

REPUBLIC OF KENYA



*Paper laid by
Leader of Majority
on 29/10/14
Shumbi*

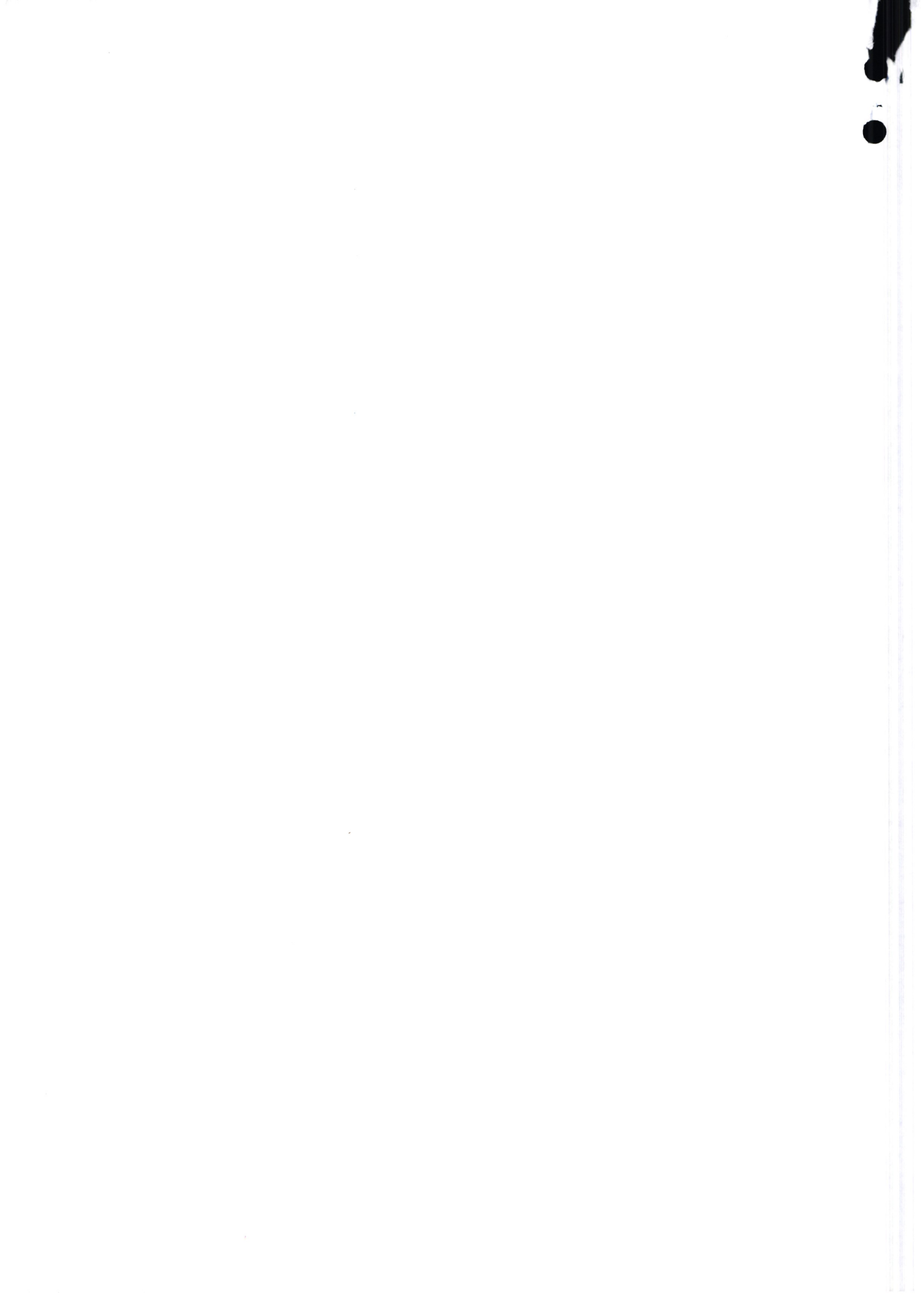
KENYA NATIONAL AUDIT OFFICE

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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
KENYA BUREAU OF STANDARDS

FOR THE YEAR ENDED
30 JUNE 2013



KENYA BUREAU OF STANDARDS



ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

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KENYA BUREAU OF STANDARDS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Corporate Information

