

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

SCRAP METAL COUNCIL (SMC)

FOR THE YEAR ENDED  
30 JUNE, 2025

|                                                                                       |                        |
|---------------------------------------------------------------------------------------|------------------------|
|  |                        |
| THE NATIONAL ASSEMBLY<br>PAPERS LAID                                                  |                        |
| DATE: 03 DEC 2025                                                                     | DAY: Wednesday         |
| TABLED BY:                                                                            | Hon. Naomi W. Ngunjiri |
| CLERK AT THE TABLE:                                                                   | Gertrude Chebet        |









**SMC**  
SCRAP METAL COUNCIL

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025**

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



*Scrap Metal Council*  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2025.**

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*Scrap Metal Council*  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2025.**

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## **1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS**

### **A. Acronyms**

|       |                                                  |
|-------|--------------------------------------------------|
| CEO   | Chief Executive Officer                          |
| DG    | Director General                                 |
| HoS   | Head of Secretariat                              |
| ICPAK | Institute of Certified Secretaries               |
| IPSAS | International Public Sector Accounting Standards |
| MD    | Managing Director                                |
| NT    | National Treasury                                |
| OAG   | Office of the Auditor General                    |
| OCOB  | Office of the Controller of Budget               |
| OSHA  | Occupational Safety and Health Act of 2007       |
| PFM   | Public Finance Management                        |
| PPE   | Property Plant & Equipment                       |
| PSASB | Public Sector Accounting Standards Board         |
| SAGAs | Semi-Autonomous Government Agencies              |
| SC    | State Corporations                               |
| SMC   | Scrap Metal Council                              |

### **B. Glossary of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization

**Comparative Year-** Means the prior period.

## **2. Key Entity Information and Management**

### **(a) Background information**

The Scrap Metal Council (SMC) is a State Corporation established under the Scrap Metal Act No. 1 of 2015 on 9<sup>th</sup> January, 2015 to regulate Scrap Metal dealings in the country.

The term of the Scrap Metal Council officially lapsed on 5<sup>th</sup> October 2024, pursuant to Gazette Notice No. 10715 dated 6<sup>th</sup> October 2021. The council requested the Attorney General to commence the gazettelement of nominated members-Mr. Dickson Kibuu Nzuki, Ms. Gladys Nyambura, and Eng. Kipkemoi Kibias-under Section 4(1)(f) of the Scrap Metal Act, 2015. However, the gazettelement is still pending to date.

The Council is supported by the State Department for Industry that has deployed the Secretariat of the Council as provided for in the Act.

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

The principal mandate of the Council is to regulate dealings in scrap metal.

#### **The vision**

A premier regulator for scrap metal dealing within the region and beyond.

#### **The Mission**

To provide a safe and facilitative regulatory environment while looking for best practices and current industry standards for sustainable scrap metal trade and recycling for economic growth.

#### **Core values**

The Council seeks to uphold the following core values:

- **Customer focus:** We commit to embrace, meet, delight and exceed our customers' expectations
- **Fairness:** We shall execute our functions and duties, activities and decision-making in ways that are: objective, honest and responsive to our customer needs
- **Excellence:** We shall endeavor to provide eminent services through promotion of creativity, innovation, continuous improvement and adaptation to new ways of doing things.
- **Integrity:** We shall uphold professionalism, honesty and commitment to moral ethical principles
- **Teamwork:** We shall foster close working relationships to achieve our organizational objectives

The Scrap Metal Council (SMC) derives its mandate from Part I (6) of the Scrap Metal Act 2015 which is to:

- (a) advise the Cabinet Secretary on:
  - (i) The appropriate measures and mechanisms for regulating the scrap metal industry in ensuring economic growth, protection of public health and conformity to the principles of environmental stewardship as required by the Basel Convention;
  - (ii) The appropriate measures and mechanisms for protecting public interest against vandalism, theft of utility infrastructure and private property;
  - (iii) The methods of attracting investors on the utilization of excess scrap materials and supporting existing users of scrap metal;
  - (iv) The applicable license fees to be prescribed under this Act; and
  - (v) Any other matter relevant to the operations of the Scrap Metal Act.
- (b) Receive, vet and process all applications for the grant and renewal of licenses.
- (c) Receive public complaints and disputes from the public and within the scrap metal industry
- (d) Submit an annual status report on the scrap metal industry in Kenya to the Cabinet Secretary

The Council is committed to the following strategic objectives:

- (i) To develop regulations, procedures and guidelines within the first year of operations
- (ii) To put in place a robust national and county enforcement framework for compliance with the regulations and associated guidelines.
- (iii) To control illegal trading of scrap metal from public utilities through adoption of self-regulation business member organizations and high penalties/sanctions.
- (iv) To control trading in scrap metal from public infrastructure and utilities institutions
- (v) To establish an investment framework to attract and develop investments for recycling of scrap metal
- (vi) To develop leadership and institutional systems for effective and efficient service delivery
- (vii) To strengthen mobilization of sustainable financial resource stream, applicable accountability mechanism and reporting.



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**(c) Key Management**

The Scrap Metal Council's day-to-day management is under the Council Secretariat headed by the Head of Secretariat.

| No. | Designation                     | Name            |
|-----|---------------------------------|-----------------|
| 1.  | Head of Secretariat             | David Rono      |
| 2.  | Head of Planning                | Komora Hiribae  |
| 3.  | Head of Technical Services      | Simeon Mose     |
|     |                                 | Caxton Griffin  |
| 4.  | Head of Accounts                | Hosea Kidamba   |
| 5.  | Head of Supply Chain Management | Jane Kinyanjui  |
| 6.  | Head of Human Resource          | Lenard Kimanthi |
| 7.  | Head of ICT                     | Kemboi Timon    |
| 8.  | Head of Finance                 | Joseph Mumo     |

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

| No. | Designation                     | Name            |
|-----|---------------------------------|-----------------|
| 1.  | Head of Secretariat             | David Rono      |
| 2.  | Head of Planning                | Komora Hiribae  |
| 3.  | Head of Technical Services      | Simeon Mose     |
|     |                                 | Caxton Griffin  |
| 4.  | Head of Accounts                | Hosea Kidamba   |
| 5.  | Head of Supply Chain Management | Jane Kinyanjui  |
| 6.  | Head of Human Resource          | Lenard Kimanthi |
| 7.  | Head of ICT                     | Kemboi Timon    |
| 8.  | Head of Finance                 | Joseph Mumo     |

**(e) Fiduciary Oversight Arrangements**

The Council has put in place measures to enforce fiduciary and oversight arrangements to ensure compliance i.e., the Council has 3 key committees:

1. Finance and Human Resource Committee,
2. Audit and Governance Committee, and;

### 3. Technical Committee.

These committees provide policy direction and oversight to the Council management. The main objective of the audit and governance is to assist the Board in discharging its duties in relation to operation of adequate systems, control processes and preparation of accurate financial reporting statements in compliance with all applicable legal requirements and accounting standards.

#### Council's Committees Composition

##### i. Finance and Human Resource

| NO. | NAME                | POSITION    | No. of Meetings Held |
|-----|---------------------|-------------|----------------------|
| 1   | Bobby Aaron Johnson | Chairperson | 2                    |
| 2.  | Stephen Macharia    | Member      | 0                    |
| 3.  | Stella Mucheke      | Member      | 2                    |
| 4.  | Lydia Mwenga        | Member      | 2                    |

##### ii. Audit and Governance

| NO. | NAME          | POSITION    | No. of Meetings Held |
|-----|---------------|-------------|----------------------|
| 1   | Shezad Fazal  | Chairperson | 1                    |
| 2.  | Nancy Ngetich | Member      | 1                    |
| 3.  | Sarah Duncan  | Member      | 0                    |

##### iii. Technical Committee

| NO. | NAME           | POSITION    | No. of Meetings Held |
|-----|----------------|-------------|----------------------|
| 1   | Stephen Mutoro | Chairperson | 1                    |
| 2.  | Sarah Duncan   | Member      | 0                    |
| 3.  | Lydia Mwenga   | Member      | 1                    |
| 4.  | Stella Mucheke | Member      | 1                    |
| 5.  | Nancy Ngetich  | Member      | 1                    |

**(f) SMC Headquarters**

1<sup>st</sup> Floor, Wing B  
Social Health Authority Building  
Ragati Road  
Nairobi, KENYA

**(g) Scrap Metal Council Contacts**

P.O. Box 30547 - 00100  
Nairobi, KENYA  
Telephone: (254) 0114862446  
Website: [www.scrapmetalcouncil.go.ke](http://www.scrapmetalcouncil.go.ke)  
E-mail: [info@scrapmetalcouncil.go.ke](mailto:info@scrapmetalcouncil.go.ke)  
X: @ScrapMetalC\_ke

**(h) Scrap Metal Council Banker**

1. Kenya Commercial Bank  
Milimani Branch  
Bishop Road  
NSSF Building

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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



