

**30 JUNE, 2020**  
**FOR THE YEAR ENDED**

**KENYA BUREAU OF STANDARDS**

**ON**  
**THE AUDITOR-GENERAL**

**OF**

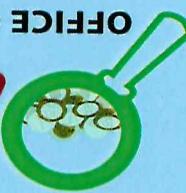
**REPORT**

*Enhancing Accountability*

**OFFICE OF THE AUDITOR-GENERAL**



**OAG**





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

JUNE 30, 2020  
FOR THE FINANCIAL YEAR ENDED

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

KENYA BUREAU OF STANDARDS



KENYA BUREAU OF STANDARDS

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
KENYA BUREAU OF STANDARDS

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ACCA	Association of Chartered Certified Accountants
AGPO	Access to Government Procurement Opportunities
B. Com	Bachelor of Commerce
BMI	Body Mass Index
BSI	British Standards Institution
CFA	Certified Financial Analyst
CEO	Chief Executive Officer
CMC	Calibration and Measurement Capability
COMESA	Common Market for Eastern and Southern Africa
CPA	Certified Public Accountant
CPS (k)	Certified Public Secretary, Kenya
CPS	Certified Public Secretaries
CSR	Corporate Social Responsibility
EAC	East African Community
EHS	Environment, Health & Safety
FAO	Food and Agriculture Organization
FKE	Federation of Kenya Employers
FY	Financial Year
ICPSK	Institute of Certified Public Secretaries of Kenya
IFC	International Finance Corporation
ISO	International Organization for Standardization
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KEBS	Kenya Bureau of Standards
KENAS	Kenya Accreditation Services
KFS	Kenya Forest Services
KPI	Key Performance Indicator
KSB	Kenya Society for the Blind
MBA	Masters in Business Administration
MD	Managing Director

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**  
**LIST OF ABBREVIATIONS**

MSC	Master of Science
NMI	National Metrology Institute
NQI	National Quality Institute
NRL	National Research Laboratory
NSC	National Standards Council
OSHA	Occupational Safety and Health Act
PVOC	Pre-Export Verification of Conformity
RVA	Raad Voor Accreditatie (Dutch Accreditation Council)
SCAC	State Corporation Advisory Committee
SMA	Standards, Metrology and Conformity Assessment
SME	Small and Medium Enterprise
SO	Strategic Objective
TB	Technical Barriers to Trade
TQM	Total Quality Management
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

<b>(a) KEBs Headquarters</b>	<p><b>KENYA BUREAU OF STANDARDS</b>  <b>REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020</b></p> <p>NAIROBI - KENYA            P.O. Box 54974 - 00200            Popo Road, South C, off Mombasa Road            Kenya Bureau of Standards            Kenya Bureau of Standards</p> <p>Telephone: (254 20) 6948000            E-mail: info@kebs.org            Website: <a href="http://www.kebs.org">www.kebs.org</a></p>
<b>(b) KEBs Contacts</b>	
<b>(c) KEBs Bankers</b>	
<b>(d) Independent Auditors</b>	
<b>(e) Principal Legal Adviser</b>	
<b>III. Kenya Commercial Bank Limited</b>	
<b>IV. Co-operative Bank of Kenya Limited</b>	
<b>V. National Bank of Kenya Limited</b>	
<b>VI. Kenya Commercial Bank Limited</b>	
<b>(d) Independent Auditors</b>	
<b>(e) Principal Legal Adviser</b>	
<b>VI. Kenya Commercial Bank Limited</b>	
<b>Office of the Auditor General</b>	
<b>Annilversary Towers, University Way</b>	
<b>P.O. Box 30084-00100</b>	
<b>Nairobi, Kenya</b>	

The Kenya Bureau of Standards (KEBS) has remained the premier government agency for the provision of standards, Metrology, Conformity Assessment services since its inception in 1974. Over that period its main activities have grown from the development of standards and quality control for a limited number of locally made products in the 1970s to the provision of more comprehensive Standards development, Metrology, Conformity Assessment, Training and Certification services. With the re-establishment of the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA), KEBS activities now include participation in the development and implementation of SMCAs at the regional level where it participates in harmonization of standards, measurements and conformity assessment regimes for regional integration. KEBS operates the National Enquiry Point in support of the World Trade Organization (WTO) Agreement on Technical Barriers to Trade (TBT).

KEBS is structured into six functional Directorates namely:-

- Finance and Strategy
- Human Resource and Administration
- Metrology and Testing
- Market Surveillance
- Quality Assurance and Inspection
- Standards Development

KEBS operates regional offices in Mombasa, Kisumu, Eldoret, Nakuru, Nairobi and Garissa in order to bring services closer to the public.

### **KEBS Structure**

The Kenya Bureau of Standards (KEBS) is a state corporation domiciled in Kenya and established under the Standards Act (Cap.496) of the Laws of Kenya in July 1974. The Standards Act defines the functions of KEBS and provides for its management and control. KEBS has remained the premier government agency for the provision of standards, Metrology and Conformity Assessment (SMA) services since its inception in 1974. Over that period its main activities have grown from the development of standards and quality control for a limited number of locally made products in the 1970s to the provision of more comprehensive Standards development, Metrology, Conformity Assessment, Training and Certification services. With the re-establishment of the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA), KEBS activities now include participation in the development and implementation of SMCAs at the regional level where it participates in harmonization of standards, measurements and conformity assessment regimes for regional integration. KEBS operates the National Enquiry Point in support of the World Trade Organization (WTO) Agreement on Technical Barriers to Trade (TBT).

