

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

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ON

THE FINANCIAL STATEMENTS OF
KENYA BUREAU OF STANDARDS

FOR THE YEAR ENDED
30 JUNE 2017

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 NOV 2018

DAY: Wednesday, 14 Nov 2018

TABLED BY: Leader of Minority Party
Hon. Aden Duale, M.P.

CLERK-AT THE TABLE: Rachel Karim-PCA



OFFICE OF THE AUDITOR-GENERAL
P. O. Box 30084 - 00100,
NAIROBI

KENYA BUREAU OF STANDARDS



KENYA BUREAU OF STANDARDS

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Bureau of Standards (KEBS) is a state corporation established through an Act of Parliament in July 1974. The Standards Act (Cap.496) defines the functions of KEBS and provides for its management and control. KEBS is domiciled in Kenya and has regional offices in Mombasa, Kisumu, Eldoret, Nakuru, Nyeri and Garissa.

(b) Principal Activities

KEBS principal activities include development of Kenyan Standards, dissemination of standards related information, quality assurance, maintenance and dissemination of measurement standards, calibration of measurements and testing equipment, laboratory testing, product and quality, systems certification, training and quality inspection of all imports.

(c) Key Management

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

- Managing Director;
- Divisional Directors
- Key Heads of Department

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Charles Ongwae
2.	Director Finance & Strategy	Mohammed Adan
3.	Director Human Resource & Communication	Chris Kibett
4.	Ag. Director Standards Development & Trade	Samson Ombok
5.	Director Quality Assurance & Inspection	Eric Chesire
6.	Director Metrology & Testing Services	Dr. Henry Kibett Rotich
7.	Head of Legal Services & Corporation Secretary	Maria Goretti Nyariki
8.	Head of Finance	CPA Anne Wanjala
9.	Head of Audit & Risk	CPA Lincoln Nyamai
10.	Head of Procurement	Dr. John Nge'no

(e) Fiduciary Oversight Arrangements

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

During the financial year ended 30th June, 2017, the NSC consisted of 14 members including a non-executive chairman and the Managing Director.

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The NSC has 6 committees whose members and mandate are as stated below:

NSC COMMITTEE MEMBERSHIP					
STANDARDS APPROVAL COMMITTEE	TECHNICAL COMMITTEE	PERMIT APPROVAL COMMITTEE	AUDIT COMMITTEE	FINANCE COMMITTEE	STAFF AND GENERAL PURPOSE COMMITTEE
1.Gladys Maingi	1.Mary W. Matu	1.Charles Ongwae	1.Eric W. Mungai	1.Wisdom Mwariburi	1.Mohammed Ali
2.Charles Ongwae	2. Mboche Waithaka	2. Mohammed Ali	2. Mohammed Ali	2. Fouzia Abdirahman	2. Wisdom Mwambu
3. Joseph Mbeva	3.Nazir G. Yusuf	3. Mboche Waithaka	3.Gladys Maingi	3.Joseph Mbeva	3. Gladys Maingi
4.Wisdom Mwamburi	4.Joseph Mbeva	4.Eric W. Mungai	4.Nazir G. Yusuf	4. Patrick Musila	4. Fouzia Abdirahman
5.Mary W, Matu	5. Fouzia Adirahman	5.Wisdom Mwamburi	5.John Njera	5. Charles Ongwae	5.Nazir G. Yusuf
6.Mboche Waithaka	6.Hon. Mohammed Ali	6.Joseph Mbeva	6.Mboche Waithaka		6.Eric Mungai
7. Mohammed Ali	7.John Njera	7.Gladys N. Maingi	7.John Kisegu		7.Joseph Mbeva
8.Eric W. Mungai	8.John Kisegu	8.John Njera	8. Lincoln Nyamai		8.Patrick Musila
9.Fouzia Abdirahman	9.Charles Ongwae	9.Patrick Musila			9. Mary w. Wanja
10. Nazir G. Yusuf		10.Joseph Kisegu			10.Charles Ongwae
11. John Njera					
12. Patrick Musila					
13.John Kisegu					

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NSC COMMITTEES ROLES					
STANDARDS APPROVAL COMMITTEE <ul style="list-style-type: none"> • Approval of standards with the provisions of the Standards Act • Approval of policies and strategies that enhance standards development and applicability in the economy. 	PERMIT APPROVAL COMMITTEE <ul style="list-style-type: none"> • Administration of the standardization mark scheme in accordance with provisions of standards Act • Approval of premits presented. • approval of policy on the administration of standardization mark scheme. 	TECHNICAL COMMITTEE <ul style="list-style-type: none"> • Receive and review reports from Metrology and Testing, Quality Assurance and Inspection divisions and make recommendation s to the NSC for approval • Review capital projects for implementation. 	FINANCE COMMITTEE <ul style="list-style-type: none"> • Assist the NSC in overseeing financial policy and procedures formulation, review and • Review the institution's budgets and recommend to the NSC for approval • Review the quarterly and the annual financial statements and recommend to the NSC for approval. 	AUDIT COMMITTEE <ul style="list-style-type: none"> • 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 	STAFF & GENERAL COMMITTEE <ul style="list-style-type: none"> • 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.

(f) KEBS Headquarters

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

(g) KEBS Contacts

Telephone:(254 20) 6948000
E-mail: info@kebs.org
Website: www.kebs.org

(h) KEBS Bankers

- 1. National Bank of Kenya Limited**
National Bank Building
Harambee Avenue,
P O Box 72866-00200,
NAIROBI

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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

Kencom House
Moi Avenue
P O Box 48400
NAIROBI

(i) Independent Auditors




Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

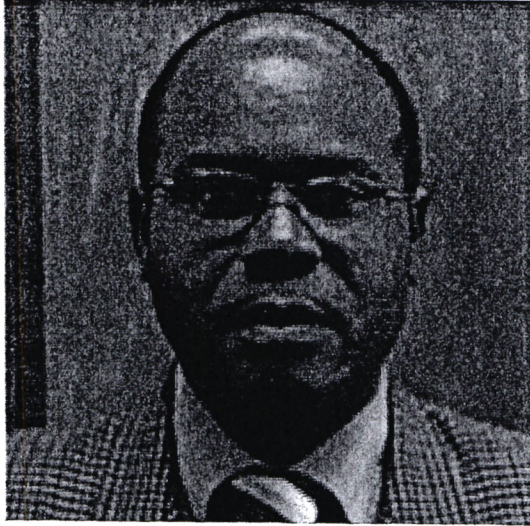
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II. THE BOARD OF DIRECTORS

<p>Hon. Lucas Maitha</p> 	<p>Chairman NSC DOB: 21st February, 1968 Hon. Lucas Maitha became the Chairman with effect from 10th January 2014. He holds an MA. (Hons) degree from University of Mumbai Bombay. Prior to his present position, he was the chairman of Betting Control & Licensing Board and Member of Parliament for Malindi until 2007. His term ended on 9th February 2017.</p>
<p>Charles Ongwae</p> 	<p>Managing Director/Secretary NSC DOB: 1st January, 1960 Mr. Charles Ongwae holds a B.Com & MBA Degree in Strategic Management from the University of Nairobi. He is also CPA (K) and CPS (K). Prior to his present position, he was Managing Director, Barclays Bank, Uganda from 2009 to February 2014. He also served as Chief Finance Officer, Barclays Bank of Kenya Ltd. He also held Senior positions in Esso Kenya Ltd (Mobil Oil Kenya). He served as an executive committee member of AMREF Uganda and Director of University of Nairobi Enterprises. He joined the NSC on 1st March, 2014.</p>
<p>Mary Wanja Matu</p> 	<p>Board Member DOB: 4th February, 1960 Ms. Mary Matu has over 25 years' experience in Health Management and Health Systems Strengthening. She is a graduate of University of Alabama Birmingham and Alumni of the JFK school of Government at Harvard University. She joined the board on 17th April 2015 for a period of 3yrs.</p>

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Wisdom Kazungu Mwamburi



Board Member

DOB: 20th June, 1966

Holds a Master's in Business Administration, ESAMI/Maastricht MBA Programme and Bachelor of Arts (Economics and Sociology), from the University of Nairobi.

He previously worked as District Commissioner of Kakamega and Kahuro Districts and also a Deputy Provincial Commissioner Coast Province. He has also served as Board member at Lake Victoria South Water. He chairs the Finance committee and joined the board on 17th April 2015 for a period of 3yrs.

Hilary Kosgei



Board Member

DOB: 19th October, 1974

Mr. Hilary Holds a BA (Hons) Degree in economics from Kenyatta University. He has experience in Business Management and a Director at Chang' Trading Company.

He joined the board on 17th April 2015 and resigned from the board on 28th April 2017.

Eric Wagithuku Mungai



Board Member

DOB: 10th July, 1965

Mr. Mungai studied management at the Boston University School of Management. He is a Director of Evelyne College of Design and also a Director of the Betting Lotteries Governing Board for the County of Nairobi among other entities. He joined the board on 17th April, 2015 for a period of 3yrs.

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Gladys Naini Maingi



Board Member

DOB: 27th July, 1950

Gladys Maingi holds degree in Agriculture, Economics from Egerton University. She has contributed to successful promotion of many agricultural value chains for GTZ now GIZ and other international donor groups. She joined the board on 17th April, 2015 for a period of 3 years.

Mboche Waithaka



Board Member

DOB: 19th January, 1963

Mr. Waithaka holds an MBA degree in Business Administration. He has over 20 years experience in marketing and business operations across a variety of business sectors. He is a Director at Island Farm. He also serves as a committee member of FKE. He joined the board on 17th April 2015 for a period of 3yrs.

Hon. Mohamed Hussein Ali Hussein Ali


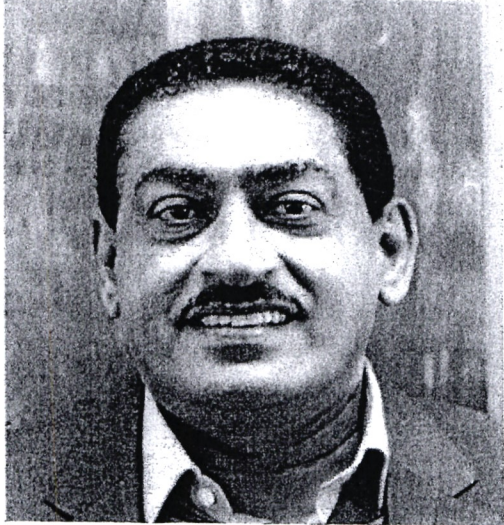



Board Member

DOB: 18th December, 1964

Hon. Ali holds a BA (Hons) Degree in Mathematics and Statistics from Kenyatta University with vast experience in institutional management, consultancy and procurement. He is also the director of GlobeTek Systems Ltd and he was the Member of Parliament for Mandera East until 2013. He joined the board on 17th April 2015 for a period of 3years

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<p>Fouzia Abdirahman</p> 	<p>Board Member DOB: 28th May, 1968 Ms. Abdirahman holds an MBA and BSc in International Business. She has vast experience in international organizations having held managerial positions in the field of logistics and procurement. She joined the board on 17th April 2015 for a period of 3yrs.</p>
<p>Nazir Gulam Yusuf</p> 	<p>Board Member DOB: 8th November, 1957 Mr. Gulam Yusuf holds a BA degree in Administration and Management. He is currently the Managing Director Kyoga Hauliers (Kenya) Ltd and has served as a director in several companies. He joined the board on 17th April 2015 for a period of 3yrs</p>
<p>Patrick Musau Musila</p> 	<p>Board Member DOB: 27th April, 1968 Mr. Musila holds a Masters of Arts (M.A) in Economics from Marathwada University India and a Bachelor of Commerce (B. Com) from Jabalpur University India. He has vast experience in Non Governmental Organization (NGO's) in the field of monitoring and evaluation, project coordinator and also served as an assistant lecturer at Maseno University.</p> <p>He joined the Board on 20th February 2017 for a period of 3 years</p>

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Joseph Mbeva



Board Member

DOB: 2nd September, 1966

Alternate to Principal Secretary - Ministry of Industrialization & Enterprise Development. Mr. Mbeva holds Masters in Intellectual Property from Franklin Pierce Law Centre for Intellectual Property/School of law USA and a BSC in Biological Sciences from the University of Nairobi.