### 3. The Board of Directors/Council

| Ref | Directors                                                                           | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  |    | <p><b>Mr. Francis Mugo</b> is the currently the chair of Scrap Metal Council. He is a highly accomplished executive with over 10 years of experience in strategic leadership, regulatory oversight, industry development and fostering collaboration among diverse stakeholders. He is the former Managing Director at Port Properties Limited. He also served as a Part Time Lecturer at the Technical University of Mombasa, a Court Assistant at the Judicial Service Commission and an Administration &amp; Public Relations Officer at Mwaure &amp; Mwaure Waihiga Co. Advocates.</p> <p>He holds a Bachelor's Degree of Laws-LLB from Mt. Kenya University, Bachelor of Business Administration and Diploma in Procurement and Material Management at the Technical University of Mombasa and Certificate in Financial Application at Kenyatta University.</p> |
| 2.  |  | <p><b>Mr. Aaron Johnson Bobby</b> is currently the Chairman and Director at Steelmakers Ltd and Chairman at Metal and Allied Sector in the Kenya Association of Manufacturers.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3.  |  | <p><b>Mr. Shezad Jalanvin Fazal</b> is currently the General Manager at the Metal Merchants Ltd and Board Member representing the Metal Cottage Industries. He has vast experience in Strategic Planning, Business Development, Budgets, Business Planning, Business Strategy, Negotiation, New Business Development, Sales Management, Key Account Management and Project Planning. He is the former General Manager at The Smart Brands and consultant at Awal Ltd.</p> <p>He holds a Bachelors of Arts Degree in Business Management from Moi University.</p>                                                                                                                                                                                                                                                                                                     |
| 4.  |  | <p><b>Mr. Stephen Irungu Macharia</b> is currently representing for Kenya and Iron Scrap Metal Dealers Association. He has vast experience in artisanry specifically Scrap Metal Works.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



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|    |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. |    | <p><b>Ms. Sarah Wanjiku Duncan</b> is currently the Deputy Director of Operations at the National Police Service. She is a seasoned Security Expert with over 30 years of experience skilled in intelligence collection, mapping and conducting security operations. She is the former County Commander of Siaya and Vihiga Counties. She also served as the Officer Commanding Railways Police Division, Head of Complaints and Quality Assurance Departments in Nairobi Region, Officer In charge Police Station at Muranga and Kirinyaga Counties and Officer in charge of Petty Crime Section &amp; Motor Vehicle Theft in Buruburu.</p> <p>She holds a Bachelor of Arts in Peace and Conflict Studies from St. Paul's University and a Certificate in Mediation from Mediation Training Institute of East Africa.</p> |
| 6. |   | <p><b>Mr. Stephen Mutoro</b> is currently the Secretary General of Consumers Federation of Kenya (COFEK). He is a board director at Kenya Industrial Research and Development Institute (KIRDI). Over the years, advocacy for consumer rights and equitable public service delivery has been a cornerstone of his mission. He is the former Chairman at Decentralization and Governance Non-State Actors Network (DEGONSA). He also served as the CEO of The Kenya Alliance of Resident Associations.</p> <p>He holds a Masters of Arts -MA, Criminology from University of Nairobi, PGD, Bachelor of Arts in Literature from University of Nairobi and Certification in Conflict Transformation Across Cultures (CONTACT) from Graduate School of International Training.</p>                                             |
| 7. |  | <p><b>Ms. Lydia Mwenga</b> is currently the Assistant Director industries supporting Policy Implementation of Agro-Industries. She has a background in Climate Finance, banking and Insurance, with experience in implementation climate finance projects.</p> <p>She holds a Master's in Business Administration.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|    |                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8. |   | <p><b>Ms. Stella Mucheke</b> is currently the Chief Supply Chain Officer at Kenya Power and Lighting Company. She is the former Deputy Chief Supply Chain Officer at Kenya Power and Lighting Company. She also served as an Assistant Stores &amp; Stock Control Officer, Supplies Assistant 1 and Customer Care Representative at Kenya Power and Lighting Company.</p> <p>She holds a Master's Degree in Business Administration (MBA-Operations Management from the University of Nairobi, Bachelor's degree in Economics, Mathematics &amp; Sociology from Egerton University and Graduate diploma holder (CIPS-level 6) from Chartered Institute of Purchasing and Supplies.</p>                                                                                                                                                                                                                                                                                                                                                                                                           |
| 9. |  | <p><b>Ms. Nancy Ng'etich</b> is currently the Acting Commissioner, Corporate Support Services at Kenya Revenue Authority. She is an advocate of the High Court of Kenya and a member of Law Society of Kenya, the Institute of Certified Public Secretaries and the Kenya Institute of Management. She is the former Deputy Commissioner in Customs and Border Control. She also served as a Senior Manager Customs and Tax Advisory consulting at Ernest &amp; Young LLP, Legal Tax Administrator at International Global Trade and Customs Laws, Kenya Customs Representative in the National Working Group at the African Continental Free Trade Agreement Protocol and Customs Team Lead at the East African Community (EAC) level.</p> <p>She holds a Master's Degree in Business Administration, Strategic Management from Kenyatta University, Bachelor's degree in Law from Moi University, postgraduate Diploma in Law from the Kenya School of Law, Senior Leadership training from Commonwealth Administration of Tax Administration (CATA) and Strathmore Business School (SBS).</p> |



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|     |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10. |    | <p><b>David Rono</b> is currently the Head of Secretariat at the Scrap Metal Council. He joined the Ministry of Industrialization in 1994 as a Statistical Officer and later rose through the ranks to become a Deputy Director. He has served as a desk officer for various trade and industrial organizations including AGOA, UNIDO and the WTO.</p> <p>He holds a Masters in International Business and several professional courses from various institutions both locally and internationally.</p>                                                                               |
| 11. |  | <p><b>Mr. Komora Hiribae</b> is currently the Head of Planning and the Acting Corporation Secretary. He has over four years' experience in Economic Planning, Budgeting and Policy Coordination supports the Board on Governance and compliance matters.</p> <p>He holds a Bachelor's Degree, Economics from Moi University and certificates on Monitoring and Evaluation for Small and Medium Industries and Integrated Policy Leadership Implementation and Partnerships from Eastern and Southern African Management Institute (ESAMI) and Devrell International respectively.</p> |

#### 4. Key Management Team

| SN | Management                                                                          | Details                                                                                                                                                                        |
|----|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. |    | <b>David Rono</b><br>Head of Secretariat responsible for day to day running of the Scrap Metal Council Secretariat<br><b>Qualification:</b> Bachelor of Science in Engineering |
| 2. |    | <b>Komora Hiribae</b><br>Head of Planning responsible for Corporate Strategy<br><b>Qualification:</b> B.A (Economics)                                                          |
| 3. |   | <b>Simeon Mose</b><br>Head of Technical Services<br>Responsible for Core Functions<br><b>Qualification:</b> Masters- Electrical and Electronic Engineering                     |
| 4. |  | <b>Caxton Griffin</b><br>Head of Technical Services<br>Responsible for Core Functions<br><b>Qualification:</b> Masters-Material Science and Engineering                        |
| 5. |  | <b>Hosea Kidamba</b><br>Head of Accounts.<br>Responsible for Accounts matters<br><b>Qualification:</b> BCom- Finance                                                           |
| 6. |  | <b>Jane Kinyanjui</b><br>Head of Supply Chain Management<br>Responsible for Procurement matters<br><b>Qualification:</b> Diploma in Purchases and Supplies, CIPS               |



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|    |                                                                                    |                                                                                                                                                                                        |
|----|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. |   | <b>Lenard Kimanthi</b><br>Head of Human Resource Management<br>Responsible for Human Resource Management<br><b>Qualification:</b> B.S. Education Science, Diploma<br>in Human Resource |
| 8. |   | <b>Kemboi Timon</b><br>Head of Information, Communication and<br>Technology<br>Responsible for ICT Issues<br><b>Qualification:</b> B.S. Computer Science                               |
| 9. |  | <b>Joseph Mumo</b><br>Head of Finance<br>Responsible for finance issues<br><b>Qualification:</b> CPA (K)                                                                               |

## **5. Chairman's Statement**

During the Period Under Review, the Council made notable gains in fulfilling its regulatory mandate. The number of licensed operators increased from 813 to 844, while automation of export and import permits through integration with the Trade Facilitation Platform (TFP) reduced processing time from 30 to 7 days, enabling issuance of 390 export and 321 import permits. Revenues grew from Kshs. 67.1 million to Kshs. 78.76 million, enabling the Council to operate without Exchequer support. Nine (9) stakeholder sensitization forums were conducted across various counties, and tree growing efforts rose from 3,400 to 4,000 seedlings planted in support of the climate change agenda.

The Council's interventions supported employment growth from 2.2 to 2.5 million Kenyans across the scrap value chain. The number of domestic steel mills sourcing raw materials rose from 33 to 38, with over 300,000 metric tons of scrap metal consumed annually. Export earnings increased from Kshs. 8.67 billion in 2023 to Kshs. 15.02 billion in 2024, confirming the sector's role in industrialization, green manufacturing and foreign exchange generation.

