

REPUBLIC OF KENYA



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REPORT

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WASHAKI OM

OF



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA BUREAU OF STANDARDS**

**FOR THE YEAR ENDED
30 JUNE 2016**



KENYA BUREAU OF STANDARDS



KENYA BUREAU OF STANDARDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

**KENYA BUREAU OF STANDARDS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Bureau of Standards (KEBS) is a government agency established through an Act of Parliament in July 1974. The Standards Act (Cap.496) defines the functions of KEBS and provides for its management and control.

(b) Principal Activities

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

(c) Vision

To be a Global Leader in Standards based solutions that deliver quality and confidence.

(d) Mission

To provide standardization solutions for sustainable development.

(e) Core Values

- Integrity
- Customer focus
- Environmental sustainability
- Excellence

(f) KEBS Motto

Standards for quality life

(g) Key Management

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

- Managing Director;
- Divisional Directors
- Senior Department Managers

(h) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

Designation	Name
Managing Director	Charles Ongwae

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(i) Fiduciary Oversight Arrangements

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

The Committees of the National Standards Council include: -

- (a) Staff and General Purpose Committee
- (b) Finance Committee
- (c) Technical Committee
- (d) Permits Committee
- (e) Audit Committee
- (f) Standards Approval Committee

(j) KEBS Headquarters

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

(k) KEBS Contacts

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

(l) Entity Bankers

1. **National Bank of Kenya**
National Bank Building
Harambee Avenue,
P O Box 72866-00200,
NAIROBI
2. **The Co-operative Bank of Kenya**
Co-operative Bank House
Haile Selassie Avenue
P O Box 48231 – 00100
NAIROBI
3. **The Kenya Commercial**
Kencom House
Moi Avenue
P O Box 48400
NAIROBI

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(m) Independent Auditors

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

(n) Principal Legal Adviser

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

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II. THE NATIONAL STANDARDS

COUNCIL Hon. Lucas Maitha



Chairman NSC

DOB: 21st February, 1968

Hon. Lucas Maitha became the Chairman with effect from 10th January 2014. He holds an MA. (Hons) degree from University of Mumbai Bombay. Prior to his present position, he was the chairman of Betting Control & Licensing Board and Member of Parliament for Malindi until 2007.

Charles Ongwae



Managing Director/Secretary NSC

DOB: 1st January, 1960

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

Mohamed Adan



Board Member

DOB: 15th October, 1962

Mr. Adan is both an administrator and an accountant by profession. He is currently a businessman having worked previously with the UN and various NGOs in Kenya. He joined the board on 17th September 2012 and retired on 16th September 2015.

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Mary Simat Ng'eny



Board Member

DOB: 6th November, 1960

Mrs. Mary Ng'eny holds a BA degree from University of Nairobi. She previously worked for Telkom Kenya as a senior personnel officer until her retirement in 2007. She Joined the board on the 17th September 2012 and retired on 16th September 2015

Wisdom Kazungu Mwamburi

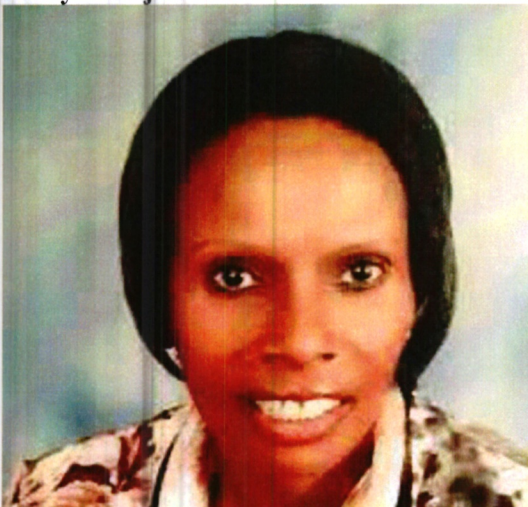


Board Member

DOB: 20th June, 1966

Holds a Master's in Business Administration, ESAMI/Maastricht MBA Programme and Bachelor of Arts (Economics and Sociology), from the University of Nairobi. He previously worked as District Commissioner of Kakamega and Kahuro Districts and also a Deputy Provincial Commissioner Coast Province. He has also served as Board member at Lake Victoria South Water. He joined the board on 17th April 2015 for a period of 3yrs.

Mary Wanja Matu



Board Member

DOB: 4th February, 1960

Ms. Mary Matu has over 25 years' experience in Health Management and Health Systems Strengthening. She is a graduate of University of Alabama Birmingham and Alumni of the JFK school of Government at Harvard University. She joined the board on 17th April 2015 for a period of 3yrs.

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Hilary Kosgei



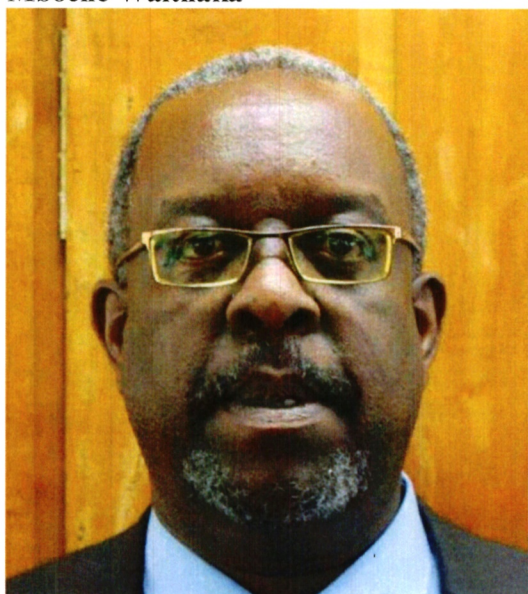
Board Member

DOB: 19th October, 1974

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

He joined the board on 17th April 2015 for a period of 3yrs.

Mboche Waithaka



Board Member

DOB: 19th January, 1963

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

Hon. Mohamed Hussein Ali ussein Ali



Board Member

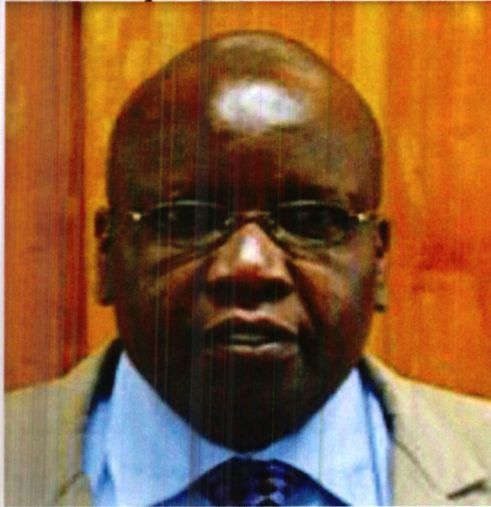
DOB: 18th December, 1964

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

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Micah Pkopus Powon



Board Member

DOB: 1st June, 1967

Mr. Powon holds an MSc Degree in Horticulture with a vast experience in institutional management, having worked as a Managing Director in various government organizations. He is also a consultant in Agriculture and director of Kashed Green. He joined the board on 17th April 2015 for a period of 3 years. He left the Board after being appointed PS Correctional Services.