John Njera



Board Member

DOB: 2nd July, 1967

Alternate to Principal Secretary -National Treasury. Mr. Njera holds Bachelor of Science Mathematics degree Kenyatta University, Master in Computer Science from National University of Science and Technology. He is a Fiscal Analyst for the last 13 years at the National Treasury.

John Kisegu



Board Member

DOB: 1965

Representing the Inspector General State Corporations. Mr.Kisegu holds a MBA in Strategic Management and a Bachelor of Education from Kenyatta University. He previously worked in Efficiency Monitoring Unit, Ministry of Youth Affairs from 2007 to 2012 and also served in the Ministry of Education in the Quality Assurance section. Mr. Kisegu also represents the Inspector-General in Boards of Kenya: KPLC, Unclaimed Financial Assets Authority, Moi University Council among others. He is an Assistant Inspector General State Corporations. He joined the NSC on 3rd May 2017.

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Maria Gorreti Nyariki



**Head of Legal Services &
Corporation Secretary**

She is an advocate of the High Court of Kenya. She holds a Masters in Law degree from the University of Nairobi, a Bachelor of Laws, LLB (Hons) Degree from Pune University – India, a Bachelor of Arts Political Science from Punjab University -India and a Post Graduate Diploma in Law. She is a member of ICPSK in good standing and a member of the Law Society of Kenya and Chartered Institute of Arbitrators. She is currently the of Head of Legal Department

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III. MANAGEMENT TEAM

Charles Ongwae



Managing Director

Mr. Charles Ongwae holds a B.Com & MBA Degree in Strategic Management from the University of Nairobi. He is also CPA (K) and CPS (K). Prior to his present position, he was Managing Director, Barclays Bank, Uganda from 2009 to February 2014. He also served as Chief Finance Officer, Barclays Bank of Kenya Ltd. He also held Senior positions in Esso Kenya Ltd (Mobil Oil Kenya). He served as an executive committee member of AMREF Uganda and Director of University of Nairobi Enterprises. He joined the NSC on 1st March, 2014.

Mohammed Adan



Director Finance and Strategy

He holds a Master of Science (Msc) Accounting and Financial Management degree and Bachelor of Arts degree in Accounting & Business Management. He is also a Chartered Accountant, ACCA (UK) and currently the Director Finance and Strategy Division.



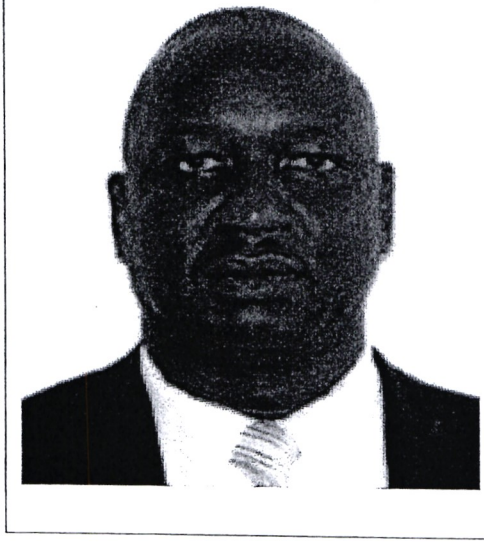
Christopher Kibett



Director - Human Resource & Communication

Holds a Master of Business Administration degree from University of Nairobi, Bachelor of Science Degree from Kenyatta University and Higher National Diploma in Human Resource Management. He is currently Director Human Resource and Communication Division

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<p>Samson Ombok</p> 	<p>Ag. Director - Standards Development & Trade Holds a Bachelor of Science degree (BSC) in Chemistry from the University of Nairobi. He is currently the Ag. Director, Standards Development & Trade Division.</p>
<p>Eric Chesire</p> 	<p>Director - Quality Assurance & Inspection Holds a Bachelor of Technology degree in Electrical & Telecommunication from Moi University of Nairobi and also holds an Executive Master of Business Administration (EMBA) from Jomo Kenyatta University of Agriculture and Technology. He is currently the Director, Quality Assurance and Inspection Division.</p>
<p>Dr. Henry Kibet Rotich</p> 	<p>Director - Metrology & Testing He is a holder of a Doctorate degree from Jilin University, China and a Master of Science degree from North East Normal University, China. He also holds an Executive Master of Business Administration (EMBA) from Jomo Kenyatta University of Agriculture and Technology. He is a member of The Chemical Society of Kenya. He is currently the Director Metrology and Testing</p>

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Maria Goretti Nyariki



Head of Legal Services & Corporation Secretary

She is an advocate of the High Court of Kenya. She holds a Masters in Law degree from the University of Nairobi, a Bachelor of Laws, LLB (Hons) Degree from Pune University – India, a Bachelor of Arts Political Science from Punjab University - India and a Post Graduate Diploma in Law. She is member of ICPSK in good standing, a member of the Law Society of Kenya and Chartered Institute of Arbitrators. She is currently the of Head of Legal Department.

CPA Lincoln Mutisya Nyamai



Head of Audit & Risk

He holds a Bachelor of Business Administration Degree in Finance and MBA Finance. He is also a CPA (K) and has served in the department for 15 years with 8 years being the Head of Department. He is the secretary of the Audit Committee of the Board.

Dr. John Nge'no



Head of Procurement

He is a holder of a doctorate degree in Business Administration Supply Chain Option, and a Master of Science degree in Procurement from Jomo Kenyatta University of Agriculture & Technology. He is currently the Head of Procurement

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CPA Anne Wanjala



Head of Finance

Holds a Master of Business Administration degree (Finance Option) and Bachelor of Commerce in Accounting & Business Management from Daystar University. She is also a CPA (K) and a Certified Finance Analyst (CFA (EA)). She is currently the Head of Finance.

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IV. CHAIRMAN'S STATEMENT

I have great pleasure in presenting the Annual Report and Audited Accounts for the Kenya Bureau of Standards (KEBS) for the Financial Year 2016/2017.

While our core mandate has been to promote standardization in industry and commerce, over the years it has expanded to include: Certification of systems and persons; Inspection of imported products and development of standards, metrology and conformity assessment within the East African Region and COMESA.

I am happy to announce that we have just come to the end of a strategic plan 2012-2017 and achieved various milestones in line with our core mandate and function as stipulated in the Standards Act.

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

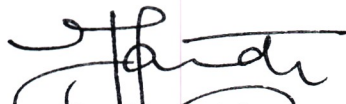
I am happy to announce that during this period under review, KEBS completed the two regional offices – the Lake Region and Mombasa. With the new laboratories, this will transform the lake region to a hub of industrialized goods which meet international standards.

During the same period, we also introduced the secure Import Standardization Mark (ISM) which has been instrumental in curbing substandard goods from gaining entry into the country.

Therefore, as we go forward to the new financial year, we remain positive that service delivery confidence gained over the years will keep an upward trend. As per our financial books, KEBS has continued to deliver beyond the targets and we are optimistic we will keep the momentum. We have just finalised out strategic plan 2017-2022 and we are now rolling it out. We believe through this plan we will achieve immense results for Kenyans.

On behalf of the Kenya Bureau of Standards Board, I wish to express my sincere gratitude and appreciation to our stakeholders. I wish to recognize the commitment and the hard work displayed by the KEBS Managing Director, the management and staff throughout the year under review.

We look forward to their continued support.


Ken Wathoni
NSC Chairman

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



The role played by the Kenya Bureau of Standards (KEBS) in providing standardization solutions is critical in achieving the goals set out in Vision 2030, Kenya's anchor socio-economic development blueprint. This includes standards development and harmonization, product inspection and certification, testing, measurement and enforcement of standards.

The year under review was significant to KEBS in a number of ways. First, it is the year during which the initiatives we have been implementing to turn around our financial performance began to show traction. KEBS closed the year on a sound and healthy financial state. Significantly, there were notable achievements in the core mandate of the organization. These are as summarized below:

KEBS MAJOR ACHIEVEMENTS DURING THE YEAR

1. Standards Development and International Trade

During the financial year ended June 30, 2017, KEBS published a total of 749 new standards for use by Kenyan businesses, against a target of 565. Standards form the basis for international trade as they translate the market conditions into a precise set of requirements to be met. The performance shows a marked improvement from last year, when we developed 533 new standards to assist industries meet basic market requirements.

The number of new standards developed had a positive variance of 184. These standards, if implemented, complement Kenyan regulations and make markets work better. They ensure that products manufactured in one country can be sold and used in another. They drive economies of scale: the government uses Kenyan and International record-keeping standards to handle and move information around its vast networks. Small businesses become more

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efficient and grow by using standards, guidelines and handbooks developed by industry experts.

A total of 27 standards propagation forums were carried out against a target of 22. There was a positive variance of five. These forums are important in raising awareness of newly developed standards as well as aiding in use, uptake and absorption of already existing standards.

2. Vision 2030 Projects

KEBS developed a standard for children's high chairs and a code of practice for slaughter houses.

3. Quality Assurance

During the year under review, a total of 8,243 permits were issued for products certified for large firms against a target of 7,873. A total of 2,333 permits for SME products were issued against a target of 2,434. There was a negative variance of 101 valid permits, attributed to the suspension of 62 permits because of non-compliance and a high attrition rate among SMEs.

Product compliance under the Pre-Export Verification Conformity (PVoC) programme achieved a target of 94.48 against a target of 92.

4. Metrology and Testing

In Metrology, we made significant strides in a number of areas:

- a) Calibration - KEBS achieved a Calibration Turnaround Time (TAT) of 89% against an annual target of 85%. This is an improvement from last year's 88% Calibration Turnaround Time.
- b) Samples tested - In the year under review, 50,576 samples were tested against a target of 50,000.
- c) Testing Turnaround Time - KEBS achieved a Testing Turnaround Time (TAT) conformance of 91% against a target of 80%.

5. National Quality Institute (NQI).

During the year, the NQI trained 310 firms on process management systems against a target of 300. The training will assist these firms to improve their processes and production systems to make them comply with market requirements, thus improving compliance and enhancing their competitiveness in the local and international markets. Out of these, 122 SMEs were trained against a target of 45 on ISO 9001 module.

6. Youth internships/ industrial attachment/Apprenticeships

KEBS progressively involved 352 youth in internship, industrial attachment/or apprenticeship programs against a target of 250 in the year under review. These youth opportunities complement the Government efforts to provide human and financial resources to facilitate access to quality education which is critical in the protection and enjoyment of human rights in addition to enhancing the competitiveness of Kenya's human capital.

7. Implementation of Government Directives and Circulars

Directives and circulars issued in the year under review were fully implemented.

8. Implementation of Access to Government Procurement Opportunities (AGPO)

During the year 30 per cent of KEBS' procurement budget was dedicated to youth, women and people with disabilities under the AGPO. A total of KES 189, 835,276 was spent against a target of KES 81,949,984. The performance under this indicator was at an excellent 130 per cent attributed to increased awareness on the opportunities available to special groups.

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9. Buy Kenya Build Kenya

At least 40% minimum of all procurement budget was dedicated to locally produced goods and services (Buy Kenya, Build Kenya). The performance under this indicator was at a high of 135 per cent.

10. Upgrade of laboratories.

In a bid to take KEBS services closer to the people and serve customers more efficiently, KEBS upgraded laboratories and offices in lake and coast regions.


11. Total Revenue/ Expenditure

Total revenue for the period was Kshs. 3.9 billion compared to total expenditure (includes capital expenditure) was Kshs. 4.8 billion. The expenditure includes one off cost relating to pension fund deficit of Kshs. 396 million and one off renovation of Kshs. 59 million and capital expenditure of Kshs. 519 million.