However, institutional and regulatory constraints affected optimal delivery. These included the lapse of Council membership, delayed replacement of members by nominating entities, and pending gazettment of nominated appointees and Inspectors. The annulment of the Scrap Metal Rules, 2022 also created temporary legal uncertainty, slowing enforcement.

To unlock the full potential of the sector, the Council recommends urgent policy, legal, and institutional interventions including: timely reconstitution of the Council; fast-tracking gazettment of new members and Inspectors; and prioritization of legal reforms to operationalize the Scrap Metal Act. Strengthening inter-agency coordination and stakeholder awareness will also be key to enhancing compliance and sector governance.

Name

Francis Mugo

**Chairperson of the Board/Council**

Sign:

Francis Mugo



## **6. Report of the Head of Secretariat**

The Financial Year 2024/2025 marked a significant phase in the execution of the Scrap Metal Council's mandate to regulate and streamline the scrap metal industry in Kenya. Anchored in the Scrap Metal Act, 2015 and aligned to the Bottom-Up Economic Transformation Agenda (BETA), Kenya Vision 2030, SDG 12, and Agenda 2063, the Council remained focused on promoting safe, compliant and sustainable scrap metal trade and management.

During the year under review, the Council licensed 844 scrap metal operators, representing a growth from 813 licenses in the previous year. To facilitate international trade, export and import permit processes were fully automated through integration with the National Trade Facilitation Platform in March 2025. This led to a reduction in processing time from 30 to 7 days and enabled the issuance of 390 export and 321 import permits.

The Council intensified stakeholder engagement, holding nine (9) consultative sensitization forums across Nairobi, Homa Bay, Mombasa, Kilifi, Bungoma, Kakamega, Kirinyaga, Kericho and Nakuru Counties-up from six (6) in the prior year. These forums aimed to raise awareness, promote compliance, and foster partnerships with Business Member Organizations (BMOs) and scrap metal dealers.

Environmental stewardship was reinforced through tree growing activities, where a total of 4,000 indigenous and exotic tree species were planted during two events in collaboration with local communities-an increase from 3,400 trees the previous year.

On financial performance, the Council raised Kshs. 78.76 million in Appropriations-In-Aid (A-I-A), an increase from Kshs. 67.12 million in FY 2023/24, reflecting improved compliance and operational efficiency. This financial performance enabled the Council to be weaned off Exchequer support. Budget absorption stood at 97.63%, while contracts worth Kshs. 5.94 million were awarded under the Access to Government Procurement Opportunities (AGPO) framework, reinforcing inclusivity and local content promotion.

Despite the progress, the Council encountered critical regulatory and institutional challenges. These included the lapse of Council membership on 5th October 2024 and delayed replacement by nominating bodies. Requests for gazettelement of new members and Inspectors remain pending, impacting governance and field enforcement functions. Further, the annulment of the Scrap Metal Rules, 2022 created a temporary legal vacuum, delaying full enforcement of the Act and compliance operations.

To address these gaps, the Council recommends urgent gazettelement of nominated Inspectors, reconstitution of the Council, and fast-tracking legal reforms through stakeholder consultation and a Regulatory Impact Assessment. Strengthening institutional autonomy and enhancing inter-agency coordination will also be essential in realising the Council's vision of a well-regulated, inclusive, and sustainable scrap metal sector.

Name Daniel K. Row Sign: 

**Head of Secretariat**



## 7. Statement of Scrap Metal Council's Performance Against Predetermined Objectives for FY 2024/2025

### (i) Scrap Metal Council (SMC) Performance Review

Scrap Metal Council has Five Key Results Areas with six Strategic Objectives within the current Strategic Plan for the FY 2023-2027. These strategic pillars are as follows:

| Key Result Area                                                 | Strategic Objective                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Scrap Metal Regulatory Framework                             | To develop and operationalize scrap metal regulations, procedures, and guidelines by 2026 to increase compliance by 60%<br>To establish a national and county enforcement framework by 2027 with 100 trained inspectors and 80% licensee compliance |
| 2. Protection of Critical Infrastructure and Private Property   | To reduce vandalism of critical infrastructure by 50% by 2028 through enforcement, tribunal setup, and adoption of self-regulation by 70% of dealers                                                                                                |
| 3. Sustainable Scrap Metal Recycling and Industrial Development | To attract five new investments and increase local scrap metal value addition by 30% by 2029                                                                                                                                                        |
| 4. Institutional Capacity and Governance                        | To build internal capacity by 2027 through recruitment and 75% stakeholder satisfaction in service delivery                                                                                                                                         |
| 5. Financial Sustainability and Accountability Framework        | To increase own-source revenue by 60% by 2029 through a financing plan, automated licensing, and 2 alternative funding mechanisms                                                                                                                   |

Scrap Metal Council develops its annual work plans based on the above Five Key Results Areas with six Strategic Objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2024-25 period, as indicated in the table below:

| Strategic Pillar/Theme/Issues       | Objectives                                                  | Key Performance Indicator                           | Target                                            | Achievements                                                                                    |
|-------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Regulating the scrap metal industry | To control and regulate the dealing in scrap metal business | No. of Licenses issued                              | Issue 1000 Licenses                               | -Issued 844 Licenses                                                                            |
|                                     |                                                             | Level of mapping of scrap metal dealers countrywide | Inspect and vet the mapped dealers for compliance | -45 % dealers mapped countrywide. Multi Agency Team (MAT) has been working to ensure compliance |

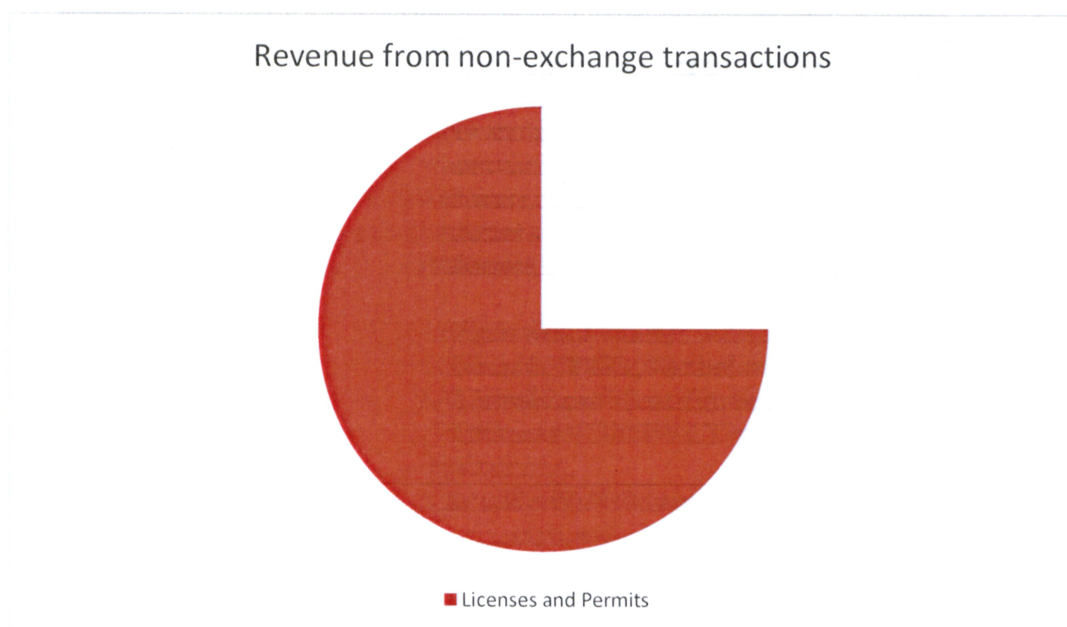
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| Strategic Pillar/Theme/Issues | Objectives                                | Key Performance Indicator             | Target                                                                                                           | Achievements                                                                                                                                                           |
|-------------------------------|-------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               |                                           | Scrap Metal Act Reviewed              |                                                                                                                  | through the Ministry of Interior and Coordination of National Government                                                                                               |
|                               |                                           |                                       | Conduct stakeholder consultations                                                                                | -Conducted <b>9</b> stakeholder consultations                                                                                                                          |
|                               |                                           |                                       | Prepare final Draft Scrap Metal Amendment Bill                                                                   | - Proposed amendments on Section 4 has been submitted to Parliament through a Cab Memo on Business Laws (Amendment) , Bill 2024(National Assembly Bill No. 49 of 2024) |
|                               |                                           |                                       | Submit to the Cabinet Secretary the final draft Scrap Metal Amendment Bill for onward transmission to Parliament |                                                                                                                                                                        |
|                               |                                           |                                       |                                                                                                                  |                                                                                                                                                                        |
|                               | To operationalize the scrap metal council | Scrap Metal Act Regulations Developed | Engage Stakeholders on the Draft Rules for operationalization of the Act                                         | Draft Scrap Metal Act Regulations developed. To be validated once the Act is finalized.                                                                                |
|                               |                                           |                                       | Review and consolidate stakeholders' input                                                                       |                                                                                                                                                                        |
|                               |                                           |                                       | Resubmit rules to Parliament for approval                                                                        |                                                                                                                                                                        |
|                               |                                           | Level of Operationalization on        | Development of Operational Manuals                                                                               | Risk Management Policy in place, Office Acquired and                                                                                                                   |

