment 10 years
- Computer 3 years

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- Motor vehicle 5 years
- Intangible assets (Software) -3 years
- Free hold Land and Work in Progress is not depreciated.

d) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. STANDARDS LEVY		
Description	2020/2021	2019/2020
	Kes	Kes
Standards Levy	550,510,982	617,261,104
Total Standards Levy	550,510,982	617,261,104
2. RENDERING OF SERVICES		
Inspection of Motor Vehicles	443,253,605	345,536,254
Laboratory Analysis Fees	40,857,330	44,336,580
Metrology Services Fees	72,047,524	69,784,641
Systems Certification Fees	49,907,087	48,200,789
Seminar Fees	64,111,592	67,004,364
Diamond Mark Fees	70,046,524	47,626,822
Sale of Standards & Development Fees	27,732,627	25,522,741
Destination Inspection Fees	1,281,581,015	770,508,942
Standardization Mark Fees	446,744,353	258,869,024
PVOC Royalties	1,305,286,069	1,335,128,850
NQI Membership Fee	2,730,205	9,153,053
Total Revenue from Rendering of Services	3,804,297,930	3,021,672,059
3. Government Transfer		
Description	2020/2021	2019/2020
	Kes	Kes
RIIP Project	7,000,000	7,000,000
NRF	-	-
Total Government Transfers	7,000,000	7,000,000
4. INTEREST INCOME		
Description	2020/2021	2019/2020
	Kes	Kes
Interest Income	3,289,933	26,495,146
Total Interest Income	3,289,933	26,495,146
5. OTHER INCOME		
Description	2020/2021	2019/2020
	Kes	Kes
Miscellaneous Income	9,138,116	9,835,428
Other Development Partners	3,670,453	2,674,393
Total Other Income	12,808,570	12,509,821

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6. EMPLOYEE COSTS		
	2020/2021	2019/2020
	Kes	Kes
Basic Salary	1,477,657,894	1,404,038,917
House Allowance	382,043,184	374,234,820
Commuter & Other Expenses	184,332,851	172,850,871
Gratuity and Pension Expenses	163,706,967	268,292,470
NSSF Contribution	2,582,900	2,614,000
Transfer Allowance	9,201,618	16,719,160
Leave Allowance	48,280,785	46,953,388
Performance Management	7,036,501	2,958,220
Alcohol & Drug Prevention and HIV Program	5,003,834	3,306,338
Medical Insurance	171,676,012	191,019,767
Staff Awards & Honoraria	18,695,000	18,413,990
Local Travelling and Accommodation	-	142,730,060
External Travelling	-	49,981,146
Total Employee Cost	2,470,217,544	2,694,113,148
7. REMUNERATION OF DIRECTORS		
Description	2020/2021	2019/2020
	Kes	Kes
Board Meeting Expenses	-	44,621,010
Chairman/Directors' Honoraria	720,000	-
Sitting allowances	9,782,272	-
Induction and Training	3,141,236	-
Travel and accommodation	13,118,863	-
Total	26,762,370	44,621,010
8. DEPRECIATION AND AMORTIZATION EXPENSE		
Description	2020/2021	2019/2020
	Kes	Kes
Property, plant and equipment	167,817,785	138,274,735
Intangible assets	1,736,142	2,480,203
Total Depreciation and Amortization	169,553,927	140,754,938
9 .REPAIRS AND MAINTENANCE		
Description	2020/2021	2019/2020
	Kes	Kes
Transport Operating	17,956,355	18,232,006
Computer Expenses	185,950,097	138,593,679
Maintenance of Office Equipment	8,366,392	10,373,321
Maintenance of Physical Standards & Lab Equipment	6,423,076	11,286,930
Maintenance of Building	40,952,803	39,162,113
Civil & Engineering Alteration	-	1,825,758
Total Repairs and Maintenance	259,648,723	219,473,807

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Note. a) The comparative figure for employee Costs (local and foreign travelling) amounting to Kshs 192,711,206 have been moved from employee cost to use of goods and services .
b.)The remuneration of directors has been segmented to Comply to the reporting requirement and comparative figures segmented and restated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. CONTRACTED SERVICES		
Description	2020/2021	2019/2020
	Kes	Kes
Contracted Professional services	34,786,853	22,686,058
Total Contracted Services	34,786,853	22,686,058
11. GRANTS AND SUBSIDIES		
Description	2020/2021	2019/2020
	Kes	Kes
International Atomic Energy Agency	49,162,428	49,162,428
Kenya Government Grant	612,776,307	612,776,307
W. Germany Government Grant	64,921,147	64,921,147
World Trade Organisation Grant	899,479	899,479
World Bank Grant	39,722,771	39,722,771
Intertek	1,809,742	1,809,742
UNIDO	13,539,254	13,539,254
Trade Mark East Africa	58,910,057	58,910,057
Time Electronics	328,699	328,699
Smap Grant	153,398,322	153,398,322
Total Grants and Subsidies	995,468,206	995,468,206

