

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA ACCREDITATION SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2018**



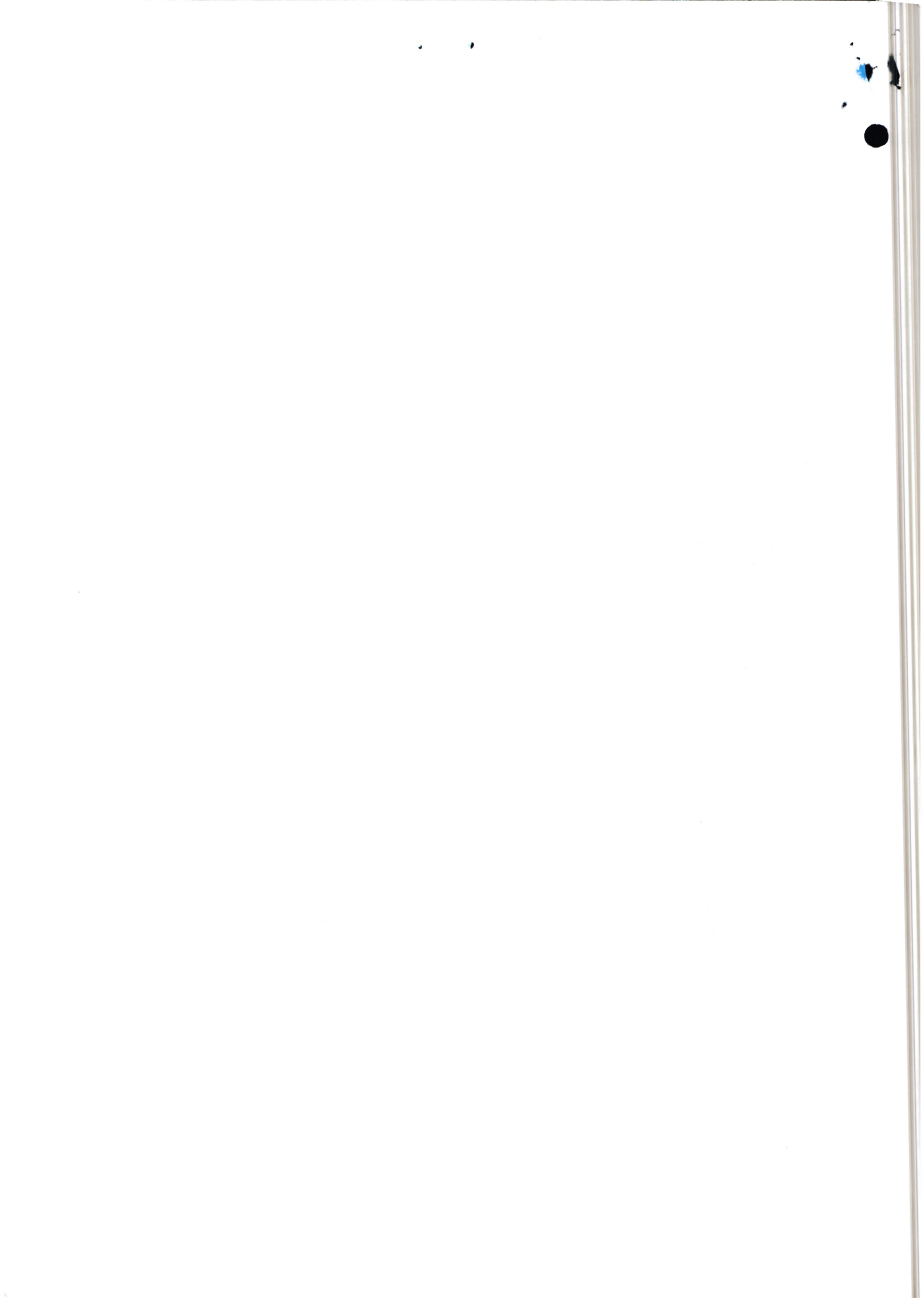
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**KENYA
ACCREDITATION
SERVICE (KENAS)**

June 30
2018

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2018**



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



KENYA ACCREDITATION SERVICE (KENAS)

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KENYA ACCREDITATION SERVICE (KENAS)

I. CORPORATION'S INFORMATION AND MANAGEMENT

(a) Background Information

Kenya Accreditation Service (KENAS), is a State Corporation established through Legal Notice No. 55 of 2009 under the State Corporation Act (Cap. 446 of the Laws of Kenya) as the sole National Accreditation Body for Kenya.

The Service's mandate is to exercise oversight over conformity assessment service providers with the object of enhancing the confidence of users of accredited conformity assessment services. The Service's principal activities include provision of accreditation and training service covering accreditation schemes for testing, medical and calibration laboratories, inspection and verification bodies, certification bodies and proficiency testing providers across a range of sectors of our economy such as Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation.

The Service is also responsible for promoting the competence and equivalence of accredited bodies and promoting the use of accreditation as means and tools for facilitating trade, enhancing economic outcomes, and managing and mitigating risks to quality, health, safety, environmental and consumer protection.

(b) Principal Activities

The mandate and functions of the Service as stipulated under section 4 (1) of the Legal Notice No. 55 is to:

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

KENYA ACCREDITATION SERVICE (KENAS)

xii) Promote KENAS as the sole National Accreditation Body in the scope of accreditation.

(c) Top Management

The day-to-day management of operations and direction is led by the Chief Executive Officer and two Deputies, in charge of Technical Services and Finance and Administration respectively.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were as provided in the Management Team given at page viii to page xi.

(e) Fiduciary Oversight Arrangements

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

(f) Finance Human Resource and General-Purpose Committee

The Finance Human Resource and General-Purpose Committee is chaired by Non-Executive Board Member and meets once a quarter. During the Financial year, the Committee members were:

- i) Mr Hassan Issack Hache (Chair)
- ii) Ms Nancy Nkorote (Member),
- iii) Ms Stella Osoro (Member)
- iv) Mrs Susanah Munyiri Ochieng (Ag. CEO/Member) – until 19 March 2018
- v) Mr Martin Chesire (CEO/Member) – joined 19 March 2018

The Committee's responsibilities include ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, public relations, administration Human Resource Development. It also exercises oversight on all financial, human resource and other general operational matters, overseeing the development, review and implementation of Human Resource Policy Manual, advising the board on organisation structure, departmental/divisional function/staffing levels and facilitating, developing, reviewing and implementation of the schemes of service and career guidelines, facilitating training and capacity building, reviewing staff performance appraisal reports and overseeing disciplinary matters.

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(g) Audit Committee

The Audit Committee is chaired by a Non-Executive Director and comprises of Non-Executive members. During the Financial year, the Committee members were:

- i) Dr Joyce Jefwa (Chair)
- ii) Mr Stephen Odua (Member)
- iii) Ms Stella Osoro (Member)
- iv) Mrs Susanah Munyiri Ochieng (Ag. CEO/Member) - until 19 March 2018
- v) Mr Martin Chesire (CEO/Member) - joined 19 March 2018

The responsibilities of the Committee include reviewing the financial information of the organization, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the organization.

(h) Accreditation Committee

The Accreditation Committee is chaired by a Non-Executive member and meets at least once a quarter and whenever the need arises. The members are:

- i) Mr Ambassador Joseph Kiplagat (Chair)
- ii) Mr James Onyango Odongo
- iii) Mr Mohamed Abdi Sheikh
- iv) Ms Elizabeth Lutomia Nambiro
- v) Mr Liston Cheruiyot Kirui
- vi) Mr George Maingi Munyao
- vii) Mr Charles Gachahi
- viii) Mr Dennis Moturi
- ix) Mrs Susanah Munyiri Ochieng (Ag. CEO/Secretary) - until 19 March 2018
- x) Mr Martin Chesire (Member/Secretary) - joined 19 March 2018

The Committee's responsibilities include the provision of technical direction on all accreditation decisions and adjudications on accreditation matters in an independent, objective and impartial manner.

KENYA ACCREDITATION SERVICE (KENAS)

(i) KENAS Headquarters

Embankment Plaza, 2nd Floor
Longonot Road, Upper Hill
NAIROBI.

(j) KENAS Contacts

Telephone: +254 725 227 640 or +254 787 395 679
Email: md@kenyaaccreditation.org
Website: www.kenas.go.ke

(k) Principal Bankers

Kenya Commercial Bank
Kipande Branch
Kipande Branch, P.O. Box 30012
NAIROBI 00100

(l) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers - University Way
P.O. Box 30084
NAIROBI 00100

(m) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
NAIROBI 00200

KENYA ACCREDITATION SERVICE (KENAS)

II. THE BOARD OF DIRECTORS

Mr Hassan Issack Hache



Board Member

Date of Birth: 12th December 1972

Mr Hassan Issack Hache has a wealth of experience in administration and management.