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| Strategic Pillar/Theme/Issues | Objectives | Key Performance Indicator | Target | Achievements                                                                   |
|-------------------------------|------------|---------------------------|--------|--------------------------------------------------------------------------------|
|                               |            |                           |        | fully equipped, HR tools developed and Strategic Plan is awaiting Finalization |

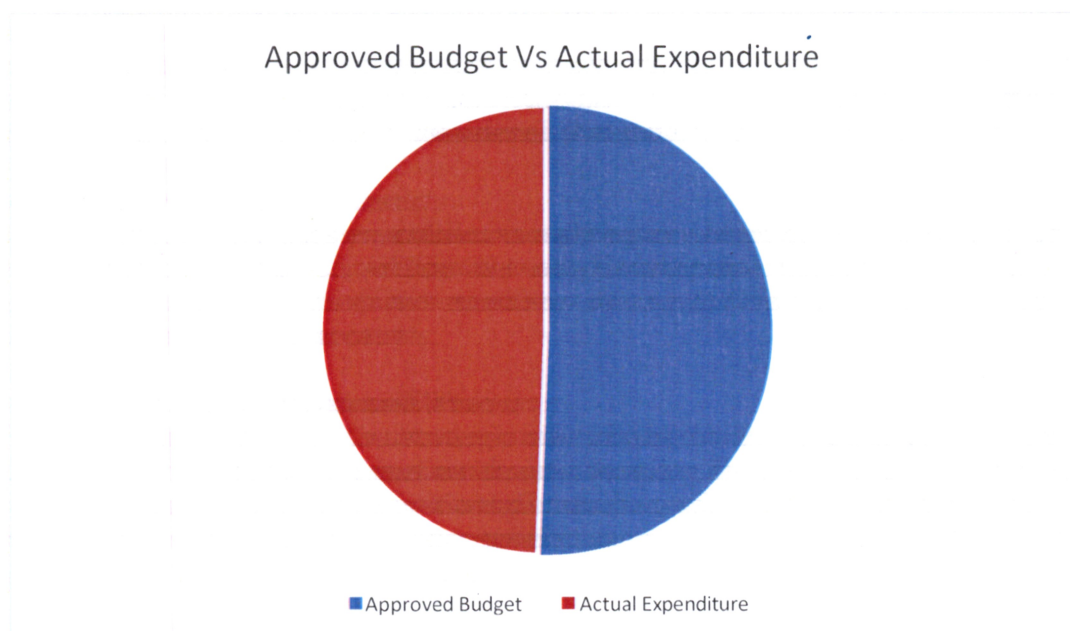
The Revenue collected throughout the period is plotted as below:



**Source: SMC computation**  
Licenses and Permits were **Kshs. 78,760,300.00**

In terms of Budget Allocated and Actual Expenditure for the Council for the period





Source: SMC computation

Actual expenditure- **Kshs. 78,104,894.90**

**Approved budget was initially Kshs. 60,000,000.00. It was later revised to Kshs. 80,000,000.00 during supplementary II.**

## 8. Corporate Governance Statement

The Scrap Metal Council is responsible for the governance role of the Council. Both the Council and senior management of the Council are committed to the highest levels of corporate governance, which it considers critical in achieving the Council's mandate. Accordingly, the Council therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity.

The Council recognizes that for governance to be effective it must be realized through leadership and collaboration with the council members at the top leading by example and complementing the senior management. This enables effective and efficient decision making and discharge of duties

The Head of Secretariat is the Secretary to the Council and works closely with other members of the Secretariat deployed from the State Department for Industry. The oversight role of the secretariat is to provide strategic direction for the council. Specifically, the council is responsible for;

- i. Determining the council's Mission, Vision, Purpose and Core Values
- ii. Reviewing, evaluating and approving on regular basis, long terms plans for the council
- iii. Reviewing, evaluating and approving the council's budget and financial forecasts
- iv. Reviewing, evaluating and approving major resources allocations and capital investments
- v. Ensuring that the procurement process is cost effective and delivers value for money
- vi. Reviewing and approving the operating and financial results of the council

- vii. Ensuring effective, accurate, timely and transparent disclosure of pertinent information on the organization's operations and performance
- viii. Ensuring that effective processes and controls are in place
- ix. Reviewing, evaluating and approving overall organization's structure, the assignment of senior management responsibilities and plans for Senior management development and succession
- x. Reviewing, evaluating and approving the remuneration structure of the organization
- xi. Adopting, implementing and monitoring compliance with organization's Code of Conduct and Ethics
- xii. Reviewing on quarterly basis the attainment of the targets and objectives set out in agreed performance measurement with the GOK
- xiii. Reviewing periodically the organization's strategic objectives, and policies relating to sustainability and social responsibility/investment
- xiv. Enhancing council's public image and ensure engagement with stakeholders through effective communication
- xv. Monitoring compliance with the Constitution, and applicable laws, regulations and standards
- xvi. Reviewing, monitoring and ensuring that the organization is effectively and consistently delivering on its mandate

### **Council Meetings**

During the reporting period, the Scrap Metal Council experienced a reduced frequency of Council meetings compared to prior years. This was primarily attributed to quorum constraints arising from the lapse of the term of five (5) Council members on 5th October 2024, as per Gazette Notice No. 10715 of 6th October 2021. Notably, two members-Mr. Aaron Bobby Johnson (Kenya Association of Manufacturers) and Mr. Stephen Mutoro (Consumer Federation of Kenya)-had served the maximum two terms allowed, and their nominating institutions did not respond to formal requests for replacement.

Consequently, the Council's ability to convene and transact business was significantly affected in the second half of the financial year, impeding timely policy decisions, committee deliberations, and strategic oversight. Efforts to reconstitute the Council commenced, including a formal request to the Attorney General through letter Ref: SMC/2024/12/19 dated 19th December 2024, seeking gazettment of nominated members. However, the process remained pending by the close of the financial year. During the year under review, the Council held two (2) regular meetings.

### **Committees of the Council**

The Council has the following principal Committees that meet under defined terms of reference set by the Council. This is intended to facilitate efficient decision-making of the Council in discharging its duties and responsibilities.

#### **a) Audit and Governance Committee**

The Committee assists the Council in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring implementation of audit reports and recommendations. The Committee held one (1) regular meeting<sup>1</sup> in the year under review.

The members of this committee are;

1. Shezad Fazal,
2. Sarah Duncan,
3. Nancy Ngetich

**b) Finance and Human Resource Committee**

The Committee reviews and provides recommendations on issues relating to all human resource policies and procedures, Resource mobilization, work planning and budgeting, procurement oversight, performance contracting and ensuring compliance with legal and statutory requirements. The Committee held one (1) regular meeting and one (1) special meeting in the year under review. The members of this committee are;

1. Bobby Aaron Johnson,
2. Stella Mucheke,
3. Stephen Macharia,
4. Lydiah Mwenga

**c) Technical committee**

The committee is responsible for overseeing the licensing and inspection activities of the Council. The Committee held one (1) regular meeting in the year under review. The members of this committee are;

1. Stephen Mutoro,
2. Sarah Duncan,
3. Stella Mucheke,
4. Nancy Ngetich,
5. Lydiah Mwenga

**Performance Contract**

The council annually signs a Performance Contract with the Government as well as setting Corporate Performance Strategies with Management and continues to perform an annual self-evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

**Training and Development**

Despite governance constraints experienced during the second half of the financial year, the Council prioritized institutional capacity building as a critical enabler of effective regulation. Staff participated in targeted trainings focused on public financial management, regulatory compliance, environmental sustainability, and digital transformation to enhance service delivery.

Additionally, the Council conducted sensitization forums for industry stakeholders-particularly Business Member Organizations (BMOs) and licensed dealers-to build awareness on regulatory requirements, the digitization of permit processes, and compliance with the Scrap Metal Act. These initiatives supported broader goals of professionalizing the sector, enhancing stakeholder engagement, and strengthening the Council's capacity to deliver on its mandate.



### **Conflict of Interest**

Council Members are required to make written disclosures of any transaction in which they have interest and which would constitute a conflict of interest and abstain from voting when such matters are being considered. A register is maintained for this purpose.

### **Directors Emoluments**

Council Members are entitled to a sitting and other allowances (where applicable) for every meeting attended, within the set Government guidelines. The aggregate amount of emoluments paid to the members during the financial year for services rendered are disclosed in the accounts.