12. Conclusion

I wish to thank the Cabinet Secretary, the Permanent Secretary, Ministry of Industry, Trade and Co-operatives 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, USAID, UNIDO and IFC for their technical and financial support.

I also wish to thank KEBS staff for their active support and dedication to standardization. All the significant achievements we have made this year would not have been possible without their input.



**Dr. Moses Ikiara (MBS)
Ag. MANAGING DIRECTOR**

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VI. CORPORATE GOVERNANCE STATEMENT

Board Meetings

During the year 2016/2017, a total of fifty-seven (57) National Standards Council (NSC) and Committee meetings were held.

No.	Board Committee	Scheduled Meetings	Special Meetings	Total
1	National Standards Council (NSC)	4	13	17
2	Standard Approval Committee	3	0	3
3	Audit Committee	4	3	7
4	Finance Committee	3	3	6
5	Technical Committee	5	4	9
6	Permit Approval Committee	3	0	3
7	Staff & General Committee	4	8	12
	Total	26	31	57

Board Attendance

The level of attendance by NSC members in the above meetings was Eighty-four percent (84%).

No.	Board Committee	Actual Attendance	Expected Attendance	%
1	National Standards Council (NSC)	192	219	88%
2	Standard Approval Committee	35	38	92%
3	Audit Committee	33	42	79%
4	Finance Committee	30	36	83%
5	Technical Committee	66	81	81%
6	Permit Approval Committee	20	30	67%
7	Staff & General Committee	100	120	83%
	Total	476	566	84%

84

Board charter

The NSC Board charter was developed in April, 2016 and is in operation.

Appointment and Removal of Directors.

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

Induction and Training

This is provided for in the Board Charter and Board Work Plan. Induction for new members on Mwongozo guidelines by the State Corporations Advisory Committee (SCAC) was carried out.

Training of NSC members on good corporate governance, finance and Board performance was done as per the board annual work plan.

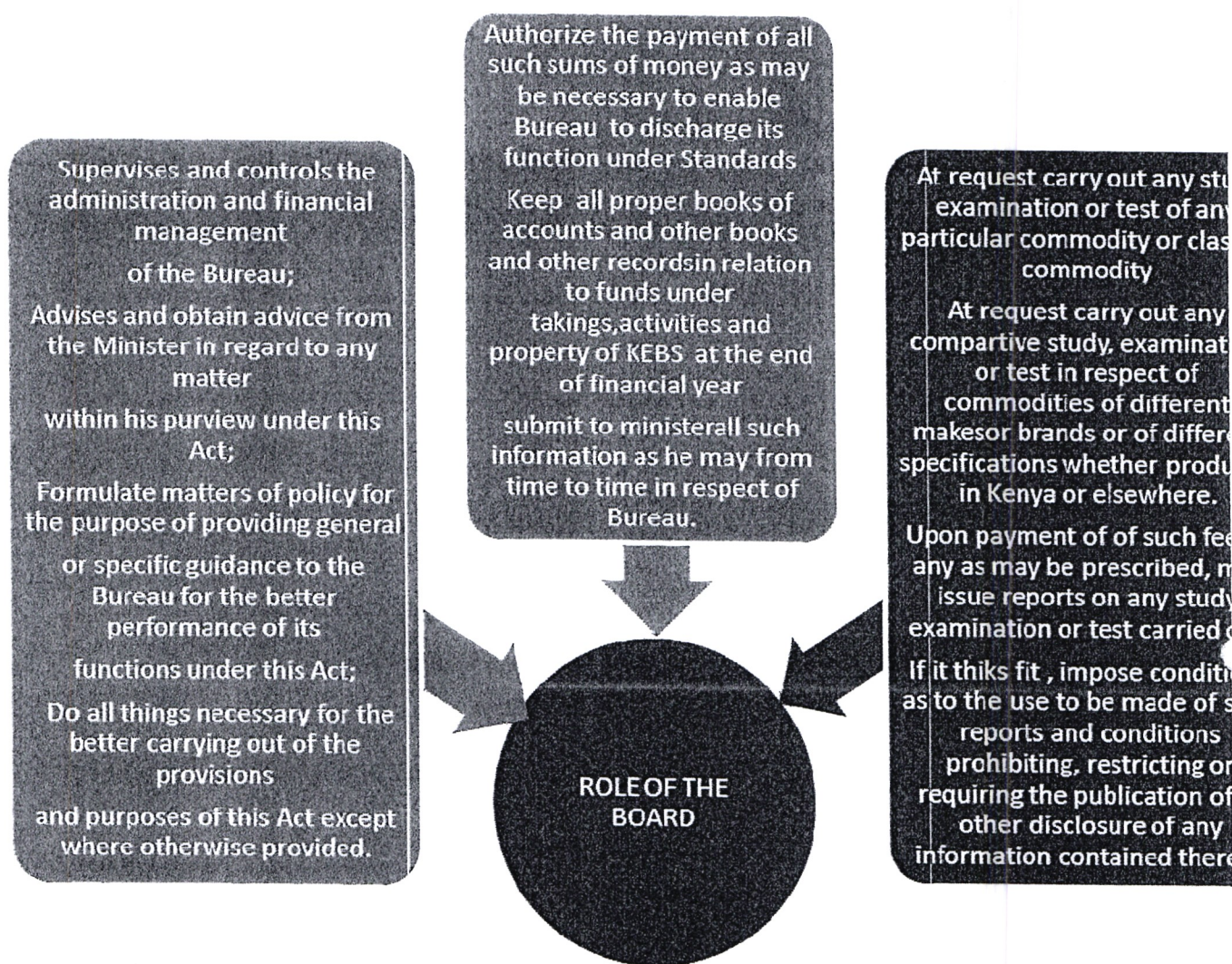
**KENYA BUREAU OF STANDARDS
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

Board Performance and Remuneration

The Board evaluation scheduled was not successful. Board remuneration was as provided for under the State Corporations Act and as revised from time through government circulars.

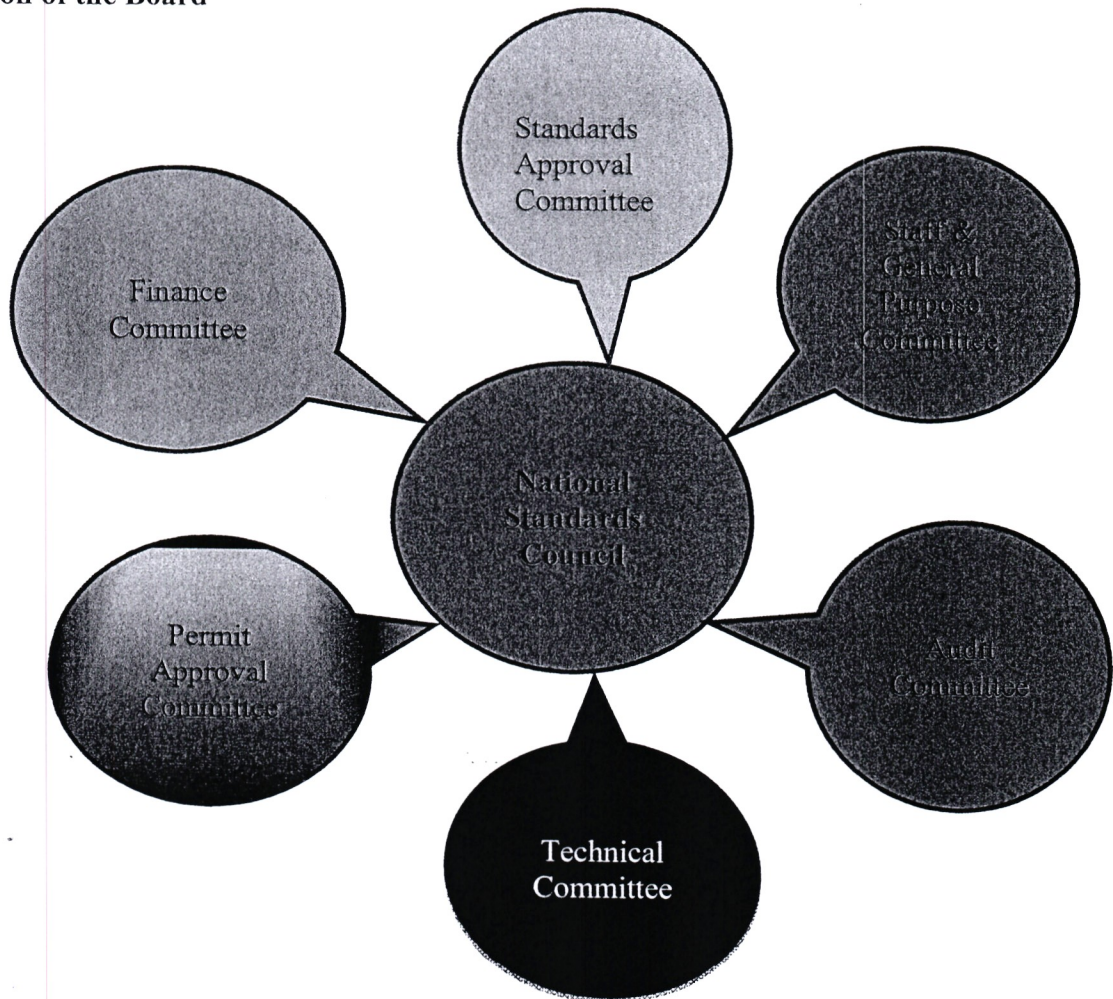
The roles and functions of the Board

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



**KENYA BUREAU OF STANDARDS
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Composition of the Board



Governance Audit

The governance audit is carried out by SCAC appointed auditors. KEBS is awaiting direction from SCAC.

Ethics and Conduct

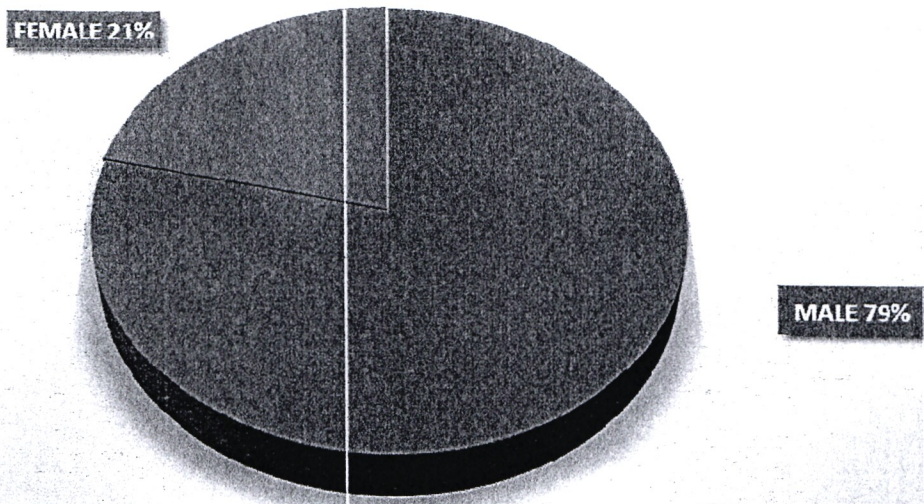
NSC members are of good conduct and ethics.