He is a holder of:

- Diploma in Human Resource and Personnel Management
- Degree in Public Administration
- Master's in Public Administration and Management specializing in administration and management in community development and NGO management.

Dr Joyce Jefwa



Board Member

Date of Birth: 29th November 1962

Dr Joyce Jefwa has a wealth of over 30 years of experience as a Scientist.

She is a holder of:

- PhD in Botany
- Diploma in Biosafety and Biotechnology
- M.Sc. in Conservation of Soil Fertility
- Bachelor of Science Education in Botany, Zoology & Education from Kenyatta University

Dr Nancy Nkirote Muriuki



Board Member

Date of Birth: 12th March 1963

Dr Nancy Muriuki has a wealth of over 28 years of experience in Human Resource Management, Institutional Leadership and Governance. She is a holder of:

- PhD in Organizational Leadership,
- Master of Business Administration (HR)
- Certified Public Secretary (CPS) K;
- Diploma in Management
- Bachelor of Commerce

Mr Stephen Odua



Board Member

Date of Birth: 26th December 1967

Mr Stephen Odua has a wealth of over 23 years of experience in the Public Sector. He is a holder of MSc. in Entrepreneurship. Currently Assistant Director of Industries, Ministry of Trade, Industry and Cooperatives (MoTIC), and the Alternate to the Principal Secretary, State Department for Industrialization, MoTIC

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Ms Stella Osoro



Board Member

Date of Birth: 11th January 1984

Ms Stella Osoro was born in 1984. She has a wealth of experience as an Economist in Public Sector.

She a holder of:

- Master of Arts in Economic Policy Management
- Bachelor of Arts in Economics

Currently working as a Senior Economist at The National Treasury, and Alternate to the Principal Secretary, the National Treasury

Mr Martin Chesire



Chief Executive Officer/Secretary to the Board

Date of Birth: 4th November 1973

Mr Chesire joined the Service on 19 March 2018. He has over 20 years' experience in standardization, conformity assessment and accreditation and he is a holder of:

- Executive MBA in International Management
- Master of Science in Quality Management and Business Excellence
- Bachelor of Science (Chemistry)

He is a Chartered Quality Professional and a member of the Institute of Directors Kenya.

KENYA ACCREDITATION SERVICE (KENAS)

III. MANAGEMENT TEAM

Martin Chesire



Chief Executive Officer (joined in March 2018).

Born in 1973. He has over 20 years' experience in standardization, conformity assessment and accreditation and he is a holder of:

- Executive MBA in International Management
- Master of Science in Quality Management and Business Excellence
- Bachelor of Science (Chemistry)
- CQP MCQI (#05031439) and MIoDK (#1273)

Susan Munyiri Ochieng



Deputy Director, Technical Services

Born in 1972. She has a wealth of experience of over 20 years
Holder of:

- Master of Business Administration (Operation Management option)
- Bachelor of Science (Chemistry)

John M. Kamau



Deputy Director, Finance and Administration

Born in 1969. He has a wealth of experience of over 22 years
Holder of:

- Master of Business Administration (Finance option)
- Bachelor of Commerce degree (accounting)
- CPA (K), Membership No. 4212
- CPS (K), Membership No. 1810

Felista Nyakoe



Assistant Director, Testing and Calibration

Born in 1973. She has over 18 years' experience, and she is a holder of:

- Master of Business Administration (Strategic Management option)
- Bachelor of Science in Dairy Science and Technology

KENYA ACCREDITATION SERVICE (KENAS)

Doris Mueni Mengo



Assistant Director, Health and Safety

Born in 1981. She has over 12 years' experience and a holder of:

- Master of Science in Medical Microbiology
- Bachelor of Science in Medical Microbiology
- Diploma in Quality infrastructure in Support of World Trade

Michael Talam

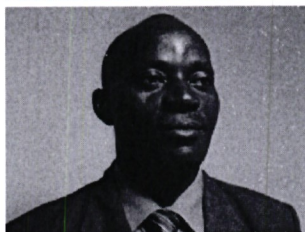


Assistant Director, Certification

Born in 1975. He has over 18 years' experience and a holder of:

- Executive Master of Business Administration
- Bachelor of Industrial Technology (Medical Engineering option)

Abraham Wekesa



Assistant Director, Inspection and Verification

Born in 1973. He has a wealth of experience of over 17 years and a holder of:

- Master of Environmental Science
- Bachelor of Science (Chemistry and Biochemistry)
- Higher Diploma in Project Management.

Henry Wandabwa



Assistant Director, Finance

Born in 1972. He has a wealth of experience of over 19 years

Holder of:

- Master of Business Administration (Finance option)
- Bachelor of Commerce degree (Accounting)
- CPA (K), Membership No. 6859

David Ochieng



Assistant, Director, Human Resource and Training (joined in September 2017).

Born in 1964. He has a wealth of experience of over 28 years and a holder of:

- He holds a Master of Business Administration (Strategic management option)
- Bachelor of Science in Human Resources Management
- Postgraduate Diploma in Financial Management
- Higher Dip.in Human Resource Management
- Dip. in Personnel mgmt.
- Licensed practicing Human Resource Management Practitioner and a full member of the Institute of Human Resource Management IHRM(K).

KENYA ACCREDITATION SERVICE (KENAS)

Elizabeth Muema

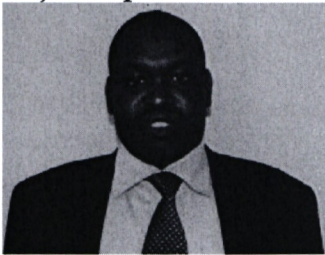


Assistant Director, Communication and Public Relations

Born in 1982. She has over 11 years experience and a holder of:

- BA in Communication – Specialised in Public Relations
- She is currently undertaking her Masters in Corporate Communication (thesis) level
- Member of Chartered Institute of Public Relations (CIPR)
- Member of Public Relations Society of Kenya (PRSK).

Elijah Kiptoo Kandie



Internal Auditor

Born in 1977. He has over 15 years' experience in Audit, Accounting and Risk management and a holder of:

- Bachelor of Business Management (Accounting)
- CPA (K), Membership No. 15053
- Member of Institute of Internal Auditors

Mwanasha Rajab Mwadzoyo

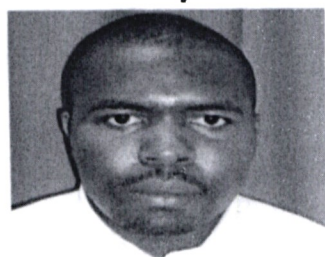


Legal Officer

Born in 1984. She is an advocate of the High Court of Kenya and has over 7 years of experience in the legal field. She is a holder of:

- Bachelor of Law
- Dip (KSL)
- Member of Law Society of Kenya (P.105/10335/14)

Ezekiel Kakayi Asera



Manager, Information Communication Technology (exited on 5th June 2018).

Born in 1981. He has over 15 years' experience in the field of ICT and a holder of:

- Bachelor of Science in Computer Information Systems
- Higher Diploma in Information Technology
- Higher Diploma in Human Resource Management
- Diploma in Computer Studies
- Certifications: CISA, ITIL and PRINCE2 Practitioner
- Registered Technical Trainer in Computer Studies
- Silver member of ISACA, Member No. 653839
- Licensed HR Practitioner and a member of IHRM(K) Member No. 06769

Flormina Ngina



Procurement Officer

Born in 1970. She has over 15 years' experience in the field of Procurement and Supply chain management. She is a holder of:

- Master of Business Administration (Procurement and Supply Chain)
- Bachelor of Business Administration (Entrepreneurship)
- Member Chartered Institute of Purchasing and Supply Chain (MCIPS), Member No. 03129990
- Member Kenya Institute of Supplies Management (KISM), Licence No. 64634

KENYA ACCREDITATION SERVICE (KENAS)


IV. CHAIRPERSON'S STATEMENT

Kenya Accreditation Service (KENAS) is a State Corporation that was established under through Legal Notice No. 55 of 2009 under the State Corporation Act (Cap. 446 of the Laws of Kenya) as the sole National Accreditation Body. The principal role played by KENAS is to exercise oversight over conformity assessment service providers with the object of enhancing the confidence of users of accredited conformity assessment services. KENAS's key activities are to provide internationally recognized accreditations and training services. Currently, the accreditation schemes in place cover the scope of testing, medical and calibration laboratories, inspection and verification bodies, certification bodies and proficiency testing providers across a range of sectors of our economy. Also, KENAS is also responsible for promoting the competence and equivalence of accredited bodies and promoting the use of accreditation as means and tools for facilitating trade, enhancing economic outcomes, and managing and mitigating risks to quality, health, safety, environmental and consumer protection.

