

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA ACCREDITATION SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2016**



**KENYA
ACCREDITATION
SERVICE (KENAS)**

**June 30
2016**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**



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

KENYA ACCREDITATION SERVICE (KENAS)

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KENYA ACCREDITATION SERVICE (KENAS)

I. CORPORATION'S INFORMATION AND MANAGEMENT

(a) Background Information

The Kenya Accreditation Service (KENAS), is a State Corporation that was established under the State Corporations Act, Cap 446, Laws of Kenya vide Legal Notice No. 55/2009. It is recognised by the Government of Kenya as the sole National Accreditation Body for Kenya. Its principal role is the provision of accreditation services to Conformity Assessment Bodies (CAB's) that carry out various conformity assessment tasks that include inspection, testing and certification in all fields and or sectors of our economy such as Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation. Its establishment started in July 2004 and was nurtured and supported by the Kenya Bureau of Standards (KEBS), the National Standards Body (NSB) and the Government of Kenya through the Ministry of Industry, Trade and Cooperatives.

(b) Principal Activities

The Principal activities of the organisation include provision of Accreditation services to Conformity Assessment Bodies (CAB's). KENAS key mandates are as listed below;

- i) Develop, regulate and review the criteria or requirements for accreditation of Conformity Assessment Bodies (CAB's)
- ii) Accredite CAB's
- iii) Open, maintain and update the register of accredited CAB's
- iv) Design and issue identification numbers and certificates to all accredited CAB's
- v) Publish in the Gazette all CAB's that have been accredited within a particular year, annually
- vi) Promote the use of accreditation marks and certificates issued to accredited CAB's
- vii) Promote competence and equivalence of accredited CAB's
- viii) Establish and nurture relations and cooperation with regional and international accreditation Bodies, persons, associations and organizations that KENAS may consider desirable or appropriate, in furtherance of the objectives and purposes for which KENAS was established
- ix) Promote accreditation as a means of facilitating regional and international trade and enhancing economic performance and transformation
- x) Participate in the formulation of regional and international guidelines and standards to facilitate the accreditation process
- xi) Raise awareness on the importance and purpose of Accreditation and
- xii) Promote KENAS as the sole National Accreditation Body (NAB) in the scope of accreditation

(c) Top Management Team

The organization's day-to-day operations and direction are managed by the following key organs:

The Chief Executive Officer and two Deputies, in charge of Technical Services and Finance and Administration respectively

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were as indicated in the Management Team at page 5

KENYA ACCREDITATION SERVICE (KENAS)

(e) **Fiduciary Oversight Arrangements**

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

(f) **Finance Human Resource and General Purpose Committee**

The Finance Human Resource and General Purpose Committee is chaired by Non Executive Board Member and meets at least once a quarter. The members are Mr Hassan Issack Hache Mr. Sammy Milgo (CEO/Member), Mr. Stephen Odua and MS Stella Osoro (Member). The Committee's responsibilities include ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, public relations, administration Human Resource Development and offering oversight role on all financial, human resource and other general operational matters, overseeing the development, review and implementation of Human Resource Policy Manual, advising the board on organisation structure, departmental/divisional function/staffing levels and facilitating, developing, reviewing and implementation of the schemes of service and career guidelines, facilitating training and capacity building, reviewing staff performance appraisal reports and overseeing disciplinary matters.

(g) **Audit Committee**

The Audit Committee is chaired by a Non Executive Board Member with members who are Non Executive. The members are Mr. Benjamin Mitei (Chair-retired on 23rd December 2015) and Stephen Odua. The responsibilities of the Committee include reviewing the financial information of the organization, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the organization.

(h) **Accreditation Committee**

The Accreditation Committee is chaired by a Non Executive member and meets at least once a quarter and whenever need arises. The members are, Mr. Erastus Kimuri (Chair), Dr. Richard Oduor, Dr. Jane Mwangi, Dr. Wasike Wasilwa, Mr. Titus Kithikii, Mr. Denis Muturi, Mr. Charles Gachahi and the CEO, Mr. Sammy Milgo who is also the Member/ Secretary. With the exception of the chair and CEO, all other members retired on 31st December 2015. The following new members were appointed on 15th January 2016; Mr. Erastus Kimuri (Chair), Mr. James Onyango Odongo, Mr. Mohamed Abdi Sheikh, Ms. Elizabeth Lutomia Nambiro, Mr. Liston Cheruiyot Kirui, Mr. George Maingi Munyao, Mr. Charles Gachahi, Mr. Dennis Moturi, Mrs. Susan Ochieng and the CEO, Mr. Sammy Milgo who is also a Member/ Secretary. The Committee's responsibilities include provision of technical direction on all accreditation decisions and adjudications on accreditation matters in an independent, objective and impartial manner

KENYA ACCREDITATION SERVICE (KENAS)

(i) KENAS Headquarters

Embankment Plaza, 2nd Floor,
Longonot Road, Off Kenya Road,
Upper Hill,
P.O. Box 47400 - 00100'
NAIROBI.

(j) KENAS Contacts

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

(k) Principal Bankers

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

(l) Independent Auditors





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

(m) Principal Legal Adviser



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

KENYA ACCREDITATION SERVICE (KENAS)

II. THE BOARD OF DIRECTORS

#	Director's Name	Key Qualifications/Work Experience/Profile
1	<p>Hon. Dr. Robert Onsare Monda</p> 	<p>Born in 1959. He is a Holder of Bachelor of Veterinary Medicine. Has a wealth of 28 years experience as</p> <ul style="list-style-type: none"> • District Veterinary Officer • Chairman of Departmental Committee of Parliament on Health • Member of Parliament Nyaribari Chache constituency • Research on medical areas including publication of various Acts and Bills
2	<p>Mr. Benjamin Mitei</p> 	<p>Mr. Benjamin Mitei was born in 1952 and a holder of Masters in Economics. Retired on 23rd December, 2015 Has a wealth of over 34 yrs experience as:</p> <ul style="list-style-type: none"> • Board member - KIRDI • Assistant Director, Central Bank of Kenya (CBK). • Assistant Branch Manager, CBK, Kisumu • Senior Assistant Manager, CBK, Eldoret <p>Senior Assistant Manager, CBK, Nairobi</p>
3	<p>Mr. James Muriuki</p> 	<p>Born in 1956, Mr. James Muriuki is a holder of MSc Environmental Health Engineering. Retired on 6th January, 2016 Has a wealth of 31 yrs experience as:</p> <ul style="list-style-type: none"> • Consultant to Wen-Tech System Services • Director of National Environmental Management Authority (NEMA) <p>General Manager, Aquatech Industries</p>
4	<p>Mr. Stephen Odua</p>	<p>Mr. Stephen Odua was born on 26th December 1967 Holder of MSc. in Entrepreneurship. Has a wealth of over 23 yrs experience in the Public Sector.</p> <ul style="list-style-type: none"> • Currently Assistant Director of Industries, MOIED. <p>Alternative Representative, PS - MOI&I</p>
6	<p>Ms. Stella Osoro</p> 	<p>Ms. Stella Osoro was born on 11th January 1984 and a holder of Bachelor of arts in economics and currently undertaking Master of arts in economic policy management - currently doing the courseproject Has a wealth of experience as an Economist in Public Sector.</p> <ul style="list-style-type: none"> • Currently working as a Senior Economist at Treasury.