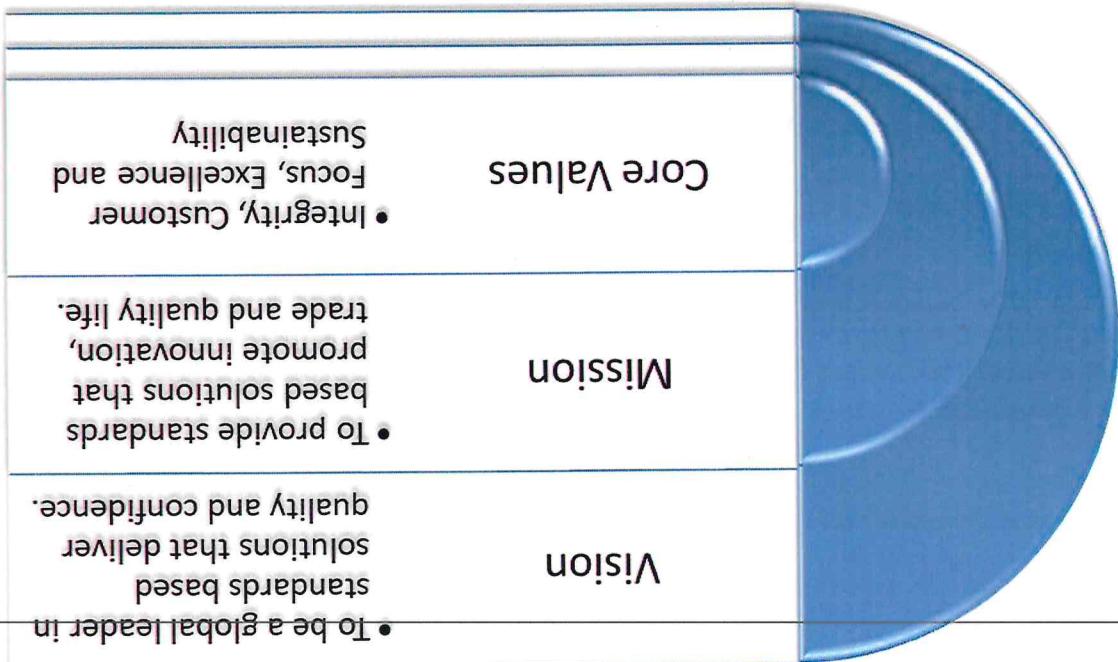
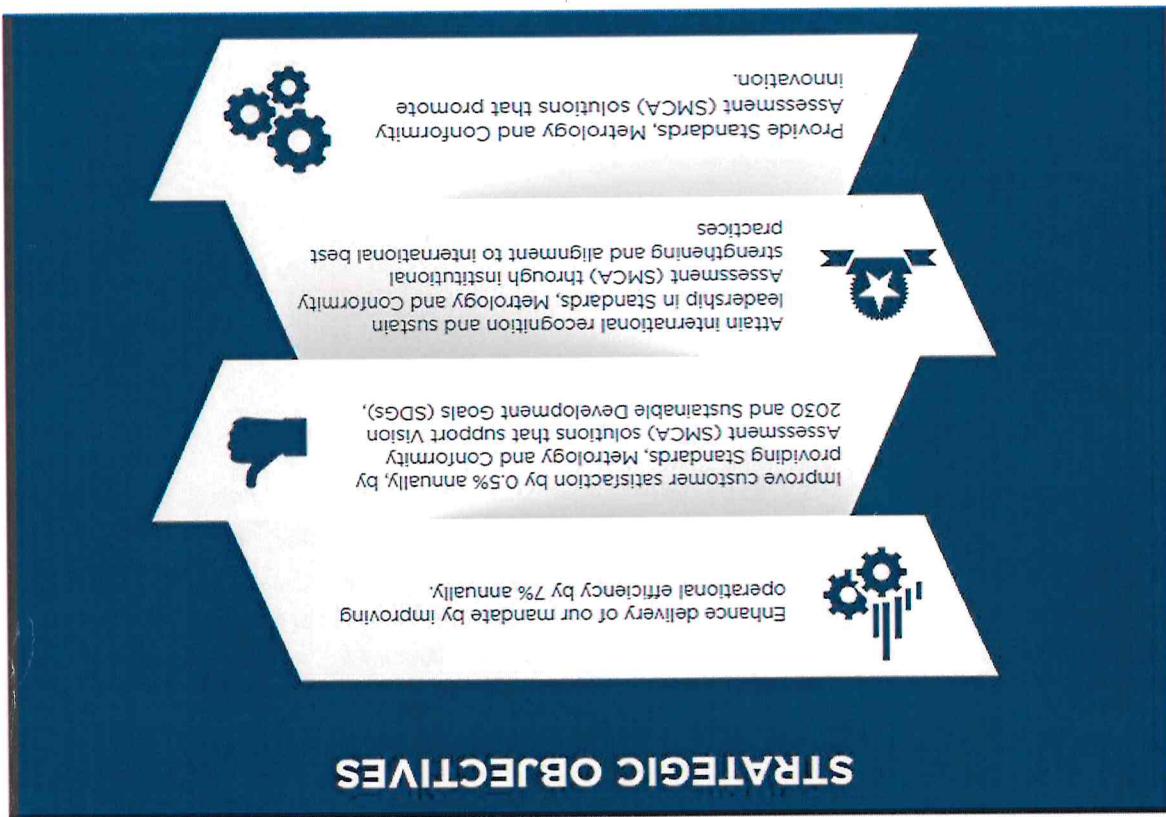
#### **a) Background information**