Eric Wagithuku Mungai



Board Member

DOB: 10th July, 1965

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

Gladys Naini Maingi



Board Member

DOB: 27th July, 1950

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

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Fouzia Abdirahman



Board Member

DOB: 28th May, 1968

Ms. Abdirahman holds an MBA and BSc in International Business. She has Vast experience in International organizations having held managerial positions in the field of logistics and procurement. She joined the board on 17th April 2015 for a period of 3yrs.

Nazir Gulam Yusuf



Board Member

DOB: 8th November, 1957

Mr. Gulam Yusuf holds a BA degree in Administration and Management. He is currently the Managing director Kyoga Hauliers (Kenya) Ltd and has served as a director in several companies. He joined the board on 17th April 2015 for a period of 3yrs.

Joseph Mbeva



Board Member

DOB: 2nd September, 1966

Alternate to Principal Secretary -Ministry of Industrialization & Enterprise Development. Mr. Mbeva holds master in intellectual property from franklin Pierce Centre for intellectual property/school of law USA

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John Njera



Board Member

DOB: 2nd July, 1967

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

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II. MANAGEMENT TEAM

CPA Charles Ongwae



Managing Director

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

CPA Anne Wanjala



Ag. Director Finance and Strategy

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

Christopher Kibett



Director - Human Resource & Communication

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

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Charles Gathonu Gachahi



Director, Standards Development & Trade

Holds a Bachelor of Science degree in Chemistry, from the University of Nairobi and Diploma in SME development from Galilee College Israel. He is currently Director Standards Development Division.

Eric Chesire



Ag. Director - Quality Assurance & Inspection

Holds a Bachelor of Technology degree in Electrical & Telecommunication from Moi University of Nairobi and also holds an Executive Master of Business Administration (EMBA) from Jomo Kenyatta University of Agriculture and Technology. He is currently the Ag. Director, Quality Assurance and Inspection Division.

Dr. Henry Kibet Rotich



Director - Metrology & Testing

He is a holder of a Doctorate degree from Jilin University, China and a Master of Science degree from North East Normal University, China. He also holds an Executive Master of Business Administration (EMBA) from Jomo Kenyatta University of Agriculture and Technology. He is a member of The Chemical Society of Kenya. He is currently the Director Metrology and

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Maria Goretti Nyariki



**Head of Legal Services & Corporation
Secretary**

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

CPA Lincoln Mutisya Nyamai



Head of Audit & Risk

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

Dr. John Nge'no



Head of Procurement

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

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III. CHAIRMAN'S STATEMENT

I have great pleasure in presenting the Annual Report and Audited Accounts for Kenya Bureau of Standards (KEBS) for the Financial Year 2015/2016

The scope of KEBS has over the past expanded from the development of standards to cover a wider area described as Standardization, Metrology and Conformity Assessment (SMCA) for commodities and services in all sectors of the economy, not only in Kenya, but also in the East African region.

KEBS has embarked on diverse initiatives that generate income to complement the support previously received from the Government of Kenya. We are currently working on creating round-the-clock operations in all the country's ports of entry to better monitor what comes into the local market. A number of digital solutions such as introduction of the call center, short message service for verification of our Mark of Quality etc have been implemented. Improvements in revenues in the financial period 2015-2016 are due to improved control environment and technology solutions that ensures that revenue collection for various services is at the convenience of the customer.

Through various board committees, KEBS has been able to achieve its mandates. Hence as we go forward to the new financial year, we remain positive that service delivery confidence gained over the years will keep an upward trend.

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

We look forward to their continued support.



SESSION CHAIR, NATIONAL STANDARDS COUNCIL KEBS

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

The role played by the Kenya Bureau of Standards (KEBS) in providing standardization solutions is critical in the achievement of Kenya's development blueprint, Vision 2030. This role is majorly in standards development and harmonization, product inspection and certification, testing, measurement and enforcement of standards. The year under review was significant to KEBS in a number of ways notably, it is the second year when significant turnaround in financial performance was witnessed as reflected in the surplus for the period and the healthy financial position. More significantly, there were notable achievements in the core mandate of the organization. These are as summarized below:-

KEBS MAJOR ACHIEVEMENTS DURING THE YEAR

1. Standards Development and International Trade

During the financial year ended June 30, 2016, KEBS published a total of 533 new standards against a target of 440, ready for use by the Industry. Standards form a basis for international trade as they translate the market conditions into a precise set of requirements to be met.

Development of 533 new standards will assist industries meet the basic market requirements. The number of new standards developed had a positive variance of 93 due to endorsement of East African Standards during the quarter, development of company standards and ICT Standards developed at the request of the TC and ICTA Authority. 1291 standards were reviewed against a target of 800. This was mainly due to a clean-up of the EAC catalogue in which a number of ISO Standards initially given EAS numbers were withdrawn and partner states urged to withdraw the same since EAC has no copyright privileges to adopt ISO standards. There was a positive variance of 7 standards propagation for a, mainly due to support received from the industry for renewable energy workshops, TMEA support for one workshop on participation in international standardisation and WHO/FAO support for CODEX contact point Africa workshop on food safety standards.

2. Vision 2030 Projects

KEBS developed a standard for e-learning tablets and a code of practice for slaughter houses.

3. Quality Assurance and Inspection

During the year under review a total of 7427 permits were issued for products from large firms and 2296 permits were issued for SME products. This will increase market access for these products locally and internationally and for the SMEs this will create a level playing ground for their products in the market.

On imported products where we have the Pre-export verification of conformity (PVOC) assessment program, we achieved a PVOC compliance rate of 102.22%. This level of conformity assures Kenyans that imported products meet the required standards. The products that did not meet the standards were rejected.

4. Metrology and Testing

In Metrology we made significant strides in the following areas:

Calibration - KEBS achieved a Calibration Turnaround Time (TAT) of 88% against an annual target of 85%.

5. National Quality Institute (NQI).

The National Quality Institute (NQI) is charged with responsibility of training and capacity building for Industry to raise awareness on the importance of standardization and conformity assessment and promoting practical usage of standards and advancement of quality management systems and thus increase efficiency and productivity.