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. USE OF GOODS AND SERVICES		
Description	2020/2021	2019/2020
	Kes	Kes
Post and Delivery	8,553,900	6,610,344
Telephone	6,560,961	6,864,895
Tender Expenses	12,615,028	5,731,580
Electricity, Water and Conservancy	32,676,439	34,982,372
Fuel	21,457,010	22,324,683
Publishing and Printing	3,317,810	2,943,476
Purchase of Uniforms and Clothings	4,614,803	2,277,386
Library	10,876,324	4,612,996
Purchase of Stationery	27,353,939	25,020,071
Advertising and Publicity	30,161,648	19,921,907
Show and Exhibitions	12,540,631	26,805,757
Sports and Welfare	64,490,358	54,766,305
Rent and Rates	36,419,017	29,642,469
Hire of Transport	5,300	183,955
Audit fees	-	696,000
Security	24,393,047	23,902,607
Subscriptions	18,001,286	13,276,102
Training	68,508,144	21,555,721
Seminar	21,444,944	37,358,391
World Standards and Metrology days	1,373,813	3,711,640
Environment, Health & Safety Services	7,484,444	7,524,798
Legal Expenses	2,085,668,596	84,365,122
Research and Development in Metrology	2,581,920	4,806,203
Laboratory Material Chemicals & Reagents	116,305,556	87,543,694
Standards Enforcement	10,566,806	8,585,675
Certification Services	19,856,413	3,889,353
Standards Development	20,018,853	48,821,120
Accreditation Services	34,690,888	34,062,727
BIPM CMC Programme	1,457,400	2,511,142
Kenya National Committee of IEC	53,222	1,398,687
Quality Awards	67,200	1,303,150
Insurance	26,344,891	14,549,514
Bank Charges	4,245,557	2,933,627
Regional Integration expenses	1,788,280	12,454,261
Hortigreen Expenses	1,492,028	2,514,950
NRF Expenses	682,110	2,159,789
Local Travelling and Accomodation	170,453,594	-
External Travelling	1,908,680	-
Total Use of Goods and Services	2,911,030,838	662,612,472

Note. The comparative figure for Use of Goods and Services (local and foreign travelling) amounting to Kshs 192,711,206 have been added from employee cost .

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13 .FINANCE COSTS		
Description	2020/2021	2019/2020
	Kes	Kes
Interest on Bank overdrafts	-	-
Total Finance Costs	-	-
14(a) CASH AND CASH EQUIVALENT		
Description	2020/2021	2019/2020
	Kes	Kes
Bank	244,038,215	69,152,071
Cash	354,567	450,654
Short-term deposits (Restricted Cash)	16,849,698	16,290,739
Staff Mortgage Account (Restricted Cash)	99,989,640	110,245,409
Total Cash and Cash Equivalent	361,232,120	196,138,873

14 (b) Detailed Analysis of the Cash and Cash Equivalents

(i) Current Accounts			
FINANCIAL INSTITUTION	ACCOUNT No.	2020/2021	2019/2020
		Kes	Kes
National Bank of Kenya	0100-3002-830-600		
National Bank of Kenya	0100-3002-830-602		3,913,076
National Bank of Kenya	0100-3002-830-603		2,264,774
National Bank of Kenya	0100-3002-830-604		
National Bank of Kenya	0100-3002-830-605		2,949,676
National Bank of Kenya	0100-3002-830-606	2,663,426	1,639,754
National Bank of Kenya	0100-3002-830-607	5,646,893	4,062,318
National Bank of Kenya	0100-3236-26100	3,888,472	547,979
National Bank of Kenya	0200-302-830-600	40,551,892	26,441,315
National Bank of Kenya	0100-343-159-300		47,137
National Bank of Kenya	0100-320-408-500	2,086,505	2,592,975
National Bank of Kenya	0100-328-362-800	976,848	1,327,590
National Bank of Kenya	0100-10510-9703	17,169,224	2,167,948
Kenya Commercial Bank	110-783-946-7	2,145,059	1,236,910
Kenya Commercial Bank	110-761-835-5	10,867,325	6,648,935
Co-operative Bank	212-050-445-4700	318,930	322,589
Co-operative Bank	114-415-044-547-00	77,110,732	12,989,097
M-PESA	804700	80,612,876	
National Bank of Kenya	01020002830601		
TOTAL		244,038,183	69,152,071
(ii) Fixed Deposits			
National Bank of Kenya		16,849,698	16,290,739
Kenya Commercial Bank			
Cooperative Bank			
TOTAL		16,849,698	16,290,739
(iii) Staff Mortgage			
Kenya Commercial Bank		99,989,640	110,245,409
Others		360,877,522	
Cash At Hand		354,598	450,654
Grand Total		361,232,120	196,138,873