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## **II. KEBS KEY INFORMATION AND MANAGEMENT**

### **KENYA BUREAU OF STANDARDS REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

- b) Principle Activities
- The functions of KEBS as mandated by the Standards Act, Chapter 496 of the Laws of Kenya are inter alia:
- i. To promote standardization in industry and commerce;
  - ii. To make arrangements or provide facilities for the testing and calibration of precision instruments, gauges and scientific apparatus, for the determination of their degree of accuracy by comparison with material or substance from or with which and the manner in which they may be manufactured, produced, processed or treated;
  - iii. To control, in accordance with the provisions of this Act, the use of standardization marks and distinctive marks;
  - iv. To prepare, frame, modify or amend specifications and codes of practice;
  - v. To encourage or undertake educational work in connection with standardization;
  - vi. To assist the Government or any local authority or other public body or any other person in the preparation and framing of any specifications or codes of practice;
  - vii. To provide for co-operation with the Government or the representatives of any industry or with any local authority or other public body or any other person in the application and practical application of standards;
  - viii. To provide for the testing at the request of the Minister, and on behalf of the Government, of locally manufactured and imported commodities with a view to determining whether such commodities comply with the provisions of this Act or any other law dealing with standards of quality or description.
- Currently, KEBS is implementing a five-year strategic plan 2017-2022 whose theme is "Together We Deliver".
- c) KEBS vision, mission, motto and the strategic objectives are presented overleaf:



## KENYA BUREAU OF STANDARDS REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### d) Key Management

KEBS day-to-day management is structured under the following functions:

- i. Managing Director,
- ii. Directors, and
- iii. Heads of Departments/Regional Managers.

During the financial year ended 30<sup>th</sup> June 2020, the NSC consisted of 13 members including a non-executive chairman and the managing director. The NSC had 4 committees whose members and mandate are as listed overleaf.

The National Standards Council (NSC) is the governing body of KEBS. The NSC has a functional structure that is responsible for overseeing the operations of KEBS. In discharging its duties, the NSC delegates the decision making process to various NSC committees. The deliberations and resolutions of the NSC are implemented by the management.

#### f) Fiduciary Oversight Arrangements

No.	Designation	Name
1.	Managing Director	Lt. Col (Rtd) Bertrand Njiraini
2.	Director Finance & Strategy	Mohammed Adan
3.	Director Human Resource & Communication	Nelly Mulema
4.	Director Standards Development & Trade	Esther Ngari
5.	Ag. Director Quality Assurance & Inspection	Bertrand Nguyoro
6.	Director Market Surveillance	Peter Kajiwara
7.	Director Metrology & Testing Services	Dr. Henry Kibet Rotich
8.	Ag. Head of Legal Department	Brian Mbawanga
9.	Head of Finance	CPA Anne Wanjalia
10.	Head of Audit & Risk	CPA Lincoln Nyamai
11.	Ag. Head of Procurement	Josphine Mwakthi

**Table 1: Key Management Personnel**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility are:

#### e) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility are:

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility are:

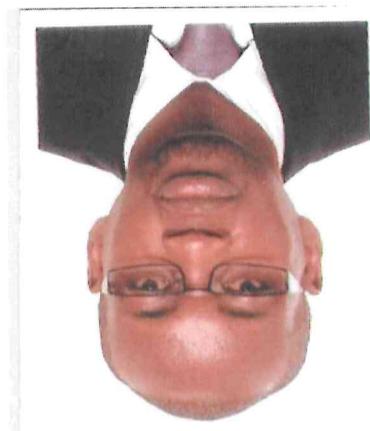
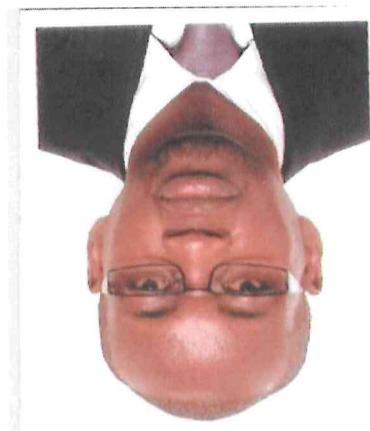
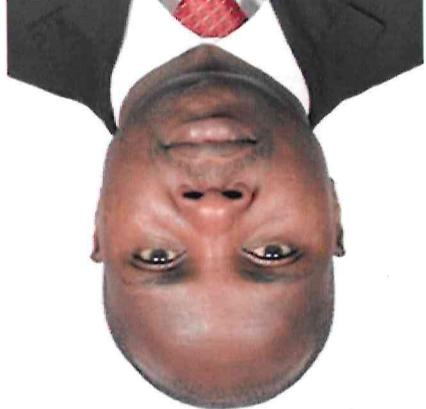
NSC COMMITTEE MEMBERSHIP	ROLES
STANDARDS APPROVAL COMMITTEE	<ul style="list-style-type: none"> <li>➤ Approval of standards with the provisions of the Standards Act</li> <li>➤ Approval of policies and strategies that enhance standards development and applicability in the economy.</li> </ul>
AUDIT AND RISK COMMITTEE	<ul style="list-style-type: none"> <li>➤ Strengthening the independence, integrity and effectiveness of audit function</li> <li>➤ Reviewing issues raised by both the internal and external auditors.</li> <li>➤ Advise on risk identification, mitigation measures and the effectiveness of internal control systems.</li> </ul>
FINANCE, STAFF AND GENERAL PURPOSES COMMITTEE	<ul style="list-style-type: none"> <li>➤ Assist the NSC in overseeing financial policy and procedures formulation, review and approval</li> <li>➤ Review the institution's budgets and recommended to the NSC for formulation, review and approval</li> <li>➤ Review the quarterly and the annual financial statements and recommendations to the NSC for approval.</li> <li>➤ Review the annual resource policies recommended to NSC all KEBs human resource policies relating to terms and conditions of service of employees.</li> <li>➤ Reverse the implementation of all approved human resource policies and procedures.</li> </ul>
TECHNICAL, TRADE AND PERMITS APPROVAL COMMITTEE	<ul style="list-style-type: none"> <li>➤ Receive and review reports from Meteorology and Testing, Quality Assurance and inspection divisions and make recommendations to the NSC for approval</li> <li>➤ Review capital projects for implementation.</li> <li>➤ Review and recommend to the NSC for approval any interventions, policies, procedures and regulations.</li> <li>➤ Conduct or cause to be conducted surveillance to ensure the quality of standards of any product in the market.</li> <li>➤ Oversee, supervise, monitor and evaluate timely delivery of KEBs services in line with the Service Charter.</li> <li>➤ Administration of the standardization mark scheme in accordance with provisions of standards Act.</li> </ul>