**KENYA BUREAU OF STANDARDS
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Board Gender

KEBS Board gender composition is as below: -

KEBS BOARD GENDER COMPOSITION



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VII. MANAGEMENT DISCUSSION AND ANALYSIS

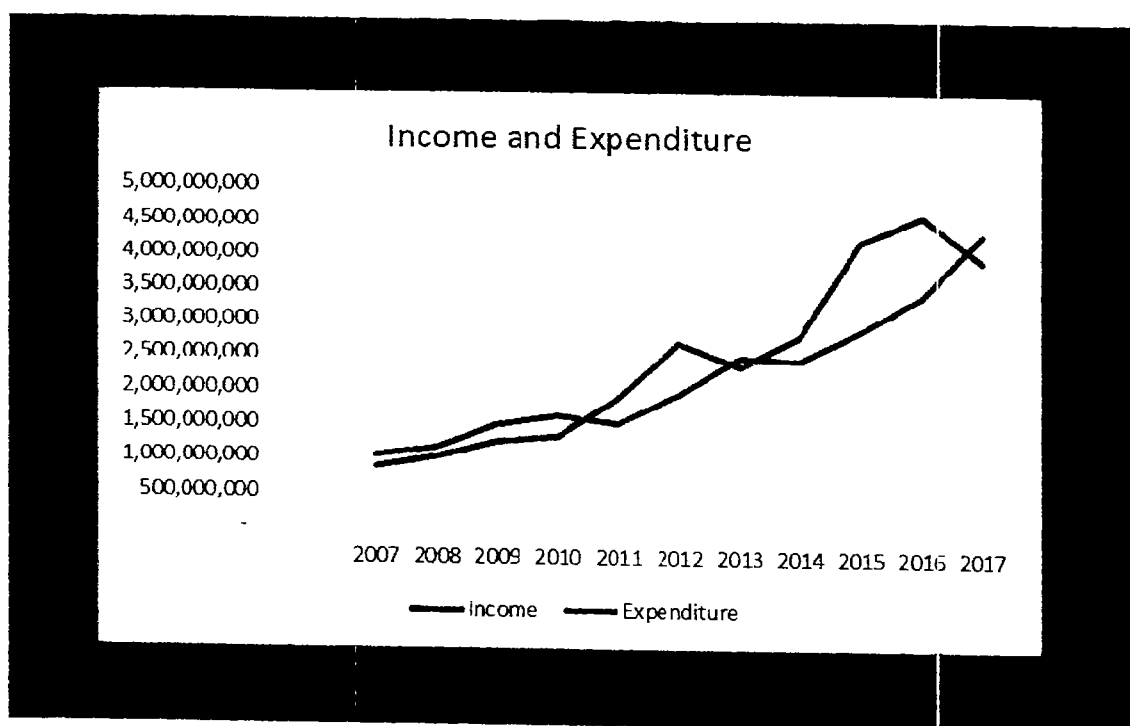
1. Operational and financial performance of the organisation during the period,

This is in line with the implementation of productivity improvement tools including the quality management systems and the Balance scorecard methodology enhancing the implementation and Monitoring of KEBS strategic Plan 2012/17.

a) Finance

There has been a registered growth in the organisations revenue for the last four (4) years from a low of Kes 2.3 Billion in 2013 to a high of Kes 4.6 Billion in 2016 mainly attributed to the National Standards Council (NSC), management and the entire staff commitments towards the achievement of KEBS vision. In the year 2017 the revenue dropped to Kes 3.9 Billion from Kes 4.6 Billion reported in 2016 following a change in the government policy affecting one of the major internally revenue generating stream.

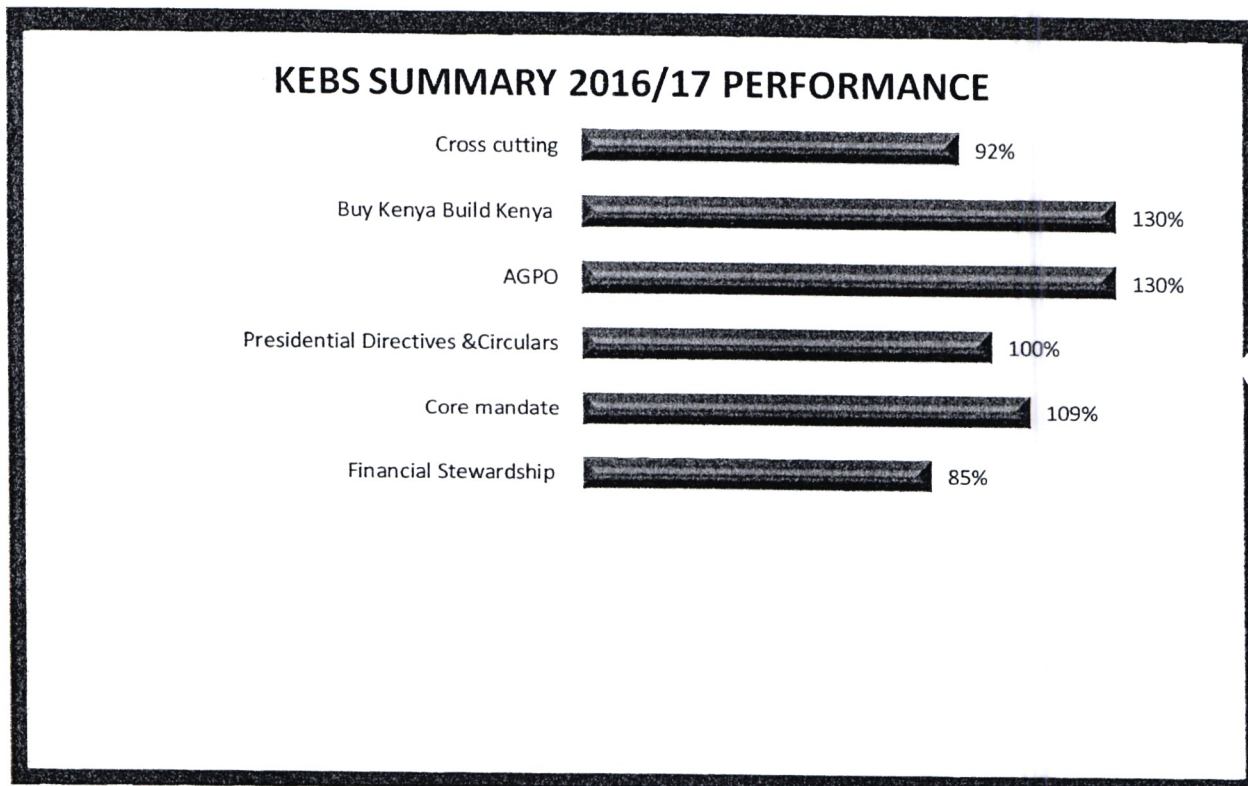
The organisation expenditure has been increasing for the last four (4) years however at a lower rate than revenue. The increase was majorly attributed to the growth in the organisations activities in a bid to implement the organisations strategic plan activities 2012/2017. In 2017 the expenditure however grew at a higher rate than income leading to a reported deficit in the year.



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b) Operational Performance

The overall score for operation performance was **109%** which was **excellent**. The Chart below shows the summary of KEBS performance per indicator based on the performance Contract 2016/17.



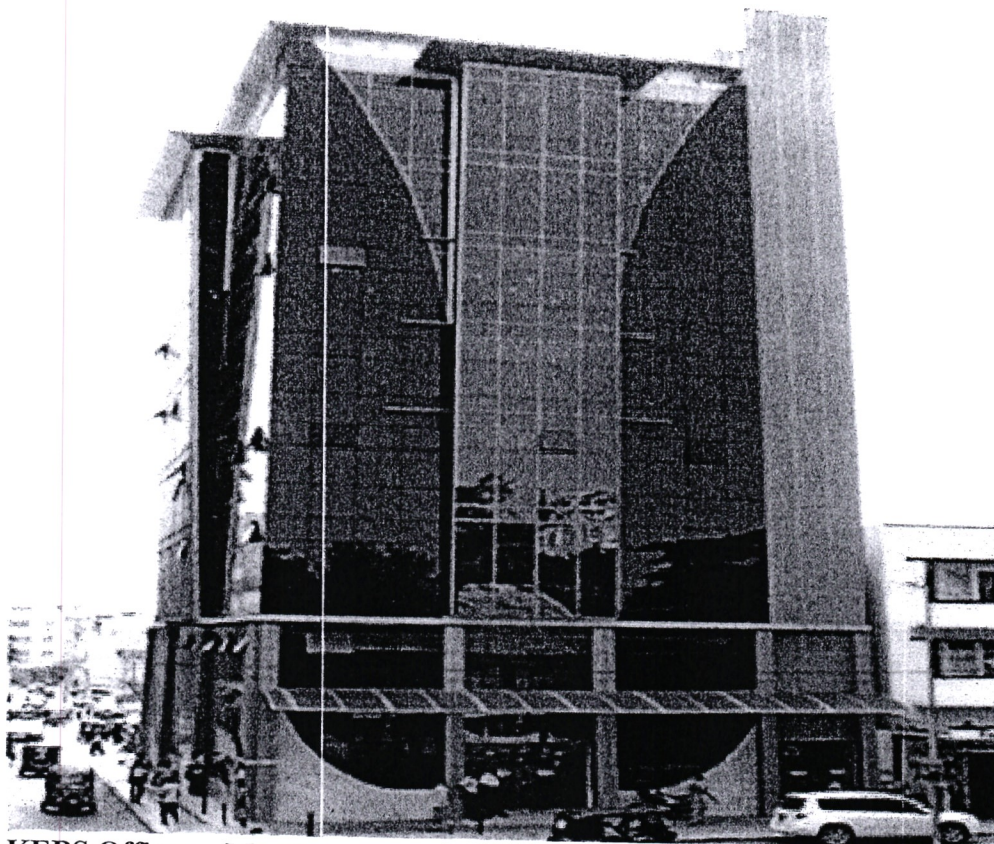
KEBS KEY PROJECTS AND INVESTMENTS DECISION

a) KEBS Infrastructure

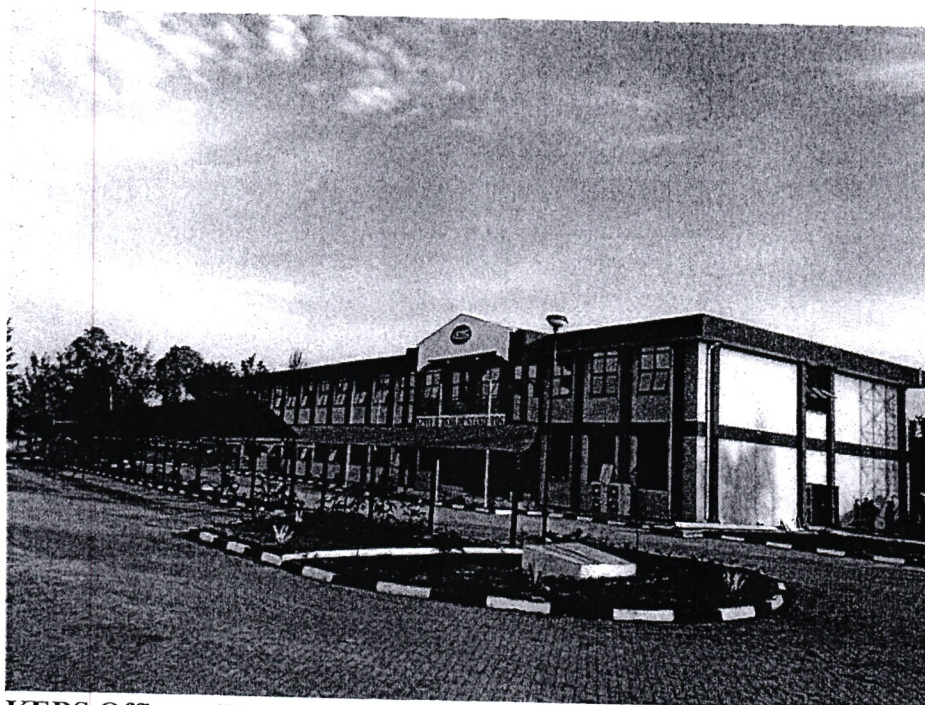
i) Laboratory upgrading projects

KEBS acquired an eight storey building in Mombasa in the year 2015/16. In the year 2016/17 KEBS completed the construction of offices in the Lake Region, Kisumu and currently the construction of KEBS North Rift Office, Eldoret is on course. The completion of these projects will enable KEBS to increase the accessibility of its services in the regions and provide a conducive work environment for staff.