Members of National Standards Council

Charles Gachahi	Appointed Ag.MD on 15th August, 2013
Brigid Boyani Monda (Dr)	Appointed on 21st March, 2011
Emily Jeptanui Kogos (Dr)	Appointed on 21st March, 2011
Salim Chingabwi	Appointed on 21st March, 2011
Nene Nzyuko	Appointed on 21st March, 2011
Yasin Haji Hussein	Appointed on 21st March, 2011
Joshua Lonyaman Angelei	Appointed on 21st March, 2011
Nyawira O. Njeru	Appointed on 21st March, 2011
Ahmed Hashi	Appointed on 21st March, 2011
Jeridah K Sinange	Appointed on 21st March, 2011
Andrew Muriuki	Appointed on 21st March, 2011
Kenedy Odera Obar	Appointed on 21st March, 2011
Nazir Gulam Yusuf	Appointed on 21st March, 2011
Mohamed Adan	Appointed on 17th September, 2012
Mary Simat Ngeny	Appointed on 17th September, 2012
Joseph K. Thiongo	Retired 11th May ,2013
Eva Adega Oduor	Ceased to be a member on 10th September, 2013
Permanent Secretary - Treasury	(Alternate - Martin Gumo)
Permanent Secretary -Ministry of Industrialization & Enterprise Development	(Alternate - Erastus Kimuri)

Council Secretary

Charles Gachahi
Kenya Bureau of Standards,
Kapiti Road,
P O BOX 54974-00200,
NAIROBI.

In Attendance

Inspectorate of State Corporations

Registered office

Kenya Bureau of Standards,
Kapiti Road,
P O BOX 54974-00200,
NAIROBI.

Auditor

Auditor General,
Kenya National Audit Office,
P O BOX 30084-00100,
NAIROBI.

Principal Bankers

National Bank of Kenya,
National Bank Building,
Harambee Avenue,
P O BOX 72866-00200,
NAIROBI.

Kenya Commercial Bank,
Kencom House
Moi Avenue
P O BOX 48400
NAIROBI.

KENYA BUREAU OF STANDARDS

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2013

Incorporation

Kenya Bureau of Standards is a body corporate established under the provisions of the Standards Act, Chapter 496 of the Laws of Kenya and is domiciled in Kenya. Its main place of business is:

KEBS CENTER

P.O. BOX 54974 - 00200

NAIROBI

KENYA

KENYA BUREAU OF STANDARDS

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

Standards Act requires the National Standards Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bureau as at the end of each financial year, and its surplus or deficit for that year. It also requires the Council to ensure that the Bureau keeps proper accounting records, which disclose with reasonable accuracy the financial position of the Bureau. It is also responsible for safeguarding the assets of the Bureau.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Standards Act. The Council is of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Bureau as at 30th June 2013 and its surplus for the year then ended. The Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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


National Standard Council Member


Ag. Managing Director
CHARLES GACHAHI

Date 24/9/13

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 4 to 14, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Trade and Other Receivables

As previously reported in 2011/2012, trade and other receivables' balance of Kshs.231,250,993 as at 30 June 2013, includes long outstanding debts of Kshs.17,500,000 owed by a law firm (under receivership) in respect of a payment made to the firm for purchase of land in Donholm, Nairobi. Although the transaction later turned out to be fraudulent, recovery of the money had not been made as at 30 June 2013. The trade and other receivables' balance of Kshs.231,250,993 further includes trade debtors totalling Kshs.142,172,622 out of which 59,715,817 had been outstanding for a considerably long period of time. Further, prepayments amounting to Kshs.2,697,529 were made to three firms for goods and services that were never supplied or rendered.

In the circumstances, it has not been possible to confirm the adequacy of the provision for bad and doubtful debts of Kshs.23,225,092 made in the financial statements and the accuracy and recoverability of trade and other receivables balance of Kshs.231,250,993 as at 30 June 2013.

2. Financial Performance

During the year under review, the Bureau made a loss of Kshs.42,693,720 compared with a surplus of Kshs.847,929,303 in 2011/2012 financial year. The loss is attributed to the decrease of income by Kshs.341,422,477 or about 12% from Kshs.2,776,650,144 as at 30 June 2012 to Kshs.2,435,227,667 as at 30 June 2013. The expenditure increased by Kshs.549,200,546 or about 28% in the same period from Kshs.1,928,720,841 to Kshs.2,477,921,387. This trend is a reflection of weak financial management and if not checked could lead to solvency issues.

3. Proposed Regional Offices and Laboratories Project in Mombasa

The Bureau invited tender for construction of the proposed Regional Offices and Laboratories Project in Mombasa on 17 March, 2013. Preliminary expenses totalling Kshs.101,938,209 were paid for the proposed Regional Offices and Laboratories Project in Mombasa to various consultants.