KENYA ACCREDITATION SERVICE (KENAS)







7	<p>Mr. Hassan Issack Hache</p> 	<p>Mr. Hassan Issack Hache was born on 12th 1972 and a holder of Dip in human resource and personnel management, Degree in public administration and Masters in Public Administration and Management specializing in administration and management in community development and NGO management. Has a wealth of experience in administration and management.</p>
8	<p>Sammy K. Milgo</p> 	<p>He is the Chief Executive Officer. Born in 1960 Has a wealth of experince in standardization, conformity assessment and accreditation of over 30 years Holder of :</p> <ul style="list-style-type: none"> • Executive Master of Business Administration (Strategic Management option) • Msc. Food Science & Technology • Bsc. Food Science & Technology • Diploma in Quality Management • Diploma in Quality Infrastructure Development in Support of World Trade. • Pursuing Phd degree in climate change and adaptation

KENYA ACCREDITATION SERVICE (KENAS)

III. MANAGEMENT TEAM

#	Holder's photo	Key position and Profile
1	<p>Sammy K. Milgo</p> 	<p>He is the Chief Executive Officer. Born in 1960 Has a wealth of experience in standardization, conformity assessment and accreditation of over 30 years Holder of :</p> <ul style="list-style-type: none"> • Executive Master of Business Administration (Strategic Management option) • Msc. Food Science & Technology • Bsc. Food Science & Technology • Diploma in Quality Management • Diploma in Quality Infrastructure Development in Support of World Trade. • Pursuing Phd degree in climate change and adaptation
2	<p>Susan M. Ochieng</p> 	<p>She is the Deputy Director Technical Services. Born in 1972 Has a wealth of experience of over 19 years Holder of:</p> <ul style="list-style-type: none"> • Masters in Business Administration (Operation Management option) • Bachelor of Science (Chemistry)
3	<p>John M. Kamau</p> 	<p>He is the Deputy Director Finance And Administration. Born in 1969 Has a wealth of experience of over 21 years Holder of :</p> <ul style="list-style-type: none"> • Master of Business Administration (Finance option) • Bachelor of Commerce degree (accounting) • CPA (K) • CPS (K)
4	<p>Felista Nyakoe</p> 	<p>She is the Assistant Director Testing And Calibration Born in 1973 Experience of over 17 years Holder of:</p> <ul style="list-style-type: none"> • Masters in Business Administration (Strategic Management option) • Bsc. Dairy Science and Technology
5	<p>Henry Wandabwa</p> 	<p>He is the Assistant Director Finance. Born in 1972 Has a wealth of experience of over 18 years Holder of :</p> <ul style="list-style-type: none"> • Master of Business Administration (Finance option) • Bachelor of Commerce degree (Accounting) • CPA (K)

KENYA ACCREDITATION SERVICE (KENAS)

6	<p>Doris Mueni Mengo</p> 	<p>She is the Assistant Director Health & Safety Born in 1981 Has a wealth of experience of over 11 years Holder of:</p> <ul style="list-style-type: none"> • Master of Science in Medical Microbiology • Bachelor of Science in Medical Microbiology • Diploma in Quality infrastructure in Support of World Trade
7	<p>Michael Talaam</p> 	<p>He is the Assistant Director Certification Born in 1975 Has a wealth of experience of over 17 years</p> <ul style="list-style-type: none"> • Executive Masters of Business Administration • Bachelor of Industrial Technology (Medical Engineering option)
8	<p>Abraham Wekesa</p> 	<p>He is the Assistant Director Inspection & Verification Born in 1973 Has a wealth of experience of over 16 years Holder of:</p> <ul style="list-style-type: none"> • Master of Environmental Science • Bachelor of Science (Chemistry and Biochemistry) • Higher Diploma In Project Management.
9	<p>Abraham Birgen</p> 	<p>He is the Ag. Assistant Director Human Resource and Training. Born in 1974 Has a wealth of experience of over 15 years Holder of:</p> <ul style="list-style-type: none"> • Masters of Business Administration (Strategic Management option) • Bachelor of Commerce (Management option) • Higher Diploma in Human Resource Management
10	<p>Elizabeth Muema</p> 	<p>She is the Assistant Director Communication and Public Relations. Born in 1982 Has a wealth of experience of over 11 years Holders:</p> <ul style="list-style-type: none"> • BA in Communication - Specialised in public relations
11	<p>Florence Wambui Kimani</p> 	<p>She is the Ag. Internal Auditor Born in 1983 Has a wealth of experience of over 8 years Holder of:</p> <ul style="list-style-type: none"> • CPA (K) • Bachelor of Business Management (Accounting)

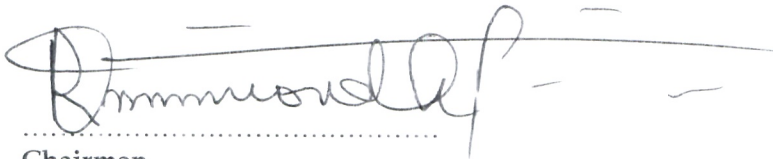
KENYA ACCREDITATION SERVICE (KENAS)

IV. CHAIRMAN'S STATEMENT

The Kenya Accreditation Service (KENAS), is a State Corporation that was established under the State Corporations Act, Cap 446, Laws of Kenya vide Legal Notice No. 55/2009. It is recognised by the Government of Kenya as the sole National Accreditation Body for Kenya. Its principal role is the provision of accreditation services to Conformity Assessment Bodies (CAB's) that carry out various conformity assessment tasks that include inspection, testing and certification in all fields and or sectors of our economy Trade, Agriculture, Finance, Transport, Energy, Environment, Telecommunication, Mining, Fishing, Water and Irrigation. Its establishment started in July 2004 and was nurtured and supported by the Kenya Bureau of Standards (KEBS), the National Standards Body (NSB) and the Government of Kenya through the Ministry of Industry, Trade and Cooperatives.

KENAS performance has improved over the previous five years of operation. The 2015-2016 financial year will be the sixth year that financial statements are audited. It is notable that KENAS has received clean reports from the external auditors in the previous five years.

Further the board has identified inadequate funding by the Government as a key threat to the organisation going concern. The Board in liason with management has put in place initiatives aimed at securing additional funds from Government even as the organisation works harder to increase its customer base and hence revenue generation. This will enable her to be financially independent sooner but not later than the year 2023.