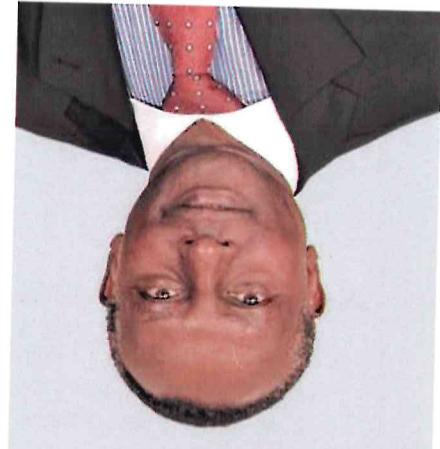
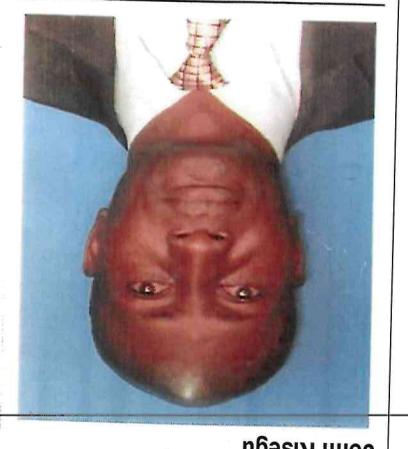
Table 2: National Standards Council Committee Membership and Roles

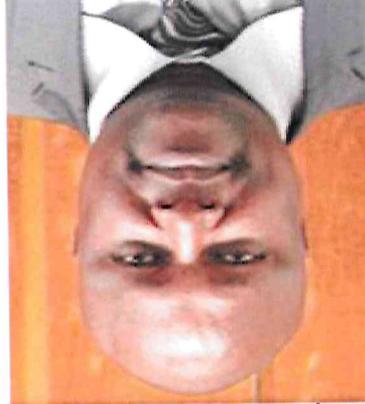
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

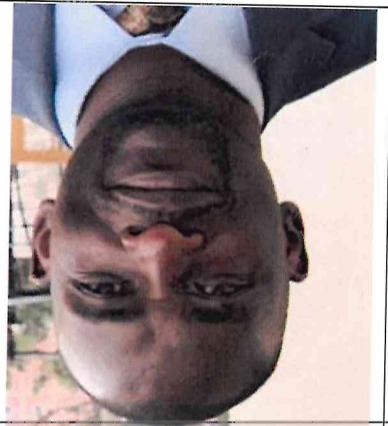
KENYA BUREAU OF STANDARDS

<p>Ms. Mary Matu is a graduate of University of Alabama, Birmingham and an Alumni of the John Fitzgerald Kennedy (JFK) School of Government at Harvard University. She has over 25 years' experience in Health Management and Health Systems Strengthening. She joined the NSC on 17<sup>th</sup> April 2015 for a period of three years and was reappointed on 10<sup>th</sup> May 2018 as a member of the NSC. She is an independent director and currently the chair of the Finance, Staff and General Purpose Committee.</p> <p><b>Board Member</b> DOB: 4<sup>th</sup> February, 1960</p>	 <p>Mary Wanja Matu</p>
<p>Mr. Beramid Njiraini holds a Masters and a bachelors degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from University of Nairobi and a member of the Institute of Engineers of Kenya (IEK).</p> <p>He previously worked as the production manager at the Kenya Ordinary factory and as the Managing Director, Numerical Machining Complex. He was appointed as the Managing Director on the 29<sup>th</sup> August 2019.</p> <p><b>Managing Director and Secretary to the Board</b> DOB: 16<sup>th</sup> August 1971</p>	 <p>Lt. Col (Rtd) Beramid N Njiraini</p>
<p>Eng. Beramid Ngoro holds a BSC in mechanical engineering from JKUAT, International Diploma in Administrative Management from London and certificate on effects of engineering activities on global warming from Edinburgh University, Scotland. He is a registered professional mechanical engineer with Institute of Engineers of Kenya (IEK).</p> <p>He is the founder and CEO of Top Quality Motors Ltd, former Board member of Numerical Machining Complex and former chair of Kenya Motor Repairs Association and a member of Kenya Quality Council.</p> <p><b>NSC Chairman:</b> DOB: 25<sup>th</sup> December 1970</p>	 <p>Eng. Beramid Ngoro</p>