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15. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Description	2020/2021	2019/2020
	Kes	Kes
Current receivables		
Trade Debtors	420,017,262	369,078,793
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	28,948,077	15,618,276
Miscellaneous Debtors	1,585,822	1,585,822
NBK-Interest receivable	-	121,280
Provision for doubtful debts	(52,548,453)	(58,017,983)
KCB- KRA receivable	21,600,000	-
Prepayments (Medical Insurance)	104,575,421	82,543,444
Other Debtors- Canteen	1,000,000	-
Rent Deposits	5,633,369	-
Total Current receivables	551,009,027	431,127,162
Non-current receivables		
Staff Mortgage Scheme	745,863,042	734,357,488
Total non-current receivables	745,863,042	734,357,488
Total Receivables From Exchange Transactions	1,296,872,070	1,165,484,650
16. RECEIVABLES FROM NON-EXCHANGE CONTRACTS		
Description	2020/2021	2019/2020
	Kes	Kes
Current receivables		
Kenya Revenue Authority	34,983,766	31,047,008
Total current receivables	34,983,766	31,047,008
17. INVENTORIES		
Description	2020/2021	2019/2020
	Kes	Kes
Stationery	25,021,040	24,064,117
Bio Chemical Stock	29,954,105	14,135,003
Standards Stock	58,117,927	63,686,425
Engineering Stock	7,154,866	7,650,552
Total inventories at the lower of cost and net realizable value	120,247,939	109,536,097

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18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Description	2020/2021	2019/2020
	Kes	Kes
General Trade Creditors	296,307,667	233,450,084
Library Deposits	93,600	93,600
Audit Fees Payable-Auditor Gen.	807,360	696,000
Accrued Retention Fee	9,215,429	28,300,877
ISM Account	93,255,248	93,255,248
Accrued Expenses -ISM Mark	59,532,397	59,532,397
Staff Performance Reward Payable	150,687,917	34,394,628
Accrued Legal Expenses	30,012,314	30,012,314
Other Creditors	9,748,569	3,706,869
Unexpended Conditional Grant(RIIP & Hortigreen)	7,390,145	831,107
Accrued Pvoc Refunds	-	2,819,111
Geo Chem Middle East	1,329,458,201	-
Total Trade and Other Payables	1,986,508,848	487,092,234
19. BORROWINGS		
Description	2020/2021	2019/2020
	Kes	Kes
Balance as at 1st JULY	31,821,486	115,461,465
Bankoverdraft during the year	212,582,516	(83,639,980)
Balance at end of the period	244,404,002	31,821,486
	2020/2021	2019/2020
	Kes	Kes
Domestic Borrowings		
bank Overdraft from NBK	244,404,002	31,821,486
Total balance at end of the year	244,404,002	31,821,486
Description	2020/2021	2019/2020
	Kes	Kes
Short term borrowings(current portion)	244,404,002	31,821,486
Total Borrowings	244,404,002	31,821,486

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20. CASH GENERATED FROM OPERATIONS		
	2020/2021	2019/2020
	Kes	Kes
Deficit for the year	(1,491,309,654)	(99,323,302)
Adjusted for:		
Depreciation	167,817,785	138,274,735
Amortization	1,736,142	2,480,203
Gains /loses/adjustments on assets	(2,783,187)	
Preliminary Expenses		
Working capital adjustments:		
Increase In Inventories	(10,711,842)	(40,248,423)
Increase / Decrease In Receivables	(135,324,178)	11,968,200
Increase/ Decrease In Payables	1,711,999,130	(96,812,096)
Net cash flows from operating activities	241,424,196	(83,660,684)