Chairman

Date: 14/03/2017

KENYA ACCREDITATION SERVICE (KENAS)

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Accreditation, a key quality infrastructure for any country is a key driver of the economy of our country. This is particularly so where it works seamlessly and in harmony with the regulatory infrastructure. Therefore vast amounts of investment in terms of resources need to be allocated to enable achievement of its trade facilitation role. With the improvement of the entire national infrastructure and vast development plans by the Government across all the regions/counties we believe that KENAS will make her contribution in enabling the Government to realize the objectives and goals of Kenya Vision 2030.

KENAS has achieved significant growth in terms of delivery of quality services to its customers and stakeholders since its establishment. The Accreditation services has seen a lot of growth considering the immense client potential since its mandate cuts across all sectors of the economy in both the private and public sectors. Aggressive publicity and marketing of its services to create requisite customer demand pull of its services hence increased revenue generation require sufficient allocation of resources. To this end KENAS wishes to thank the Government through the Ministry of Industry Trade and Cooperatives for the continued support and cooperation, particularly with regards to budgetary support. Government transfers/funding increased by 11% from KES.104.764 Million in 2010/11 to KES 116.5 million in 2015/16. In total, revenue went up by 2415.4% from Ksh1.3million in 2010/11 to Ksh.32.7 Million in 2015/16. The total recurrent expenditure increased by 6% from Ksh.149.9 Million in 2012/13 to Ksh. 158.8 Million in 2015/16.

KENAS officially has been in operation from 2010 and has continued to receive government support to date and has made achievements that include:-


- i) Growth in internally generated funds of KES.1,3 Million in the financial year 2010/11 to KES. 32.7 Million in the year under review(2015/16) a 2415.4% growth
- ii) Evolution to a fully, fledged independent National Accreditation Body for Kenya, KENAS. A 30 milestone approach/work plan was used to actualize this during the period July 2004 to July 2010. Level of realization of the milestones stands at 92%
- iii) Hiring of additional staff making a complement of 43.
- iv) Acquisition of office space and equipment that include motor vehicle, computers and furnitures.
- v) Capacity building of officers through various training programmes supported by support partners that include PTB-National Metrology Institute)-Germany, SIDA, UNIDO, GIZ etc.
- vi) Attainment of membership to International Accreditation umbrella organizations. Associate membership to **International Laboratory Accreditation Cooperation (ILAC)**, Accreditation Body member - **International Accreditation Forum (IAF)** and full member to Frica Accreditation Co-operation (AFRAC).
- vii) The development of the Accreditation Bill.

The organisation has continually involved all stakeholders in the development, implementation and review of regulations. This has led to enforcement of regulations in various sectors that include health, in a fair and equitable manner. As stipulated in the service Strategic Plan 2012-2017, KENAS is still on course in its pursuit of business excellence and continual improvement.

Though KENAS has continued to realize progress in terms of delivering on its mandate, her operations have been adversely affected by inadequate funding, particularly during

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this critical formative stage. By and large the funding level caters for fixed costs that include personal emoluments and rent thus leaving very little for meeting operational expenses. This poses a big threat to its going concern and hence future operational sustainability.



.....
Chief Executive Officer, KENAS

Date:

14th March 2017

KENYA ACCREDITATION SERVICE (KENAS)

VI. PERFORMANCE FOR THE FINANCIAL YEAR 2015-2016

Financial Stewardship

The Organisation realized Revenue totaling to KES 149,182,405 during the financial Year up from 120,109,880 realised in the 2014-2015. More GOK budgetary allocation of KES 116.4Million compared with KES 89Million from the previous year 2014-2015, hence a boost to the planned activities in the year under review.

Accreditation Services

The following were the achievements during the financial year under review

- a) Developed twenty five (25) Regulations/Criterias. Among the bodies assessed were as follows;
 - i) Food safety Management System (FSMS)
 - ii) Quality Management System (QMS)
 - iii) Environmental Management System (EMS)
 - iv) Relocation of medical labs
 - v) Calibration in medical laboratories
 - vi) Retention period in medical laboratory
 - vii) Risk assessment in medical labs
- b) Assessed one hundred and four (104) Conformity bodies. Among the bodies assessed were as follows;
 - 1) Kenya Airways Calibration Centre
 - 2) Nakuru Water and Sanitation Services Company Testing Laboratory - NAWASSCO
 - 3) Kenya Revenue Authority Testing Laboratory
 - 4) Endeavour Africa Instruments limited
 - 5) Kenya Pipeline Testing Laboratory
 - 6) Unga Limited Testing Laboratory
 - 7) Analabs Limited Testing Laboratory
 - 8) New Sonic Calibration Laboratory
 - 9) Sonic Quality Inspectors Limited Calibration Laboratory
 - 10) Twiga Chemicals Testing Laboratory
 - 11) Biologic Solutions Limited Calibration Laboratory
 - 12) ESTEC Calibration Laboratory
 - 13) Instrumentation Calibration Laboratory
 - 14) Agri-Q Quest Testing Laboratory
 - 15) Crop Nutrition Testing Laboratory
 - 16) Ideal Quality Calibration Laboratory
 - 17) Kisii country reference laboratory
 - 18) Bungoma country reference laboratory
 - 19) Nairobi hospital laboratory
 - 20) NHRL
 - 21) National Microbiology laboratory
 - 22) Ampath
 - 23) Migori- Document review
 - 24) AMPATH CARE PLUS- document review

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- 25) Kisumu county hospital laboratory- document review
- 26) EDARP- Document review
- 27) Inspectorate E.A
- 28) SGS Kenya (IB)
- 29) Polucon Services 26th & 27th May 2016
- 30) Accredited the following fourteen (14) newly accredited conformity assessment bodies among them the following;
- 31) Chogoria PCEA Hospital Laboratory
- 32) Polucon inspection
- 33) Kijabe Missions Hospital Laboratory
- 34) Bomu Hospital Laboratory
- 35) MRC Unit Gambia
- 36) Pathologist lancet Parklands
- 37) Pathologist Lancet Eastleigh
- 38) Endeavour Africa
- 39) Conducted one hundred twenty four (124) awareness programmes on the importance of Accreditation services
- 40) Contributed to Sixty four (64) regional and international meetings with the aim of propagating Accreditation agenda and ensuring the service attains International recognition and status.
- 41) Trained Ninety eight (98) assessors to various standards.

KENYA ACCREDITATION SERVICE (KENAS)

VII. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which organisations are managed and controlled while ensuring accountability and transparency on resource mobilization and utilization. The concept of corporate governance has gained prominence and is enshrined in both Mwongozo-Governance of State Corporations and the Kenya Constitution 2010. This is also articulated by private sector organisations such as the Centre for Corporate Governance in Kenya. The KENAS Board and management recognizes the need to conduct the business and operations of the organization with accountability, integrity and in accordance with generally accepted corporate governance practice coupled with endorsement of internationally developed principles of corporate governance. The Directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the operations of KENAS.