### **Board Induction and Training**

In recognition of the strategic role played by the Council in governing the scrap metal industry, induction and continuous training for Board Members remains a key priority. Upon appointment, new Council members will undergo structured induction covering key areas including public sector governance, the Scrap Metal Act, PFM Act, Public Procurement and Asset Disposal Act (PPADA), and ethical leadership.

### **Board and Member Performance**

During the reporting period, the performance of the Scrap Metal Council was not evaluated by the State Corporations Advisory Committee (SCAC), and as such, no performance score was issued. Nonetheless, the Council continued to discharge its regulatory and advisory mandate within the framework of the Scrap Metal Act, with members contributing to policy direction, stakeholder engagement, and institutional development.

## **9. Management Discussion and Analysis**

Over the past five years, the Council has made steady progress in regulation, resource mobilization, and stakeholder engagement. Licenses issued rose from 721 in FY 2020/21 to 844 in FY 2024/25, while A-I-A collections increased from Kshs. 49.2 million to Kshs. 78.76 million, resulting in reduced reliance on the Exchequer.

Key projects implemented include full automation of export/import permits under the Trade Facilitation Platform (TFP), reducing processing time from 30 to 7 days, and enhanced environmental stewardship through tree growing initiatives that increased from 3,400 to 4,000 trees. Stakeholder sensitization forums also grew from 6 to 9.

The Council complied with statutory obligations under the Scrap Metal Act and the PFM Act, though pending bills amounting to Kshs. 1.75 million were recorded due to delayed Strategic Plan approvals. No arrears were recorded in statutory deductions to KRA, NHIF, or NSSF.

Major risks encountered included lapse of Council term, lack of gazetted inspectors, and annulment of the 2022 Rules, which affected continuity and enforcement. Mitigation efforts are ongoing.

Sector performance remained strong, with employment in the value chain increasing from 2.2 to 2.5 million people, steel mills from 33 to 38, and scrap export earnings rising from Kshs. 8.67 billion to Kshs. 15.02 billion, reflecting sector resilience and contribution to the circular economy.

Key priorities going forward include finalization of regulations, gazettelement of inspectors and new Council members, establishment of an industry MIS, and enhanced compliance monitoring.

## **10. Environmental And Sustainability Reporting**

The mandate of the Council includes: advising the Cabinet Secretary on: the appropriate measures and mechanisms for regulating the scrap metal industry in ensuring economic growth; **protection of public health and conformity to the environmental stewardship as required by the Basel Convention**; measures and mechanisms for protecting public interest against vandalism, theft of utility infrastructure and private property; attracting investors on the utilization of excess scrap materials and supporting existing users of scrap metal; and licensing under the scrap metal Act;

The Council undertook the following activities under the Corporate Social Responsibility for the period ended 30<sup>th</sup> June, 2025:

### **i). Sustainability Strategy and Profile**

The Council aligned its regulatory mandate with global and national sustainability priorities, including SDG 12, Agenda 2063, and the Basel Convention. It supported green manufacturing through the 3Rs and promoted environmental stewardship by planting 4,000 trees, up from 3,400.

Export/import permits were digitized under the Trade Facilitation Platform, enhancing efficiency and reducing environmental impact. Through its Service Delivery Charter, the Council upheld licensing standards and compliance.

Contracts worth Kshs. 5.94 million were awarded to AGPO groups, supporting youth, women, and PWDs. Despite legal and institutional constraints, the Council remained committed to sustainable regulation, circular economy, and inclusive growth.

### **ii). Environmental Performance**

During the year, the Council undertook tree-growing initiatives, planting 4,000 indigenous and exotic trees in line with the national climate action agenda. Waste minimization was promoted through the 3Rs (Reduce, Reuse, Recycle) across licensed facilities. The Council also advanced automation of export/import permits, reducing paperwork and contributing to a paperless, low-carbon environment.

Environmental sensitization was integrated into stakeholder forums to promote compliance with NEMA and county environmental regulations. Gaps in inspectorate capacity and environmental monitoring remain, for which the Council has proposed gazettelement of inspectors and institutional strengthening as part of mitigation measures.

### **iii). Employee welfare**

Officers deployed at the Scrap Metal Council Secretariat have continued to enjoy and receive the same employee welfare benefits as designed by the State Department for Industry. The Accounting Officer developed and implemented employee welfare and wellness programmes in the workplace to improve employee productivity, motivation, team working and working environment for the staff at the Headquarters.

The Council upholds a **safe working environment** in compliance with the **Occupational Safety and Health Act, 2007 (OSHA)**. No work-related injuries were reported during the year. Preventive measures, including workplace safety audits and staff sensitization on health and safety, were implemented to mitigate potential occupational risks.

**iv). Market Place Practices**

The Scrap Metal Council is spearheading the implementation of public procurement preferences targeting special groups of women, youth and persons with disabilities. The Council in the meantime has been using the State Department for Industry list of registered suppliers/contractors for supply/provision of goods, works & services for the year ended 30<sup>th</sup> June 2025.

The measures put in place included:

- i.) Council using the Government Advertising Agency to place for its advertisement for delivery of various categories of goods and services;
- ii.) Conducted evaluation of tenders for goods and services in a transparent manner adhering to all laid down procedures;
- iii.) Cleared the pending bills with the available resources provided and within reasonable timelines.

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

During the reporting period, the Council undertook targeted CSR and community engagement activities aligned to its regulatory mandate. Key among these was the planting of 4,000 trees across nine counties, contributing to national climate resilience and environmental restoration goals.

The Council also conducted nine (9) county-based sensitization forums in Mombasa, Kilifi, Bungoma, Kakamega, Kirinyaga, Kericho, Nakuru, Nairobi, and Homa Bay. These forums enhanced public participation, civic education, and awareness on licensing, compliance, and infrastructure protection.

Through these engagements, the Council fostered stakeholder inclusivity, promoted community ownership in curbing vandalism, and supported the national agenda on environmental stewardship and circular economy.



## **11. Report Of the Directors**

The Directors submit their report together with the audited financial statements for the twelve months period ended June 30, 2025, which show the state of the entity's affairs.

### **i) Principal activities**

The principal activities of the entity are:

- Licensing
- Protection of private and public property from vandalism
- Protection of public health by control of transboundary movement of hazardous materials
- Promotion of investments in utilization of scrap metal materials

### **ii) Results**

The results of the entity for the period ended June 30, 2025, are set out on page **xvii-xx**.

### **iii) Directors**

The members of the Council who served during the year are shown on page **viii -x**.

### **iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Scrap Metal Council did not make any remittance to the Consolidated Fund.

### **v) Auditors**

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

By Order of the Board

Name: DAVID K RINO

Signature: 

**Secretary to the Board**

## **12. Statement Of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, and the scrap metal act no. 1 of 2015) require the Directors to prepare financial statements in respect of the Scrap Metal Council, which give a true and fair view of the state of affairs of the Council at the end of the financial period and the operating results of the Council for year ending 30<sup>th</sup> June 2024. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial period ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Council; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Scrap Metal Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) and the scrap metal act no. 1 of 2015. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of the Council's transactions during the financial year/ ended June 30, 2024, and of the Council's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Council which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

*Scrap Metal Council*  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2025.**

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**Approval of the financial statements**

The financial statements for the year ended 30th June 2025 were prepared by the management of the Scrap Metal Council. However, due to the lapse of the Council's term on 5th October 2024 and non-appointment of new members, the Board did not convene to formally approve the statements.

Frencis Mugo

Name

Chairperson of the Board/Council

DAVID K Rono

Name

Accounting Officer



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SCRAP METAL COUNCIL (SMC) FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

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

#### **Opinion**

I have audited the accompanying financial statements of Scrap Metal Council (SMC) set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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*Report of the Auditor-General on Scrap Metal Council (SMC) for the year ended 30 June, 2025*



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, the financial statements present fairly, in all material respects, the financial position of Scrap Metal Council (SMC) as at 30 June, 2025 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 Scrap Metal Act (Revised 2022) and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Scrap Metal Council Management in accordance with ISSAI 130 on the 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 opinion.

### **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. There were no key audit matters to report in the year under review.

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. The issue remains unresolved, as the report has not been discussed by the relevant Parliamentary Committee.

### **Other Information**

The Directors and Management are responsible for the Other Information set out on page iv to xxviii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Head of Secretariat, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of SMC's Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.



In connection with my audit on the Council's financial statements, my responsibility is to read the other information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Gazette Scrap Metal Inspectors**

During the year under review, the Council did not gazette scrap metal inspectors. This was contrary to Section 29(5) of the Scrap Metal Act (Revised 2022) which requires the appointment of inspectors under the Act shall be by notice in the Gazette for a renewable period of three years.

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

#### **2. Failure to Conduct a Governance Audit**

During the year under review, the Board of directors did not subject the Council to an annual governance audit. This was contrary to the guidelines of Mwongozo Code of Conduct clause 1.13 that requires the Board, in consultations with the Oversight Office, ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Lack of an Independent Secretariat

Review of the Council's operations revealed that all the staff working for the Council are employees of the State Department for Industry deployed to the Council for a period of three (3) years. As previously reported, the Council does not have Secretariat staff recruited by the Board of Directors or Management. Further, the State Department still relies and utilizes the same staff for its operations.