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21. PROPERTY, PLANT AND EQUIPMENT								
	Land	Buildings	Work in progress	Plant & equipment, Furniture and fittings	Computers	Motor Vehicle	Total	
Cost	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes
At 30th June 2019	127,390,000	1,837,185,861	139,417,200	2,079,418,051	345,774,797	489,751,770	5,018,937,679	
Additions	-	1,093,381	97,523,523	72,495,656	18,306,178		189,418,739	
Disposals								
Transfer/adjustments								
At 30th June 2020	127,390,000	1,838,279,242	236,940,723	2,151,913,707	364,080,975	489,751,770	5,208,356,417	
Additions			5,490,284	61,345,343	14,039,022		80,874,649	
Disposals						(1,760,513)	(1,760,513)	
Transfer/adjustments								
At 30th June 2021	127,390,000	1,838,279,242	242,431,006	2,213,259,051	378,119,997	487,991,258	5,287,470,554	
Depreciation and impairment								
At 30th June 2018	-	82,830,994	-	998,983,389	247,593,431	252,218,224	1,581,626,038	
At 30th June 2019	-	88,911,047	-	1,107,026,855	277,047,841	299,724,934	1,772,710,676	
Depreciation		6,080,053		104,488,685	8,703,313.41	19,002,684	138,274,735	
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2020	-	94,991,100	-	1,211,515,540	285,751,154	318,727,617	1,910,985,412	
Depreciation		6,080,053		100,174,351	27,710,653	33,852,728	167,817,785	
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2021	-	101,071,153	-	1,311,689,891	313,461,807	352,580,345	2,078,803,196	
Net book value								
At 30th June 2019	127,390,000	1,748,274,814	139,417,200	972,391,196	68,726,956	190,026,837	3,246,227,002	
At 30th June 2020	127,390,000	1,743,288,142	236,940,723	940,398,167	78,329,821	171,024,153	3,297,371,006	
At 30th June 2021	127,390,000	1,737,208,089	242,431,006	901,569,159	64,658,190	135,410,912	3,208,667,357	

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22. INTANGIBLE ASSETS-SOFTWARE		
Description	2020/2021	2019/2020
	Kes	Kes
Cost		
At beginning of the year- 2020/21	143,717,912	143,717,912
Additions	-	-
At end of the year-2020/21	143,717,912	143,717,912
Additions-internal development	-	-
At end of the year-2020/21	143,717,912	143,717,912
Amortization and impairment		
At beginning of the year-2020/21	137,930,773	135,450,570
Amortization	1,736,142	2,480,203
At end of the year-2020/21	139,666,915	137,930,773
Impairment loss	-	-
At end of the year-2020/21	139,666,915	137,930,773
NBV	4,050,997	5,787,139

29 Financial Risk Management

KEBS activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The organization's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. KEBS has an integrated risk management framework. KEBS financial risk management objectives and policies are detailed below:

a) Credit Risk

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

Credit Risk	Total amount	Fully performing	Past due	Impaired
	Kes	Kes	Kes	Kes
As At 30 June 2021				
Receivables from exchange transactions	1,296,872,070	1,296,969,101	-	-
Receivables from non exchange transactions	34,983,766	34,983,766	-	-
Bank balances	361,232,120	361,135,089	-	-
Total	1,693,087,956	1,693,087,956	-	-
As At 30 June 2020				
Receivables from exchange transactions	1,165,484,650	1,165,484,650	-	-
Receivables from non exchange transactions	31,047,008	31,047,008	-	-
Bank balances	196,138,873	196,138,873	-	-
Total Credit Risk	1,392,670,531	1,392,670,531	-	-

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i) Liquidity risk management

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

Liquidity Risk Management	Less than 1 month	Between 1-3 months	Over 5 months	Column3
	Kshs	Kshs	Kshs	Total Kshs
As At 30th June 2021				
Trade payables	302,630,794	1,383,153,023	300,725,031	1,986,508,848
Current portion of borrowings	244,404,002	218,532,649	218,532,649	218,532,649
Total	547,034,796	1,601,685,672	519,257,680	2,205,041,497
As At 30th June 2020				
Trade payables	92,271,546	61,564,525	79,614,013	233,450,084
Current portion of borrowings	31,821,486	31,821,486	31,821,486	31,821,486
Total Liquidity Risk	124,093,032	93,386,011	111,435,498	328,914,541

c) Market Risk

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

i) Foreign currency risk

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

Foreign Currency Risk			
At 30 June 2021	Kes	Other currencies	Total
Financial assets	Kes	Kes	Kes
Investments	-	-	-
Cash	320,361,267	40,870,822	361,232,089
Debtors	297,731,337	142,582,202	440,313,539
Total Financial Assets	618,092,604	183,453,024	801,545,628
Financial Liabilities			
Trade and other payables	1,967,180,544	19,328,305	1,986,508,848
Borrowings			
Total Financial Liabilities	1,967,180,544	19,328,305	1,986,508,848
Net Foreign Currency Asset	(1,349,087,940)	164,124,719	(1,184,963,221)

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

ii) Interest rate risk

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

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iii) Capital Risk Management

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

Capital Risk Management		
	2020/2021	2019/2020
	Kes	Kes
Revaluation reserve	990,156,591	990,156,591
Retained earnings	809,516,602	2,300,826,256
Capital reserve	995,468,206	995,468,206
Total funds	2,795,141,399	4,286,451,053
Total borrowings	244,404,002	31,821,486
Less: cash and bank balances	361,232,120	196,138,873
Net debt/(excess cash and cash equivalents)	116,828,118	164,317,387
Gearing	9%	1%