The Kenya Accreditation Service (KENAS)

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

(a) Finance Human Resource and General Purpose (FHRGP) Committee

The Finance Human Resource and General Purpose Committee is chaired by Non Executive Board Member and meets at least once a quarter. The members are Mr. James Gitau Muriuki (Chair -retired on 6th January 2016), Sammy Milgo (CEO/Member) and MS Stella Osoro (Member). The new chair of the Committee is Mr. Hassan Issack Hache. The Committee's responsibilities include ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, public relations, administration Human Resource Development and offering oversight role on all financial, human resource and other general operational matters, overseeing the development, review and implementation of Human Resource Policy Manual, advising the board on organisation structure, departmental/divisional function/staffing levels and facilitating, developing, reviewing and implementation of the schemes of service and career guidelines, facilitating training and capacity building, reviewing staff performance appraisal reports and overseeing disciplinary matters.

(b) Audit Committee

The Audit Committee is chaired by a Non Executive Board Member with members who are Non Executive. The members are Mr. Benjamin Mitei (Chair-retired on 23rd December 2015) and Stephen Odua. The responsibilities of the Committee include reviewing the financial information of the organization, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the organization.

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(c) Accreditation Committee

The Accreditation Committee is chaired by a Non Executive member and meets at least once a quarter and whenever need arises. The members are, Mr. Erastus Kimuri (Chair), Dr. Richard Oduor, Dr. Jane Mwangi, Dr. Wasike Wasilwa, Mr. Titus Kithikii, Mr. Denis Muturi, Mr. Charles Gachahi and the CEO, Mr. Sammy Milgo who is also the Member/ Secretary. With the exception of the chair and CEO, all other members retired on 31st December 2015. New members were appointed on 15th January 2016 and they include; Mr. Erastus Kimuri (Chair), Mr. James Onyango Odongo, Mr. Mohamed Abdi Sheikh, Ms. Elizabeth Lutomia Nambiro, Mr. Liston Cheruiyot Kirui, Mr. George Maingi Munyao, Mr. Charles Gachahi, Mr. Dennis Moturi, Susan and the CEO, Mr. Sammy Milgo who is also the Member/ Secretary. The Committee's responsibilities include provision of technical direction on all accreditation decisions and adjudications on accreditation matters in an independent and impartial manner

Delegation of Responsibilities

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

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

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

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

Statement of Risk Management and Internal Control

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

Responsibility

Risk management is one of the most important activities of the organization. The Service through the Audit Committee is responsible for managing risk within KENAS by ensuring that appropriate risk management strategies and policies are in place, and that processes are adequate and effective. The Audit Committee in liaison with management defines KENAS's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks.

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

Internal Controls

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

KENYA ACCREDITATION SERVICE (KENAS)

VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

KENAS believes in adding value to the community by investing in their economic and social growth. This is achieved through partnership and participation, critical development and implementation of Corporate Social Responsibility (CSR) programmes aimed at addressing some of the social, environmental and economic challenges facing Kenyan communities. In the 2015/16 Financial Year, the organization undertook various CSR activities such as planting of trees in Nairobi National Park with Greenline (a project that belongs KWS and . In future, and subject to resource availability, the organization plans to enhance such activities in a more robust and coordinated manner for purposes of undertaking similar activities in other Counties.

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IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

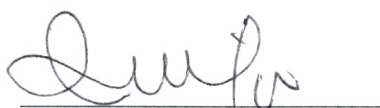
The Directors are also responsible for the preparation and presentation of the organization's financial statements, which give a true and fair view of the state of affairs of the organization for and as at the end of the financial year (period) ended June 30, 2016. This responsibility includes oversight on: (i) maintainance of adequate financial management arrangements (ii) ensuring that arrangements continue to be effective throughout the reporting period; (iii) maintainance of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the organization; (iv) design, implementation and maintainance of internal controls relevant to the preparation and fair presentation of the financial statements, (v) ensuring controls are free from material misstatements, whether due to error or fraud; (vi) safeguarding the assets of the organization; (vii) selection and application of appropriate accounting policies; and (viii) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the organization's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act Cap 446 laws of Kenya. The Directors are of the opinion that the organization's financial statements give a true and fair view of the state of the organization's transactions during the financial year ended June 30, 2016, and of the organization's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization's financial statements as well as the adequacy of the systems of internal financial control.

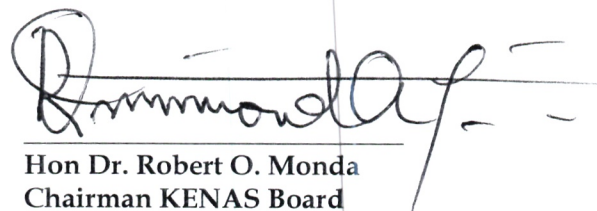
The Directors have also taken note of the threats to the going concern of the organisation and hence its future sustainability occasioned by inadequate budgetary allocation by the Government. Thus the directors are making all efforts in liason with management in pursuing improved budgetary allocation to mitigate against this threats, particularly during this critical formative stage of the organisation.

Approval of the financial statements

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



Sammy K. Milgo
Executive Officer/ Board Member



Hon Dr. Robert O. Monda
Chairman KENAS Board

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCREDITATION SERVICE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Accreditation Service set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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

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

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered internal controls 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 Service'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. Non Remittance of Statutory Deductions

The Service had not remitted statutory deductions namely Pay as You Earn (PAYE), National Social Security Fund (NSSF) and staff pensions, totalling to Kshs.15,138,954 to the relevant authorities as at 30 June 2016.

In addition, 6% withholding Value Added Tax (VAT) balance amounting to Kshs.4,390,434 had not been remitted to the Kenya Revenue Authority as at 30 June 2016. Although the management has indicated that it has made efforts to clear the arrears, requirement by the Kenya Revenue Authority obliges all tax agents making payments to persons or suppliers to withhold, and subsequently remit the tax proceeds to the Commissioner on or before 20th of every month following the month in which the deduction was made.

Consequently, the Authority is likely to suffer penalties and interest as a result of failure to remit the statutory deductions and taxes to the relevant authorities.

2. Pending Bills

The Service had an outstanding pending bills totalling to Kshs.16,466,372 as at 30 June 2016 which includes a balance of Kshs.8,200,190 due to the Kenya Bureau of Standards (KEBS). The amount related to services rendered and paid for by KEBS on behalf of the Service before the two institutions were separated. However, the management of the Service has not offered any explanation on how they intend to settle the outstanding bills.

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 Kenya Accreditation Service as at 30 June 2016, and 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 Kenya Accreditation Service Order, 2009.