Overall, the performance of KENAS has improved over the years. In the Financial Year 2017-2018, the Board observed that the major threats to KENAS's ability to fully grow and deliver its mandate are inadequacy in resource mobilization and funding from Government. The Board, in liaison with Management, has put in place several initiatives to address the resourcing and funding gaps in addition to measures to increase its client base. The goal of the Board is to secure the organization's financial independence before the year 2023. Despite these measures, it should be noted that to unlock external funding, KENAS requires some seed project funding from Government to enable it to develop and expand accreditation schemes to cover the priority sectors of the economy.

The *KENAS Strategic Plan 2012-2017* ended in October 2017, and Management initiated the development process of the third cycle 2018-2023 plan which will be launched in the course of the Financial Year 2018-2019.

It is my pleasure to present the Annual Report and Audited Accounts for KENAS for the Financial Year 2017-2018, the eighth cycle of its audited financial statements.

for 
.....
Chairperson, Board of Director

Date: *09/05/2019*
.....

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Accreditation is now recognized as a worldwide practice that helps governments and businesses of all sizes across the sectors of the economy achieve their objectives. Accreditation is a key quality infrastructure institution and one of the means used by modern economies to underpin the national systems for managing quality, health, safety, environment and consumers protection as well as reduce regulatory risk.

The year under review was very significant to KENAS in several ways. Firstly, in November 2017, KENAS obtained international recognition from the International Laboratory Accreditation Cooperation (ILAC), the International Accreditation Forum (IAF) and the Africa Accreditation Co-operation (AFRAC) becoming a full signatory to international mutual recognition agreements of these organizations. As a result, in June 2018 all accredited clients (laboratories, inspection and certification bodies) were issued with new certificates bearing the accreditation marks of ILAC or IAF alongside the KENAS mark.

Secondly, the Accreditation Bill was gazetted 7th June 2018 and introduced into the legislative process of the National Assembly of Kenya. Thirdly and last, during the year revised accreditation body standard ISO/IEC 17011:2017 was published by the International Organization for Standardization (ISO) in November 2017. The revised standard offers a great opportunity to enhance the rigour of its assessments and provide better value-added accreditation assessments to our accredited clients.

Notwithstanding these significant milestones, it should be recognized over the past few years, KENAS has arguably been in catch up mode. At the end of June 2018, KENAS had improved its growth in terms of quality services to its customers and internally generated revenue from KES.1.3 Million in the Financial Year 2010/2011 to KES.44.5 Million in 2017/2018. Besides, KENAS has expanded its accreditation schemes to underpin regulators enforcement efforts concerning the accreditation scheme for inspection services for construction entities for Buses and Petroleum tankers with the National Transport Safety Authority (NTSA) and Energy Regulatory Commission (ERC).

Looking ahead, there are number of challenges that Management has identified that lie ahead, such as: how to be more innovative in resource mobilization and seeking funding, how to better promote and leverage KENAS international recognition for the benefit of our accredited clients and stakeholders, how to improve awareness on the role of accreditation to the economy, and how to leverage ICT to gain efficiency in assessments and administrative activities. Also, the Financial Year 2018/2019, KENAS will celebrate its tenth anniversary, and it will also be time for Re-Peer Evaluated of KENAS by ILAC, IAF and AFRAC. It is envisaged that the 2018-2023 strategy will address these challenges in addition to aligning our goals to and contribution to the government's Big Four Agenda on food security, affordable and safe housing, manufacturing and affordable health-care.

KENYA ACCREDITATION SERVICE (KENAS)

I wish to thank the Cabinet Secretary, the Principal Secretary, Ministry of Trade, Industry and Cooperatives, the Board of Directors for their continued guidance and support on strategy and policy directions. I also wish to thank and recognize the contribution of our development partners in our capacity building efforts, PTB - the German Metrology Institute, GiZ and UNIDO for their technical and financial assistance. Lastly, I wish to thank our stakeholders who contributed to our committee, KENAS management and staff for their dedicated commitment to growing our accreditation services.


.....
Chief Executive Officer, KENAS

Date: 2019-05-08

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which organizations are managed and controlled while ensuring Accountability and Transparency on resource mobilization and utilization. The concept of corporate governance has gained prominence and is enshrined in both *Mwongozo* Governance of State Corporations and the *Constitution of Kenya 2010*. This is also articulated by private sector organisations such as the Centre for Corporate Governance in Kenya.

The Chairperson, the Board and Management recognize the need to conduct the business and operations of the organization with accountability, integrity and following generally accepted corporate governance practice coupled with the endorsement of internationally developed principles of corporate governance. The Board of Directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the operations of KENAS.

The Board of Directors

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

During the Financial year ended 30th June 2018, the Board consisted of 6 members including the Chief Executive Officer. The position of Chairperson was vacant throughout the year, and that of a substantive Chief Executive Officer was filled in March 2019. The Board has 2 committees whose remit, and members are stated below. Besides, there is an independent Accreditation Committee.

In Financial Year under review, the Board held 6 regular and 3 special meetings. The Board's focus besides its regular work programme concerned the recruitment of the Chief Executive Officer.

(a) Finance Human Resource and General-Purpose Committee

Members

- i) Mr Hassan Issack Hache (Chair)
- ii) Ms Nancy Nkorote (Member),
- iii) Ms Stella Osoro (Member)
- iv) Mrs Susanah Muniyiri Ochieng (Ag. CEO/Member) – until 19 March 2018
- v) Mr Martin Chesire (CEO/Member) – joined 19 March 2018

KENYA ACCREDITATION SERVICE (KENAS)

The Finance Human Resource and General-Purpose Committee is chaired by Non-Executive Board Member and meets once a quarter. During the Financial Year, the Committee held 4 regular meetings.

The Committee's responsibilities include ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, public relations, administration Human Resource Development. It also exercise oversight on all financial, human resource and other general operational matters, overseeing the development, review and implementation of Human Resource Policy Manual, advising the board on organisation structure, departmental/divisional function/staffing levels and facilitating, developing, reviewing and implementation of the schemes of service and career guidelines, facilitating training and capacity building, reviewing staff performance appraisal reports and overseeing disciplinary matters.

(b) Audit Committee

Members

- i) Dr Joyce Jefwa (Chair)
- ii) Mr Stephen Odua (Member)
- iii) Ms Stella Osoro (Member)
- iv) Mrs Susanah Munyiri Ochieng (Ag. CEO/Member) – until 19 March 2018
- v) Mr Martin Chesire (CEO/Member) – joined 19 March 2018

The Audit Committee is chaired by a Non-Executive Board Member and comprise of Non-Executive Board members. During the Financial Year, the Committee held 4 regular meetings.

The responsibilities of the Committee include reviewing the financial information of the organization, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the organization.

(c) Accreditation Committee

The Accreditation Committee is chaired by a Non-Executive member and meets at least once a quarter and whenever need arises. The members were:

- i) Mr Ambassador Joseph Kiplagat (Chair)
- ii) Mr James Onyango Odongo
- iii) Mr Mohamed Abdi Sheikh
- iv) Ms Elizabeth Lutomia Nambiro
- v) Mr Liston Cheruiyot Kirui
- vi) Mr George Maingi Munyao
- vii) Mr Charles Gachahi

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- viii) Mr Dennis Moturi
- ix) Mrs Susanah Munyiri Ochieng (Ag. CEO/Secretary) – until 19 March 2018
- x) Mr Martin Chesire (Member/Secretary) – joined 19 March 2018

During the Financial Year, the Accreditation Committee held 5 meetings. The Committee's responsibilities include the provision of technical direction on all accreditation decisions and adjudications on accreditation matters in an independent, objective and impartial manner.

Delegation of Responsibilities

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

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

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

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

Statement of Risk Management and Internal Control

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

Responsibility

Risk management is one of the most important activities of the organization. The Service through the Audit Committee is responsible for managing risk within KENAS by ensuring that appropriate risk management strategies and policies are in place and that processes are adequate and effective. The Audit Committee in

KENYA ACCREDITATION SERVICE (KENAS)

liaison with management defines KENAS's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks.

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

Internal Controls

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

KENYA ACCREDITATION SERVICE (KENAS)

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Stewardship

During the Financial Year under review, the Organisation achieved a Revenue total of KES 147,627,264 compared with 149,027,019 realized in the Financial Year 2016-2017. The total GoK budgetary allocation of KES 103.5 Million was lower than the previous Financial Year 2016-2017 which totalled KES 115.9 Million.