Related Party Balances

a) Nature of related party relationships

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

b) Key Management and Directors remuneration

Key Management Remuneration		
	2020/2021	2019/2020
	Kshs	Kshs
Key Management remuneration	64,022,850	166,779,104

Contingent assets and contingent liabilities

CONTINGENT ASSETS AND CONTINGENT LIABILITIES		
Contingent liabilities	2020/2021	2019/2020
	Kshs	Kshs
Legal Litigation against KEBS	882,246,664	2,732,894,454
Total Contingent Liabilities	882,246,664	2,732,894,454

KEBS contingent liability in the year is estimated at 882 Million on outstanding legal cases and costs.

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Capital Commitments

CAPITAL COMMITMENTS		
Capital commitments	2020/2021	2019/2020
	Kshs	Kshs
Authorised and Contracted for.	-	45,228,357
Total	-	45,228,357

There are no Capital Commitments due to lack of an approved capital budget

Events after the reporting period

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

Ultimate and Holding Entity

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

Currency

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

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)
1 i)	Receivables from exchange transactions	This relates to payments made in 1998 to M/s Bethlehem Construction Company (developer) and a law firm by the name Makhecha & Company Advocates, who were acting for the developer. The developer was engaged to develop KEBS staff housing Scheme which did not take off. Makhecha and Company was paid Kes 12,500,000 and Kes 5,000,000 was paid directly to M/s Bethlehem Construction Company. The total amount of Kes 17,500,000 was part payment made to the developer as	Not Resolved	Financial Year 2022.

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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)
		<p>deposit for the staff housing scheme that was never implemented.</p> <p>KEBS made attempts to recover the monies paid to the firm however it came to the light that the principal owner of the law firm passed on. Further, M/s Bethlehem Construction Company went under receivership in 2007. KEBS management registered the case with the receiver managers, but no feedback was forthcoming .</p> <p>In addition, the matter was forwarded to Inspectorate of State Corporation in July 2011 for further direction. The Inspectorate of State Corporation in their letter dated 15th March 2013 addressed to the Clerk of the National Assembly recommended that the matter be referred to Ethics and Anti-Corruption Commission for investigations.</p> <p>This matter has taken over 20 years and it is unlikely that the monies will be recovered. KEBS therefore requested for approval from the National Treasury to write off the debt.</p>		
ii)	Prepayments	<p>Prepayment of Kes 2,697,529 was made to the following three firms for goods and services that were never supplied</p> <p>1. Tetralink Kenya Ltd – Kes.2, 256,436.75</p> <p>This was prepayment in respect to supply of goods in the year 2000-2001 which were never supplied, and the supplier is not traceable.</p> <p>2. Bestex Designers – Kes.153, 542.00</p>	Not Resolved	Financial year 2022

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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)
		<p>This was prepayment in respect to supply of goods in the year 2000-2001 which were never supplied, and the supplier is not traceable.</p> <p>3. Home Link Ltd- Kes.287, 550.00</p> <p>This was prepayment in respect to supply of goods in the year 1999 -2000 which were never supplied, and the supplier is not traceable</p>		
iii)	Other long outstanding debts relating to miscellaneous debtors of Ksh 1,585,822.00	The miscellaneous debtors of Kes 1,585,822 relate to amounts surcharged on KEBS officers for acts committed by them in the years 2000 and 2001. The staff were dismissed thereafter.	Not Resolved	Financial Year 2022
2.	Property , Plant and Equipment	<p>KEBS had started the Project on Construction of the Mombasa Coastal Regional laboratories and offices on KEBS Plot located in the Mainland West of Mombasa Island (Miritini) sometime in the year 2012.</p> <p>The primary objective of the project was to meet the following specific needs</p> <p>i) Ensure efficiency and effectiveness in the provision of services</p> <p>ii) The project is intended to expand the scope of testing to include tests in key sectors of the economy</p> <p>iii) Carry out tests in conducive environment that does not pose risk to staff and the public</p>	Not resolved	Financial Year 2022.