Emphasis of Matter

Financial Performance

During the year under review, the Service registered a deficit of Kshs.8,923,202 (2015: - Deficit of Kshs.24,392,001). Although the total revenue increased by 25% from Kshs.120,109,880 in 2015 to Kshs.149,797,655 in 2016, expenditure on the other hand, increased by 10% from Kshs.144,651,384 to Kshs.159,432,192. Following the credit deficit incurred, the Service registered negative working capital of Kshs.5,141,386 as at 30 June 2016. Therefore, the existence of the Service as a going-concern is dependent upon financial support from the Government.

My opinion is not qualified in respect of this matter.



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

Nairobi

28 March 2017

KENYA ACCREDITATION SERVICE (KENAS)

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTES:	2016 KES	2015 KES
Assets			
CURRENT ASSETS			
Cash and Bank equivalents	13	19,981,780	4,649,833
Receivables from exchange transactions	14	18,472,654	9,591,982
Receivables from non-exchange transactions	15	2,762,342	5,145,828
Inventories	12	140,060	122,375
		41,356,836	19,510,018
NON - CURRENT ASSETS			
Property, Plant and Equipment	9	12,794,136	14,830,504
Work In Progress	18	5,975,500	1,500,000
Intangible Assets	10	431,443	1,014,684
		19,201,079	17,345,188
Total Assets		60,557,917	36,855,206
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange transactions	16	16,403,372	12,372,063
Trade and Other Payables from Non Exchange transactions	17	30,094,850	32,055,220
Total Liabilities		46,498,222	44,427,283
Net Assets		14,059,694	(7,572,077)
Capital Funds			
Accumulated Capital Funds	11	20,000,000	-
Accumulated Surplus	11	(13,200,305)	(7,572,077)
Revaluation Reserve	9	7,260,000	-
Total net Assets and Liabilities		14,059,695	(7,572,077)

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board

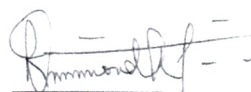
of Directors on 14.3.2017 by:



Chief Executive Officer

14.3.2017

Date.....



Chairman

14/03/2017

Date.....

The notes set out on pages 8 to 19 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XII. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

Income	NOTES:	2016 KES	2015 KES
Revenue from Non-Exchange transactions	2	118,568,384	91,348,152
Revenue from Exchange transactions	3	31,229,270	28,761,729
Total Revenue		149,797,655	120,109,880
Expenses			
Personal Emoluments	4	83,748,384	86,587,130
Board Expenses	5	4,699,907	1,581,468
Administrative Costs	6	52,181,103	46,127,659
Other Operating Costs	7	18,802,797	10,355,130
Total Expenses		159,432,192	144,651,387
		(9,634,537)	(24,541,507)
Other gains/(Losses)			
Foreign exchange Gain	8	711,335	149,506
Surplus (Deficit)		(8,923,202)	(24,392,001)

The notes set out on pages 8 to 19 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the Year ended 30 June 2016

	Accumulated Fund KES	Revaluation Reserve KES	Accumulated Surplus KES	TOTAL KES
Balance as at 30th June 2014	-	-	16,417,823	16,417,823
Adjustments for the year	-	-	402,102	402,102
Surplus/(Deficit) for the year	-	-	(24,392,001)	(24,392,001)
Balance as at 30th June 2015	-	-	(7,572,076)	(7,572,076)
Government Capital Grants	20,000,000		-	20,000,000
Revaluation Reserve	-	7,260,000	-	7,260,000
Adjustments for the year	-	-	3,294,974	3,294,974
Surplus/(Deficit) for the year	-	-	(8,923,202)	(8,923,202)
Balance as at 30th June 2016	20,000,000	7,260,000	(13,200,304)	14,059,696

The notes set out on pages 8 to 19 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

IV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	NOTES:	2016 KES	2015 KES
Cash generated from operations			
Surplus for the year before		(8,923,202)	(24,392,001)
Adjustments for :			
KEBS-QUSAC Bank Balance*	11	3,780,085	-
Disposal of Fixed Assets - Gain/Loss	11	24,114.96	-
Credit note for Eka Hotel Invoice 81016	11	15,199.50	-
Credit note for CMC LRK-SINV+044373	11	73,036.63	-
Invoice No 128 for Accreditation Services	11	(345,000)	-
Invoice No 14 for Accreditation Services	11	(40,000)	-
Return of GIZ un utilised funds	11	(370,900)	-
Mobile Clinic Campaign	11	-	50,000
Employer pension	11	-	4,929
Advertising and Publicity	11	-	(63,000)
Provision for Leave days 2014-2015	11	10,533	410,173
Provision for Audit Fees	11	172,000	-
Depreciation expense	9 & 10	4,744,379	7,529,612
Amortisation expense	9 & 10	5,102,677	5,197,572
Total Cash generated from operations		4,242,942	(11,262,715)
Working Capital adjustment			
Change in inventories	12	17,685	31,267
Change in Trade and Receivables	14 & 15	6,497,186	(1,337,394)
Change in Trade and other Payables	16 & 17	2,070,939	15,157,009
Net Changes in Working Capital		4,443,932	13,850,882
Net Cash from Operating Activities		200,989	2,588,166
Cash flows from Investing Activities			
Property Plant & Equipment	9 & 10	(61,000)	-
Work in Progress	18	(4,475,500)	-
Intangible Assets	10	-	-
Net Cash flows used in investing Activities		(4,536,500)	-
Cash flows from Financing Activities			
GOK Grants Development	11	20,000,000	-
Disposal of Computers	9	69,438	-
Net Cash flows From Financing Activities		20,069,438	-
Net Increase in Cash & Cash Equivalents		15,331,949	2,588,166
Analysis of Cash and Cash Equivalents			
Net Cash & Cash Equivalents at July	13	4,649,833	2,061,667
Net Cash & Cash Equivalents at 30 June 2015		19,981,782	4,649,833

The notes set out on pages 8 to 19 form an integral part of the Financial Statements

KENYA ACCREDITATION SERVICE (KENAS)

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

KENYA ACCREDITATION SERVICE
Statement of Comparison of Budget and Actual amounts
For the Year ended 30 June 2016