Explanation and evidence obtained from the management is that the above consultants were picked from the list of prequalified consultants. However, neither the details on how these consultancy firms quoted, nor the criteria used on evaluation and selection were produced for audit review.

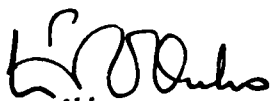
In the circumstances, the procurement of the consultancy firms for the proposed Regional Office and Laboratories Project was not done in line with the Public Procurement and Disposal Act, 2005 and was therefore irregular.

4. Board Expenses

The Bureau incurred Board expenses of Kshs.50,954,532 during the year under review compared to Kshs.27,510,775 in 2011/2012. This resulted in an increase of Kshs.23,443,757 against budgeted amount of Kshs.32,154,000. In addition, calendar of board meetings outlining the number of planned meetings for the year under review was not availed for audit verification. Consequently, it has not been possible to confirm the propriety of an unauthorized expenditure of Kshs.18,800,532 incurred towards Board expenses during the year.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bureau as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Standards Act, Cap 496 of the Laws of Kenya.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2013

KENYA BUREAU OF STANDARDS

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

ASSETS	NOTES	2012/2013 KSHS	2011/2012 KSHS
NON-CURRENT ASSETS			
Property and equipment	2	1,852,502,168	1,487,302,578
		1,852,502,168	1,487,302,578
CURRENT ASSETS			
Inventories	3	89,720,267	78,512,982
Trade and other receivables	4	231,250,993	223,982,048
Cash and Cash Equivalents	5	1,285,607,327	1,612,016,888
		1,606,578,587	1,914,511,918
TOTAL ASSETS		3,459,080,755	3,401,814,496
ACCUMULATED FUNDS AND LIABILITIES			
Capital Grant	6	842,069,883	782,831,128
Revaluation Reserve		990,156,591	992,406,591
Revenue Reserve		1,499,254,631	1,541,948,351
		3,331,481,105	3,317,186,071
CURRENT LIABILITIES			
Trade and other payables	7	127,599,649	84,628,425
		127,599,649	84,628,425
TOTAL ACCUMULATED FUNDS AND LIABILITIES		3,459,080,755	3,401,814,496

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Ag. MANAGING DIRECTOR
CHARLES GACHAHI

.....

NATIONAL STANDARD COUNCIL MEMBER

NATIONAL STANDARDS COUNCIL APPROVAL DATE *24th September 2013*

KENYA BUREAU OF STANDARDS

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013**

		2012/2013	2011/2012
	NOTES	KSHS	KSHS
INCOME	8	2,435,227,667	2,776,650,144
EXPENDITURE			
Staff Costs	9	1,360,422,499	1,147,098,785
Administration Expenses	10	400,263,412	305,624,237
Board Expenses	11	50,954,532	27,510,775
Financial & Insurance Expenses	12	120,417,903	13,421,832
Project Consultancy Expenses	13	43,444,758	34,360,577
Technical Expenses	14	104,594,576	98,300,545
Maintenance Expenses	15	55,207,928	26,875,511
Travelling & Subsistence Expenses	16	179,521,980	159,608,035
Depreciation Expenses	2	163,093,798	115,920,544
		2,477,921,387	1,928,720,841
(DEFICIT)/SURPLUS FOR THE PERIOD		(42,693,720)	847,929,303

KENYA BUREAU OF STANDARDS
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 30TH JUNE 2013

	Capital Grant	Revaluation Reserve	Revenue Reserve	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2011	769,291,874	992,406,591	694,019,049	2,455,717,514
UNIDO	13,539,254			13,539,254
Surplus for the Year			847,929,303	847,929,303
At 30 June 2012	782,831,128	992,406,591	1,541,948,351	3,317,186,071
Trade Mark East Africa	58,910,057			58,910,057
Time Electronics	328,699			328,699
Revaluation on Disposal		(2,250,000)		(2,250,000)
Deficit for the Year			(42,693,720)	(42,693,720)
At 31 June 2013	842,069,883	990,156,591	1,499,254,631	3,331,481,105