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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)
		<p>iv) Expand on site calibration capability in the fields of mass, pressure and temperature</p> <p>The project commenced with an Award of tender to various consultants for different works towards the commencement of the construction of Coast Regional Offices and Laboratories.</p> <p>The consultants carried out the different works and payments were done, also incurred other costs in relation to the preliminary activities all totalling to Kes 101,538,209 as outlined hereunder:</p> <p>The project was expected to continue as initially anticipated and therefore the preliminary expenses of Kes 101,938,209 were recognized under the Work in Progress account. These expenses were to be transferred to the cost of the building upon successful completion of the project. The expenses however continued to remain in the Work in Progress Account.</p> <p>KEBS floated the tender for the construction of the Mombasa offices and Laboratories, however from the tenders received the budget then was not enough and therefore the project was aborted.</p> <p>In the year 2014 KEBS signed a port charter of which it was expected within two years to develop a fully equipped laboratory for testing of samples in Mombasa to improve on the turnaround time in preventing the need for transportation of samples to Nairobi for testing.</p> <p>In order to comply with the board charter and for the fact that the Coast Regional offices and laboratories were in rented premises without room for expansion and the rented premises was not suitable as a</p>		

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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)
		<p>regional center of testing facilities and that the construction of the building was halted. KEBS opted for the purchase of a building which was much more cost effective and affordable at that particular time Given that no new tender was awarded on the construction of the building and no work is going on it was prudent that the Preliminary costs which were now sunk costs be expensed on the following basis</p> <ol style="list-style-type: none"> a. The Construction Project was aborted b. No other tender award was given for the construction of the laboratories and offices c. The purchase of the building has already been done as the best option based on cost effectiveness d. The preliminary costs have already been incurred and cannot be recovered e. That the land at Miritini still remains in the name of KEBS <p>The amount was therefore expensed and removed from the Work in progress as this amount was now a sunk cost.</p>		
3.	Cash and Cash Equivalent	<p>Revenue collection is banked in collections account while payments for the region operations is done through the operations account. The credits to regional operations account arise from reimbursements from the head office. Payment authorization and withdrawal of funds from regional bank operations account is done at the regional levels by the designated officers while facilitating their operations. The reported occurrence on banking to the afore</p>	Not Resolved	

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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)
		<p>mentioned regional operational bank accounts is currently under investigation. The management invited Directorate of Criminal Investigations (DCI) to carry out investigation on the issue. The investigations were completed and matter is before the court of law.</p> <p>The management has also taken the following specific actions to deter this from happening in future:</p> <p>iv. The management issued letters to KEBS bankers instructing them that all operations accounts shall not accept cheques deposits except reimbursements via bank transfers from Head office operation account.</p> <p>v. Training of the regional managers in finance for non-finance managers</p> <p>vi. Strengthening the internal control systems by Improving the ACCPAC system :</p> <ul style="list-style-type: none"> • Ensure that all reimbursements shall be accompanied with cheques counterfoils to confirm that cheques was issued from the system. • Periodic review of Accpac access Rights. • Periodic verification of the effectiveness of the internal control system and reporting for improvement. 		
4	Supply and implementation of application software for	This relates to a contract which was awarded in February 2012 to Circuit Business System. The contract was expected to be completed by January 2013 but this was not the case. The	Not Resolved	Financial Year 2022

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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)
	KEBS integrated quality assurance and inspection operation	progress towards completion of the project was extremely slow despite consultative meetings held between the contractor and KEBS both at the technical and management levels. The objectives of this project were not attained, and the project never reached the end. Several assurances from the contractor team bore no fruits. This project was terminated and contractual options in regard to compensation to KEBS is being pursued. KEBS invoked the contract clause for breach of contract and computed the amount due from the supplier and demanded the same. The supplier however made a counterclaim on the same. The management resolved to pursue the matter through the court.		
5	Pre-export verification of conformity (PVOC) for exports to kenya	To ensure that ALL goods are inspected by KEBS at the Port of entry, KEBS entered into agreement with KRA to avail all passed entries on regular basis. KEBS officers were also given access to the KRA SIMBA system for a more detailed examination of passed entries. M/s Tellam freighters fraudulently moved the goods from the port without KEBS intervention. KEBS therefore withdrew their consolidators licence No. PROC/CRC/024 and PROC/CRC/011, however the firm appealed the decision at the standards tribunal appeal number 2 of 2019. This was ruled in favour of the firm. During this period imports clearance procedure was that KRA could clear the		

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		<p>goods for customs before quality inspection by KEBS. This meant that, fraudulent clearing agent could move imports from the port without KEBS intervention. To prevent this from occurring, KEBS agreed with KRA that customs entries for goods not accompanied with Certificates of Conformity (CoCs) issued by any of the KEBS appointed inspection agent will only be passed by Customs department upon satisfactory quality inspection by KEBS.</p>		
6	Un approved procurement of Legal firms.	<p>Geo Chem Middle East was engaged to inspect petroleum products sometime in 2009. The contract was however suspended by the Government of Kenya upon consultation with key stakeholders. Thereafter Geochem Middle East filed arbitration proceedings against KEBS in 2015 claiming among others unpaid invoices for work done, sums incurred for setting up Laboratories and operations in Mombasa and; loss of earnings amounting to a total of USD \$ 21,152,921.03 plus interest thereupon. KEBS defended the claim by filing a defense and counter claim of Kes 1,895,280,339.74 plus interest thereon. An award was however made in July 2016 in favour of Geo Chem Middle East of USD \$15,401,504,717 plus interest and VAT thereon. KEBS on the same matter was also awarded a counterclaim to the extent of the sum of Kes 87,988,213.15 only.</p>		