Revenue	Original	Adjustments	Final Budget	Actual	Variance
	Budget 2015-2016		2015-2016		
	KES	KES	KES	KES	KES
Governments Grants Recurrent	121,038,400	4,538,940	116,499,460	116,499,460	0.00
Govt Grants Development	20,000,000	-	20,000,000	20,000,000	-
Public contributions and Donations	800,000	-	800,000	2,068,924	1,268,924
Accreditation Fees	22,500,000	-	22,500,000	20,772,842	(1,727,158)
Training Income	16,500,000	-	16,500,000	5,456,500	(11,043,500)
Miscellaneous Income	5,000,000	-	5,000,000	4,999,928	(72)
Total Income	185,838,400	4,538,940	181,299,460	169,797,655	(11,501,805)
Expenses					
Personal Emoluments	86,671,914	4,266,209	82,405,705	83,748,384	(1,342,679)
Honoraria	960,000	(84,000)	1,044,000	1,044,000	-
Medical Expenses	5,700,000	(100,000)	5,800,000	5,728,054	71,946
Transport Operating Expenses	1,260,570	(539,430)	1,800,000	1,617,831	182,169
Travelling and Accomodation	620,000	430,000	190,000	302,395	(112,395)
Hire of Transport	300,000	0	300,000	599,135	(299,135)
External travelling and Accomodation	1,915,000	(2,431,000)	4,346,000	6,056,207	(1,710,207)
Postal and Courier Services	30,000	(5,000)	35,000	29,120	5,880
Telephone	120,000	30,000	90,000	87,971	2,029
Official entertainment	780,000	(620,000)	1,400,000	1,334,045	65,955
Legal Expenses	300,000	300,000.00	-	-	-
Contracted Professionals	3,620,000	273,200	3,346,800	1,910,320	1,436,480
Electricity	600,000	-	600,000	613,304	(13,304)
Water	90,000	(60,000)	150,000	136,184	13,816
Motor vehicle fuel,lubricant and gas	1,680,000	372,000	1,308,000	1,261,349	46,651
Seminar expenses	1,210,000	(1,558,390)	2,768,390	2,407,655	360,735
Library expenses	120,000	-	120,000	83,688	36,312
Purchase of stationery	767,174	226,961	540,213	538,274	1,939
Publishing printing and photocopy	360,000	-	360,000	135,960	224,040
Advertising,Marketing and Publicity	750,000	200,000	550,000	4,671,453	(4,121,453)
Newspapers,publications,periodicals	108,000	-	108,000	97,040	10,960
Welfare	200,000	200,000	-	-	-
Rent and Rates	16,495,242	-	16,495,242	17,974,980	(1,479,738)
Maintenance of office equipments	600,000	300,000	300,000	237,631	62,369
Maintenance of buildings	100,000	0	100,000	28,600	71,400
Insurance expenses	1,730,600	410,000	2,480,600	2,134,853	345,747
Staff development and Training	830,000	105,000	420,000	2,100,067	(1,680,067)
Subscription fees	1,160,500	740,500.00	1,055,500	581,377	474,123
Computer expenses	300,000	(755,500)	100,000	27,500	72,500
Bank Charges	400,000	300,000	400,000	151,295	248,705
Financial Audit	348,000	- 52,000.00	348,000	406,000	(58,000)
Accreditation expenses	5,748,800	(700,000)	6,448,800	6,919,901	(471,101)
Training Expenses	-	-	-	1,563,631	(1,563,631)
Tender allowance and Technical					
Committee Expenses	318,000	-	318,000	127,000	191,000
Technical Committee Expenses	528,000	212,000	316,000	199,647	116,354
Peer/Pre-Peer Evaluation Expenses	3,500,000	3,500,000	-	-	-
World Accreditation Day	1,000,000	-	1,000,000	1,074,380	(74,380)
Board Expenses	3,516,600	361,390	3,155,210	4,699,907	(1,544,697)
Depreciation-Motor Vehicles	-	-	-	3,263,412	(3,263,412)
Depreciation-Furniture & Equipment	-	-	-	1,276,591	(1,276,591)
Depreciation-Computer Hardware	-	-	-	204,375	(204,375)
Amortization-Computer Software	-	-	-	583,241	(583,241)
Amortization-Office Partioning	-	-	-	4,519,436	(4,519,436)
Total Expenses	144,738,400	5,321,940	140,199,460	160,476,192	(20,276,732)
Surplus/(Deficit) for the period	41,100,000	(783,000)	41,100,000	9,321,463	8,774,927

KENYA ACCREDITATION SERVICE (KENAS)

Reasons/explanations for material differences between the budget and actual amounts

a) Public Contributions and Donations: KES 2,068,924

The organization realised more income as a result of sponsorship income realized from our partners such as International Accreditation Cooperation (ILAC)/International Accreditation Forum (IAF) and ACP -EU-TPT Programme-054/15 for the various international meetings attended.

b) Accreditation Income: KES 20,772,842

The organization realized a deficit income of KES 2,342,408 as a result of due to underfunding hence most planned trainings could not be actualised.

c) Training Income: KES 5,456,500

The organization realized a deficit income of KES 11,043,500 due to underfunding hence most planned trainings could not be actualised.

d) Personal Emoluments: KES 83,748,384

The expenditure was overspent by KES 1,342,679, due interest penalty on unpaid pension arrears.

e) External Travelling Expenses: KES 6,056,207

The expenditure was overdrawn by KES 1,710,207, due to inadequate budgetary provisions which was not adequate to cater for planned external travel costs. Additionally KENAS participated in regional and International meetings in order to push the KENAS agenda achieving full membership at ILAC/IAF status/level.

f) Adverstising Marketing and Publicity: KES 4,671,453

The expenditure was overdrawn by KES 3,483,453, as part of the expenditure was financed by Development expenditure under Ministry priority areas.

g) Rent and Rates KES 17,974,980

The expenditure was overdrawn by KES 1,479,738, due to rent and rates arrears and penalties for late payment of rent.

h) Staff Development and Training: KES 2,100,067

The expenditure was overdrawn by KES 1,680,067 as part of the expenditure was financed by Development expenditure under Ministry priority areas.

KENYA ACCREDITATION SERVICE (KENAS)

i) Accreditation and Training Expenses: KES 8,483,531.

This is the expenditure incurred on the core business of KENAS to generate Accreditation, Training and Miscellaneous income. Due to inadequate budgetary provisions, the vote was overspent by KES 2,034,731 due to critical and essential accreditation expenses which had to be incurred to progress accreditation agenda that is the core mandate.

j) Board Expenses: KES 4,699,907.

This was expenditure incurred on board meetings held and honoraria for the chair during the financial year 2015-2016. Due to inadequate budgetary provision, the expenditure was overdrawn by KES 1,544,697 to undertake the planned activities that needed attention.

KENYA ACCREDITATION SERVICE (KENAS)

XVI. NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2016

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies will be consistently applied in the future, unless otherwise stated.

1. ACCOUNTING POLICIES

The financial statements are prepared in compliance with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) which took effect from the financial year ended 30 June 2016 and as communicated under the PFM Act 2014. The financial statements are presented in Kenya shillings (KES), rounded to the nearest thousand.

a) Basis of Preparation

The Accounts are prepared under historical cost convention as modified by the revaluation of certain fixed assets

b) Revenue Recognition

(i) Government Grants

Government grants are recognized when received

(ii) Interest Income

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

c) Property, Plant and Equipment

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in the Statement of Financial performance. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings. During the Financial Motor vehicles which had a book value of zero amounts were revalued to KES 7,260,000

d) Intangible Assets

Intangible assets are recognized at cost less any accumulated amortization or impairment losses.

KENYA ACCREDITATION SERVICE (KENAS)

e) Depreciation

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

Motor vehicles which had a book value of zero amounts were revalued to KES 7,260,000.