<p>Ms. Fouzia Abdirahman holds an MBA and BSc in International Business. She has vast experience in international organizations having held management positions in the field of logistics and procurement. She is an independent director who joined the NCS on 17th April 2015 for a period of three years and was reappointed on 10th May 2018.</p>	
<p>Mr. Glibert Langat holds a BA degree in Management, from Moi University, Executive Training from Bimingham University and Executive Public Policy from Stratimore Business School (SBS).</p> <p>He is the CEO of shippers' council of Eastern Africa, the Chairman of port of Mombasa corridor charter, and a former director Kenya National Highways Authority. He is also a board member at Kenya Railways and Network Agency (KENYRADE). He joined the Trade Network Agency (KENYRADE) in January 2018. He is an independent director and is currently the chair of the Technical, Trade and Permits Approval Committee.</p>	
<p>Mr. Gilbert Hols holds a BA degree in Management, from Moi University, Executive Training from Bimingham University and Executive Public Policy from Stratimore Business School (SBS).</p>	
<p>Mr. John Njeria holds a BSC in Mathematics from Kenyatta University and a Masters in Computer Science from National University of Science and Technology. He has served as a Fiscal Analyst for the last 13 years at the National Treasury. He is the lastmate to the Principal Secretary - National Treasury.</p>	

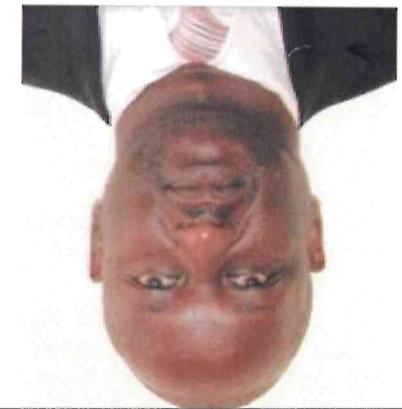
<p>Mr. Edward Njoroge holds a BSc (Hons) Chemistry - Biochemistry from Makerere University and an MBA in Leadership and Sustainability - Columbia University, United Kingdom. He has vast experience in the corporate and financial sector. He is a member of various boards as a non-executive director and was a former MD and Chief Executive Officer - Kenya Electricity Generating Company (KENGEN). He joined the NSC as an independent director on 10th May 2018. He is currently the President of International Organization for Standardization (ISO) and the chair of the Standards Approval Committee.</p>	
<p>DOB: 26th November 1952 Board Member</p>	
<p>Mr. Patrick Musau Muisia holds an MA in Economics from Marathwada University, India and a BCom from Jabalpur University, India. He has vast experience in Non-Governmental Organizations in the field of monitoring and evaluation, project coordination and has served as an assistant lecturer at Maseru University. He joined the NSC as an independent director on 20th February 2017 for a period of 3 years and re-appointed on the 21st February 2020.</p>	
<p>In Attendance DOB: 1965</p>	<p>John Kisegu</p>

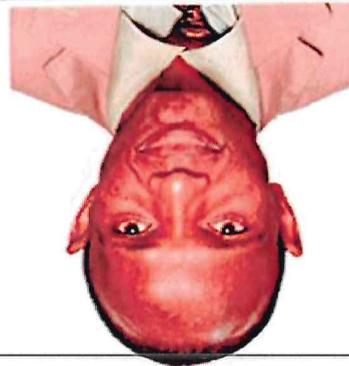
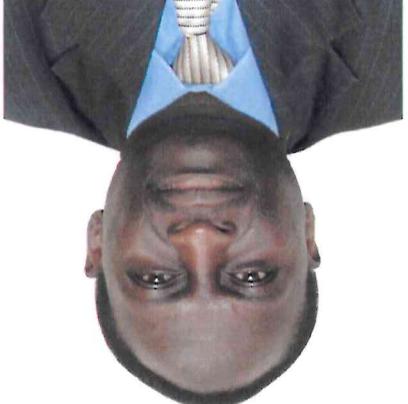
<p>Mr. Mwangi studied management at the Boston University School of Management. He is a Director of Evelynn College of Design and also a Director of Betting Lotteries Governing Board for the County of Nairobi among other entities. He joined the NSC as an independent director on 17th April 2015 for a period of three years and was reappointed on 14th Dec 2018. He is currently the Chair for the Audit and Risk Committee.</p> <p>Mr. Mwangi holds a Bachelor of Education Arts from Kenyatta University. She previously worked as a County Executive Committee (CEC) member for Meru County, Public Service and Administration in Education and Secondary Schools Heads Association, Tigray East Sub County. She joined the NSC as an independent director on the 14th December 2018 for a period of three years.</p> <p>Mr. Joseph Mbewa holds a Masters degree in Intellectual Property from Franklin Pierce Centre for Intellectual Property School of Law, USA. He is an Altermate board member to the Principal Secretary - Ministry of Industrialization, Trade and Enterprise Development in KEBs, Micro and Small Enterprise Authority (MEA) and Kenya Industrial Property Institute (KIPI).</p>	 <p><b>Joseph Mbewa</b></p> <p>Board Member DOB: 2nd September, 1966</p>
<p>Hellen Nangithia holds a Bachelor of Education Arts from Kenyatta University. She previously worked as a County Executive Committee (CEC) member for Meru County, Public Service and Administration in Education and Secondary Schools Heads Association, Tigray East Sub County. She joined the NSC as an independent director on 14th December 2018 for a period of three years.</p> <p>Hellen Nangithia</p> <p>Board Member DOB: 30th March 1962</p>	
<p>Eric Wagithu Muungi studied management at the Boston University School of Management. He is a Director of Evelynn College of Design and also a Director of the County of Nairobi among other entities. He joined the NSC as an independent director on 17th April 2015 for a period of three years and was reappointed on 14th Dec 2018. He is currently the Chair for the Audit and Risk Committee.</p> <p>Eric Wagithu Muungi</p> <p>Board Member DOB: 10th July, 1965</p>	