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		<p>A further application was made in Nairobi HC Misc. Appl. No. 455 of 2016, KEBS Vs Geochem Middle East seeking to set aside the award of USD \$ 15,401,504,717.</p> <p>Geo Chem Middle East also filed an application in the High Court seeking to enforce the award issued in their favour. In May 2017 KEBS application to set aside the award was dismissed resulting in KEBS having its five (5) bank operations Accounts held with the National Bank of Kenya, Kenya Commercial Bank and Cooperative Bank frozen under garnishee proceedings.</p> <p>The freezing of KEBS accounts had both Local and international consequences as highlighted below:-</p> <ol style="list-style-type: none"> 1. Local consequences <ol style="list-style-type: none"> a) Crippling of KEBS operations resulting to non-delivery of its mandate including: <ol style="list-style-type: none"> I. Inspection of imported goods. KEBS is the lead agency for the purpose of inspecting all imported goods at the Port of entry (Mombasa). This is pursuant to the provision of the Standard Act, Legal Notice No. 78 and Government circular No. OP/CAB 9/83A dated 4th June 2018. This requires continuous and uninterrupted presence at the Port of Mombasa, Inland Container Depot, International Airport and Border Entry Points. This requires constant provision of resources in terms of manpower and testing equipment and 		

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		<p>reagents and provision of network connectivity. Inability to provide this service will expose the country to the extreme risk of dumping of substandard and dangerous goods;</p> <p>II. Certification of locally manufactured products. KEBS is the national standard body mandated under the Standard Act to control the use of Standardization Mark (SM) which in turn permits manufacturing and trade of products in Kenya. Certification involves rigorous inspection of factories to ensure compliance with relevant codes and testing of products to a certain compliance with the standards. In addition, under the EAC Standardization Quality Assurance Metrology and Testing (EAC SQMT) Act, the SM issued by KEBS are the sole recognized marks of quality for the purpose of trading within the EAC community for goods manufactured in Kenya. Inability to provide this service will cripple manufacturing in Kenya by denying Kenyan products access to the six (6) of the EAC. It will also expose the public to substandard and unsafe products introduced by unscrupulous traders who might to fill the void created.</p> <p>b) Quality infrastructure relies on effective development and propagation of standards to industries and public in order to support the national economy.</p>		

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		<p>This is a planned activity based on national and regional needs. This includes standards harmonization within the EAC region which if not done on time will result in trade barriers to our exports;</p> <p>c) KEBS is a body mandated by the Standard Act to test goods on behalf of the government and people of Kenya to determine compliance with standards. KEBS providing testing services for imported goods and locally manufactured goods before allowing access to the market. KEBS laboratories also serve as the reference laboratories by other agencies both locally and internationally. Inability to provide this service will leave the country without a way of establishing the quality of goods being consumed by the public it violates their rights to goods of reasonable quality as provided by the Constitution of Kenya. In addition, in order to improve the quality of products in our markets there is need for continual improvement of our testing capabilities which require investment in new equipment. This will improve our competitiveness of our exports in the region. This requires heavy financial support to enable them run sustainably. Maintenance and operations of laboratories is capital intensive requiring procurement of equipment, constant servicing and maintenance of equipment and laboratories,</p>		

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		<p>procurement of testing reagents and consumables in a timely manner;</p> <p>d) KEBS undertakes countrywide market surveillance to combat illicit trade. This involves huge operation costs in movement and accommodation of market surveillance officers, procurement of samples, laboratory testing and transportation, storage and destruction of any substandard goods found. This is in line with the requirements of the constitution and other legislation that oblige the government to ensure consumers health, safety and the environment are protected from substandard products;</p> <p>e) KEBS also undertakes trainings on certification to improve competitiveness of our manufacturing and service industries. This is critical as the country embarks on the recovery from Covid-19 pandemic;</p> <p>f) Payment and remittance of statutory deductions and other suppliers will be affected. Non-payment of statutory deductions on due dates will attracts heavy penalties and interests accruing for the period they will remain outstanding;</p> <p>g) Non-payment of staff salaries and other staff deductions. This will affect staff morale and ultimate delivery of KEBS mandate;</p> <p>h) Non-payment of pending bills/ commitments currently standing at over</p>		