KENYA BUREAU OF STANDARDS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013 Kshs	2011/2012 Kshs
Operating Activities		
(Deficit)/Surplus For The Year	(42,693,720)	847,929,303
Adjustment For Items Not Involving Movement Of cash		
Add: Depreciation Expenses	163,093,798	115,920,544
Gain/(Loss) on Disposal	531,651	-
Less: Revaluation on disposal	(2,250,000)	-
Cash Flow From Operating Activities Before Increase Or Decrease In Working Capital	118,681,728	963,849,847
Working Capital Changes		
Decrease/(Increase) In Inventories	(11,207,285)	(423,589)
Decrease/(Increase) In Receivables	(7,268,945)	4,789,655
Increase/(Decrease) In Payables	42,971,225	(17,547,703)
Cash (Outflow)/Inflow From Operating activities Before Investments	143,176,723	950,668,210
Investments Activities		
Purchase of Property, Plant and Equipment	(531,114,430)	(135,908,873)
Proceeds from Sale of Property, Plant and Equipment	2,289,391	-
Cash (Outflow)/Inflow Before Financing	(385,648,316)	814,759,337
Financing activities		
Capital Grant	59,238,755	13,539,254
Net Cash flows from Financing Activities	59,238,755	13,539,254
(Decrease)/Increase In Cash Flow	(326,409,561)	828,298,591
Cash and cash equivalents at the beginning of the year	1,612,016,888	783,718,297
Cash and cash equivalents at the end of the year	1,285,607,327	1,612,016,888

KENYA BUREAU OF STANDARDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below: These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards(IFRS). The financial statements are presented in the functional currency, Kenya shillings (Shs) and prepared under the historical cost convention as modified by the revaluation of certain Property, plant and equipment.

b) Property, plant and equipment

All categories of Property, plant and equipment are initially recorded at cost. Property, plant and equipment are stated at historical cost or amount of any subsequent valuation less accumulated depreciation. Depreciation is calculated on a reducing balance at the indicated annual rates:

Buildings	Over the leased period
Equipment	10%
Computers	30%
Motor Vehicles	20%

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 profit.

c) Translation of foreign currencies

(i) Transactions.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the year end are dealt with in the income and expenditure account.

(ii) Balances

Assets and liabilities in the balance sheet presented are translated at the closing rate at the date of the balance sheet.

d) Employee Benefits

(i) Retirement benefit obligation

The Bureau operates a defined benefit scheme for its employees on pensionable terms of employment. The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Bureau and its employees. The Bureau's contributions to the defined benefit scheme are charged to the income and expenditure account in the year to which they relate.

The Bureau and all its employees also contribute to the National Social Security Fund (NSSF).

KENYA BUREAU OF STANDARDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

1. PRINCIPAL ACCOUNTING POLICIES (Continued).

(ii) Staff Gratuity

Gratuity is recognised when it accrues to employees on contract terms of service and a provision for the service gratuity is recognised in the financial statements as it accrues to each employee.

e) Provisions and Contigent liabilities

Provisions are recognised when the Bureau has a contractual obligation as a result of past events and it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

f) Revenue recognition

Revenue is recognised when earned on accrual basis.

g) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on First-in-First Out (FIFO) basis.

h) Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Bad debts are written off as incurred.

j) Grants

Development Grants are recognised using the capital approach method and are shown in the accounts as capital grants, while recurrent grant are recognised using the income approach and shown in the accounts as income.

KENYA BUREAU OF STANDARDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

2. PROPERTY AND EQUIPMENT

	LEASED/HOLD LAND	BUILDINGS	WORK IN PROGRESS	MACHINERY EQUIPMENT & FURNITURE	COMPUTERS	MOTOR VEHICLES	TOTAL
COST/REVALUATION							
At start of the year	127,390,000	719,177,038	15,563,880	1,018,761,992	214,985,350	142,753,202	2,238,631,462
Additions during the period	-	-	110,563,795	250,071,914	99,274,898	71,203,824	531,114,430
Transfer from WIP	-	-	(6,565,800)	-	-	6,565,800	-
Disposals during the period	-	-	-	-	-	(10,562,355)	(10,562,355)
At end June 2013	127,390,000	719,177,038	119,561,875	1,268,833,906	314,260,247	209,960,471	2,759,183,537

DEPRECIATION

At start of the year	-	46,350,676	-	476,506,365	143,430,713	85,041,131	751,328,884
Charge for the year	-	6,080,053	-	79,232,754	51,248,860	26,532,131	163,093,798
Disposals	-	-	-	-	-	(7,741,313)	(7,741,313)
At end June 2013	-	52,430,729	-	555,739,119	194,679,573	103,831,948	906,681,369

NET BOOK VALUE

At 31 June 2013	127,390,000	666,746,309	119,561,875	713,094,787	119,580,674	106,128,523	1,852,502,168
At 30 June 2012	127,390,000	672,826,362	15,563,880	542,255,628	71,554,637	57,712,071	1,487,302,578

WORK IN PROGRESS

Work in progress refers to costs incurred towards the construction of Coast Region Laboratory, Mass Laboratories and QAD software