Rodgers Abisai	Board Member	DOB: 27th February 1970	
<p>Mr. Rodgers holds an LL.B (Hons) degree from the University of Nairobi. He is an advocate of the High Court of Kenya, Commissioner of Oaths and Notary Public. He is a private legal practitioner specializing in Commercial Litigation, Convoyance and Labour Law and has over 24 years experience in the legal field. He was appointed as an independent director of the NSC on 15th November 2019.</p>			

<p><b>Mr. Bemard Njiraini</b> Holds a Masters and a Bachelor degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from University of Nairobi and is a member of the institution of Engineers of Kenya.</p> <p><b>CoI (Rtd) Bernard N. Njiraini</b></p>	
<p><b>Mf. Bernard Njiraini</b> Holds a Masters and a Bachelor degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from University of Nairobi and is a member of the institution of Engineers of Kenya.</p> <p><b>Director Finance and Strategy</b></p>	
<p><b>Mr. Mohammed Adan</b> holds a MSC in Accounting and Financial Management and BA in Accounting &amp; Business Management from JKUAT. He is a Chartered Accountant-ACCA (UK).</p> <p><b>Director Finance and Strategy</b></p>	
<p><b>Esther Ngari</b> holds an Executive MBA from JKUAT and a BSC in Dairy Science and Food technology from Egerton University and. She is a Quality Management and Environmental Management systems auditor.</p> <p><b>Director Standards Development and Trade</b></p>	

The management team is as presented in the table below:

<p><b>Director Metrollogy &amp; Testing</b></p> <p>Dr. Henry Kibet Rotich holds PhD in Hydrology and Water Resources from Jilin University, China and an MSc in Analytical Chemistry from North East Normal University, China. He also holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology, Kenya. He is a member of the Chemical Society of Kenya.</p>	 <p><b>Dr. Henry Kibet Rotich</b></p>
<p><b>Director Market Surveillance</b></p> <p>Mr. Kaliwara holds a Bachelor of Science, Chemistry and a Master of Science, Environmental Chemistry – University of Nairobi. He worked at the Ministry of Energy as a Chemist in 1993 in the Alternative (Renewable) Energy Division and finally as the Ag. Superintending Chemist in charge of the Petroleum Monitoring Unit. He also worked in Electricity Regulator Board as Environmentalist Scientist and in the Energy and Petroleum Regulation Authority (EPRA) where he worked as Deputy Director Surveillance and Enforcement. He joined KEBs as Director Market Surveillance in September 2019.</p>	 <p><b>Peter Ngangi Kaliwara</b></p>
<p><b>Director Market Surveillance</b></p> <p>Mr. Kaliwara holds a Bachelor of Science, Chemistry and a Master of Science, Environmental Chemistry – University of Nairobi. He worked at the Ministry of Energy as a Chemist in 1993 in the Alternative (Renewable) Energy Division and finally as the Ag. Superintending Chemist in charge of the Petroleum Monitoring Unit. He also worked in Electricity Regulator Board as Environmentalist Scientist and in the Energy and Petroleum Regulation Authority (EPRA) where he worked as Deputy Director Director Surveillance and Enforcement. He joined KEBs as Director Market Surveillance in September 2019.</p>	 <p><b>Nelly Muulema</b></p>
<p><b>Director Human Resource and Administration</b></p> <p>Ms Nelly Holds a Bachelor of Arts from the University of Delhi and a Masters in Business Administration from the University of Nairobi. She is currently pursuing a PhD in Organization Behaviour and Theory from the University of Nairobi.</p>	 <p><b>Nelly Muulema</b></p>

<p><b>Ag. Director Quality Assurance &amp; Inspection</b> Mr. Bernard Nguyo holds a Bachelor's degree in Technology and Mathematics from Moi University and International Advanced Diploma in Computer Studies from NCC Education - United Kingdom.</p> <p>He has twenty years' experience in conformity assessment and is a trainer in inspections.</p>	
<p><b>Head of Finance</b> CPA Anne Wanjalia holds a MBA Finance and BCOM Accounting and Business Management from Daysstar University. She is a CPA (K) and a Certified Finance Analyst (CFA, EA).</p>	
<p><b>Head of Audit &amp; Risk</b> CPA Lincoln Mutesya Nyamai holds an MBA Finance from CPA Lincoln Nyamai and a BBA in Finance from University of Nairobi and a CPA in Accounting from Kenyatta Methodist University. He is also a CPA (K).</p>	

 <b>Brian Mimbwanga</b> Ag. Head of Legal Services	<p>Brian Mimbwanga Holds a Bachelor of Laws (LLB) from the University of Nairobi and a Post Graduate Diploma in Law (PGD) from the Kenya School of Law. He is currently pursuing Masters Degree – Master of Business Administration (MBA) from the University of Nairobi.</p>
 <b>Josephine Mwasikiti</b> Ag. Head of Procurement	<p>Mrs Josephine Mwasikiti holds an MBA in Strategic Management from Nairobi University, Bachelor of Business Management (BBM) Purchasing and Supplies Option from Mt Kenya University and CIPS Level 6 Graduate Diploma in Purchasing and Supply from Chartered Institute of Purchasing and Supply (CIPS). She is a member of Kenya Institute of Suppliers Management (KISM).</p>

Date: 30/3/2021

NSC CHAIRMAN.