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		<p>Ksh 300 million. It's the Government spirit to clear all pending bills on time without delay with a view to facilitating trade through circulation of money in the economy and bolster general economic growth in the country;</p> <p>i) The staff medical insurance scheme and general insurance are being renewed from 1st January 2021. This means that the premiums amounting to over Ksh 250 million will not be honoured thus resulting to patients (staff and their dependants) being turned away by the medical providers for non-payment of their accrued bills;</p> <p>2. International consequences</p> <p>a) KEBS testing and metrology laboratories are accredited by international bodies which places upon KEBS obligations to provide testing and measurement traceability for all measurements undertaken in Kenya. Accreditation entails annual subscription and payment of accreditation fees. The accreditation of our laboratories is critical in supporting national quality infrastructure and provides basis for recognition of tests and calibrations offered by Kenya. Non-payment of fees due to these accreditation bodies will result to KEBS denied accreditation. This means that KEBS test results and calibration certificates will not be recognized internationally. It is also important to note that failure to pay annual</p>		

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		<p>subscription fees to international bodies will render KEBS as an ISO certification body useless and therefore Kenya's exports will not have international certifications due to loss of accreditation. Consequently, Kenyan exporting companies/ manufacturers will not compete in the international markets thus losing trade.</p> <p>b) KEBS metrology laboratories is a national custodian of national measurement standards and provides traceability to the international systems of units (SI). Failure by KEBS to pay its membership subscription fees will result in loss of international membership and ability to participate in the mutual recognition arrangement of which Kenya is a signatory;</p> <p>c) KEBS participates in key measurement inter-comparisons with other National Metrology Institutes (NMI). This requires regular upgrade of laboratories equipment to maintain capabilities which is a very capital-intensive venture but very critical for ensuring that the Country is able to participate in global trade through mutual recognition agreements;</p> <p>d) Kenya is a member of the World Trade Organization (WTO) and KEBS is the National Enquiry Point (NEP) for all matters related to technical barriers to trade agreement under WTO. The NEP is very critical to providing information on global trade requirements for manufacturers and</p>		

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		<p>importers. If the NEP is disrupted it means exporters of Kenyan goods will lack critical information on the requirements of the intended markets to potential of rejection of goods upon arrival at their destination markets;</p> <p>e) KEBS hosts the Africa Organization for Standardization (ARSO) secretariat as well as the International Organization for Standardization (ISO) President. Hosting of these offices entails payments of office leases and other operational costs as part of our obligation towards these organizations as a host nation. Disruption of ability to meet these financial obligations will lead to irreparable reputational damage not just for KEBS but Kenya as a country. therefore</p> <p>a. The national standards council held meetings on 17th and 25th July 2017 where it was resolved that the legal team handling Geo Chem case be strengthened.</p> <p>b. Adhoc legal Sub Committee was constituted by the Cabinet Secretary (Ministry of Industry, Trade and Cooperative) to deal with strengthening of KEBS legal team and the said committee resolved to have the firm of Iseme, Kamau and Maema Advocates together with senior counsel Paul Muite.</p>		

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		<p>c. On 31st July 2017 KEBS obtained a conditional approval subject to KEBS providing the following:</p> <ul style="list-style-type: none"> • The minutes and report of evaluation committee on the method of procurement and justification for the appointment of the firms Rachier & Amollo & Co. Advocates and Iseme, Kamau & Maema Advocates • A retainer agreement KEBS and the Law Firms setting out the scope of work (see the payment voucher earlier submitted). <p>d. On 1st August 2017, the NSC held special meeting considered and approved the engagement of expanded legal team of Rachier & Amollo Advocates and Iseme, Kamau & Maema Advocates and the Approval of the said Legal fees. The procurement of the said Law firms was necessitated by the urgency and the impact of the matter had on the operations of KEBS.</p> <p>e. Rachier & Amollo & Co Advocates is on the list of pre-qualified list for providers of legal service for the period 2015/2016-2018. This was provided earlier.</p>		

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APPENDIX II: PROJECTS IMPLEMENTED BY KENYA BUREAU OF STANDARDS

KEBS did not have any project implemented, funded by development partners or the Government of Kenya.

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA BUREAU OF STANDARDS		
Breakdown of Transfers from the National Treasury and Planning				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
1		29/09/2020	3,500,000	2020/21
2		14/04/2021	3,500,000	2020/21
		Total	7,000,000	

The above amounts have been communicated to and reconciled with the National Treasury

Finance Manager
KEBS

Head of Accounting Unit
National Treasury.

Sign -----

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 - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
The National treasury and Planning	29/09/2020	Recurrent	3,500,000	3,500,000					3,500,000
The National treasury and Planning	14/04/2021	Recurrent	3,500,000	3,500,000					3,500,000
Total			7,000,000	7,000,000					7,000,000