Accreditation Services

The following were the achievements over the years including the financial year under review are as detailed Table 1 below.

Table 1: Key Performance Results

Performance Indicator	Unit of Measure	FY 2015/16	FY 2016/17	FY 2017/18
Newly accredited bodies	No.	14	19	13
Awareness programmes undertaken	No.	24	133	92
Trained assessors	No.	98	125	40
Regulations and criteria developed	No.	25	14	8
Conformity assessment bodies assessed	No.	104	90	93
Directory of accredited bodies	%	100	100	100
Entrenched security features on document and certificates	%	100	100	100
Publication of accredited conformity assessment bodies.	No.	1	1	na
Contribution to regional and international accreditation fora	No.	61	76	65
A-in-A	KES (Millions)	33.3	34	44.1
Expenditure	KES (Millions)	160.2	158.1	153.4

Constraints and challenges in Budget Implementation and mitigation measures

It is also worth noting that KENAS is a relatively new institution that only became fully operational in 2012. As reported in previous years, KENAS continues to experience several challenges as enumerated in Table 2 below.

Table 2: Highlights of Constraints and Challenges

#	Constraints or Challenges	Means of addressing the same
1.	Inadequate budgetary provisions by GoK,	<ul style="list-style-type: none"> Addressed through the provision of adequate funds from the GoK

KENYA ACCREDITATION SERVICE (KENAS)

#	Constraints or Challenges	Means of addressing the same
	particularly in its formative stage	<ul style="list-style-type: none"> • Staff stretching beyond the limit to generate more revenue through accreditation, awareness and training activities • Seeking funding from development or support partners to support core activities
2.	Late disbursement of quarterly grants by GoK	<ul style="list-style-type: none"> • Timely release of grants by GoK • Deferring payments of liabilities to a later date as we await the quarterly cash disbursement
3.	Emergence of new critical activities not budgeted for by process owners during the Financial Year	<ul style="list-style-type: none"> • Training on budget making and involvement of process owners, particularly in the Budget Committee activities • Provision of additional funding by GoK during the year preferably during the budget review
4.	Actual cost of planned activities is higher than the budgetary provisions	<ul style="list-style-type: none"> • Involvement of the concerned process owners and getting realistic figures during the budgeting process. This will inform business strategy and performance contract deliverables
5.	Introduction of new legislation, policies, rules and circulars within the Financial Year, e.g. Financial Management Act, Dynamism of the business environment, Treasury Circular	<ul style="list-style-type: none"> • Having realistic budgetary provisions • Development of requisite flexibility and resilience to mitigate and adapt to such changes • Institutionalization of change management
6.	High staff turnover	<ul style="list-style-type: none"> • Review of staff remuneration and benefits as a means of staff motivation and retention strategy through a review of the structure. • Consider re-categorization of the Organization to accommodate better terms of service to staff
7.	Highly regulated sectors such as Inspection.	<ul style="list-style-type: none"> • Liaising with the parent Ministry to convene a meeting of all the stakeholders in the regulated sectors to forge a common approach in the implementation of accreditation activities in support of the work of regulators
8.	Weak legal framework establishing KENAS	<ul style="list-style-type: none"> • Enactment of the Accreditation Bill to pave the way for sound legal footing in support of delivery on its operational mandate

KENYA ACCREDITATION SERVICE (KENAS)

#	Constraints or Challenges	Means of addressing the same
9	Limited activities of East Africa Accreditation Board.	<ul style="list-style-type: none"> Review of the SQMT Act to pave the way for a vibrant EAC Accreditation Board
10	Limited participation in international level meetings, forums and activities that helps in skills growth.	<ul style="list-style-type: none"> Provision of additional funding by GoK during the year preferably during the budget review
11	Limited visibility of KENAS	<ul style="list-style-type: none"> Addressed through the provision of adequate funds from the GoK, or support partners to aid in rebranding and relaunching
12	Accreditation being voluntary even in areas of health and safety.	<ul style="list-style-type: none"> Partnering with regulators
13	Prescription of foreign accreditation by development support partners	<ul style="list-style-type: none"> Partnering with the foreign accreditation bodies by undertaking joint assessments

VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

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

KENYA ACCREDITATION SERVICE (KENAS)

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2018 which show the state of the entity's affairs.

Principal activities

The principal activities of KENAS are the provision of internationally recognized accreditations and training services to conformity assessment service providers that carry out various conformity assessment tasks that include testing, medical and calibration laboratories, inspection and verification bodies, certification bodies and proficiency testing providers across a range of sectors of our economy.

The accreditation provided by KENAS also aims to promote the competence and equivalence of accredited bodies as means and tool for facilitating trade, enhancing economic outcomes, and managing and mitigating risks to quality, health, safety, environmental and consumer protection.

Results

The results of the entity for the year ended 30th June 2018 are set out on page 1

Directors

The details of the Board of Directors who served during the Financial Year 2017/2018 is given on page vi and page vii.

Auditors

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

By Order of the Board


.....
Chief Executive Officer, KENAS

Date: 2018-05-08

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are also responsible for the preparation and presentation of the organization's financial statements, which give a true and fair view of the state of affairs of the organization for and as at the end of the financial year (period) ended 30th June 2018.

This responsibility includes oversight on:

- (i) maintenance of adequate financial management arrangements;
- (ii) ensuring that arrangements continue to be effective throughout the reporting period;
- (iii) maintenance of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the organization;
- (iv) design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements;
- (v) ensuring controls are free from material misstatements, whether due to error or fraud; (vi) safeguarding the assets of the organization;
- (vi) selection and application of appropriate accounting policies; and
- (vii) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the organization's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act Cap 446 laws of Kenya. The Directors are of the opinion that the organization's financial statements give a true and fair view of the state of the organization's transactions during the financial year ended 30th June 2018, and of the organization's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization's financial statements as well as the adequacy of the systems of internal financial control.


The Directors have also taken note of the threats to the going concern of the organisation and hence its future sustainability occasioned by inadequate

KENYA ACCREDITATION SERVICE (KENAS)


budgetary allocation by the Government. Thus, the directors are making all efforts in liaison with management in pursuing improved budgetary allocation to mitigate against this threat, particularly during this critical formative stage of the organisation.

Approval of the financial statements

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



Martin Chesire
Chief Executive Officer/ Board Secretary



Chairperson, Board of Directors

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCREDITATION SERVICE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Accreditation Service set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Accreditation Service as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Accreditation Service Order, 2009.

Basis for Qualified Opinion

1. Non-Remittance of Statutory Deductions

As previously reported, the Service had not remitted to Kenya Revenue Authority (KRA) Pay as You Earn (PAYE) totaling Kshs.12,328,982 and 6% withholding Value Added Tax (VAT) of Kshs.743,802 as at 30 June 2018. Although the management has indicated that it has made efforts to clear the arrears, requirement by KRA obliges all tax agents making payments to persons or suppliers to withhold VAT and subsequently remit the tax proceeds to the Commissioner on or before 20 of every month following the month in which the deduction was made.

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

Report of the Auditor-General on the Financial Statements of Kenya Accreditation Service for the year ended 30 June 2018

2. Trade and Other Payables from Exchange Transactions

The Service had an outstanding pending bills totaling Kshs.17,032,395 as at 30 June 2018. Failure to settle the bills in the year to which they relate deprives the providers of goods and services of their business income and also distort the budget programs for the subsequent financial year when they are settled.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

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

Other Matter

Shortage of Staff

The management is yet to recruit staff in some key positions which play a crucial role in assisting the organization fulfil its mandate. This is despite the fact that the Service has an approved staff establishment of 69 staff while the current employees remain 34 with a resultant shortfall of 35.