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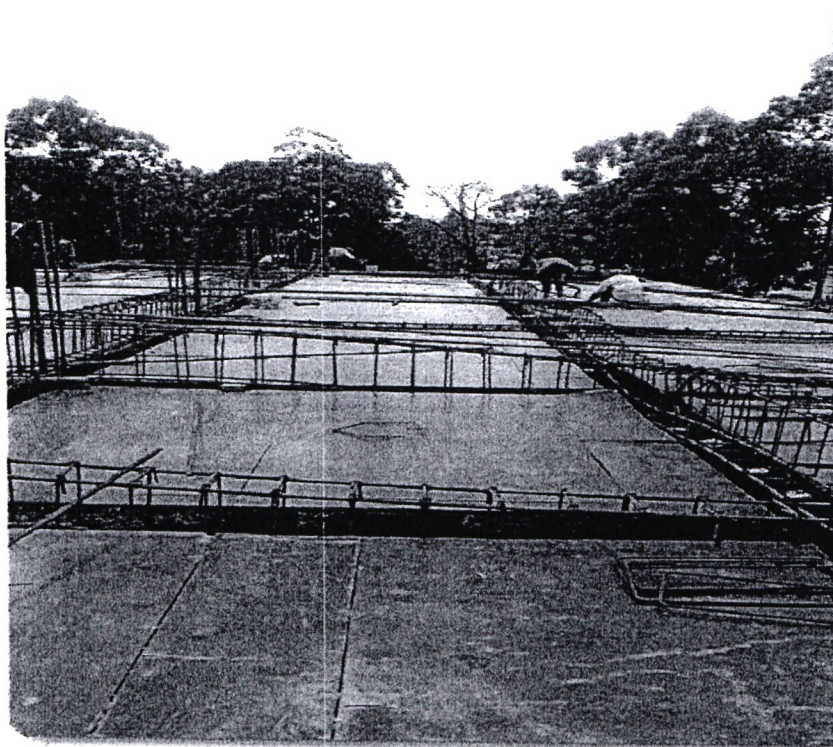


KEBS Offices - Mombasa



KEBS Offices - Kisumu

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KEBS offices under construction – Eldoret

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ii) Acquisition of testing equipment

KEBS have invested in state of the art testing equipment with the support of the following partners: Trade Mark East Africa, European Union – Standards and Market Access Program. The utilization of these equipment has improved operational efficiency by 33% in the last five years. The Acquisition of these equipment will enable KEBS to increase the testing scope, improve proficiency in testing and improve efficiency through reduction in turn-around-time and overall compliance with service delivery timelines.

iii) Ongoing and planned projects

These include: -

- a) Construction of the KEBS Eldoret office.
- b) Opening of eight (8) new offices across the country with the aim of increasing accessibility to KEBS services.
- c) Development of innovative services delivery applications that will improve customer experience.
- d) Preparation of local industries to supply the upcoming Oil and Gas Industry in an effort to increase local content for the industry.

b) KEBS System Certification

KEBS implements the following management systems in conformance with international best practices.

- ISO 9001:2015 Quality Management System,
- ISO/IEC 17025 Laboratory Management System,
- ISO/IEC 17021 Conformity assessment - Requirements for bodies providing audit and certification of management systems.

KEBS has adopted a risk based approach in the development, execution and monitoring of its strategy. KEBS operations have also been re-engineered based on process approach model to better manage controls which has enabled us achieve the desired outputs. These systems have enabled KEBS to manage the needs and expectations of interested parties, improve customer satisfaction over the years and maintain the value proposition to our customers. Currently, the customer satisfaction level is at 69.7%.

c) Automation

KEBS has continued to invest in Information Communication and Technology both hardware and software, this has led to an increase in the automation level from 70% to 75.5% in the last five years.

d) Standards Development

Currently, KEBS has a standards portfolio of 8,808 standards covering all sectors of the economy. In the last five years, a total of 2,590 new Standards have been developed and a total of 5,125 standards have been reviewed.

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

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e) Flagship Projects

KEBS successfully developed standards for transition from Analog Broadcasting to Digital Broadcasting thus enabling Kenya to be the first African Country to beat the 2015 deadline. Other projects that support Vision 2030 Flagship projects include:

- Standards for Tablets and Laptops for schools
- Three (3) standards on coal.
- A standard on institutional Jikos.
- A standard on blending of fertilizers.
- A standard for Plastic fencing poles
- A Code of practice for slaughter houses
- Standards for children's high chairs covering:
 - a) Part 1: Safety requirements
 - b) Part 2: Test methods
 - c) Part 3: Methods for determination of dimensions of furniture
- Product certification for the following products in support of the Jua Kali sector
 - a) Wheelbarrows
 - b) hospital beds

Challenges in relation to the performance management

- a) Rapid technological changes which require KEBS to put large capital outlays for their replacement, adequate staffing levels and low levels of system integration.
- b) Delay in release of performance contracting guidelines which affects the setting of targets internally and the implementation period.

Entity's compliance with statutory requirements

The organisation complied with all mandatory statutory requirements from remittance of the statutory deductions within the set time line to holding of the board meetings as required

2. Major risks facing the organisation,

- a) Over reliance on regulatory revenue streams.
- b) Counterfeit and substandard goods brought in through non-official routes.

3. Material arrears in statutory and other financial obligations

At the close of the financial year, the organisation did not have any material statutory arrears. The organisation had a financial obligation of Kes 396,721,128 due to the staff pension deficit scheme. Other financial obligations were in form of commitments that were yet to actualise this appears under the statement of contingent liabilities.

**KENYA BUREAU OF STANDARDS
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VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

KEBS Corporate Social Responsibility (CSR) is aimed at creating a positive impact on the society; it reflects the expectations of the society within the organizations sphere at a particular time. The main objective of KEBS CSR is to maximize its contribution for sustainable development.

CSR and community based activities are part of KEBS procedure for marketing management. This is also mirrored in the Strategic Marketing Plan 2012 – 2017 which states that KEBS will sponsor worthy causes involving women, youth and persons with disabilities.

In the financial year 2016/2017, KEBS undertook the activities below as per the approved vetting procedures and CSR criteria for sponsorship.



Environmental sustainability activities.



Employees participating in tree planting exercise at Keps Headquarters Kamukunji Grounds

**KENYA BUREAU OF STANDARDS
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ii) Paraplegic Walk

KEBS joined the thousands of participants at Department of Defence (D.O.D.) to walk to Uhuru park in support of the Kenyan Paraplegic Organization to (KPO) initiative, 'Hope on Wheels Walk 2016'.



iii) Visit to Kisii Children's Home

**KENYA BUREAU OF STANDARDS
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iii). Visit to Kisii Children's Home

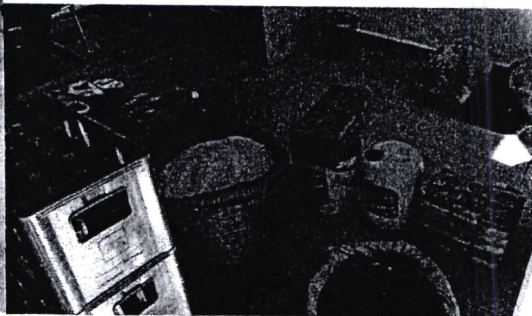


iv). Visit to New Creations Children's Home in Bumala Busia County



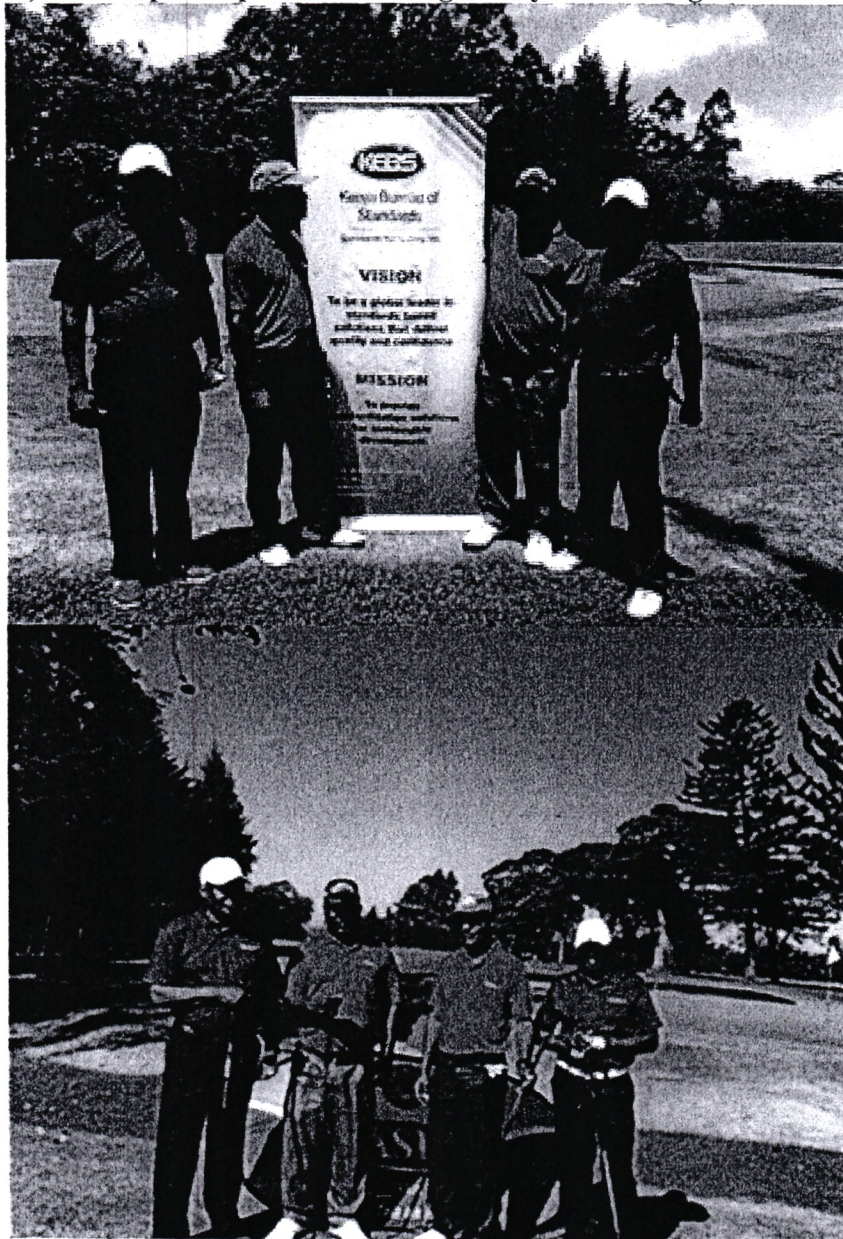
**KENYA BUREAU OF STANDARDS
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v). Visit To Komotobo Childrens Home



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vi). KEBS participated in PIEA golf day at Muthaiga Golf Club