In the circumstances, this may hinder the operations of the Council and limit its ability to deliver on its mandate.

#### 2. Board of Directors not Fully Constituted

Review of the Board's appointment letters revealed that the term of five (5) out of the nine (9) directors lapsed on 5 October, 2024 and no replacements were done as at the time of the audit. The remaining four (4) directors do not constitute a quorum and thus no business could be performed. The oversight role of the Board and the advisory by the appropriate committee could not be performed.

In the circumstances, the effectiveness of Board's oversight on internal controls, risk management and governance could not be confirmed.

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

### Responsibilities of the Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Council'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 Management is aware of the intention to cease operations.

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.



Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

24 October, 2025

*Scrap Metal Council*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

**14. Statement of Financial Performance for the year ended 30 June 2025**

|                                               | Notes | 2024-2025           | 2023-2024                |
|-----------------------------------------------|-------|---------------------|--------------------------|
|                                               |       | Kshs                | Kshs                     |
| <b>Revenue from non-exchange transactions</b> |       |                     |                          |
| Transfers from other governments entities     | 6     | -                   | 14,187,500               |
| Licenses and permits                          | 7     | 78,760,300          | 86,740,062               |
| <b>Total revenue</b>                          |       | <b>78,760,300</b>   | <b>100,927,562</b>       |
| <b>Expenses</b>                               |       |                     |                          |
| Use of goods and services                     | 8 (a) | 71,281,901          | 79,226,848<br>(Restated) |
| Board Expenses                                | 9     | 7,413,498           | 8,947,513                |
| Depreciation and amortization expense         | 10    | 2,522,215           | 1,193,000                |
| Repairs and maintenance                       | 11    | 1,129,121           | 215,960                  |
| <b>Total expenses</b>                         |       | <b>(82,346,735)</b> | <b>89,583,321</b>        |
| <b>Surplus/ (deficit) before tax</b>          |       | <b>(3,586,435)</b>  | <b>11,344,241</b>        |
| <b>Surplus/(deficit) for the period/year</b>  |       | <b>(3,586,435)</b>  | <b>11,344,241</b>        |
| Remission to National Treasury                |       | -                   | -                        |
| <b>Net Surplus/ deficit for the year</b>      |       | <b>(3,586,435)</b>  | <b>11,344,241 (R)</b>    |

The notes set out on pages 1 to 5 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

|                      |                    |                       |
|----------------------|--------------------|-----------------------|
| <u>DAVID K. Rono</u> | <u>Joseph Mumo</u> | <u>Francis Mugo</u>   |
| Name:                | Name:              | Name:                 |
| Accounting Officer   | Head of Finance    | Chairman of the Board |
|                      | ICPAK M/No: 20289  |                       |
| Date 06/10/24        | Date 06/10/2025    | Date 06/10/2025       |



Scrap Metal Council  
Annual Report and Financial Statements  
For the year ended June 30, 2025.

15. Statement of Financial Position as at 30 June 2025

|                                  | Notes | 2024-2025          | 2023-2024                 |
|----------------------------------|-------|--------------------|---------------------------|
|                                  |       | Kshs               | Kshs                      |
| <b>Assets</b>                    |       |                    |                           |
| <b>Current Assets</b>            |       |                    |                           |
| Cash and Cash equivalents        | 12    | 102,043,748        | 101,362,343               |
| <b>Total Current Assets</b>      |       | <b>102,043,748</b> | <b>101,362,343</b>        |
| <b>Non-Current Assets</b>        |       |                    |                           |
| Property, Plant and Equipment    | 13    | 13,901,973         | 16,424,188<br>(Restated)  |
| <b>Total Non- Current Assets</b> |       | <b>13,901,973</b>  | <b>16,424,188</b>         |
| <b>Total Assets (A)</b>          |       | <b>115,945,721</b> | <b>117,786,531</b>        |
| <b>Liabilities</b>               |       |                    |                           |
| <b>Current Liabilities</b>       |       |                    |                           |
| Trade and Other Payables         | 14    | 1,745,625          | -                         |
| <b>Total Current Liabilities</b> |       | <b>1,745,625</b>   | <b>-</b>                  |
| <b>Total Liabilities (B)</b>     |       | <b>1,745,625</b>   | <b>-</b>                  |
| <b>Net Assets (A-B)</b>          |       | <b>114,200,096</b> | <b>117,786,531</b>        |
| <b>Represented by:</b>           |       |                    |                           |
| Accumulated Surplus/(Deficit)    |       | 114,200,096        | 117,786,531<br>(Restated) |
| <b>Net Assets</b>                |       | <b>114,200,096</b> | <b>117,786,531</b>        |

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

DAVID KRW

Joseph Mumo

Francis Mugo

Name

Name

Name

Accounting Officer

Head of Finance 20289

Chairman of the Board

ICPAK Member Number:

Date 06/10/25

Date 06/10/2025

Date 06/10/2025

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**16. Statement of Changes in Net Assets for the year ended 30 June 2025**

| Description                     | Ordinary<br>share capital | Revaluatio<br>n reserve | Fair<br>value<br>adjustm<br>ent<br>reserve | Retained earnings | Proposed<br>dividends | Capital/<br>Develop<br>ment<br>Grants/F<br>und | Total       |
|---------------------------------|---------------------------|-------------------------|--------------------------------------------|-------------------|-----------------------|------------------------------------------------|-------------|
|                                 | Kshs                      | Kshs                    | Kshs                                       | Kshs              | Kshs                  | Kshs                                           | Kshs        |
| As at July 1, 2023              | -                         | -                       | -                                          | 106,442,290       | -                     | -                                              | 106,442,290 |
| Surplus/ deficit for the year   | -                         | -                       | -                                          | 11,344,241        | -                     | -                                              | 11,344,241  |
| As at June 30, 2024             | -                         | -                       | -                                          | 117,786,531       | -                     | -                                              | 117,786,531 |
| As at July 1, 2024              | -                         | -                       | -                                          | 117,786,531       | -                     | -                                              | 117,786,531 |
| Surplus/ (deficit) for the year | -                         | -                       | -                                          | (3,586,435)       | -                     | -                                              | (3,586,435) |
| As at June 30, 2025             | -                         | -                       | -                                          | 114,200,096       | -                     | -                                              | 114,200,096 |



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**17. Statement of Cash Flows for the year ended 30 June 2025**

|                                                               |       | 2024-2025          | 2023-2024          |
|---------------------------------------------------------------|-------|--------------------|--------------------|
|                                                               | Notes | Kshs               | Kshs               |
| <b>Cash flows from operating activities</b>                   |       |                    |                    |
| <b>Receipts</b>                                               |       |                    |                    |
| Transfers from other governments entities                     |       | -                  | 14,187,500         |
| Licenses and permits                                          |       | 78,760,300         | 86,740,062         |
| <b>Total receipts</b>                                         |       | <b>78,760,300</b>  | <b>100,927,562</b> |
| <b>Payments</b>                                               |       |                    |                    |
| Use of goods and services                                     |       | 69,536,276         | 79,226,848 (R)     |
| Board Expenses                                                |       | 7,413,498          | 8,947,513          |
| Repairs and maintenance                                       |       | 1,129,121          | 215,960            |
| <b>Total payments</b>                                         |       | <b>78,078,895</b>  | <b>88,390,321</b>  |
| <b>Net cash flows from/(used in) operating activities</b>     | 15    | <b>681,405</b>     | <b>12,537,241</b>  |
|                                                               |       |                    |                    |
| <b>Cash flows from investing activities</b>                   |       |                    |                    |
| Purchase of PPE and Intangible assets                         |       | -                  | (5,687,188)        |
| <b>Net cash flows from/(used in) investing activities</b>     |       | <b>-</b>           | <b>(5,687,188)</b> |
|                                                               |       |                    |                    |
|                                                               |       |                    |                    |
| <b>Net increase/(decrease) in cash &amp; Cash equivalents</b> |       | <b>681,405</b>     | <b>6,850,053</b>   |
| Cash and cash equivalents at 1 July                           | 12    | 101,362,343        | 108,212,396        |
| <b>Cash and cash equivalents at 30 June</b>                   | 12    | <b>102,043,748</b> | <b>101,362,343</b> |