During the year NQI trained 299 firms on process management systems. The training will assist firms to improve their processes and production systems to comply with market requirements thus improving compliance with market requirements thus enhancing their competitiveness in local and international markets.

6. Youth internships/ industrial attachment/Apprenticeships

KEBS has progressively involved 363 youth in internship, industrial attachment/or apprenticeship programs against a target of 300 in the year under review. These youth internships/ industrial attachment/ Apprenticeships opportunities complement the Government efforts to provide human and financial resources to facilitate access to quality education which is critical in the protection and enjoyment of human rights in addition enhancing the competitiveness of Kenya's human capital.

7. Future Developments.

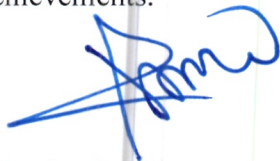
By 2017, we plan to open 5 new offices in the regions where we are not well represented. This will take KEBS's services closer to the people. In addition we plan to upgrade our laboratories and offices in Eldoret within the next two years so as to increase our capacity to serve our customers more efficiently. We also plan to enhance our enforcement capabilities in Market Surveillance.

8. Growth in Infrastructure

In line with the MTP, KEBS acquired a new seven storey building in Mombasa. This will enable KEBS to expand the scope of laboratories in Mombasa thus reducing TAT on testing since samples will no longer be couriered to Nairobi.

Also during the year KEBS commenced construction of the Kisumu regional offices and laboratories. The construction is at an advanced stage and occupation targeted is by end of Quarter one in 2017.

I wish to thank the Cabinet Secretary, the Permanent Secretary, Ministry of Industry, Trade and Co-operation and the National Standards Council for their guidance on policy and strategic direction. I also wish to recognize Development partners; Trade Mark East Africa, European Union, USAID, UNIDO and IFC for their technical and financial support. Finally i thank KEBS staff for their support and dedication to standardization activities without which, we could not have made these significant achievements.



Charles O. Ongwae
MANAGING DIRECTOR

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V. CORPORATE GOVERNANCE STATEMENT

The Apex body at the Kenya Bureau of Standards is the National Standards Council (NSC). The Council is the governing body tasked with the responsibility of formulating policies as per section 7 of the Standards Act. It is therefore the organ that formulates policies and provides an oversight role and supervises the administration and financial management of the institution. It is the board of KEBS.

The Chairman and entire NSC embrace the principles of good governance and in their oversight role ensure that the interests of the institution and of all its staff and stakeholders are promoted and protected. The Chief Executive Officer is the Managing Director who is responsible for the day-to-day running of this standards and quality watchdog. The parent Ministry is the Ministry of Industrialization & Enterprise Development which has direct responsibility over management and affairs of KEBS.

Membership to International Bodies.

KEBS is a member of several global standardization bodies including the International Organization of Standardization (ISO) which has a network of 163 national standards bodies. KEBS is also a member of the International Electrotechnical Commission (IEC), the African Organization for Standardization (ARSO), East African Community (EAC) Standards Committee, Common Markets for Eastern and Southern Africa (COMESA) Standards Committee and the World Trade Organization (WTO).

NSC Committees

During the financial year ended 30th June, 2016 the NSC consisted of 17 members including a non-executive chairman and the Managing Director. The NSC has 6 committees whose members and mandate are as stated below:

AUDIT COMMITTEE

Members

- 1 Eric W Mungai - **Chairman**
- 2 Hon. Mohamed H Ali
- 3 Gladys N. Maingi
- 4 Nazir Gulam Yusuf
- 5 John Njera
- 6 Mboce Waithaka
- 7 Lincoln Nyamai

The Audit Committee held 4 regular and 9 special meetings. The main focus of the committee Formation of the Audit Committee was derived from Treasury Circular No. 16/2005. The purpose setting up this committee in the board was to strengthen corporate governance within the KEBS leadership. The Audit Committee of the NSC holds regular quarterly meetings. In the year ended June 30, 2016 an additional special committee meeting was also held. The committee's responsibility in the board includes the following:-

- a) Strengthening the independence, integrity and effectiveness of audit function.
- b) Reviewing issues raised by both the internal and external auditors.
- c) Approval of the internal audit work plan for the year.

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d) Reviewing matters raised in the audit reports and where necessary further recommendations are given and if there is need they are escalated to the full council for further deliberation.

FINANCE COMMITTEE:

Members:

- 1 Wisdom Kazungu Mwamburi -**Chairman**
- 2 Mary WanjaMatu
- 3 Hilary Kosgei
- 4 FouziaAbdirahman
- 5 Joseph Mbeva
- 6 Charles Ongwae

In the year ended 30th June 2016, the Finance Committee held 3 regular meetings and 3 special committee meetings. This committee's mandate among others is to:-

- a) Assist the NSC in overseeing financial policy and procedures formulation, review and implementation.
- b) Review the institution's budgets & work plans and recommend to the NSC for approval.
- c) Review the quarterly and the annual financial statements and recommend to the NSC for approval.

TECHNICAL COMMITTEE

Members:

- 1 Hilary Kosgei - **Chairperson**
- 2 Mary WanjaMatu
- 3 MbocheWaithaka
- 4 NazirGulam Yusuf
- 5 Joseph Mbeva
- 6 FouziaAbdiraham
- 7 John Njera
- 8 Charles Ongwae

The Technical Committee held 1 regular and 9 special meetings. The main focus of the committee is to receive and review reports from Metrology and Testing and Quality Assurance and Inspection divisions and make recommendations to the NSC for approval. The committee's mandate also includes review of proposed capital projects for implementation.

PERMITS COMMITTEE

Members:

- 1 Charles Ongwae - **Chairman**
- 2 Hon. Mohammed H. Ali
- 3 MbocheWaithaka
- 4 Eric W. Mungai
- 5 Wisdom Mwamburi
- 6 Joseph Mbeva
- 7 Gladys N. Maingi
- 8 John Njera

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The Committee held 3 regular meetings. The Committee is established under clause 12 of the Subsidiary Regulations of the Standards Act under “Standardization Mark (Permits and Fees) Regulations, 1977” {Legal Notice 54/1977}. This is the only committee of the board which is chaired by an executive director-the CEO. The Permits approval committee meets every quarter. During the year ended 30th June 2016 a total of 7 committee meetings were held.

The functions of the committee include the following:-

- a) The Committee considers applications from firms interested in applying the Diamond Mark of Quality on their products. Such applications are presented by the management for Grant (if new) or renewal of the permits. The Diamond Mark application is a voluntary mark of excellence. It is valid for three (3) years and is open to both local and imported goods. So far 400 valid D-Mark permits have been issued both within and outside the country.
- b) The Committee also receives reports on highlights on the performance of products during certain periods preceding the meetings.
- c) The Chairman of the committee presents resolutions of the committee to the NSC.