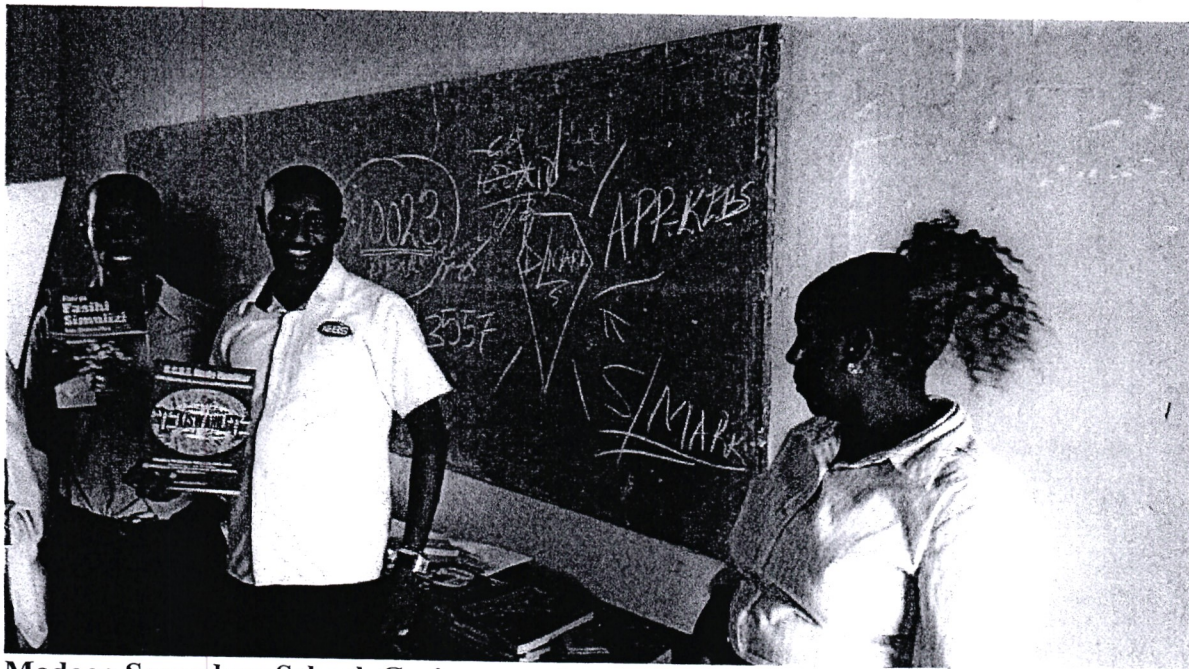
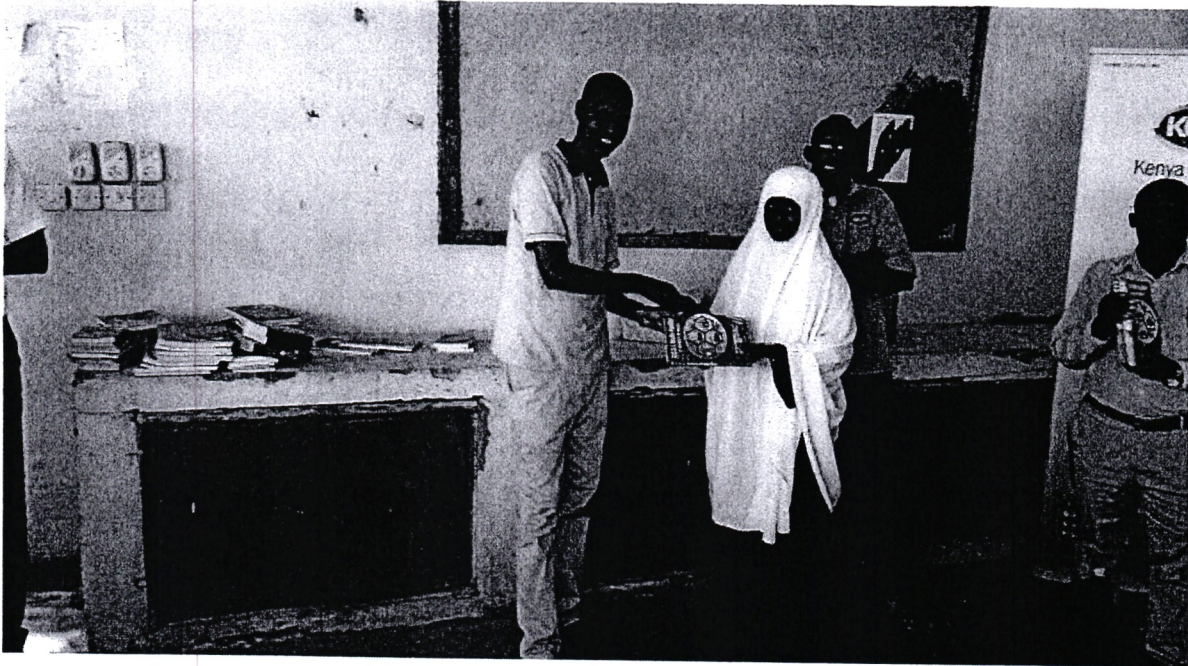
**KENYA BUREAU OF STANDARDS
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vi). KEBS participated in PIEA golf day at Muthaiga Golf Club



**KENYA BUREAU OF STANDARDS
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vii). KEBS promoting education initiatives through raising KEBS awareness to secondary school students in North Eastern Region.



Madogo Secondary School, Garissa county

**KENYA BUREAU OF STANDARDS
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vii). KEBS promoting education initiatives through raising KEBS awareness to secondary school students in North Eastern Region.



Wajir Girls Secondary School. Wajir County



Enziu Secondary School, Kitui county

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2017 which show the state of the Kenya Bureau of Standards affairs.

Principal activities

The principal activities of KEBS are:

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

Results

The results of KEBS for the year ended June 30, 2017 are set out on page 40.

Directors

The members of the Board of Directors who served during the year are shown on page 5. The following board members exited or appointed to the NSC during the year under review: -

No.	Board Member	Status
1.	Hon. Lucas Maitha	Retired on 9 th February 2017
2.	Hilary Kosgei	Resigned on 28 th April 2017
3.	Patrick Musau Musila	Joined on 20 th February 2017
4.	John Kisegu	Joined on 3 rd May 2017

Auditors

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

By Order of the Board


Maria Goretti Nyariki
Head of Legal Services & Corporation Secretary
Kenya Bureau of Standards

Date: 31/7/18

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The National Standards Council is responsible for the preparation and presentation of KEBS financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on June 30, 2017. This responsibility includes:


- i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of 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.

The Council accept responsibility for the KEBS financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the requirements of the Standards Act. The Council is of the opinion that KEBS financial statements give a true and fair view of the state of KEBS transactions during the financial year ended June 30, 2017, and of the KEBS financial position as at that date. The Council further confirm the completeness of the accounting records maintained for KEBS, which have been relied upon in the preparation of the KEBS financial statements as well as the adequacy of the systems of internal financial control.

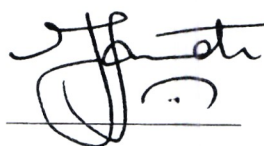
Nothing has come to the attention of the Council to indicate that KEBS will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The KEBS financial statements were approved by the Board on 27-09 - 2017 and signed on its behalf by:



Ag. Managing Director



Chairman

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 41 to 69, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, the statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actuals for the year then ended, and a summary of the 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 the explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Bureau of Standards as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Standards Act, Cap 486 of the Laws of Kenya.

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

Basis for Qualified Opinion

1. Receivables from Exchange Transactions

- i. As reported in the previous year, receivables from exchange transactions balance of Kshs.919,376,316 as at 30 June 2017 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 at Donholm Estate in Nairobi. Although the transaction turned out to be fraudulent, recovery of the money had not been made as at 30 June 2017. Further, the Public Investments Committee recommended that the Ethics and Anti-Corruption Commission investigates the matter and recommend for prosecution any person found culpable in defrauding the organization and also

report progress on this matter to the National Assembly within six (6) months. The outcome of this investigation has not been disclosed. In addition, the organization request for write-off of the long outstanding amount is still awaiting approval by the National Treasury.

- ii. Further prepayments of Kshs.2,697,529 to three firms for goods and services that were never supplied or rendered has also not been recovered or written off while the adequacy of provision for bad and doubtful debts of Kshs.49,137,407 made in the financial statements could not be ascertained.
- iii. A review of the Bureau's records revealed that debtors amounting to Kshs.303,982,280 have remained outstanding for more than ninety (90) days an increase of Kshs.161,554,356 or about 113 % compared to previous year's balance of Kshs.142,427,924.48 contrary to the Bureau credit policy. An amount of Kshs.35,700,341 out of Kshs.303,982,280 are debts that did not have any movement from previous year. Although the Council had approved the write off of debts amounting to Kshs.42,034,269, Treasury approval has however not been obtained.

In the circumstances, it has not been possible to ascertain the accuracy, completeness and the recoverability of receivables from exchange transactions balance of Kshs.55,897,870 as at 30 June 2017.

2. Plant, Property and Equipment

The plant, property and equipment balance of Kshs.2,931,551,709 as at 30 June 2017 includes a work-in-progress figure of Kshs.303,523,292 which excludes preliminary cost amounting to Kshs.101,938,209 being consultancy costs incurred on the construction of coast region laboratories. As reported previously, the Bureau abandoned the project and instead acquired a new building for its operations in Mombasa with the preliminary cost of Kshs.101,938,209 remaining as work in progress since 2012/2013. During the year under review, management expensed the preliminary costs in the financial statements and charged it under project and consultancy expenses. No value for money was obtained for the expenditure of Kshs.101,938,209.

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

Emphasis of Matter

1. Restricted Cash and Cash Equivalent

Cash and cash equivalent balance of Kshs.2,693,846,005 as at 30 June 2017 include Kshs.391,801,342 held in Kenya Commercial Bank, Cooperative Bank of Kenya and

National Bank of Kenya attached by a court order dated 14 June 2017 issued in the case of GeoChem Middle East versus Kenya Bureau of Standards (KEBS). Information available indicates that GeoChem Middle East was in 2009 engaged to inspect petroleum products but the contract was suspended by the Government of Kenya. GeoChem Middle East filed arbitration proceedings against KEBS in 2015 claiming loss of earnings and an award of about Kshs.1.5 billion was made in July 2016. KEBS appeal against the award in the High Court was dismissed and GeoChem Middle East application to enforce the award was allowed. GeoChem Middle East garnisheed (frozen) the funds held in the three bank accounts with a cumulative balance of Kshs.391,801,341 as at 30 June 2017 and which the Bureau has not been able to access. The court case is still ongoing.

2. Supply and Implementation of Application Software for KEBS Integrated Quality Assurance and Inspection Operation

As reported in the previous year, the Management paid Kshs.13,497,120 being 60% of contract sum Kshs.22,495,200 to a local company for the supply and implementation of applications software for Bureau's integrated quality assurance and inspection operations. The contract was signed in the year 2012 and was to take duration of 8 months with a provision of extension of not more than 14 days. The amount has remained as work in progress since 2012/13 and it appears the project has stalled. This is a clear indication of weak contract administration controls which may lead to loss of funds already paid in the event the contract is not completed. Consequently, the Bureau is likely to lose Kshs.13,497,120 already paid as part of the contract.

3. Pre-Export Verification of Conformity (PVOC) for Exports to Kenya

As reported in the previous year, the statement of financial performance for the year ended 30 June 2015 reflected revenue from exchange transaction amounting to Kshs.3,707,985,187 out of which Kshs.2,375,571,667 was earned from PVOC Program. Available information revealed that a local freight company imported goods with a custom value Kshs.187,652,754 but were not subjected to Destination Inspection (DI) and duty thereof at 15% on value. Had the goods been subjected to the inspection and duty levied, the Bureau would have recorded additional revenue of Kshs.28,147,193. Consequently, an amount of Kshs.28,147,193 was not collected or accounted for as receivables. The management has not made any efforts to recover the amount.

Key Audit Matters

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

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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.