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**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025**

|                           | Original budget   | Adjustments       | Final budget      | Actual on comparable basis | Performance difference | % of utilization |
|---------------------------|-------------------|-------------------|-------------------|----------------------------|------------------------|------------------|
|                           | Kshs              | Kshs              | Kshs              | Kshs                       | Kshs                   |                  |
|                           | a                 | b                 | c=(a+b)           | d                          | e=(c-d)                | f=d/c*100        |
| <b>Receipts</b>           |                   |                   |                   |                            |                        |                  |
| Licenses and permits      | 60,000,000        | 20,000,000        | 80,000,000        | 78,760,300                 | 1,239,700              | 98.5             |
| <b>Total Receipts</b>     | <b>60,000,000</b> | <b>20,000,000</b> | <b>80,000,000</b> | <b>78,760,300</b>          | <b>1,239,700</b>       | <b>98.5</b>      |
| <b>payments</b>           |                   |                   |                   |                            |                        |                  |
| Use of Goods and Services | 48,850,000        | 21,029,000        | 69,879,000        | 69,536,276                 | 342,724                | 99.5             |
| Remuneration of Directors | 9,200,000         | (480,000)         | 8,720,000         | 7,413,498                  | 1,306,502              | 85.0             |
| Repairs and Maintenance   | 1,950,000         | (549,000)         | 1,401,000         | 1,129,121                  | 271,879                | 80.6             |
| <b>Total Payments</b>     | <b>60,000,000</b> | <b>20,000,000</b> | <b>80,000,000</b> | <b>78,078,895</b>          | <b>1,921,105</b>       | <b>97.6</b>      |
| <b>Surplus</b>            | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>681,405</b>             | <b>-</b>               | <b>-</b>         |

*(The budget was amended from 60,000,000 to 80,000,000 in Supplementary II.)*



## **19. Notes to the Financial Statements**

### **1. General Information**

Scrap Metal Council is established by and derives its authority and accountability from Scrap Metal Council Act, 2015. The Scrap Metal Council is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scrap Metal Council's principal activity is to regulate dealings in scrap metal with a vision to be a premier regulator for scrap metal dealings within the region and beyond.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Scrap Metal Council's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Scrap Metal Council. Scrap Metal Council financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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**Notes to the Financial Statements (Continued)**

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

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

| Standard                                                                               | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 43:<br>Leases                                                                    | <b><i>Applicable 1<sup>st</sup> January 2025</i></b><br>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.<br>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.                                                                                                                                                   |
| IPSAS 44:<br>Non- Current<br>Assets Held for<br>Sale and<br>Discontinued<br>Operations | <b><i>Applicable 1<sup>st</sup> January 2025</i></b><br>The Standard requires,<br>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:<br>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.                                                                                                                                                                                                                                                  |
| IPSAS 45:<br>Property Plant and<br>Equipment                                           | <b><i>Applicable 1<sup>st</sup> January 2025</i></b><br>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. |
| IPSAS 46:<br>Measurement                                                               | <b><i>Applicable 1<sup>st</sup> January 2025</i></b><br>The objective of this standard was to improve measurement guidance across IPSAS by:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



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|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                      | <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>                                                                                                                                                                                                                                                                                                                                                 |
| IPSAS 47:<br>Revenue                                                 | <p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>                                                                                                                                                                                                                                                                                                                                                   |
| IPSAS 48:<br>Transfer<br>Expenses                                    | <p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>                                                                                                                                                                                                                                                                                                                                                                                                                             |
| IPSAS 49:<br>Retirement<br>Benefit Plans                             | <p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| IPSAS 50:<br>Exploration For &<br>Evaluation of<br>Mineral Resources | <p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> |

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**Notes to the financial statements (continued)**

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Taxes, Levies and fines**

Scrap Metal Council recognizes revenues from taxes, levies, and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to Scrap Metal Council and the fair value of the asset can be measured reliably.

**b) Budget information**

The original budget for the Financial Year 2024-2025 was approved by the National Assembly on June, 2024. 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 Scrap Metal Council upon receiving the respective approvals in order to conclude the final budget. Accordingly, Scrap Metal Council recorded additional appropriations of Kshs. 20,000,000 on the financial year 2024-2025 budget following the governing body's approval.

Scrap Metal Council's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on approved estimates. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under sections of these financial statements.

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**c) Taxes**

**Current income tax**

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

**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, Scrap Metal Council recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**e) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/ or institutions which were not surrendered or accounted for at the end of the financial year.

**f) Comparative figures**

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

**g) 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, 2025.



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

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

**Useful lives and residual value**

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 Scrap Metal Council.
- 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

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**6. Transfers from Other Government entities**

| Description                       | 2024-2025 | 2023-2024         |
|-----------------------------------|-----------|-------------------|
|                                   | KShs      | KShs              |
| <b>Unconditional Grants</b>       |           |                   |
| Operational Grant                 | -         | 14,187,500        |
| <b>Total Unconditional Grants</b> | -         | <b>14,187,500</b> |

*(The Council was not funded with recurrent grants for the current period)*

**7. Licenses, Fees and Permits**

| Description      | 2024-2025         | 2023-2024         |
|------------------|-------------------|-------------------|
|                  | Kshs              | Kshs              |
| Licenses         | 78,760,300        | 67,120,335        |
| Various Licences | -                 | 19,619,727        |
| <b>Total</b>     | <b>78,760,300</b> | <b>86,740,062</b> |

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**Notes to the Financial Statements (Continued)**

**8. (a) Use of Goods and Services**

| Description                             | 2024-2025         | 2023-2024             |
|-----------------------------------------|-------------------|-----------------------|
|                                         | Kshs              | Kshs                  |
| Professional Services                   | 3,491,250         | 2,725,000             |
| Advertising                             | 1,001,150         | -                     |
| Audit Fees                              | 600,000           | -                     |
| Conferences and Delegations             | 8,523,660         | 4,843,085             |
| Fuel and Oil                            | 1,500,000         | 1,000,000             |
| Insurance                               | 350,563           | 389,510               |
| Office Partitioning                     | 10,025,209        | -                     |
| Printing and Stationery                 | 4,132,989         | 3,521,565             |
| Rent and Parking expenses               | 5,204,500         | 4,541,495             |
| Security Costs                          | 600,000           | -                     |
| Cleaning Costs                          | 1,104,000         | -                     |
| Telecommunication                       | 1,232,000         | 821,000               |
| Training                                | 2,990,734         | 407,420               |
| Travel, Subsistence & Other Allowances* | 28,665,013        | 57,084,328            |
| Bank charges                            | 22,517            | 26,125                |
| Purchase of Kitchen Equipment           | 180,916           | -                     |
| Hospitality and Office Refreshments     | 462,250           | 234,600               |
| Corporate Social Responsibility         | 700,150           | -                     |
| Tree Planting                           | 495,000           | -                     |
| Purchase of ICT Equipment               | -                 | 3,632,720             |
| <b>Total</b>                            | <b>71,281,901</b> | <b>79,226,848 (R)</b> |

*Professional services expenditure is inclusive of 1,745,625 outstanding payment for contractual obligation on preparation of strategic plan.*

*Prior year total expenditure on use of goods has been restated to Kshs 79,226,848, an increase of Kshs 3,632,720 as a result of expensing an amount of Kshs 3,632,720 erroneously capitalized under PPE.*



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**8. (b) Use of Goods and Services**

| Description                             | 2024-2025         | 2023-2024             |
|-----------------------------------------|-------------------|-----------------------|
|                                         | Kshs              | Kshs                  |
| Professional Services                   | 1,745,625         | 2,725,000             |
| Advertising                             | 1,001,150         | -                     |
| Audit Fees                              | 600,000           | -                     |
| Conferences and Delegations             | 8,523,660         | 4,843,085             |
| Fuel and Oil                            | 1,500,000         | 1,000,000             |
| Insurance                               | 350,563           | 389,510               |
| Office Partitioning                     | 10,025,209        | -                     |
| Printing and Stationery                 | 4,132,989         | 3,521,565             |
| Rent and Parking expenses               | 5,204,500         | 4,541,495             |
| Security Costs                          | 600,000           | -                     |
| Cleaning Costs                          | 1,104,000         | -                     |
| Telecommunication                       | 1,232,000         | 821,000               |
| Training                                | 2,990,734         | 407,420               |
| Travel, Subsistence & Other Allowances* | 28,665,013        | 57,084,328            |
| Bank charges                            | 22,517            | 26,125                |
| Purchase of Kitchen Equipment           | 180,916           | -                     |
| Hospitality and Office Refreshments     | 462,250           | 234,600               |
| Corporate Social Responsibility         | 700,150           | -                     |
| Tree Planting                           | 495,000           | -                     |
| Purchase of ICT Equipment               | -                 | 3,632,720             |
| <b>Total</b>                            | <b>69,536,276</b> | <b>79,226,848 (R)</b> |

*Prior year total expenditure on use of goods has been restated to Kshs 79,226,848, an increase of Kshs 3,632,720 as a result of expensing an amount of Kshs 3,632,720 erroneously capitalized under PPE.*

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**Notes to the Financial Statements (Continued)**

**9. Board Expenses**

| Description                              | 2024-2025        | 2023-2024        |
|------------------------------------------|------------------|------------------|
|                                          | Kshs             | Kshs             |
| Chairman/Directors' Honoraria            | 960,000          | 960,000          |
| Sitting Allowances                       | 2,924,680        | 3,417,600        |
| Medical Insurance                        | -                | 65,435           |
| Training                                 | 308,800          | 120,000          |
| Travel and Accommodation                 | 3,160,018        | 4,384,478        |
| Chairman/Directors' Telephone Allowances | 60,000           | -                |
| <b>Total</b>                             | <b>7,413,498</b> | <b>8,947,513</b> |