STANDARDS APPROVAL COMMITTEE.

Members.

1. Hon. Lucas B. Maitha
2. Charles Ongwae
3. Joseph Mbeva - Alternate to P.S Ministry of Industrialization
4. Wisdom Mwamburi
5. Mary WanjaMatu
6. Hilary Kosgei
7. MbocheWaithaka
8. Hon. Mohamed Hussein Ali
9. Eric W. Mungai
10. Gladys NainiMaingi
11. FouziaAbdirahman
12. NazirGulam Yusuf
13. John Njera - Alternate PS, The National Treasury

The Standards Approval Committee held 4 regular meetings. The key responsibilities of the committee includes:-

The Standards Approval Committee (SAC) is one of the sub-committees of the NSC. Membership of the committee is drawn from members with experience with standards, consumer issues and industry. The MD is a member of this committee. The committee meets on a quarterly basis unless there are urgent standards that need to be recommended for approval. During the period ended 30th June 2016, the committee held 3 meetings. The key responsibility of the committee is to recommend to the NSC final draft standards for approval as Kenya Standards. Before recommendation the committee interrogates the final draft standards to ensure:-

- a) Due process is followed in the development, harmonization and adoption of the standards.

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- b) All key stakeholders are involved in the development process - these include Regulators, users of the standards, manufacturers, research institutions, academia etc.
- c) The standards support the economic development of the country, and;
- d) The standards ensure the protection of the environment and consumers and also the health and safety of citizens.

STAFF & GENERAL PURPOSE COMMITTEE

Members:

- 1 Hon. Mohamed Hussein Ali - **Chairman**
- 2 Mary Wanja Matu
- 3 Wisdom Mwamburi
- 4 Gladys N. Maingi
- 5 Fouzia Abdirahman
- 6 Nazir Gulam Yusuf
- 7 Eric Wagithuku Muingai
- 8 Charles Ongwae

The Staff & General Purpose Committee of the council held 1 regular and 19 special committee meetings. The key responsibilities of the committee includes: -

- a) Review and recommend to the Council all KEBS human resource policies relating to terms and conditions of service of employees.
- b) Oversee the implementation by management of all approved human resource policies and procedures.
- c) Advise the Council on the criteria for identifying, recruiting, and appointment of managerial staff.
- d) Handle management reports on performance management system, compensation guidelines and recommend to the NSC for approval.
- e) Handle discipline cases and make recommendations to the Council for appropriate action.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

In the financial year 2015/16 KEBS undertook the activities below as per the approved vetting procedures and CSR criteria for sponsorship.

1. Kenya Paraplegic Organization
2. First Lady's Marathon
3. Freedom from Hunger
4. Tree Planting exercise
5. Mater Heart Run
6. Cerebral Palsy Walk
7. Kenya National Drama Festivals

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VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Kenya Bureau of Standards affairs.

Principal activities

The principal activities of the entity are:

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

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page iv to ix.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Bureau of Standards in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the Board



**Charles Ongwae
Managing Director
Kenya Bureau of Standards**

Date: 20/6/2017

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

**IX. STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITY ON THE
FINANCIAL STATEMENT**

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

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards and the requirements of the Standards Act. The Council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bureau as at 30th June 2016 and its surplus for the year then ended. The Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The KEBS financial statements were approved by the Board on 24th September 2016 and signed on its behalf by:



Session Chair



**Managing Director
CHARLES ONGWAE**

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Report of the Auditor-General on the Financial Statements of Kenya Bureau of Standards for the year ended 30 June 2016

Bureau's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Receivables from Exchange Transactions

- (i) As reported in the previous year, receivables balance of Kshs.323,501,672 as at 30 June 2016 includes long outstanding debts of Kshs.17,500,000 owed by a law firm under receivership in respect of a payment made to the firm for purchase of land at Donholm Estate in Nairobi. Although the transaction turned out to be fraudulent, recovery of the money had not been made as at 30 June 2016.
- (ii) Further prepayments of Kshs.2,697,529 to three firms for goods and services that were never supplied or rendered has also not been recovered or written off while the adequacy of the provision for bad and doubtful debts of Kshs.49,254,504 made in the financial statements could not be ascertained.
- (iii) A review of the Bureau's records revealed that debtors amounting to Kshs.142,427,924 have remained outstanding for more than ninety (90) days contrary to the Bureau credit policy. An amount Kshs.56,346,833 out of Kshs.142,427,924 relates to debts that did not have any movement from the previous year. Although the Council had approved the write off of debts amounting to Kshs.42,034,269. Treasury approval has however not been obtained.

In the circumstances, it has not possible to ascertain the accuracy, completeness and the recoverability of receivables from exchange transactions balance of Kshs.76,544,362 as at 30 June 2016.

2. Plant, Property and Equipment

The plant, property and equipment balance of as Kshs.2,676,549,860 as at 30 June, 2016 includes a work-in-progress figure of Kshs.177,465,262, which in turn includes preliminary cost amounting to Kshs.101,938,209 being consultancy costs incurred on the construction of coast region laboratories but which has remained as work-in-progress since 2012/2013. The Bureau has since abandoned the project and instead acquired a new building for its operations in Mombasa.

Consequently, the propriety of the treatment of consultancy expenditure of Kshs.101,938,209 as work-in-progress cannot be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the

financial position of the Kenya Bureau of Standards as at 30 June 2016, and of its financial performance and of its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accruals Basis) and comply with the Standards Act, Cap 496 of the Laws of Kenya.

Emphasis of Matter

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

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

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

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

Consequently, the Bureau is likely to lose Kshs.13,497,120 already paid as part of the contract.

My opinion is not qualified in respect of these matters.



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

Nairobi

24 July 2017

KENYA BUREAU OF STANDARDS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

**X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2016**

	Note	2016 Kshs	2015 Kshs
Revenue from non-exchange transactions	2	535,327,216	501,463,533
Revenue from exchange transactions	2	4,065,333,438	3,707,985,187
Total revenue		4,600,660,654	4,209,448,720
Expenses			
Staff Costs	3	1,993,197,194	1,707,618,765
Administration Expenses	4	489,653,723	462,489,539
Board Expenses	5	75,825,669	28,961,080
Financial & Insurance Expenses	6	35,317,940	29,014,126
Project Consultancy Expenses	7	143,920,007	141,176,643
Technical Expenses	8	156,060,693	126,878,432
Maintenance Expenses	9	76,523,268	36,914,390
Travelling & Subsistence Expenses	10	273,341,632	189,911,486
Depreciation and amortization expense	19	152,379,075	152,488,782
Total expenses		3,396,219,203	2,875,453,242
Other gains/(losses)			
Gain/(Loss) on Disposal	18	(908,316)	495,023
			-
Surplus for the period		1,203,533,135	1,334,490,501

Notes set out on pages 7 to 21 form an integral part of the Financial Statements.