ENG. BERNARD M. NGO RE

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On behalf of the National Standards Council, I sincerely express my gratitude and appreciation to our stakeholders. I also wish to recognize the commitment and the hard work displayed by the management and staff throughout the year.

However, there are challenges both internal and external that KEBs faces these include; the effects of the Covid-19 Pandemic, negative publicity which affected KEBs reputation, litigation and compliance risk as a result of our operations. In view of the above risks, KEBs has institutionalized a risk management framework to ensure business continuity. The National Standards Council has also institutionalized the implementation of ISO 22301 on Business Continuity. The National Standards Council has also implemented the implementation of ISO 37001 on Anti-bribery management system that will support KEBs resilience in the event of a business disruption. Currently, we are implementing KEBs 2017-2022 Strategic Plan in addition to strategic interventions that were approved by the National Standards Council to counter the effects of Covid-19. We are confident that together we will deliver as guided by our commitment to service delivery, excellence, leadership and innovation. We believe that through this plan we will achieve great results for Kenyaans.

KEBs increased the testing scopes from 170 to 190, resulting to 62,201 samples being tested. In the same period 218 trainings were conducted and 224 management system certificates were issued. KEBs has continued to deliver to its mandate and we are optimistic we will keep the momentum.

During the year under review, 564 new standards were developed of which 90 support the Big Four Agendas and Kenya's Vision 2030. In the same year, eighteen (18) schemes of superision and control were reviewed to enhance the certification of polypropylene and concrete panels, construction materials in support of the big 4 agendas. In addition, KEBs certified 14,759 products, completed 7,578 calibration services and Seventeen (17) Calibration and Measurement Capabilities (CMCs) were published in the BIMI database.

We have remained focused on delivering our core mandate which is promoting standardization in industry and commerce through standards development, metrology and calibration, testing, inspection, product certification, system certification, market surveillance and training within the East African Community and COMESA.

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

I have great pleasure to present the KEB's annual report and unaudited accounts for the FY 2019/2020.



III. CHAIRMAN'S STATEMENT

Out of this value, a total of Kshs 1.7 Million was awarded to persons living with disability. Tenders valued at Kshs 86.5 Million were awarded to youth, women and people living with disabilities under the AGP.

#### **Implementation of Access to Government Procurement Opportunities (AGO)**

KEBS progressively involved 366 youth in internship, industrial attachment or apprenticeship programs against a target of 300. These youth opportunities complement the government efforts to provide human and financial resources to facilitate access to quality education, which is critical in the protection and enjoyment of human rights in addition to enhancing the competitiveness of Kenya's human capital.

#### **Youth Internships/Industrial Attachments/Apprenticeships**

A total of 218 trainings were facilitated in the market against a target of 275. In addition, 363 SMEs were trained against a target of 285 on ISO 9001 module for SMEs. These trainings assist firms to improve their production systems and processes.

#### **National Quality Institute (NQI)**

A total of 7,578 calibration services were offered against a target of 9,000. In addition, a total of 17 CMCs were maintained as a demonstration of our capability in measurements. In the testing department, the testing capability was enhanced with an increase in testing scopes from 179 to 190. Furthermore, a total of 62,201 samples were tested.

#### **Metrology and Testing**

During the year under review, a total of 14,759 products (3,456 products under SMEs and 11,303 products under large firms) were certified so as to improve their quality, competitiveness and access to markets. KEBS continued to implement Pre-Export Verification of Conformity to standards (PvOC) with a compliance level of 95%.

#### **Quality Assurance**

As part of our commitment to enrich the culture of quality in the market, a total of 45 standards propagation forums against a target of 61 were crafted out focusing on specific sectors of the economy. These forums are important in raising awareness on newly developed standards as well as aiding in use, uptake and absorption of already existing standards.

During the year under review, KEBS developed 56 new standards, once implemented, will complement Kenya's regulations and were in support of the Vision 2030. These standards, out of which 90 standards

Standards form the basis for trade as they translate the market conditions into a precise set of requirements to be met.

#### **Standards Development**



#### **KEBS MAJOR ACHIEVEMENTS DURING THE YEAR**

The role played by KEBS in providing standardization solutions is critical in achieving the goals set out in the Big Four Agenda in line with Kenya Vision 2030. This is realized through standards development, calibration and measurements, product certification and inspection, testing, market surveillance, system certification and training.

#### **IV. REPORT OF THE MANAGING DIRECTOR**

#### **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

**KENYA BUREAU OF STANDARDS**

MANAGING DIRECTOR

Lt. Col (Rtd) Bernard N. Njiraini.

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Some of the challenges that we faced include Disruption caused by the emergence COVID 19 which required scaling down of activities to curb the spread of the pandemic and its global effects which resulted in reduction of imports. This affected PVOs royalties and destination inspection activities leading to reduced revenues. However, collections from standardization mark fees increased due to the aggressive market surveillance activities forcing the non-compliant manufacturers to seek standardization mark certification hence increased the number of new registrations in addition to renewals.

In conclusion, I wish to thank the Cabinet Secretary, the Principal Secretary, Ministry of Industrialization, Trade and Enterprise Development and the National Standards Council for their guidance on policy and strategic direction. I wish to recognize our partners among them: Trade Mark East Africa, European Union, UNIDO, World Bank and EFC for their technical and financial support. I also wish to thank KEBs staff for their active support and dedication to standardization. These achievements for the year would not have been possible without the staff support.