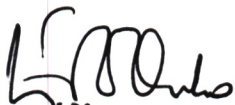
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

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

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

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



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

Nairobi

21 September 2018

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Note	2017 Kshs	2016 Kshs
Revenue from non-exchange transactions	1	583,113,171	535,327,216
Revenue from exchange transactions	2	3,374,296,158	4,065,333,438
Total revenue		3,957,409,329	4,600,660,654
Expenses			
Staff Costs	3	2,618,287,613	1,989,411,182
Administration Expenses	4	650,258,018	493,439,736
Board Expenses	5	77,742,511	75,825,669
Financial & Insurance Expenses	6	35,329,772	35,317,940
Project Consultancy Expenses	7	167,667,677	143,920,007
Technical Expenses	8	178,889,055	156,060,693
Maintenance Expenses	9	149,771,944	76,523,268
Travelling & Subsistence Expenses	10	282,049,483	273,341,632
Depreciation and amortization expense	11	169,604,524	152,379,075
Total expenses		4,329,600,597	3,396,219,203
Other gains/(losses)			
Gain/Loss on Disposal	19	(941)	(908,316)
(Deficit)/ Surplus for the period		(372,192,209)	1,203,533,135

The notes set out on pages 47 to 69 form an integral part of these Financial Statements

**KENYA BUREAU OF STANDARDS
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

**XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2017**

	Capital Grant	Revaluation Reserve	Revenue Reserve (Accumulated Surplus)	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2015	842,069,883	990,156,591	3,197,670,235	5,029,896,709
Adjustments			48,410,869	48,410,869
Surplus for the period			1,203,533,135	1,203,533,135
Balance as at 30 June 2016	842,069,883	990,156,591	4,449,614,239	6,281,840,713
Surplus for the period			(372,192,209)	(372,192,209)
Balance as at 30 June 2017	842,069,883	990,156,591	4,077,422,030	5,909,648,504

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**XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**


	Note	2017 Kshs	2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	12	2,693,846,005	3,571,192,622
Receivables from exchange transactions	13	919,376,316	323,501,672
Receivables from non-exchange transactions	14	54,226,133	35,870,448
Inventories	15	98,324,193	96,258,419
		3,765,772,647	4,026,823,161
Non-current assets			
Property, plant and equipment	20	2,931,551,709	2,676,549,860
Intangible Assets	21	16,872,126	24,103,037
		2,948,423,834	2,700,652,897
Total assets		6,714,196,481	6,727,476,059
Current liabilities			
Trade and other payables	16	804,547,976	445,635,345
Total liabilities		804,547,976	445,635,345
Net assets		5,909,648,505	6,281,840,714
Capital Grant	17	842,069,884	842,069,883
Revaluation Reserve		990,156,591	990,156,591
Revenue Reserve		4,077,422,030	4,449,614,239
Total net assets and liabilities		5,909,648,505	6,281,840,714

The Financial Statements set out on pages 47 to 69 were signed on behalf of the National Standards Council by:

Ag. Managing Director

Name: Dr. Moses Ikiara (MBS)

Date: _____

 21/07/18

Ag. Director Finance & Strategy

Name: CPA Anne Wanjala
ICPAK M/No. 3466

Date: _____

 21/07/18

**KENYA BUREAU OF STANDARDS
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**XIII. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2017**

	Note	2017	2016
		Kshs	Kshs
Net cash flows from operating activities	18	-358,032,005	1,539,006,266
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	20	(519,323,611)	(999,702,204)
Proceeds from sale of property, plant and equipment		9,000	812,405
Net cash flows used in investing activities		(519,314,611)	(998,889,799)
Net increase/(decrease) in cash and cash equivalents		(877,346,617)	540,116,467
Cash and cash equivalents at 1 July 2016		3,571,192,622	3,031,076,156
Cash and cash equivalents at 30 June 2017	12	2,693,846,005	3,571,192,623

**KENYA BUREAU OF STANDARDS
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**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017**

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference
	Kshs '000	Kshs '000	Kshs '001	Kshs '000	Kshs '000
Revenue					
Standards Levy	631,986		631,986	583,113	(48,873)
Inspection of Motor Vehicles	300,000		300,000	337,034	37,034
Laboratory Analysis Fees	89,650		89,650	44,874	(44,776)
Metrology Services Fees	129,000		129,000	75,397	(53,603)
Systems Certification Fees	100,225		100,225	57,317	(42,908)
Seminar Fees	74,007		74,007	77,708	3,701
Product Certification	55,100		55,100	86,110	31,010
Sale of Standards	32,012	40	32,052	20,136	(11,916)
Investment Income	80,000	10,000	90,000	191,742	101,742
Miscellaneous Income	1,599		1,599	28,164	26,565
Destination Inspection fees	1,627,920		1,627,920	1,346,389	(281,531)
Standardization Mark	160,263		160,263	168,792	8,529
PVOC Royalties	900,280		900,280	912,140	11,860
NQI membership fee	1,403		1,403	3,270	1,867
ISM Mark Income	20,580		20,580	25,223	4,643
Petroleum Inspection	860,000	860,000	-	-	-
Quality Award	5,600	5,600	-	-	-
Gain/Loss on Disposal	-	-	-	(1)	(1)
Total income	5,069,625	875,640	4,214,065	3,957,408	- 256,657
Expenses					
Staff Costs	2,265,097	2,000	2,267,097	2,618,288	(351,191)
Administration Expenses	749,029	7,424	756,452	650,258	106,194
Board Expenses	74,360	6,500	80,860	77,743	3,117.49
Financial & Insurance Expenses	220,990	(552)	220,438	35,330	185,108
Project Consultancy Expenses	167,800	(3,000)	164,800	167,668	- 2,867.68
Technical Expenses	237,386	(3,396)	233,990	178,889	55,101
Maintenance Expenses	104,988	(4,140)	100,848	149,772	- 48,924
Travelling & Subsistence Expenses	313,125	1,550	314,675	282,049	32,626
Depreciation and amortization expense			-	169,605	- 169,604.52
	4,132,775	6,386	4,139,160	4,329,601	(190,440)
Total expenditure					
Surplus for the period	936,850	869,254	74,905	(372,192)	- 66,216.21

Notes for material deviation

i) **Standards Levy**

The following was noted: a) Closure of some manufacturing firms owing Standards Levy.

b) Delay on feedback on reconciliations from the collecting agent.

ii) Laboratory Analysis Fees

There was a large number of samples received during the period were for quality assurance, market surveillance and standards development. Such samples do not generate revenue.

iii) Metrology Services and System Certification

The variation was due to:

- a) Increased competition for metrology/certification services in Kenya
- b) Staff shortage to handle the metrology/system certification.

iv) Sale of Standards and Standards Development Fees

There was low demand for industry specific standards.

v) Destination Inspection Fees

This was as a result of Government directive in November 2015 that all goods entering into the country need to have a certificate of conformity and there was an increase on the level of compliance hence the variation.

vi) Staff cost

This was attributed to increase in pension deficit contribution after actuarial valuation

viii) Maintenance Expenses

This was as a result of completion one off civil alteration works

Summary of reallocations

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

XV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. <i>KEBS adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to KEBS.</i>
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. <i>Kenya Bureau of Standards does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i>
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one

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Standard	Impact
	<p>or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>KEBS does not control other entities and therefore the standard does not apply.</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>KEBS does not have associates or joint ventures and therefore this standard does not apply</i></p>
<p>IPSAS 37: Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>KEBS does not have an interest in a joint arrangement and therefore this standard does not apply</i></p>
<p>IPSAS 38: Disclosure of Interests in Other Entities</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>KEBS does not have an interests in other entities and therefore the standard does not apply.</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. <i>KEBS will adopt the standard in the 2017/18 financial year</i>
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non -exchange transactions which are covered purely under Public Sector combinations as amalgamations. <i>The standard is not currently applicable to KEBS</i>

iii. Early adoption of standards

KEBS did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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 are 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 – IPSAS 9

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Interest income

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

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

b) Budget information

The original budget for FY 2016-2017 was approved by the National Treasury on 10th May 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by KEBS upon receiving the respective approvals in order to conclude the final budget.

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

c) Taxes

Sales tax

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

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

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

Kebs recognises expenses and assets at gross amount.

d) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Free hold Land and Work in Progress is not depreciated.

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

e) Operating Leases (IPSAS 13)

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

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

f) Intangible assets

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

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

g) Inventories – IPSAS 12

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

h) Financial Instruments (IPSAS 29)

Financial assets

Initial recognition and measurement

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

Financial liabilities

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 financial instruments

i) 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.

j) Contingent liabilities

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.

k) 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.

l) Nature and purpose of reserves

Reserves are created and maintained in terms of specific requirements. KEBS Revenue reserves are maintained for purposes of purchase of equipment, construction of regional offices and laboratories, contingent liabilities and capital commitments that become payable. Revaluation reserves refers to the change in fixed assets since the last revaluation in 2009.

m) Changes in accounting policies and estimates – IPSAS 3

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

n) Employee benefits – IPSAS 25

Retirement benefit plans

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2015.

o) Foreign currency transactions

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

p) Related parties

The organization regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Managing Director, Divisional Directors, Heads of Legal, Finance, Internal Audit and Procurement departments.

q) Cash and cash equivalents (IPSAS 2)

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.

r) Comparative figures

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Going Concern

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

Useful lives and residual values

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

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

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

- a) Buildings the leased period-99years
- b) Equipment 10 years
- c) Computer 3years
- d) Motor vehicle 5 years
- e) Intangible assets (Software) -3 years
- f) Free hold Land and Work in Progress is not depreciated.

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 13.

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.

s) Subsequent events

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs	Kshs
1. Revenue from non-exchange transactions		
Standards Levy	583,113,171	535,327,216
2. Revenue from exchange transactions		
Inspection of Motor Vehicles	337,034,076	287,668,395
Laboratory Analysis Fees	44,874,116	39,612,069
Metrology Services Fees	75,397,369	60,788,840
Systems Certification Fees	57,317,185	75,519,323
Seminar Fees	77,707,681	74,284,222
Diamond Mark Fees	86,109,629	133,668,569
Sale of Standards & Development Fees	20,135,888	13,244,569
Investment Income	191,742,008	222,356,947
Miscellaneous Income	28,164,209	25,722,817
Destination Inspection Fees	1,346,388,740	2,162,461,445
Standardization Mark Fees	194,015,150	185,737,624
PVOC Royalties	912,139,931	783,065,928
NQI Membership Fee	3,270,175	1,202,690
	3,374,296,158	4,065,333,438
Total revenue	3,957,409,329	4,600,660,654
3. Staff Costs		
Basic Salary	1,275,257,657	1,132,900,107
House Allowance	359,063,747	328,063,373
Commuter & Other Expenses	139,814,053	146,484,995
N.S.S.F Contributions	2,532,900	2,187,600
Gratuity and Pension Expenses	589,053,844	179,162,594
Transfer Allowance	10,208,881	9,431,672
Leave Allowance	47,027,558	42,847,076
Performance Management	4,585,290	3,982,510
Alcohol & Drug Prevention and HIV Program	11,337,490	4,591,863
Medical Insurance	179,406,194	139,759,392
Total Staff Costs	2,618,287,613	1,989,411,182

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs	Kshs
4. Administration Expenses		
Transport Operating	17,206,152	13,758,992
Post and Delivery	6,646,885	6,059,990
Telephone	13,428,436	9,084,186
Tender Expenses	8,361,782	7,905,629
Electricity, Water and Conservancy	25,677,072	28,204,277
Fuel	19,223,949	16,734,413
Publishing and Printing	3,930,139	3,810,583
Purchase of Uniforms and Clothings	4,974,251	3,265,198
Library	7,061,892	10,508,601
Purchase of Stationery	38,011,742	24,923,753
Advertising and Publicity	68,793,551	51,399,073
Show and Exhibitions	13,166,251	7,152,735
Sports and Welfare	58,590,687	39,512,941
Rent and Rates	50,108,021	29,146,921
Hire of Transport	58,500	209,100
Staff Awards & Honoraria	19,948,581	15,136,861
Audit fees	696,000	580,000
Security	19,249,425	13,795,463
Subscriptions	12,442,617	15,567,195
Training	84,679,807	57,665,352
Seminar	45,176,338	39,124,438
Computer Expenses	118,423,704	89,842,649
World Standards and Metrology days	1,389,000	6,265,373
Environment, Health & Safety Services	12,866,219	3,786,013
Bad debts	147,016	-
Total Administration Expenses	650,258,018	493,439,736
5. Board Expenses		
Honoraria	503,226	980,000
Board Meeting Expenses	65,596,207	56,306,925
Travelling & Accomodation	11,643,078	18,538,744
Total Board Expenses	77,742,511	75,825,669