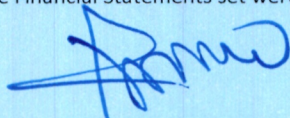
KENYA BUREAU OF STANDARDS
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

XII. STATEMENT OF FINANCIAL POSITION
 AS AT 30TH JUNE 2016

	Note	2016 Kshs	2015 Kshs
Assets			
Current assets			
Cash and cash equivalents	11	3,571,192,622	3,031,076,156
Receivables from exchange transactions	12	323,501,672	281,453,060
Receivables from non-exchange transactions	13	35,870,448	71,509,837
Inventories	14	96,258,419	98,632,793
		4,026,823,162	3,482,671,846
Non-current assets			
Property, plant and equipment	19(a)	2,676,549,860	1,820,617,579
Intangible Assets	19(b)	24,103,035	34,432,908
		2,700,652,896	1,855,050,487
Total Assets		6,727,476,058	5,337,722,333
Current liabilities			
Trade and other payables	15	445,635,344	307,825,624
		445,635,344	307,825,624
Capital Reserves & Grants			
Capital Grant	16	842,069,883	842,069,883
Revaluation Reserve		990,156,591	990,156,591
Revenue Reserve		4,449,614,239	3,197,670,235
		6,281,840,714	5,029,896,709
Total Capital Reserves & Grants		6,727,476,058	5,337,722,333

Notes set out on Pages 7 to 21 forms an integral part of the Financial Statements

The Financial Statements set were signed on behalf of the National Standards Council by:


 CHARLES ONGWAE
 MANAGING DIRECTOR


 SESSION CHAIR

Date: 20/6/2017.....

Date: 20/6/2017.....

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

**XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2016**

	Capital Grant	Reserves Revaluation Reserve	Revenue Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2013	842,069,883	990,156,591	1,499,254,631	3,331,481,105
Surplus/(deficit) for the period			363,925,103	363,925,103
Balance as at 30 June 2014	842,069,883	990,156,591	1,863,179,734	3,695,406,208
Surplus for the period			1,334,490,501	1,334,490,501
Balance as at 30 June 2015	842,069,883	990,156,591	3,197,670,235	5,029,896,709
Adjustments			48,410,869	
Surplus for the period			1,203,533,135	1,206,410,506
Balance as at 30 June 2016	842,069,883	990,156,591	4,449,614,239	6,236,307,215

Notes set out on pages 7 – 21 forms an integral part of the Financial Statements

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

XIV. STATEMENT OF CASHFLOWS

	Note	2016 Kshs	2015 Kshs
Net cash flows from operating activities	17	1,539,006,266	1,473,165,503
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	19	(999,702,204)	(178,191,559)
Proceeds from sale of property, plant and equipment		812,405	633,750
Net cash flows used in investing activities		(998,889,799)	(177,557,809)
Cash flows from financing activities			
Increase in deposits			
Net cash flows used in financing activities		-	-
Net increase/(decrease)in cash and cash equivalents		540,116,466	1,295,607,694
Cash and cash equivalents at 1 JULY		3,031,076,156	1,735,468,462
Cash and cash equivalent at 30 JUNE 2016	11	3,571,192,622	3,031,076,156

Notes set out on pages 7 – 21 forms an integral part of the Financial Statements

KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016 Kshs '000	2015-2016 Kshs '000	2015-2016 Kshs '000	2015-2016 Kshs '000	2015-2016 Kshs '000
Revenue					
Standards Levy	569,550	1,500	571,050	535,327	(35,723)
Inspection of Motor Vehicles	273,000	-	273,000	287,668	14,668
Laboratory Analysis Fees	82,150	(500)	81,650	39,612	(42,038)
Metrology Services Fees	122,750	2,500	125,250	60,789	(64,461)
Systems Certification Fees	87,000	5,000	92,000	75,519	(16,481)
Seminar Fees	55,000	5,000	60,000	74,284	14,284
Diamond Mark Fees	33,075	20,744	53,819	133,669	79,850
Sale of Standards	20,605	25	20,630	13,245	(7,385)
Investment Income	50,000	53,000	103,000	222,357	119,357
Miscellaneous Income	10,480	(50)	10,430	25,723	15,293
Destination Inspection fees	2,243,300	-	2,243,300	2,162,461	(80,839)
Standardization Mark	154,000	9,281	163,281	185,738	22,457
PVOC Royalties	496,000	-	496,000	783,066	287,066
NQI membership fee	1,500	250	1,750	1,203	(547)
Gain / (Loss)on Disposal	-	-	-	(908)	-
Total income	4,198,410	96,750	4,295,160	4,599,754	305,501
Expenses					
Staff Costs	2,071,220	49,800	2,121,019	1,993,197	127,822
Administration Expenses	619,203	189,884	809,087	489,654	319,433
Board Expenses	61,260	12,200	73,460	75,826	(2,366)
Financial & Insurance Expenses	60,000	(16,660)	43,340	35,318	8,022
Project Consultancy Expenses	153,750	(2,600)	151,150	143,920	7,230
Technical Expenses	161,302	14,521	175,823	156,061	19,762
Maintenance Expenses	147,409	(1,256)	146,153	76,523	69,630
Travelling & Subsistence Exp	252,942	33,545	286,487	273,342	13,145
Depreciation & amortization Exp	-	-	-	152,380	-
Total expenditure	3,527,086	279,433	3,806,519	3,396,221	562,678
Surplus for the period	671,324	(182,683)	488,641	1,203,533	(257,177)

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

Notes for material deviation

i) Standards Levy

The variation of Kshs 35,722,784 was due to:

- a) Closure of some manufacturing firms owing Standards Levy.
- b) Delay on feedback on reconciliations from the collecting agent.

ii) Laboratory Analysis Fees

The variation of Kshs 42,037,931 was due to the fact that a large number of samples received during the period were for quality assurance, market surveillance and standards development. Such samples do not generate revenue.

iii) Metrology Services and System Certification

The variation of Kshs 64,461,159 and Ksh 16,480,677 was due to:

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

iv) Sale of Standards and Standards Development Fees

The variation of Ksh 7,385,431 was because there was no development of company made specific standards during the period.

v) Destination Inspection Fees

This was due to the government directive in November 2015 that all goods entering into the country need to have a certificate of conformity and there was an increase on the level of compliance hence the variation of Kshs. 80,838,555.

vi) Board Expenses

The variation of Kshs. 2,365,669 was due to increased board activities and induction of the new board.

KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Kenya Bureau of Standards financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Kenya Bureau of Standards. The financial statements have been prepared on a going concern basis and the accounting policies have been consistently applied as per IPSAS in the year under review.

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

2. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Levy Fees

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of KEBS.

c) Property, plant and equipment – IPSAS 17

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

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

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

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

Free hold Land and Work In Progress is not depreciated.

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

d) Intangible assets–IPSAS 31

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

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Inventories – IPSAS 12

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

f) Provisions – IPSAS 19

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

g) Contingent liabilities

Contingent liabilities are not recognized, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.)

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates – IPSAS 3

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

KENYA BUREAU OF STANDARDS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

j) Employee benefits – IPSAS 25

Retirement benefit plans

The Kenya Bureau of Standards provides retirement benefits for its employees. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

k) Related Parties – IPSAS 20

The organization regards a related party as a person or an authority with the ability to exert control individually or jointly or to exercise significant control over the organization. Members of key management are regarded as related parties and comprises of the Managing Director, divisional directors, head of Legal, Internal Audit and Procurement departments.

l) 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 National 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 authorised public officers which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) Subsequent events – IPSAS 14

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, 2016.

o) Critical Accounting estimates and judgements – IPSAS 1

In preparing the financial statements in conformity with IPSAS, management makes estimates and assumptions that affect the amounts of revenue, expenses, assets and liabilities, and the related disclosures, presented in the financial statements at the end of the reporting period. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: provision for doubtful debts, leave provision, useful lives and depreciation methods and impairment. Notes relating to the subject are included under the affected areas of the financial statements.

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

2. Revenue	2016 Kshs	2015 Kshs
Standards Levy	535,327,216	501,463,533
Inspection of Motor Vehicles	287,668,395	285,046,556
Laboratory Analysis Fees	39,612,069	42,834,965
Metrology Services Fees	60,788,840	66,689,641
Systems Certification Fees	75,519,323	80,269,770
Seminar Fees	74,284,222	55,002,316
Product Certification Fees	133,668,569	56,479,923
Sale of Standards	13,244,569	20,873,593
Investment Income	222,356,947	155,661,885
Miscellaneous Income	25,722,817	29,231,352
Destination Inspection Fee	2,162,461,445	2,375,571,667
Certificate of Origin	-	33,573
Standardization Mark Fees	185,737,624	137,361,738
PVOC Royalties & Accreditation Fees	783,065,928	402,373,669
NQI membership fee	1,202,690	554,540

4,600,660,654 4,209,448,720

3. Staff Costs

Basic Salary	1,132,900,107	936,178,410
House Allowance	328,063,373	303,769,195
Medical Allowance	3,786,013	9,303,025
Commuter & Other Expenses	146,484,995	125,495,705
N.S.S.F Contributions	2,187,600	2,101,600

KENYA BUREAU OF STANDARDS**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

	2016 Kshs	2015 Kshs
Gratuity and Pension Expenses	179,162,594	157,555,776
Transfer Allowance	9,431,672	4,761,646
Leave Allowance	42,847,076	37,993,308
Performance Management	3,982,510	10,506,222
Alcohol & Drug Prevention and HIV Program	4,591,863	4,490,072
Medical Insurance	139,759,392	115,463,806
Total Staff Costs	1,993,197,194	1,707,618,765
4. Administration Expenses		
Post and Delivery	6,059,990	5,886,209
Telephone	9,084,186	9,536,203
Tender Expenses	7,905,629	6,634,852
Electricity, Water and Conservancy	28,204,777	22,603,370
Fuel	16,734,413	14,797,749
Publishing and Printing	3,810,583	2,729,000
Purchase of Uniforms and Clothings	3,265,198	3,333,605
Library	10,508,601	6,175,198
Purchase of Stationery	24,923,753	26,248,427
Advertising and Publicity	51,399,073	53,883,468
Show and Exhibitions	7,152,735	8,465,790
Sports and Welfare	39,512,941	36,138,367
Rent and Rates	29,146,921	37,127,990

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

	2016 Kshs	2015 Kshs
Hire of Transport	209,100	303,780
Staff Awards & Honoraria	15,136,861	14,737,457
Audit fees	580,000	580,000
Security	13,795,463	11,866,942
Subscriptions	15,567,195	14,424,333
Training	57,665,352	40,371,789
Seminar	39,124,438	35,452,630
Computer Expenses	89,842,649	69,198,419
World Standards and Metrology days	6,265,373	1,368,332
Provision for doubtful debts	-	24,354,069
Total Administration Expenses	489,653,723	462,489,539
5. Board Expenses		
Conference, Committee and Board		28,961,080
Honoraria	980,000	
Board Meeting Expenses	53,950,276	
Travelling & Accommodation	18,538,744	
Capacity Development	2,356,649	
Total Board Expenses	75,825,669	28,961,080
6. Financial & Insurance Expenses		
Financial Costs	5,599,511	4,153,961
Insurances	29,718,429	24,860,165
Total Finance & Insurance Expenses	35,317,940	29,014,126

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

7. Project & Consultancy Expenses	2016 Kshs	2015 Kshs
Contracted Professional services	20,188,549	24,270,220
Legal Expenses	121,931,617	116,906,423
Research and Development in Metrology	2,159,841	
Total Project & Consultancy Expenses	143,920,007	141,176,643
8. Technical Expenses		
Laboratory Material Chemicals & Reagents	55,581,394	46,711,132
Standards Enforcement	7,311,312	4,494,531
Certification Services	7,871,203	7,525,191
Standards Development	57,927,206	40,125,325
Accreditation Services	18,138,224	25,546,054
BIPM CMC Programme	3,102,056	47,000
Kenya National Committee of IEC	3,014,260	2,429,199
Quality Awards	3,115,040	
Total Technical Expenses	156,060,693	126,878,432
9. Maintenance Expenses		
Maintenance of Office Equipment	5,935,146	4,310,449
Maintenance of Lab Equipment & Physical Standards	12,228,503	16,049,211
Maintenance of Building	32,264,095	15,224,731
Civil & Engineering Alteration	26,095,523	1,330,000
Total Maintenance Expenses	76,523,268	36,914,390

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10. Travelling & Accommodation Expenses

	2016 Kshs	2015 Kshs
Local Travelling and Accommodation	172,908,400	115,541,908
External Travelling	100,433,232	74,369,578
Total Travelling & Accommodation Expenses	273,341,632	189,911,486