The annual rates used are as follows: -

Plant, Machinery, Furniture & Fittings	12.50%
Motor Vehicles	25%
Computers and Software	33.30%

f) Intangible Assets

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

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

h) Provisions

Provisions are recognized when the Organisation has a present obligation 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 cost can be estimated.

i) Foreign Currency

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

KENYA ACCREDITATION SERVICE (KENAS)

j) Trade Receivables

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

k) Trade Payables

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

l) Employee Benefit Costs

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

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

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

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

m) Cash & Bank Balances

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

n) Related party Transactions

The Organization's does not have any related party transaction except for the remuneration to the Board of Directors which are governed by the Corporation Act, 486 and as per the Guidelines issued by the National Treasury from time to time. During the year such payment amounted to Kshs. 4,699,907 which included Honorarium to the Chairman of Kshs. 1,040,000 and other allowances as proscribed by the Mwongozo executive order No. 7. KENAS owes Kenya Bureau of Standards KES 8,200,189.65 for operational costs incurred while hosted at KEBS in its initial stages of inception before it started receiving its own Government Funding. KEBS also holds KES 3,780,085 being bank balance as at 30th June 2011 held on behalf KENAS.

KENYA ACCREDITATION SERVICE (KENAS)

	2016	2015
NOTE 2: Revenue from Non-Exchange transactions	KES	KES
(i): Government Grants Recurrent	116,499,460	89,000,000
Total Government Grants	116,499,460	89,000,000
(ii): Public Contributions and Donations		
GIZ Grants: (Hospital certifiers)	-	1,259,000
Sponsorship-IAF	194,308	
Sponsorship-ACP-EU-TBT PROGRAMME-054/15	1,874,616	
Donations	-	1,089,152
	2,068,924	2,348,152
Total Revenue from Non-Exchange transactions	118,568,384	91,348,152
NOTE 3: Revenue from Exchange transactions		
(i): Accreditation Income		
Accreditation Fees-Testing and Calibration	10,521,573	9,670,000
Accreditation Fees-Health and Safety	6,816,360	6,633,976
Accreditation Fees-Inspection and Verification	1,189,329	1,372,500
Accreditation Fees-Certification	2,245,581	864,522
	20,772,842	18,540,998
(ii): Training Income		
Training Income-Test and Calibration	1,992,000	2,986,920
Training Income-Health and Safety	3,030,000	1,720,000
Training Income-Inspection and Verification	434,500	845,000
Training Income-Certification	-	300,000
	5,456,500	5,851,920
(iii): Miscellaneous Income		
Sale of Tender documents-Finance	3,000	18,000
Confirmation of Certificates-Testing and Calibration	-	40,000
Sale of obsolete items-Finance	-	13,400
Fines and Surcharges	-	2,300
Facilitation Income	4,996,928	4,335,111
	4,999,928	4,368,811
Total Revenue from Exchange transactions	31,229,270	28,761,729

KENYA ACCREDITATION SERVICE (KENAS)

	2015 KES	2014 KES
NOTE 4: Personal Emoluments		
Basic salary	47,352,680	49,821,071
House Allowance	14,857,500	15,657,968
Commuter Allowance	4,073,200	4,102,258
Entertainment Allowance	1,258,367	1,344,710
Taskforce Allowance	-	134,000
Telephone Allowance	1,747,033	2,005,886
Passage Allowance	1,060,672	1,475,755
Pension Contributions	9,775,280	8,803,668
NSSF Contributions	87,400	95,400
Gratuity	1,885,811	1,525,200
Acting Allowance	239,589	354,272
Extraneous Allowance	174,000	174,000
Special duty Allowance	197,708	112,412
Gardener Allowance	240,000	240,000
Security Allowance	175,200	184,200
Responsibility Allowance	314,443	133,330
Utilities Allowance	240,000	243,000
Sitting Allowance	33,000	-
Non Practising Allowance	36,500	180,000
Total Personal Emoluments	83,748,384	86,587,130
NOTE 5: Board Allowances and Expenses		
Honorarium for Chairperson	1,044,000	197,330
Mileage	799,225	523,225
Airtickets	130,265	32,779
Retreats	16,000	-
Snacks	18,250	21,934
Sitting Allowances	1,245,722	601,000
Consultation	226,400	81,000
Official Functions	914,845	28,000
Accomodation Expenses	305,200	96,200
Total Board Allowances and Expenses	4,699,907	1,581,468
	2016 KES	2015 KES

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 6: Administrative Expenses

Medical Expenses	5,728,054	5,637,149
Transport Operating Expenses	1,617,831	916,601
local Travelling and Accomodation	302,395	341,924
Hire of Transport	599,135	295,622
Postal and Courier Services	29120	21,015
Telephone	87,971	96,775
Official entertainment	1,334,045	1,195,708
Contracted Professionals	1,910,320	497,655
Electricity	613,304	599,715
Water	136,184	135,849
Motor vehicle fuel,lubricant and gas expenses	1,261,349	1,536,175
Library expenses	83,683	-
Purchase of stationery	538,274	558,040
Publishing printing and photocopy	135,960	218,930
Advertising,Marketing and Publicity	4,671,453	947,307
Newspapers,publications,periodicals and journals	97,040	210,355
Rent and Rates	17,974,980	15,847,011
Maintenance of office equipments	237,631	155,452
Maintenance of buildings	28,600	32,920
Insurance expenses	2,134,853	1,981,943
Staff development and Training	2,100,067	112,750
Computer expenses	27,500	74,438
Bank Charges	151,295	154,837
Financial Audit expense	406,000	348,000
Penalty and Fines	-	1,281,303
Tender allowance	127,000	203,000
Depreciation-Motor Vehicles	3,263,412	4,925,389
Depreciation-Furniture & Equipment	1,276,591	1,308,575
Depreciation-Computer Hardware	204,375	1,295,649
Amortization-Computer Software	583,241	678,136
Amortization-Office Partioning	4,519,436	4,519,436
Total Administrative Expenses	52,181,103	46,127,659

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 7: Other Operating Expenses	2016 KES	2015 KES
External travelling and Accomodation	6,056,207	3,153,581
Seminar expenses	2,407,655	845,250
Subscription fees	581,377	766,551
Accreditation expenses	6,919,901	5,589,747
Training Expenses	1,563,631	-
Technical Committee Expenses	199,647	-
World Accreditation Day Expenses	1,074,380	-
Total Other Operating Expenses	18,802,797	10,355,130
NOTE 8: Other Gains/(Losses) realised		
Gain on foreign exchange transactions	735,450	149,506
Gain on Disposal of Computers	(24,115)	-
Total Gains/Losses realised	711,335	149,506

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 9

KENYA ACCREDITATION SERVICE Property Plant and Equipment For the Year ended 30 June 2016