Most notable is the technical department and corporate services department where they lack such crucial staff in internal audit, finance, procurement section, information communication technology, legal and accreditation managers among others.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards (Accrual Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Service's ability to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the Service's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

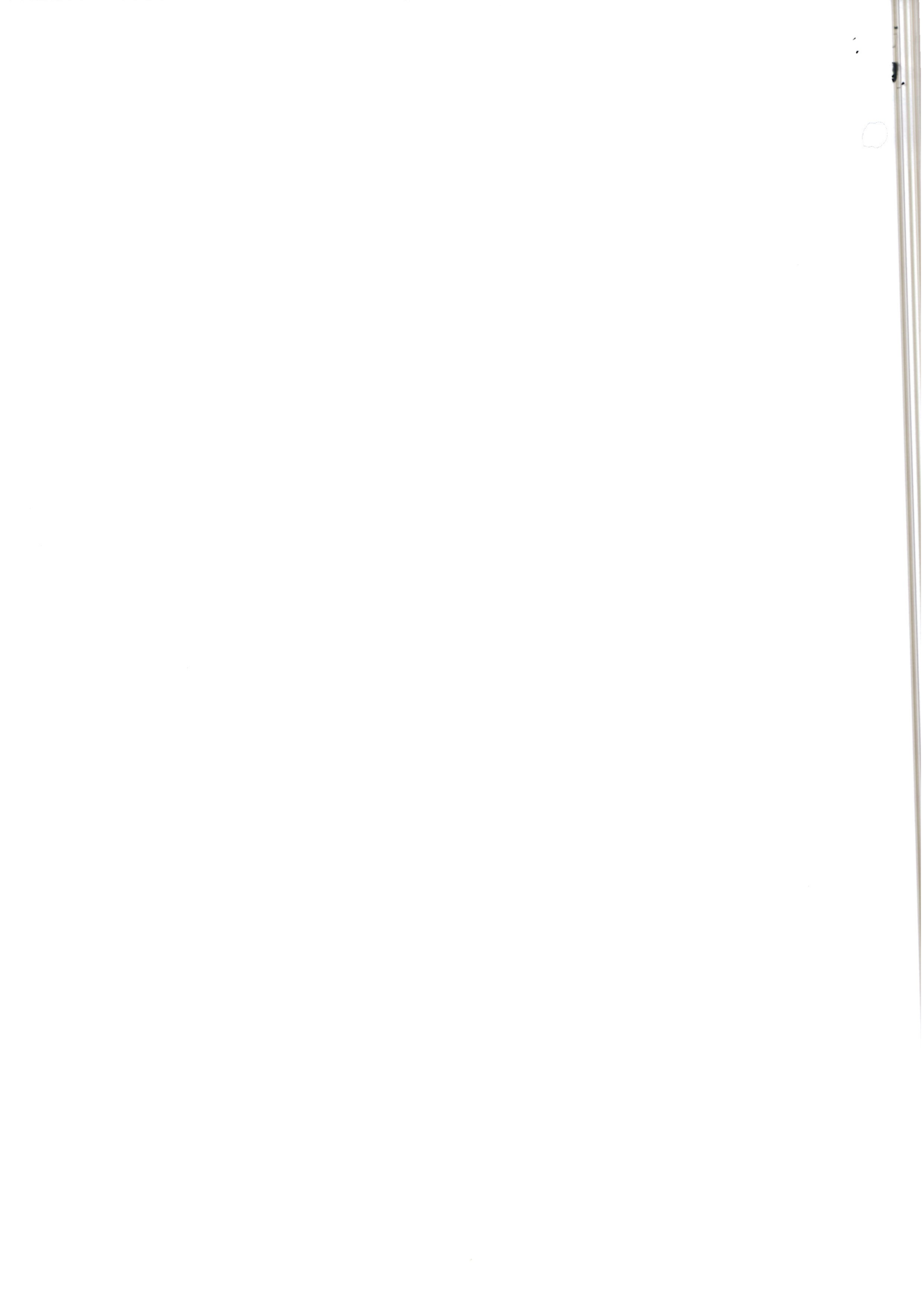
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

13 June 2019



KENYA ACCREDITATION SERVICE (KENAS)

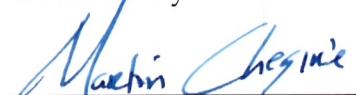
XII. STATEMENT OF FINANCIAL POSITION


AS AT 30 JUNE 2018

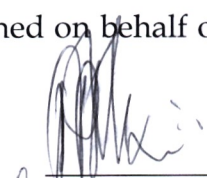
Assets	Note	2018 KES	2017 KES
CURRENT ASSETS			
Cash and Bank equivalents	16	17,944,308	12,967,126
Receivables from exchange transactions	17	38,057,500	26,825,857
Receivables from non-exchange transactions	18	1,759,762	2,922,822
Inventories	15	499,585	297,787
		58,261,155	43,013,591
NON - CURRENT ASSETS			
Property, Plant and Equipment	13	10,789,757	8,730,481
Work in Progress	21	5,975,500	7,698,012
Intangible Assets	14	-	-
		16,765,257	16,428,493
Total Assets		75,026,413	59,442,085
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange transactions	19	17,343,523	18,502,462
Trade and Other Payables from Non-Exchange transactions	20	37,583,030	28,541,984
Total Liabilities		54,926,553	47,044,447
Net Assets		20,099,860	12,397,638
Capital Funds			
Accumulated Funds	12	30,000,000	25,000,000
Accumulated Surplus	12	(22,750,142)	19,862,361
Revaluation Reserve	12	12,850,000	7,260,000
Total Net Assets and Liabilities		20,099,858	12,397,639

The notes set out on pages 9 to 20 form an integral part of the Financial Statements.

The Financial Statements set out on pages 1 to 23 were signed on behalf of the Board of Directors by:


 Chief Executive Officer


 Deputy Director, Finance
 and Administration (ICPAK
 Member No. 4212)


 Chairperson

Date: 2019-05-08

Date: 9/05/2019

Date: 09/05/2019

KENYA ACCREDITATION SERVICE (KENAS)

XIII. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
Income	Note	KES	KES
Revenue from Non-Exchange transactions	5	103,685,220	115,982,033
Revenue from Exchange transactions	6	43,942,044	33,044,986
Total Revenue		147,627,264	149,027,019
Expenses			
Personal Emoluments	7	85,104,949	87,355,897
Board Expenses	8	2,641,101	4,337,035
Administrative Costs	9	41,309,072	42,392,420
Other Operating Costs	10	24,028,443	22,125,961
Total Expenses		153,083,565	156,211,313
		(5,456,301)	(7,184,294)
Other gains/(Losses)			
Foreign exchange Gain	11	226,738	162,845
Surplus (Deficit)		(5,229,564)	(7,021,449)

The notes set out on pages 9 to 20 form an integral part of the Financial Statements.

KENYA ACCREDITATION SERVICE (KENAS)

XIV. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated Fund KES	Revaluation Reserve KES	Accumulated Surplus KES	TOTAL KES
Balance as at 30th June 2017	20,000,000	7,260,000	(13,200,304)	14,059,696
Government Capital Grants	5,000,000	-	-	5,000,000
Revaluation Reserve	-	-	-	-
Adjustments for the year	-	-	359,393	359,393
Surplus/(Deficit) for the year	-	-	(7,021,449)	(7,021,449)
Balance as at 30th June 2017	25,000,000	7,260,000	(19,862,361)	12,397,639
Government Capital Grants	5,000,000	-	-	5,000,000
Revaluation Reserve	-	5,590,000	-	5,590,000
Adjustments for the year	-	-	2,341,783	2,341,783
Surplus/(Deficit) for the year	-	-	(5,229,564)	(5,229,564)
Balance as at 30th June 2018	30,000,000	12,850,000	(22,750,141)	20,099,859

The notes set out on pages 9 to 20 form an integral part of the Financial Statements. Refer to Note 12 of the Financial Statements.

Accumulated Fund refers to accumulated Government Development Grants received over the years.

Revaluation Reserves relates to surplus realised on revaluation of Motor vehicles.

Accumulated surplus relates to accumulated surplus/Deficit over the years.

KENYA ACCREDITATION SERVICE (KENAS)

XV. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Note	KES	KES
Cash generated from operations			
Surplus for the year before		(5,229,564)	(7,021,449)
Adjustments for:			
Reversal of INV34 Delish Catering and Decor	12	19,500	-
Accounting for Warrant 1126 & 1127 for 2016-17	12	(210,000)	-
Branding for ties -WAD June 2017	12	(109,716)	-
Waiver of KEBS Debt	12	4,229,475	-
Reversal of Invoices 458,609, 708, 830, 856 Rec62,98,83	12	(1,498,544)	-
Advert for Recruitment 2017-INV12 & 80029140	12	(211,402)	
2015-2016 Excess Penalty provision written off	12	-	685,024
Credit Note for INV505 Reversed	12	-	49,950
Invoice No. INVREC000079 Reversed	12	-	(192,500)
2015-2016 Expenditure Accounted	12	-	(183,081)
Provision for Leave days	12	122,470	-
Depreciation expense	13 & 14	5,355,243	3,367,634
Amortization expense	13 & 14	-	2,691,161
Total Cash generated from operations		2,467,462	(603,262)
Working Capital adjustment			
Change in inventories	15	(201,798)	(157,727)
Change in Trade and Receivables	17 & 18	(10,068,583)	(8,513,683)
Change in Trade and other Payables	19 & 20	7,882,106	546,225
Net Changes in Working Capital		(2,388,275)	(8,125,185)
Net Cash from Operating Activities		79,188	(8,728,447)
Cash flows from Investing Activities			
Property Plant & Equipment	13 & 14	(1,824,519)	(1,563,695)
Work in Progress	21	1,722,512	(1,722,512)
Intangible Assets	14	-	-
Disposal of Computers	12	-	-
Net Cash flows used in investing Activities		(102,007)	(3,286,207)
Cash flows from Financing Activities			
GOK Grants Development	12	5,000,000	5,000,000
Net Cash flows From Financing Activities		5,000,000	5,000,000
Net Increase in Cash & Cash Equivalents		4,977,181	(7,014,655)
Analysis of Cash and Cash Equivalents			
Net Cash & Cash Equivalents at July	16	12,967,128	19,981,782
Net Cash & Cash Equivalents at 30 June 2018	16	17,944,309	12,967,128

The notes set out on pages 9 to 20 form an integral part of the Financial Statements.