11. Cash and cash equivalents

Bank	600,063,348	387,555,593
Cash-on-hand	3,376,096	1,034,549
Short-term deposits	2,967,753,178	2,642,486,013
Total cash and cash equivalents	3,571,192,622	3,031,076,156

12. Receivables from exchange transactions

Trade Debtors	297,333,522	218,746,297
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	4,586,474	1,661,367
Miscellaneous Debtors	1,585,822	1,585,822
Interest receivable	24,512,521	19,544,250
Provision for doubtful debts	(49,254,505)	(49,254,505)
KENAS	4,229,475	4,229,475
Prepayments (Assets)	-	7,521,177
Accrued Income (Courier)	6,118,516	48,410,869
Prepayments (Medical Insurance)	10,689,490	8,810,779
Prepayment (Lab Equipment Maintenance Expenses)	3,502,828	-
	323,501,672	281,453,060

KENYA BUREAU OF STANDARDS
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13. Receivables from non-exchange contracts

Current receivables

	2016 Kshs	2015 Kshs
Kenya Revenue Authority	35,870,448	71,509,837
Total current receivables	35,870,448	71,509,837

14. Inventories

Stationery	13,902,299	7,673,494
Bio Chemical Stock	19,472,412	20,657,802
Standards Stock	61,661,814	67,493,986
Clinic Stock	5,585	9,569
Engineering Stock	1,216,309	2,521,269
Canteen Stock	-	276,673
Total inventories at the lower of cost and net realizable value	96,258,419	98,632,793

15. Trade and other payables from exchange transactions

General Trade Creditors	118,612,365	181,307,504
Library Deposits	93,600	93,600
Staff Deductions Payable	81,334,532	-
Audit Fees Payable	580,000	580,000
Accrued Liability –Imprest	25,401,606	45,179,511
Accrued Liability on Equipment	-	12,052,136
Accrued Liability on Motor Vehicle	16,800,000	-
Accrued Retention Income	8,002,164	-

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	2016 Kshs	2015 Kshs
Bank Overdrafts	766,794	68,612,873
ISM Account	43,501,187	-
Accrued Expenses -ISM Mark	26,283,316	-
Accrued Employee Insurance Payable	15,793,563	-
Accrued Employer Pension	14,523,711	-
Accrued Legal Expenses	88,742,050	-
Other Creditors	5,200,457	-
Total trade and other payables	445,635,344	307,825,624
16. Grants		
International Atomic Energy Agency	49,162,428	49,162,428
Kenya Government Grant	612,776,307	612,776,307
W. Germany Government Grant	64,921,147	64,921,147
World Trade Organisation Grant	899,479	899,479
World Bank Grant	39,722,771	39,722,771
Intertek	1,809,742	1,809,742
UNIDO	13,539,254	13,539,254
Trade Mark East Africa	58,910,057	58,910,057
Time Electronics	328,699	328,699
Total Grants	842,069,883	842,069,883

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

**KENYA BUREAU OF STANDARDS
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17. Cash generated from operations

	Note	2016 Shs	2015 Shs
Surplus/(Deficit) for the year before tax		1,203,533,135	1,334,490,501
Adjusted for:			
Depreciation	19(a)	142,049,203	137,731,821
Amortization	19(b)	10,329,872	14,756,960
Gains and losses on disposal of assets	18	908,316	(495,022)
Revenue reserves		48,410,869	-
Working capital adjustments:			
Decrease/(Increase) In Inventories	14	2,374,374	1,041,506
Decrease/(Increase) In Receivables	12	(6,409,224)	(145,025,416)
Increase/(Decrease) In Payables	15	137,809,720	130,665,152
Net cash flows from operating activities		1,539,006,266	1,473,165,503
18. Gain on sale of assets			
Property, plant and equipment		(908,316)	495,023
Total gain on sale of assets		(908,316)	495,023

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19 (a) Property, plant and equipment							
	Leasedhold Land	Buildings	Work In Progress	Machinery Equipment & Furniture	Computers	Motor Vehicle	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2012	127,390,000	719,177,038	15,563,880	1,018,761,992	139,913,305	142,753,202	2,163,559,417
Additions	-	-	110,563,795	250,071,914	43,318,785	71,203,824	475,158,317
Disposals	-	-	-	-	-	10,562,355	(10,562,355)
Transfers/adjustments	-	-	(6,565,800)	-	-	6,565,800	-
At 30 June 2013	127,390,000	719,177,038	119,561,875	1,268,833,906	183,232,090	209,960,471	2,628,155,379
Additions	-	-	24,294,567	85,633,454	9,102,388	4,343,000	123,373,409
Disposals	-	-	-	-	-	2,304,634	(2,304,634)
Transfer/adjustments	-	-	-	-	-	-	-
At 30 June 2014	127,390,000	719,177,038	143,856,442	1,354,467,360	192,334,478	211,998,836	2,749,224,154
Additions	-	-	-	80,135,185	9,056,849	76,309,771	165,501,805
Disposals	-	-	-	-	-	1,615,000	(1,615,000)
Transfer/adjustments	-	-	-	-	-	-	-
At 30 June 2015	127,390,000	719,177,038	143,856,442	1,434,602,545	201,391,327	286,693,607	2,913,110,959
Additions	-	792,220,040	62,029,933	80,529,940	48,122,292	16,800,000	999,702,204
Disposals	-	-	-	-	-	6,564,029	(6,564,029)
Transfer/adjustments	-	28,421,113	(28,421,113)	-	-	-	-
At 30 June 2016	127,390,000	1,539,818,191	177,465,262	1,515,132,484	249,513,619	296,929,578	3,906,249,135
Depreciation and impairment							
At 1 July 2012	-	46,350,676	-	476,506,365	85,311,871	85,041,131	693,210,042
Depreciation	-	6,080,053	-	79,232,754	30,482,566	26,532,131	142,327,504
Disposals	-	-	-	-	-	7,741,313	(7,741,313)
At 30 June 2013	-	52,430,729	-	555,739,119	115,794,436	103,831,948	827,796,232
Depreciation	-	6,080,053	-	79,872,824	22,962,012	21,633,378	130,548,267
Disposals	-	-	-	-	-	2,106,668	(2,106,668)
At 30 June 2014	-	58,510,782	-	635,611,943	138,756,449	123,358,658	956,237,831
Depreciation	-	6,080,053	-	79,899,060	18,790,463	32,962,244	137,731,821
Disposals	-	-	-	-	-	1,476,273	(1,476,273)
At 30 June 2015	-	64,590,835	-	715,511,003	157,546,912	154,844,630	1,092,493,380
Depreciation	-	6,080,053	-	79,962,148	27,590,012	28,416,990	142,049,203
Disposals	-	-	-	-	-	4,843,308	(4,843,308)
At 30 June 2016	-	70,670,888	-	795,473,151	185,136,924	178,418,311	1,229,699,275
Net book values							
At 30 June 2016	127,390,000	1,469,147,304	177,465,262	719,659,333	64,376,695	118,511,267	2,676,549,860
At 30 June 2015	127,390,000	654,586,203	143,856,442	719,091,542	43,844,415	131,848,978	1,820,617,579