**10. Depreciation and Amortization Expense**

| Description                                | 2024-2025        | 2023-2024        |
|--------------------------------------------|------------------|------------------|
|                                            | Kshs             | Kshs             |
| Motor vehicles                             | 1,342,125        | 1,193,000        |
| Computers and Related Equipment            | 804,329          | -                |
| Office Equipment Furniture and Fittings    | 375,761          | -                |
| <b>Total depreciation and amortization</b> | <b>2,522,215</b> | <b>1,193,000</b> |

*(There was an increase in depreciation expense due to increased assets purchased)*

**11. Repairs and Maintenance**

| Description                          | 2024-2025        | 2023-2024      |
|--------------------------------------|------------------|----------------|
|                                      | Kshs             | Kshs           |
| Vehicles                             | 1,124,121        | 215,960        |
| Furniture and Fittings               | 5,000            | -              |
| <b>Total Repairs and Maintenance</b> | <b>1,129,121</b> | <b>215,960</b> |

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**Notes to the Financial Statements (Continued)**

**12. Cash and Cash Equivalents**

| Description                            | 2024-2025          | 2023-2024          |
|----------------------------------------|--------------------|--------------------|
|                                        | Kshs               | Kshs               |
| Current Account                        | 102,043,748        | 101,362,343        |
| <b>Total Cash and Cash Equivalents</b> | <b>102,043,748</b> | <b>101,362,343</b> |

*(The amount should agree with the closing and opening balances as included in the statement of cash flows.)*

**Detailed Analysis of the Cash and Cash Equivalents**

| Financial Institution     | Account number | 2024-2025          | 2023-2024          |
|---------------------------|----------------|--------------------|--------------------|
|                           |                | Kshs               | Kshs               |
| a) <b>Current Account</b> |                |                    |                    |
| Kenya Commercial Bank     | 1280294760     | 102,043,748        | 101,362,343        |
| <b>Grand Total</b>        |                | <b>102,043,748</b> | <b>101,362,343</b> |



13. Property, Plant and Equipment

| Cost                                   | Motor vehicles    | Furniture and fittings | Computers        | Total             |
|----------------------------------------|-------------------|------------------------|------------------|-------------------|
| Depreciation Rate                      | Kshs              | Kshs                   | Kshs             | Kshs              |
| As At 1 July 2023                      | 11,930,000        | -                      | -                | 11,930,000        |
| Additions                              | -                 | 3,006,091              | 2,681,097        | 5,687,188         |
| Disposals                              | -                 | -                      | -                | -                 |
| Transfers/Adjustments                  | -                 | -                      | -                | -                 |
| Revaluation Adjustments                | -                 | -                      | -                | -                 |
| <b>As at 30<sup>th</sup> June 2024</b> | <b>11,930,000</b> | <b>3,006,091</b>       | <b>2,681,097</b> | <b>17,617,188</b> |
| Additions                              | -                 | -                      | -                | -                 |
| Disposals                              | -                 | -                      | -                | -                 |
| Transfer/Adjustments                   | -                 | -                      | -                | -                 |
| Revaluation adjustments                | -                 | -                      | -                | -                 |
| <b>As at 30<sup>th</sup> June 2025</b> | <b>11,930,000</b> | <b>3,006,091</b>       | <b>2,681,097</b> | <b>17,617,188</b> |
| <b>Depreciation And Impairment</b>     |                   |                        |                  |                   |
| At 1 July 2023                         | -                 | -                      | -                | -                 |
| Depreciation                           | 1,193,000         | -                      | -                | 1,193,000         |
| Impairment                             | -                 | -                      | -                | -                 |
| Transfers/ Adjustments                 | -                 | -                      | -                | -                 |
| <b>As At 30<sup>th</sup> June 2024</b> | <b>1,193,000</b>  | <b>-</b>               | <b>-</b>         | <b>1,193,000</b>  |
| As At 1 <sup>st</sup> July, 2024       | 1,193,000         | -                      | -                | 1,193,000         |
| Depreciation                           | 1,342,125         | 375,761                | 804,329          | 2,522,215         |
| Disposals                              | -                 | -                      | -                | -                 |
| Impairment                             | -                 | -                      | -                | -                 |
| Transfer/Adjustment                    | -                 | -                      | -                | -                 |
| <b>As at 30<sup>th</sup> June 2025</b> | <b>2,535,125</b>  | <b>375,761</b>         | <b>804,329</b>   | <b>3,715,215</b>  |
| <b>Net Book Values</b>                 |                   |                        |                  |                   |
| As at 30 <sup>th</sup> June 2024       | 10,737,000        | 3,006,091              | 2,681,097        | 16,424,188        |
| As at 30 <sup>th</sup> June 2025       | 9,394,875         | 2,630,330              | 1,876,768        | 13,901,973        |

Depreciation Rates:

Motor Vehicle - 12.5%

Furniture and Fittings -  
12.5%

Computers - 30%

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**Notes to the Financial Statements (Continued)**

**14. Trade and Other Payables**

| Description                                        | 2024-2025        |                       | 2023-2024        |                       |
|----------------------------------------------------|------------------|-----------------------|------------------|-----------------------|
|                                                    | Kshs             |                       | Kshs             |                       |
| Term Human Capital Solutions                       | 1,745,625        |                       | -                |                       |
| <b>Total trade and other payables</b>              | <b>1,745,625</b> |                       | <b>-</b>         |                       |
|                                                    |                  |                       |                  |                       |
| <b>Ageing analysis: (Trade and other payables)</b> | <b>2024-2025</b> | <b>% of the Total</b> | <b>2023-2024</b> | <b>% of the Total</b> |
| Under one year                                     | 1,745,625        | 100                   | -                | -                     |
| <b>Total (tie to above total)</b>                  | <b>1,745,625</b> | <b>100</b>            | <b>-</b>         | <b>-</b>              |

**15. Cash Generated from Operations**

| Description                                    | 2024-2025          |  | 2023-2024             |  |
|------------------------------------------------|--------------------|--|-----------------------|--|
|                                                | Kshs               |  | Kshs                  |  |
| <b>Surplus for the year before tax</b>         | <b>(3,586,435)</b> |  | <b>11,344,241 (R)</b> |  |
| <b>Adjusted for:</b>                           |                    |  |                       |  |
| Depreciation                                   | 2,522,215          |  | 1,193,000             |  |
| <b>Working capital adjustments</b>             |                    |  |                       |  |
| Increase in payables                           | 1,745,625          |  | -                     |  |
| <b>Net cash flow from operating activities</b> | <b>681,405</b>     |  | <b>12,537,241</b>     |  |

**Notes to The Financial Statements (Continued)**

**16. Financial Risk Management**

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

**i) Credit risk**

Scrap Metal Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scrap Metal Council's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that Scrap Metal Council has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets Scrap Metal Council's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.



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**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Scrap Metal Council directors, who have built an appropriate liquidity risk management framework for the management of the Scrap Metal Council's short, medium and long-term funding and liquidity management requirements. Scrap Metal Council manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| Description                            | Less than 1 month | Between 1-3 months | Over 5 months | Total     |
|----------------------------------------|-------------------|--------------------|---------------|-----------|
|                                        | Kshs              | Kshs               | Kshs          | Kshs      |
| <b>As at 30<sup>th</sup> June 2025</b> |                   |                    |               |           |
| Trade payables                         | -                 | 1,745,625          | -             | 1,745,625 |
| <b>Total</b>                           | -                 | 1,745,625          | -             | 1,745,625 |
| <b>As at 30<sup>th</sup> June 2024</b> |                   |                    |               |           |
| Trade payables                         | -                 | -                  | -             | -         |
| <b>Total</b>                           | -                 | -                  | -             | -         |

**Financial Risk Management**

**iii) Market risk**

Scrap metal Council has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect Scrap Metal Council's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Scrap Metal Council's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Scrap Metal Council's exposure to market risks or the way it manages and measures the risk.

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**Notes to the Financial Statements (Continued)**

**17. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Other related parties include:**

- i) State Department for Industry.
- ii) Board of Directors.



**18. Events after the Reporting Period**

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

**19. Ultimate And Holding Entity**

Scrap Metal Council is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Investments Promotions, Trade and Industry. Its ultimate parent is the Government of Kenya.

**20. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

21. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments                                 | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|-----------------------------------|-----------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
| OAG/SMC/2022/2023/(11)                     | Lack of appointment of Inspectors | The Inspectors were appointed pending gazettelement | Resolved                          | 15 <sup>th</sup> May, 2026                                       |

Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for the implementation of each issue;
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to the National Treasury.

DAVID K. R. W.

C.E. O

Date: 06/10/25