KENYA ACCREDITATION SERVICE (KENAS)

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original Budget 2017-2018	Adjust- ments	Final Budget 2017-2018	Actual	Variance
	KES	KES	KES	KES	KES
Revenue					
Government Grants Recurrent	115,038,400	0.00	115,038,400	103,528,800	-11,509,600
Govt Grants Development	20,000,000	-15,000,000	5,000,000	5,000,000	-
Public contributions and Donations	800,000	-	800,000	156,420	-643,580
Accreditation Fees	33,036,604	-	33,036,604	27,421,410	-5,615,194
Training Income	9,000,000	-	9,000,000	10,840,569	1,840,569
Miscellaneous Income	4,800,000	-	4,800,000	5,680,065	880,065
Total Income	182,675,004	-15,000,000	167,675,004	152,627,264	-15,047,740
Expenses					
Personal Emoluments	89,616,477	- 0.46	89,616,477	85,104,949	4,511,527
Honoraria	522,000	-100,000.00	422,000	-	422,000
Medical Expenses	7,200,000	-	7,200,000	6,825,094	374,906
Transport Operating Expenses	2,136,006	-	2,136,006	1,371,169	764,837
Travelling and Accommodation	650,000	-	650,000	239,986	410,014
Hire of Transport	600,000	-	600,000	271,588	328,412
External travelling and Accommodation	8,571,849	-1,915,810.00	6,656,039	5,532,933	1,123,106
Postal and Courier Services	30,000	-	30,000	52,861	-22,861
Telephone	80,000	-	80,000	50,809	29,191
Official entertainment	1,780,000	-	1,780,000	1,829,885	-49,885
Legal Expenses	300,000	-	300,000	89,100	210,900
Contracted Professionals	3,866,000	- 800,000.00	3,066,000	1,490,507	1,575,493
Electricity	500,000	-	500,000	481,807	18,193
Water	175,000	-	175,000	72,026	102,974
Motor vehicle fuel, lubricant and gas expenses	1,500,000	-	1,500,000	938,651	561,349
Seminar expenses	5,170,000	1,176,210.00	6,346,210	4,556,409	1,789,801
Library expenses	150,000	-	150,000	35,316	114,684
Purchase of stationery	700,000	-	700,000	707,250	-7,250
Publishing printing and photocopy	0	-	-	4,687	-4,687
Advertising, Marketing and Publicity	454,000	800,000.00	1,254,000	1,199,820	54,180
Newspapers, publications, periodicals and journals	120,000	-	120,000	73,910	46,090
Welfare	200,000	-	200,000	61,300	138,700
Rent and Rates	16,149,722	-	16,149,722	15,154,177	995,545
Maintenance of office equipment	300,000	200,000.00	500,000	496,281	3,719
Maintenance of buildings	500,000	-200,000.00	300,000	54,064	245,936
Insurance expenses	2,600,200	-	2,600,200	1,888,232	711,968
Staff development and Training	1,000,000	-	1,000,000	-	1,000,000

KENYA ACCREDITATION SERVICE (KENAS)

	Original Budget 2017-2018	Adjust- ments	Final Budget 2017-2018	Actual	Variance
Subscription fees	821,600	-	821,600	608,510	213,090
Computer expenses	100,000	-	100,000	134,886	-34,886
Bank Charges	210,000	-	210,000	130,725	79,275
Financial Audit	348,000	-	348,000	406,000	-58,000
Accreditation expenses	6,578,000	-	6,578,000	7,640,706	-1,062,706
Training Expenses	3,400,000	-	3,400,000	3,310,165	89,835
Tender allowance and Technical Committee Expenses	244,000	-	244,000	114,410	129,590
Technical Committee Expenses	560,000	-22,400.00	537,600	119,985	417,615
Peer/Pre-Peer Evaluation Expenses	0	-	-	-	-
World Accreditation Day	1,500,000	742,000.00	2,242,000	1,575,482	666,518
Board Expenses	4,042,150	-	4,042,150	2,641,101	1,401,049
Penalty and Fines	-	-	-	170,885	-170,885
Depreciation-Motor Vehicles	-	-	-	3,212,500	-3,212,500
Depreciation-Furniture & Equipment	-	-	-	1,272,621	-1,272,621
Depreciation-Computer Hardware	-	-	-	870,122	-870,122
Amortization-Computer Software	-	-	-	-	0
Amortization-Office Partitioning	-	-	-	-	0
Total Expenses	162,675,004	-120,000	162,555,003	150,790,907	11,764,096
Development Expenditure	20,000,000	0	5,120,000	2,632,252	2,487,748
Surplus/(Deficit) for the period	182,675,004	-120,000	167,675,003	153,423,160	14,251,844

Notes and explanations for material deviations between the budget and actual amounts

(a) Government Grants - Recurrent: KES 11,509,600

The organization realized a deficit income of KES 11,509,600 as result of Budget cuts that occurred towards the end of the Financial Year.

(b) Public Contributions and Donations: KES 643,580

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

(c) Accreditation Income: KES 5,615,194

The organization realized a deficit income of KES 5,615,194 as a result of Low uptake of accreditation services by clients as anticipated because of fewer awareness and marketing programmes that were undertaken due to an inadequate budgetary allocation by GOK coupled with the fact that our services are still voluntary in nature.

KENYA ACCREDITATION SERVICE (KENAS)

(d) Training Income: KES 1,840,569

The organization realized a surplus income of KES 1,840,569 as a result of more demand for Training services by clients.

(e) Miscellaneous Income: KES 880,065

The organization realized a surplus of KES 880,065 because most accreditation assessments were performed outside Nairobi and therefore an increase in reimbursable income.

(f) Personal Emoluments: KES 4,511,527

There an underspent by KES 4,511,527 occasioned by staff exits early into the Financial Year, as well as delayed recruitment of the new CEO who reported towards the end of the financial year.

(g) Transport Operating Expenses: KES 764,837

An under-expenditure of by KES 764,837, result from greater pooling or joined-up activities being carried out. There was also an increase in the use of hired transport and economical taxis (Uber or Little cab) by our staff which were cheaper compared to the use of institutions vehicles.

(h) External Travelling Expenses: KES 1,123,106

A few overseas activities were deferred to the next Financial Year 2018-2019 resulting in underspending of KES 1,123,106.

(i) Contracted Services: KES 1,575,493

The expenditure was underspent by KES 1,575,493 since some of the activities were deferred to the current financial year 2018-2019.

(j) Seminar Expenses: KES 1,789,801

The expenditure was underspent by KES 1,789,801 because some of the activities were had to be pushed back to the Financial Year 2018-2019 due to none realization of planned income.

(k) Rent and Rates: KES 995,545

An under-expenditure of KES 995,545 was due to excess provision made for Service Charge compared to the actual Service Charge billed.

(l) Staff Development and Training: KES 1,000,000

KES 1,000,000 of Staff development that had been earmarked was deferred to the Financial Year 2018-2019 resulting in under-expenditure.

(m) Accreditation Expenses: KES 1,062,706

An over-expenditure of KES 1,062,706 was due to late budgetary cuts affecting activities already carried out.

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(n) World Accreditation Day: KES 666,518

An under-expenditure of KES 666,518 occurred since curtailed planned activities were deferred to the Financial year 2018-2019.

(o) Board Expenses: KES 1,401,049

The expenditure was underspent by KES 1,401,049 because the Board was without a Chairperson in the full year under review.

XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

(b) IPSAS 34: Separate Financial Statements

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

(c) IPSAS 35: Consolidated Financial Statements

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

(d) IPSAS 36: Investments in Associates and Joint Ventures

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

(e) IPSAS 37: Joint Arrangements

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition - IPSAS 23

(i) Government Grants

Government grants are recognized when received

(ii) Interest Income

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

(b) Budget Information - IPSAS 24

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

(c) Property, Plant and Equipment - IPSAS 17

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

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

(d) Depreciation

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

- Plant, Machinery, Furniture & Fittings 12.5%
- Motor Vehicles 25%
- Computers and Software 33.3%

(e) Intangible Assets - IPSAS 31

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

(f) Inventories - IPSAS 12

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the

KENYA ACCREDITATION SERVICE (KENAS)

estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

Provisions are recognized when the Organization has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable cost can be estimated. There were no contingent liabilities to be reported in the notes to the financial statements.

(h) Subsequent Events - IPSAS 14

There have been no events after the Financial Year end with significant impact on the financial statements for the year ended June 30, 2018.

(i) Foreign Currency

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

(j) Trade Receivables

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

(k) Trade Payables

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

(l) Employee Benefit Costs

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

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

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

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

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(m) Cash & Bank Balances

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

(n) Related Party Transactions

The Organization's does not have any related party transaction except for the remuneration to the Board of Directors which are governed by the Corporation Act, Cap. 486 and as per the Guidelines issued by the National Treasury from time to time. During the year such payment amounted to KES. 2,599,101 as proscribed by the *Mwongozo* executive order No. 7. Kenya Bureau of Standards waived KES 4,229,475 being the net debt owed by KENAS for operational costs incurred while being hosted at KEBS in its initial stages of inception before it started receiving Government Funding.

(o) Financial Instruments - IPSAS 30

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

5. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2018 KES	2017 KES
(i): Government Grants Recurrent	103,528,800	115,038,400
Total Government Grants	103,528,800	115,038,400
(ii): Public Contributions and Donations		
PTB Sponsorship	-	546,588
Sponsorship-IAF	156,420	397,045
	156,420	943,633
Total Revenue from Non-Exchange transactions	103,685,220	115,982,033

6. REVENUE FROM EXCHANGE TRANSACTIONS

	2018 KES	2017 KES
(i): Accreditation Income		
Accreditation Fees-Testing and Calibration	12,662,567	6,667,500
Accreditation Fees-Health and Safety	10,044,535	6,268,559
Accreditation Fees-Inspection and Verification	2,701,028	1,834,299
Accreditation Fees-Certification	2,013,279	2,760,000
	27,421,410	17,530,358

KENYA ACCREDITATION SERVICE (KENAS)

	2018	2017
	KES	KES
(ii): Training Income		
Training Income-Test and Calibration	3,823,631	5,500,234
Training Income-Health and Safety	4,887,421	4,104,916
Training Income-Inspection and Verification	1,129,517	360,000
Training Income-Certification	1,000,000	600,000
	10,840,569	10,565,150
	2018	2017
	KES	KES
(iii): Miscellaneous Income		
Sale of obsolete items-Finance	-	15,725
Fines and Surcharges	-	1,000
Facilitation Income	5,557,289	4,912,753
Other Miscellaneous Income - Finance	0	20,000
AFRAC Registration Fees	122,776	
	5,680,065	4,949,478
Total Revenue from Exchange transactions	43,942,044	33,044,986

7. PERSONAL EMOLUMENTS

	2018	2017
	KES	KES
Basic salary	48,894,529	50,100,837
House Allowance	15,072,500	15,096,129
Commuter Allowance	4,639,169	4,459,936
Entertainment Allowance	1,862,391	1,726,090
Taskforce Allowance	-	-
Telephone Allowance	1,729,778	1,813,964
Passage Allowance	1,177,790	2,327,129
Pension Contributions	9,278,726	8,564,192
NSSF Contributions	85,800	87,000
Gratuity	424,000	1,668,420
Acting Allowance	1,000,285	318,821
Extraneous Allowance	148,887	174,000
Special duty Allowance	175,532	101,223
Gardener Allowance	-	80,000
Security Allowance	-	58,400
Responsibility Allowance	343,895	609,756
Salary arrears	-	-
Utilities Allowance	-	80,000
Sitting Allowance	-	-
Non-Practising Allowance	180,000	90,000
Stipend Finance	91,667	
Total Personal Emoluments	85,104,949	87,355,897

KENYA ACCREDITATION SERVICE (KENAS)

8. BOARD ALLOWANCES AND EXPENSES

	2018 KES	2017 KES
Honorarium for Chairperson	-	854,742
Mileage	-	464,423
Air tickets	473,780	275,246
Retreats	-	-
Snacks	103,071	148,565
Sitting Allowances	1,516,100	1,706,779
Consultation	-	119,815
Official Functions	366,150	640,064
Accommodation Expenses	182,000	127,400
Total Board Allowances and Expenses	2,641,101	4,337,035

9. ADMINISTRATIVE EXPENSES

	2018 KES	2017 KES
Medical Expenses	6,825,094	5,695,148
Transport Operating Expenses	1,371,169	1,260,201
local Travelling and Accommodation	239,986	290,574
Hire of Transport	271,588	516,701
Postal and Courier Services	52,861	20,695
Telephone	50,809	64,989
Official entertainment	1,829,885	1,627,139
Legal Expenses	89,100	-
Contracted Professionals	1,490,507	2,033,137
Electricity	481,807	581,719
Water	72,026	183,554
Motor vehicle fuel, lubricant and gas expenses	938,651	1,518,905
Library expenses	35,316	12,096
Purchase of stationery	707,250	624,882
Publishing printing and photocopy	218,068	314,210
Advertising, Marketing and Publicity	2,207,748	516,074
Newspapers, publications, periodicals and journals	73,910	89,180
Welfare	61,300	116,250
Rent and Rates	15,154,177	15,643,003
Maintenance of office equipment	496,281	285,961
Maintenance of buildings	54,064	17,889
Insurance expenses	1,888,232	2,272,232
Staff development and Training	387,096	1,599,041
Computer expenses	134,886	120,910
Bank Charges	130,725	131,720
Financial Audit expense	406,000	406,000

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	2018 KES	2017 KES
Penalty and Fines	170,885	270,295
Tender allowance	114,410	121,120
Depreciation-Motor Vehicles	3,212,500	1,815,000
Depreciation-Furniture & Equipment	1,272,621	1,286,306
Depreciation-Computer Hardware	870,122	266,328
Amortization-Computer Software	-	431,443
Amortization-Office Partitioning	-	2,259,718
Total Administrative Expenses	41,309,072	42,392,420

10. OTHER OPERATING EXPENSES

	2018 KES	2017 KES
External travelling and Accommodation	5,638,783	6,002,722
Seminar expenses	5,134,812	4,197,080
Subscription fees	608,510	604,400
Accreditation expenses	7,640,706	5,943,008
Training Expenses	3,310,165	2,846,869
Technical Committee Expenses	119,985	65,127
Peer Evaluation Expenses-Administration	-	1,106,755
Events, Meetings and Exhibitions Expenses	1,575,482	1,360,000
Total Other Operating Expenses	24,028,443	22,125,961

11. OTHER GAINS/(LOSSES) REALISED

	2018 KES	2017 KES
Gain on foreign exchange transactions	226,738	162,845
Gain on Disposal of Computers	-	-
Total Gains/Losses realised	226,738	162,845

12. CAPITAL FUNDS

	2018 KES	2017 KES
(i) Accumulated Capital Fund		
Balance as at 1st July 2017	25,000,000	20,000,000
Government Grants Capital Development	5,000,000	5,000,000
	30,000,000	25,000,000
(ii) Revenue Reserve		
Balance as at 1st July 2017	-19,862,361	-13,200,305

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	2018 KES	2017 KES
Add adjustments for the year:	19,500	
Accounting for Warrant No 1126 and 1127	-210,000	
Credit Note CNINV000856	-10,970	
Credit Note CNINV000830	-11,200	
Branding for ties -WAD 2017	-109,716	
Waiver of Debt owed to KEBS	4,229,475	0
Reversal of INV000458- CN000085 double invoiced	-81,374	
Reversal of INV000609- CN000086 double invoiced	-60,000	
Reversal of INVREC000062-double invoiced	-192,500	
Reversal of INVREC000098-double invoiced	-192,500	
Reversal of INVREC000083-double invoiced	-385,000	
Reversal of INV000708-double invoiced	-565,000	
Advert for Recruitment INV0012 & 80029140	-211,402	
2015-2016 excess Penalty provision written off	-	685,024
Credit note for INV505 reversed	-	49,950
Reversal on withdrawal		
29.05.2011INVREC000079	-	-192,500
2015-2016 expenditure Accounting (847,848 & 849)	-	-183,081
Provision for Leave days 2017-2018	122,470	0
Surplus (Deficit)for the year	-5,229,564	-7,021,449
	-22,750,142	-19,862,361
(iii) Revaluation Reserve		
Balance as at 1st July 2017	7,260,000	7,260,000
Surplus (Deficit)for the year	5,590,000	-
	12,850,000	7,260,000