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
19 (b) Intangible assets - software

	2016 Shs
Cost At 1 July 2012	75,072,045
Additions	55,956,113
At 30 June 2013	131,028,157
Additions – internal development	-
At 30 June 2014	131,028,157
Additions	12,689,754
At 30 June 2015	143,717,911
Additions	-
At 30 June 2016	143,717,911
Amortization and impairment	
At 1 July 2012	58,118,842
Amortization	20,766,295
At 30 June 2013	78,885,137
Amortization	15,642,906
At 30 June 2014	94,528,043
Amortization	14,756,960
At 30 June 2015	109,285,004
Amortization	10,329,872
At 30 June 2016	119,614,876
Net book values	
At 30 June 2016	24,103,035
At 30 June 2015	34,432,908

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

20. Commitments

Capital Commitments of Shs. 408,842,559 relates to Local Purchase Orders issued/raised for capital items such as lab equipment, motor vehicles, office equipment and furniture, proposed refurbishment of Mombasa offices and construction of regional offices

21. Financial Risk Management

KEBS activities exposes it to a variety of financial risks including credit and liquidity risks. The organization's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risks. The Company has an integrated risk management framework.

a) Credit Risk

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

b) Liquidity Risk

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

c) Market Risk

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

i. Currency risk

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

ii. Interest rate risk

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

KENYA BUREAU OF STANDARDS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

22. Related Party Disclosures

The key management comprises of the Managing Director, divisional directors, head of Legal, Internal Audit and Procurement departments. The costs associated with the key management for the year ended 30 June 2016 totalled to Kshs 48,751,146, comprising of salaries, other allowances and benefits compensation.

23. Contingent Liabilities

This refers to legal cases filed against KEBS and the cases are on-going. The contingent liabilities as at June 2016 for legal suits filed against the organization amounts to Kshs. 2,161,927,594.

24. Reporting Currency

The accounting records are maintained in Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**KENYA BUREAU OF STANDARDS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

XVII. KEBS PROGRESS REPORT ON PRIOR YEAR AUDIT MATTERS (FINANCIAL YEAR 2014-2015)

Reference No. on the external audit Report	Issue/Observations from Auditor (2014/15 audit certificate issues)	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	Receivable from Exchange Transactions- Long Outstanding debts a) Kes 17,500,000 b) Kes 19,423,268.55 c) Prepayments Kes 2,256,436.75	A) Makecha & Co. Advocates: Kes 17,500,000 The matter was forwarded to Inspectorate of State Corporation in July 2011 for further direction. The Inspectorate of State Corporation in their letter dated 15 th March 2013 recommended that the matter be referred to Ethics and Anti corruption commission	Not Yet; 1) Management is still waiting to hear from the Ethics and Anti corruption commission for further direction 2) Request for write off done to treasury on the fact that the debt is unlikely to be recovered as the Principal owner of the law firm passed on several years ago and the law firm is inactive.	Un determined (Awaiting The National Treasury Response)
		b) Global Inspection South Africa Kes 19,423,268.55 The matter was referred to court and eventually arbitration. The Company did not respond to arbitration. The business closed down in South Africa and hence unable to be reached. Court process and arbitration has been stopped to mitigate against unnecessary legal costs.	Not Yet; Kebs has written to the National Treasury for the write off	Un determined (Awaiting The National Treasury Response)
	Prepayment-Kes 2,697,529: a) Tetralink Kenya Ltd- Kes 2,256,436.75 b) Bestex Designers-Kes 153,542	Prepayment for supply of goods in the years 1999-2000 not supplied and supplier not traced	Resolved 1.) Kebs has put in place controls to ensure that no payment is made without full proof of necessary documentation	

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	c) Home Link Ltd-Kes 287,550		2) Request for write off due to the period the debt has continued to reflect in financial statement	2) Financial year 2018
2	Non Current Assets; Revaluation of Kebs; Kebs policy on revaluation of Assets after every five (5) years not adhered to	The Management has recommended change in policy to avoid paying professional fees for revaluating assets and to maintain historical costs.	Resolved Policy on fixed asset revaluation reviewed	
3	Pre-Export Verification of Conformity (PVoC) for Exports to Kenya; Release of goods not subjected to destination Inspection estimated at Kes 28,147,193 expected from M/s Telam Freighters	To ensure that ALL goods are inspected by KEBS at the Port of entry, KEBS has entered into agreement with KRA to avail all passed entries on regular basis. KEBS officers have also been given access to SIMBA system for a more detailed examination of passed entries. KEBS has therefore blacklisted the agent M/s Tellam freighters and also issued a demand note to the agent to recover the unpaid penalties. The firm has not been active since November 2015 KEBS has now agreed with KRA that customs entries for goods not accompanied with Certificates of Conformity (CoCs) issued by any of KEBS appointed inspection agent will only be passed by Customs department after satisfactory quality inspection by KEBS	Resolved KEBS receives passed entries from KRA on a daily basis through email.	
4	Cash and Cash Equivalents-Stale cheques of Kes 3,737,007 as at 30 th June 2015 not reversed in Cash book	The cash and cash equivalent was adjusted and the same reflected in the Audited Accounts for 2015	Resolved. See Audited Accounts for 2015.	
5	Proposed Regional Offices and Laboratories Project in Mombasa: Preliminary expenses of Kes 101,938,209, paid to consultants, amount still	The NSC is expected to approval the proposal for removing the amount paid from the Work In Progress and expensing them	Proposal Done	June 2017

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FOR THE YEAR ENDED 30TH JUNE 2016

QUALITY REVIEW OF ANNUAL FINANCIAL STATEMENTS FOR 2015/2016

Sno	Key Issues Noted	Action
1	Missing Accounting Policies	Relevant instruments disclosed-
2	Missing Disclosures in the financial statements	Done: Disclosure on contingent liability, capital commitment and movement in capital grants
3	Related Party Transactions	Done: Disclosed
4	Casting Errors	There are no casting errors
5	Lack of disclosure of new and revised International Public Sector Accounting Standards	Not yet disclosed
6	Missing summary of critical accounting estimates and judgements	Disclosure on going concern done, contingent liability provided, Assets maintained at historical Cost
7	Financial risk management policies	Disclosed
8	Notes on the Cash Flow Statements	Done
9	Nature and purpose of reserves	Done