	OFFICE PARTITIONING KES (5 YRS)	MOTOR VEHICLES KES 25%	FURNITURE & EQUIPMENT KES 12.5%	COMPUTER HARDWARE KES 33.3%	TOTAL KES
Cost					
At 1st July 2014	22,597,180	22,321,735	10,462,625	5,195,257	60,576,797
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
AS at 30th June 2015	22,597,180	22,321,735	10,462,625	5,195,257	60,576,797
At 1st July 2015	22,597,180	22,321,735	10,462,625	5,195,257	60,576,797
Disposals	-	10,734,435	(142,500)	(111,000)	(10,987,935)
Revaluations	-	7,260,000	-	-	7,260,000
Additions	-	-	61,000	-	61,000
AS at 30th June 2016	22,597,180	18,847,300	10,381,125	5,084,257	56,909,862
Depreciation/Amortization					
At 1st July 2014	11,298,590	15,947,932	3,020,789	3,429,933	33,697,244
Charge for the Year	4,519,436	4,925,389	1,308,575	1,295,649	12,049,048
AS at 30th June 2015	15,818,026	20,873,321	4,329,364	4,725,581	45,746,293
At 1st July 2015	15,818,026	20,873,321	4,329,364	4,725,581	45,746,293
Disposals	-	(10,734,435)	(48,984)	(110,963)	(10,894,382)
Charge for the Year	4,519,436	3,263,412	1,276,591	204,375	9,263,815
AS at 30th June 2016	20,337,462	13,402,299	5,556,971	4,818,994	44,115,726
NET BOOK VALUES					
AS at 30th June 2016	2,259,718	5,445,001	4,824,154	265,263	12,794,136
AS at 30th June 2015	6,779,154	1,448,414	6,133,261	469,676	14,830,504
AS at 30th June 2014	11,298,590	6,373,803	7,441,836	1,765,324	26,879,552

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 10

KENYA ACCREDITATION SERVICE Intangible Assets For the Year ended 30 June 2016

	COMPUTER SOFTWARE KES	TOTAL KES
Cost	33.3%	
At 1st July 2014	740,080	740,080
Disposals	-	-
Additions	-	-
AS at 30th June 2015	740,080	740,080
At 1st July 2015	740,080	740,080
Additions	1,294,329	1,294,329
AS at 30th June 2016	2,034,409	2,034,409
Depreciation/Amortization		
At 1st July 2014	341,589	341,589
Charge for the Year	678,136	678,136
AS at 30th June 2015	1,019,725	1,019,725
At 1st July 2015	1,019,725	1,019,725
Charge for the Year	583,241	583,241
AS at 30th June 2016	1,602,966	1,602,966
NET BOOK VALUES		
AS at 30th June 2016	431,443	431,443
AS at 30th June 2015	274,604	274,604
AS at 30th June 2014	1,692,820	1,692,820

KENYA ACCREDITATION SERVICE (KENAS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (Continued)

	2016 KES	2015 KES
NOTE 11: Capital Fund		
(i) Accumulated Capital Fund		
Balance as at 1 st July 2015	-	-
Government Grants Development	20,000,000	-
Total Government Grants Development for the year	20,000,000	-
(ii) Revenue Reserve		
Balance as at 1 st July 2015	(7,572,077)	16,417,823
Adjustments for the year:		
	3,780,084	-
KEBS-QUSAC Bank balances		
Credit note for EKA Hotel Invoice 81016	15,200	-
Credit note for CMC INV LRK SINV+044373	73,037	-
Invoice No 128 for Accreditation Services	(345,000)	-
Invoice No 14 for Accreditation Services	(40,000)	-
Return of GIZ un utilised funds	(370,000)	-
Advertising and publicity (Mobile Clinic)	-	50,000
Employer Pension reversed	-	4,929
Invoice for conference booking	-	(63,000)
Provision for Leave days	10,553	410,173
Provision for Audit Fees 2015-2016	172,000	-
Surplus (Deficit) for the year	(8,923,202)	(24,392,001)
	(13,200,305)	(7,572,077)
(ii) Revaluation Reserve		
Balance as at 1 st July 2015	-	-
Revaluation surplus	7,260,000	-
	7,260,000	-
NOTE 12: Inventories		
Consumable stores	140,060	122,375
NOTE 13: Cash and Cash equivalents		
KCB Main Account	17,612,144	4,395,554
KCB Dollar Account	2,369,639	254,279
Total Cash and Cash equivalents	19,981,780	4,649,833

KENYA ACCREDITATION SERVICE (KENAS)

NOTE 14: Receivables - Exchange transactions	2016 KES	2015 KES
Current receivables		
Sundry Debtors	387,797	-
General Debtors	18,084,857	9,591,982
Total Receivables - Exchange transactions	18,472,654	9,591,982
NOTE 15: Receivables - Non-exchange transactions		
Guarantee Deposits	389,000	389,000
Salary Advance	697,790	697,790
Prepaid Rent	-	2,820,000
Prepaid Insurance	996,927	809,004
Prepaid Expenses	587,435	430,034
Total Receivables - Non-exchange transactions	2,762,342	5,145,828
NOTE 16: Trade and Other Payables from Exchange transactions		
Trade Payables	16,338,745	12,048,563
Withholding Tax (6%)	64,627	323,500
Total Trade and Other payables from exchange transactions	16,403,372	12,372,063
NOTE 17: Trade and Other Payables from Non-Exchange transactions		
Provision For Audit Fees	406,000	996,000
Provision For Professional Fees	877,600	-
Provision For leave Allowance	2,621,033	2,631,586
Provision For General supplies	710,000	-
Staff Creditors	3,143,400	1,841,300
P.A.Y.E	13,971,148	13,671,054
NSSF	29,160	29,160
Pension Contributions	1,416,246	4,589,964
Staff Welfare	136,000	51,400

KENYA ACCREDITATION SERVICE (KENAS)

	2016 KES	2015 KES
Staff Loans	2,818	2,818
KCB Loans	-	464,745
Coop Bank Loans	2,000	2,000
Ubora Shares and Loans	-	776,083
Ubora Housing	-	10,000
IESA Shares and Loans	24,267	109,551
Other Saccos	-	5,000
Bank Of Africa Loans	-	320,582
CFC Life	-	39,279
BRITAK	-	18,645
Jubilee Insurance	-	11,555
ICEA	-	10,349
Other Insurance Deductions	-	-
Personal Pension	-	-
Voluntary Contributions	-	8,784
VAT	4,379,807	2,772,241
Prepayments	2,320,720	3,693,123
Total Trade and Other Payables from Non-Exchange transactions	30,094,850	32,055,220
Note 18: Work In Progress		
ERP Software	5,975,500	1,500,000
Total Work In Progress	5,975,500	1,500,000

KENYA ACCREDITATION SERVICE (KENAS)

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
The Auditor General had given an Unqualified Opinion on the financial statements . The management hereby purpose to maintain the position in furture and ensure full accountability of public funds					