KENYA ACCREDITATION SERVICE (KENAS)

13. PROPERTY, PLANT AND EQUIPMENT	OFFICE	MOTOR	FURNITURE &	COMPUTER	TOTAL
	PARTITIONING KES (5 YRS.)	VEHICLES KES 25%	EQUIPMENT KES 12.5%	HARDWARE KES 33.3%	KES
Cost					
At 1st July 2016	22,597,180	18,847,300	10,381,125	5,084,257	56,909,862
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Additions	-	-	18,695.00	1,545,000.00	1,563,695
AS at 30th June 2017	22,597,180	18,847,300	10,399,820	6,629,257	58,473,557
At 1st July 2017	22,597,180	18,847,300	10,399,820	6,629,257	58,473,557
Disposals	-	-11,587,300	-	-	-11,587,300
Revaluations	-	5,590,000	-	-	5,590,000
Additions	-	-	339,595	1,484,924	1,824,519
AS at 30th June 2018	22,597,180	12,850,000	10,739,415	8,114,181	54,300,776
Depreciation/Amortization					
At 1st July 2016	20,337,462	13,402,298	5,556,971	4,818,993	44,115,725
Disposals	-	-	-	-	-
Charge for the Year	2,259,718	1,815,000	1,286,306	266,328	5,627,351
AS at 30th June 2017	22,597,180	15,217,298	6,843,277	5,085,321	49,743,076
At 1st July 2017	22,597,180	15,217,298	6,843,277	5,085,321	49,743,076
Disposals	-	-11,587,300	-	-	-11,587,300
Charge for the Year	-	3,212,500	1,272,621	870,122	5,355,243
AS at 30th June 2018	22,597,180	6,842,498	8,115,897	5,955,443	43,511,019
Net Book Values					
As at 30th June 2018	-	6,007,502	2,623,517	2,158,738	10,789,757
As at 30th June 2017	-	3,630,002	3,556,543	1,543,936	8,730,481
As at 30th June 2016	2,259,718	5,445,001	4,824,154	265,263	12,794,136

KENYA ACCREDITATION SERVICE (KENAS)

14. INTANGIBLE ASSETS

	SOFTWARE KES	TOTAL KES
Cost	33.3%	
Disposals	-	-
Additions	-	-
AS at 30th June 2017	2,034,409	2,034,409
At 1st July 2017	2,034,409	2,034,409
Disposals	-	-
Additions	-	-
AS at 30th June 2018	2,034,409	2,034,409
Depreciation/Amortization		
At 1st July 2016	1,602,966	1,602,966
Charge for the Year	431,443	431,443
AS at 30th June 2017	2,034,409	2,034,409
At 1st July 2017	2,034,409	2,034,409
Charge for the Year	-	-
AS at 30th June 2018	2,034,409	2,034,409
Net Book Values		
As at 30th June 2018	-	-
As at 30th June 2017	-	-
As at 30th June 2016	431,443	431,443

15. INVENTORIES

	2018 KES	2017 KES
Consumable stores	499,585	297,787
	499,585	297,787

16. CASH AND CASH EQUIVALENTS

	2018 KES	2017 KES
KCB Main Account	13,328,128	11,269,463
KCB Dollar Account	4,616,180	1,697,662
Total Cash and Cash equivalents	17,944,308	12,967,126

KENYA ACCREDITATION SERVICE (KENAS)

17. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
	KES	KES
Current receivables		
Sundry Debtors	126,302	230,170
General Debtors	37,931,198	26,595,687
Total Receivables from exchange transactions	38,057,500	26,825,857

18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018	2017
	KES	KES
Guarantee Deposits	389,000	389,000
Staff Debtors	11,614	-
Salary Advance	693,465	708,012
Prepaid rent	-	-
Prepaid Insurance	-	996,927
Prepaid Expenses	665,683	828,883
Total Receivables from non-exchange transactions	1,759,762	2,922,822

19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
	KES	KES
Trade payables	17,032,395	18,471,099
Withholding Tax 6%	311,128	31,364
Total Trade and Other Payables from Exchange transactions	17,343,523	18,502,462

KENYA ACCREDITATION SERVICE (KENAS)

20. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2018 KES	2017 KES
Provision for Audit Fees	406,000	406,000
Provision for professional fees	680,000	680,000
Provision for leave Days	2,379,844	2,502,314
Provision for General supplies	1,004,215	1,722,512
Staff Claims	55,396	6,079,712
P.A.Y.E	12,328,982	12,387,627
NSSF	-	-
Pension Contributions	1,097,485	-
Gratuity	424,000	
Staff Welfare	34,200	210,800
Staff Loans	-	-
KCB Loans	551,725	-
Coop Bank Loans	57,655	-
HELB Loans	3,999	-
UBORA Shares and Loans	792,752	-
Uboru Housing	3,000	-
IESA Shares and Loans	62,000	-
Other Saccos	22,759	
Bank of Africa Loans	166,557	-
Staff Loans- Barclays Loan	101,478	
CFC Life	7,823	
Jubilee Insurance	15,059	-
ICEA	3,009	-
Other Insurance Deductions	3,875	-
Voluntary Contribution	13,779	-
VAT	743,802	403,287
Overpayment Recovery	-	7,631
Other General Claims	284,892	75,776
Prepayments	16,338,744	4,066,325
Total Trade and Other Payables from Non-Exchange transactions	37,583,030	28,541,984

21. WORK IN PROGRESS

	2018 KES	2017 KES
Work in Progress - Computer Software	-	1,722,512
ERP Software ERP	5,975,500	5,975,500
Total Work in Progress	5,975,500	7,698,012

KENYA ACCREDITATION SERVICE (KENAS)

XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor during the prior year FY 2016-2017, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below the associated timeframe within which we expect the issues to be resolved. The Auditor General had given a qualified Opinion on the basis of the matters below. The Management as a result of this purpose to maintain the position in future and ensure full accountability of public funds

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: Resolved or Not Resolved	Focal person to resolve the issue (Designation)	Timeframe: (Date when it is expected to be resolved)
1	Non-Remittance of Statutory Deductions that relates to the Financial year 2014/2015	<p>The management has made efforts to pay statutory deductions timely and ensured that all statutory deductions during the year under review were remitted.</p> <p>The outstanding balance now stands at KES 10,844,120 relates to the years of 2014-2015. Moreover, Management has formally pursued the matter with Kenya Revenue Authority (KRA) by having a payment proposal/plan. Besides, Management had requested the parent ministry and the National Treasury to consider more funds to settle the same or a waiver or write off the balance.</p>	Ongoing	Deputy Director, Finance and Administration	June 2019
2.	Trade and Other Payables from Exchange Transactions	Management has paid up all pending bills which were due by 30 th June 2018. Also, Management has instituted a	Resolved	Deputy Director, Finance and Administration	September 2018

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: <i>Resolved or Not Resolved</i>	Focal person to resolve the issue <i>(Designation)</i>	Timeframe: <i>(Date when it is expected to be resolved)</i>
3.	Long Outstanding receivables	Management has put in place a debt collection strategy to ensure long outstanding debts have been collected. So far, a total of KES 26,209,068.44 has been collected, leaving a balance of KES 11,776,163.29.	Ongoing	Deputy Director, Finance and Administration	June 2019
4.	Material uncertainty related to Going Concern	The Service has been able to achieve steady year-over-year growth in A-in-A at an average rate of 13% since the Financial year 2013/2014. This has resulted in a year-over-year reduction in deficit at an average of 79%, thus improving the Service's ability as a going concern.	Ongoing	Deputy Director, Finance and Administration	June 2019

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XIX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

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

Project Title	Project Number	Donor	Period/Duration	Separate donor reporting required as per donor agreement (Yes or No)	Consolidated in these financial statements (Yes or No)
1	None				
2	None				

There were NO projects implemented by the Organization that was funded by development partners.

XX. Appendix 2: INTER-ENTITY TRANSFERS

There were NO inter-entity transfers during the financial year under review

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

There were NO transfers from other Government entities during the financial year under review