KENYA BUREAU OF STANDARDS
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 FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Kshs	Kshs
6. Financial & Insurance Expenses		
Financial Costs	8,818,032	5,599,511
Insurances	26,511,740	29,718,429
Total Finance & Insurance Expenses	35,329,772	35,317,940
7. Project & Consultancy Expenses		
Contracted Professional services	25,583,926	20,188,549
Legal Expenses	29,563,067	121,571,617
Research and Development in Metrology	10,582,474	2,159,841
Preliminary Expenses	101,938,209	-
Total Project & Consultancy Expenses	167,667,677	143,920,007
8. Technical Expenses		
Laboratory Material Chemicals & Reagents	61,401,692	55,581,394
Standards Enforcement	8,847,933	7,311,312
Certification Services	8,482,485	7,871,203
Standards Development	70,824,264	57,927,206
Accreditation Services	19,261,837	18,138,224
BIPM CMC Programme	3,741,522	3,102,056
Kenya National Committee of IEC	4,922,463	3,014,260
Quality Awards	1,406,860	3,115,040
Total Technical Expenses	178,889,055	156,060,693
9. Maintenance Expenses		
Maintenance of Office Equipment	5,104,245	5,935,146
Maintenance of Physical Standards & Lab Equipment	44,020,484	12,228,503
Maintenance of Building	40,658,873	32,264,095
Civil & Engineering Alteration	59,988,342	26,095,523
Total Maintenance Expenses	149,771,944	76,523,268
10. Travelling & Accommodation Expenses		
Local Travelling and Accommodation	198,141,557	172,908,400
External Travelling	83,907,926	100,433,232
Total Travelling & Accommodation Expenses	282,049,483	273,341,632

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs	Kshs
11. Depreciation and amortization expense		
Property, plant and equipment	162,373,613	142,049,203
Intangible Assets	7,230,911	10,329,872
Total depreciation and amortization	169,604,524	152,379,075
12. Cash and cash equivalents		
Bank	488,072,223	600,063,348
Cash-on-hand	785,548	3,376,096
Short-term deposits	1,996,944,620	2,967,753,178
Staff Mortgage Account	208,043,615	-
Total cash and cash equivalents	2,693,846,005	3,571,192,622

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (a). Detailed analysis of the cash and cash equivalents

KEBS ACCOUNTS-COLLECTION CASHBOOK BALANCES FOR 2016-2017

S/NO	FINANCIAL INSTITUTION	ACCOUNT NUMBER	2017	2016
			Kshs	Kshs
	Current Account			
	National Bank	0100-3002-830-600	76,091,126	13,221,328
	National Bank	0100-3002-830-602	154,018	159,518
	National Bank	0100-3002-830-603	1,389,382	748,825
	National Bank	0100-3002-830-604	-	94,748,750
	National Bank	0100-3002-830-605	2,377,720	3,350,002
	National Bank	0100-3002-830-606	875,357	11,892,368
	National Bank	0100-3002-830-607	3,304,366	4,288,146
	National Bank	0200-302-830-600	56,009,048	170,621,653
	National Bank	0100-323-626-100	995,835	10,006
	National Bank	0100-320-408-500	958,358	-
	National Bank	0100-328-362-800	164,620	251,286
	National Bank	0100-105-109-703	172,985	836,874
	National Bank	0100-343-159-300	165,205	982,696
	Kenya Commercial Bank	110-783-946-7	90,415	30,727
	Kenya Commercial Bank	017-234-649-849	253,601,471	46,070,112
	Co-operative Bank	114-415-044-547-00	6,099,696	20,997,265
	Co-operative Bank	212-050-445-4700	61,497,945	231,399,501
	MPESA		24,124,673	454,292
	Total		488,072,222.57	600,063,348.29
	Fixed Deposit Accounts			
	National Bank		811,114,814	961,388,623
	Kenya Commercial Bank		378,717,113	1,138,487,485
	Co-operative Bank		807,112,693	601,966,749
	NIC Bank		-	265,910,320
			1,996,944,620	2,967,753,177
	Staff Mortgage			
	Kenya Commercial Bank		208,043,615	-
	Others			
	Cash in Hand		785,548	3,376,096
	Grand Total		2,693,846,006	3,571,192,622

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs	Kshs
13. Receivables from exchange transactions		
Current receivables		
Trade Debtors	367,037,897	297,333,522
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	18,504,783	4,586,474
Miscellaneous Debtors	1,585,822	1,585,822
NBK-Interest receivable	28,571,600	24,512,521
Provision for doubtful debts	(49,137,407)	(49,254,505)
Kenas	4,229,475	4,229,475
Accrued Income (Courier)	2,701,001	6,118,516
Prepayments (Medical Insurance)	13,698,134	10,689,490
Prepayment (Lab Equip Maintenance Expenses)	1,672,626	3,502,828
Staff Mortgage Scheme	510,314,856	-
Total current receivables	919,376,316	323,501,672
14. Receivables from non-exchange contracts		
Current receivables		
Kenya Revenue Authority	54,226,133	35,870,448
Total current receivables	54,226,133	35,870,448
15. Inventories		
Stationery	12,182,181	13,902,299
Bio Chemical Stock	15,205,740	19,472,412
Standards Stock	69,892,338	61,661,814
Clinic Stock	-	5,585
Engineering Stock	1,043,934	1,216,309
Total inventories at the lower of cost and net realizable value	98,324,193	96,258,419

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Trade and other payables from exchange transactions		
	2017	2016
	Kshs	Kshs
General Trade Creditors	106,709,069	118,612,365
Library Deposits	93,600	93,600
Staff Deductions Payable	-	81,334,532
Audit Fees Payable	696,000	580,000
Accrued Expenses	-	25,401,606
Accrued Liability on Equipment	9,410,638	-
Accrued Liability on Motor Vehicle	-	16,800,000
Accrued Retention Fee	34,704,717	8,002,164
Bank Overdrafts	165,873,701	766,794
ISM Account	35,176,456	43,501,187
Accrued Expenses -ISM Mark	21,103,898	26,283,316
Accrued Employee Insurance Payable	-	15,793,563
Accrued Employer Pension	396,721,128	14,523,711
Accrued Legal Expenses	28,858,313	88,742,050
Other Creditors	5,200,457	5,200,457
Total trade and other payables	804,547,976	445,635,345
17. Grants		
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
Total Grants	842,069,884	842,069,884

The grants have remained constant since 2012/2013. The grants from Intertek, WTO, UNIDO, World Bank, Trade Mark East Africa and Time Electronics were all donations in kind in the form of laboratory equipment, motor vehicle and computers

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs	Kshs
18. Cash generated from operations		
Surplus/(Deficit) for the year before tax	(372,192,209)	1,203,533,135
Adjusted for:		
Depreciation	162,373,613	142,049,203
Amortization	7,230,911	10,329,872
Gains and losses on disposal of assets	941	908,316
Revenue Rerves	-	48,410,869
Preliminary Expenses	101,938,209	
Working capital adjustments:		
Decrease/(Increase) In Inventories	(2,065,774)	2,374,374
Decrease/(Increase) In Receivables	(614,230,329)	(6,409,224)
Increase/(Decrease) In Payables	358,912,632	137,809,720
Net cash flows from operating activities	(358,032,005)	1,539,006,265
19. Gain on sale of assets		
Property, plant and equipment	(941)	(908,316)
Total gain on sale of assets	(941)	(908,316)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

	Leasehold Land	Buildings	Work In Progress	Machinery Equipment & Furniture	Computers	Motor Vehicle	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2015	127,390,000	719,177,038	143,856,442	1,434,602,545	201,391,327	286,693,607	2,913,110,959
Additions	-	792,220,040	62,029,933	80,529,940	48,122,292	16,800,000	999,702,205
Disposals							
Transfer/adjustments		28,421,113	(28,421,113)	-	-	6,564,029	(6,564,029)
At 30 June 2016	127,390,000	1,539,818,191	177,465,262	1,515,132,484	249,513,619	296,929,578	3,906,249,135
Additions		-	227,996,239	200,781,007	31,503,413	59,042,953	519,323,611
Disposals		-					
Transfer/adjustments	-	-	(101,938,209)	-	84,500	-	(84,500)
At 30 June 2017	127,390,000	1,539,818,191	303,523,292	1,715,913,491	280,017,532	355,972,531	4,232,530,017
Depreciation and impairment							
At 30 June 2015	-	64,590,835	-	715,511,003	157,546,912	154,844,630	1,092,493,380
Depreciation		6,080,053	-	79,962,148	27,590,012	28,416,990	142,049,203
Disposals							
At 30 June 2016	-	70,670,888	-	795,473,151	185,136,924	178,418,311	1,229,699,275
Depreciation	-	6,080,053	-	92,044,034	28,738,682	35,510,844	162,373,613
Disposals	-				(74,559)		(74,559)
At 30 June 2017		76,750,941		887,517,185	213,801,038	213,929,155	1,391,998,329
Net book values							
At 30 June 2017	127,390,000	1,469,147,303	177,465,262	1,515,132,484	249,513,619	296,929,578	3,906,249,135
At 30 June 2016	127,390,000	1,469,147,303	177,465,262	719,659,333	64,376,695	118,511,267	2,676,549,860
At 30 June 2015	127,390,000	654,586,203	143,856,442	719,091,542	43,844,415	131,848,978	1,820,617,579

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible assets - software		
Cost	Kshs	
At 30 June 2015	143,717,912	
Additions	-	
At 30 June 2016	143,717,912	
Additions	-	
At 30 June 2017	143,717,912	
Amortization and impairment		
At 30 June 2015	109,285,003	
Amortization	10,329,872	
At 30 June 2016	119,614,875	
Amortization	7,230,911	
At 30 June 2017	126,845,786	
Net book values		
At 30 June 2017	16,872,126	
At 30 June 2016	24,103,037	
At 30 June 2015	34,432,909	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. 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. The company has an integrated risk management framework. The company's 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 company 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.

b) Liquidity Risk

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

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) Currency risk

The organization 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.

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

Capital Risk Management

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

	2017	2016
	Kshs	Kshs
Revaluation reserve	990,156,591	990,156,591
Retained earnings	4,077,687,739	4,449,614,239
Capital reserve	842,069,884	842,069,883
Total funds	5,909,914,214	6,281,840,714

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include the key management comprises of the managing director, divisional directors, head of Legal, Finance, Internal audit and procurement departments.

b) Key management remuneration

	2017 Kshs	2016 Kshs
Key management compensation	49,893,074	48,751,146

23. Contingent assets and contingent liabilities

Contingent liabilities	2017 Kshs	2016 Kshs
Legal litigation against KEBS	2,772,091,433	2,161,927,594
Total	2,772,091,433	2,161,927,594

Restricted cash and cash equivalent at the end of the year was Kshs. 391,801,341.57. This arose from legal litigation against KEBS. The court case is still on.

Financial Institution	Account No.	Amount
KCB	1107618355	253,601,471.32
Co-operative Bank	114-415-044-547-00	6,099,695.74
National Bank Ltd	0100-3002-830-600	76,091,126.22
National Bank Ltd	0200-302-830-600	56,009,048.29
	Total	391,801,341.57

24. Capital Commitments (IPSAS 17)

Capital commitments	2017 Kshs	2016 Kshs
Authorised for and contracted for	213,230,245	408,842,559
Total	213,230,245	408,842,559

Capital Commitments of Shs. 213,230,245 relates to Local Purchase Orders issued/raised for capital items such as lab equipment, motor vehicles, office equipment and furniture, proposed refurbishment of Mombasa offices and construction of regional offices.

25. Events after the reporting period

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

26. Ultimate and Holding Entity

KEBS is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Industry, Trade and Co-operation. Its ultimate parent is the Government of Kenya.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Currency

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

**XVI. KEBS PROGRESS REPORT ON PRIOR YEAR AUDIT MATTERS
(FINANCIAL YEAR 2015-2016)**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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XVII. Appendix 1: PROJECT IMPLEMENTED BY KENYA BUREAU OF STANDARDS

Project: STANDARDS & MARKET ACCESS PROGRAMME (SMAP) REPORT AS AT 30th JUNE 2017

Projects implemented by KEBS funded by development partners

	Project	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	SMAP	FE/KED-023/566	European Union	July 2014 to July 2017	Financing Agreement	Yes	No

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	SMAP	363,400,000	71,294,440	47%	363,400,000	171,364,956.83	European Union