It is worth noting that KEBs participated in EAC regional activities which included harmonization of standards and other continental assessment activities. In collaboration with FAO/WHO Coordinating Committee for Africa, KEBs organized a regional workshop for National Codex contact points to strengthen the knowledge and skills of the delegates. This was aimed at enhancing Codex Alimentarius Commission's contribution to Sustainable Development Goals (SDG 2, 3 and 12) through the implementation of the Codex Alimentarius.

**Total Revenue /Expenditure** Revenue amounting to Kshs 3.68 billion was raised against a total expenditure of Kshs 3.78 billion. This was an impressive performance given that the economy slowed down as well as the effects of COVID 19 towards the end of

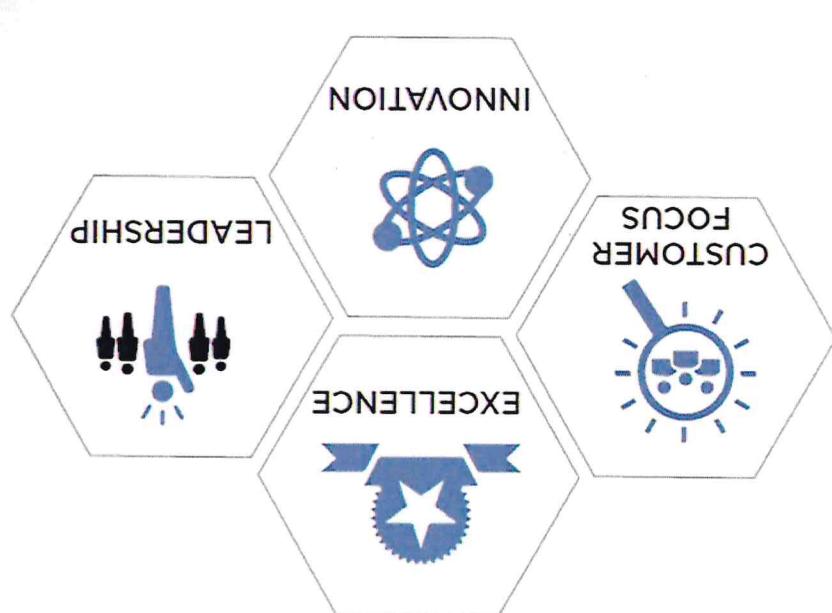
Upgrades of regional offices

A total of Kshs 198.6 Million was used to procure locally produced goods and services in support of the Buy Kenya, Build Kenya.

# REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 KENYA BUREAU OF STANDARDS

Strategic Pillar	Objectives	KPI	Activities	Achievements
Pillar 1:	Enhance delivery of KEBS mandate by capitalizing on human resources	100%	1. Automate key processes	KEBS achieves delivery of its annual work plan
	2. Optimum utilization of human capital		3. Optimum utilization of resources	Optimum utilization of resources
	4. Business process re-engineering		5. Business Process Outsourcing -	Business process re-engineering
	6. Implement A Business Continuity -		7. Completeness development Management System	Implement A Business Continuity -
	8. Sustainable Performance Management		9. Monitoring and evaluation of processes	Sustainable Performance Management

KEBS develops its corporate balanced scorecard and annual work plans based on the above Strategic Objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis using the balance scorecard methodology. KEBS achieved its performance targets set for the FY 2019/2020 period for its 4 strategic pillars, as indicated in the diagram below:



KEBS has four (4) strategic themes and objectives within its Strategic Plan for the FY 2017/2018- 2021/2022. These strategic pillars are as presented in the figure below:

## PERFORMANCE AGAINST KEBS STRATEGIC OBJECTIVES

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**V. REVIEW OF KENYA BUREAU OF STANDARDS PERFORMANCE FOR FY 2019/2020**

**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

**KENYA BUREAU OF STANDARDS**

The annual performance targets for core mandate are derived from these objectives and monitored using the performance contract monitoring tools provided by the Public Service Commission and the output is included in the quarterly balanced scorecard. Monitoring of the PC targets is done on quarterly basis and reports submitted to the relevant Ministries Departments and Agencies.

Pillar 2: Customer Focus	Improve Customer Satisfaction by 1%	1. Compliance with service delivery charter	66%	1. Improve Customer satisfaction of the Customer satisfaction index	2. Impartially by providing annually by providing SMC solutions that support Vision 2030, Customer satisfaction index 2018/19	3. Implementation of service delivery innovation 4. Implementation of stakeholder engagement programmes	5. Implementation of communication strategy	1. Attain international recognition and certification systems	2. Maximize use of standards by through international standards by the public sector	3. Strengthen NMI, NRL and NOI alignment to international best practices	4. Align legal and regulatory framework of KEBs to international best practices	5. Influence regional and international best practices through international market policy standardization	1. Implement innovation and innovation Strategy	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams		
Pillar 3: Leadership	Attain international accreditation and certification	100%	1. 1.Implementation of leadership in SMC	1. Through institutional strengthening and alignment to international best practices	2. Maximize use of standards by the public sector	3. Strengthen NMI, NRL and NOI alignment to international best practices	4. Align legal and regulatory framework of KEBs to international best practices	5. Influence regional and international best practices through international market policy standardization	1. Implement innovation and innovation Strategy	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams	1. Provide SMC solutions that promote innovation.	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams		
Pillar 4: Innovation	Provide SMC solutions that promote innovation.	100%	1. Implement innovation and innovation Strategy	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams	1. Implement innovation and innovation Strategy	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams	1. Provide SMC solutions that promote innovation.	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams	1. Provide SMC solutions that promote innovation.	2. Implementation of strategic agreements	3. No. of new products developed	4. No. of new revenue streams

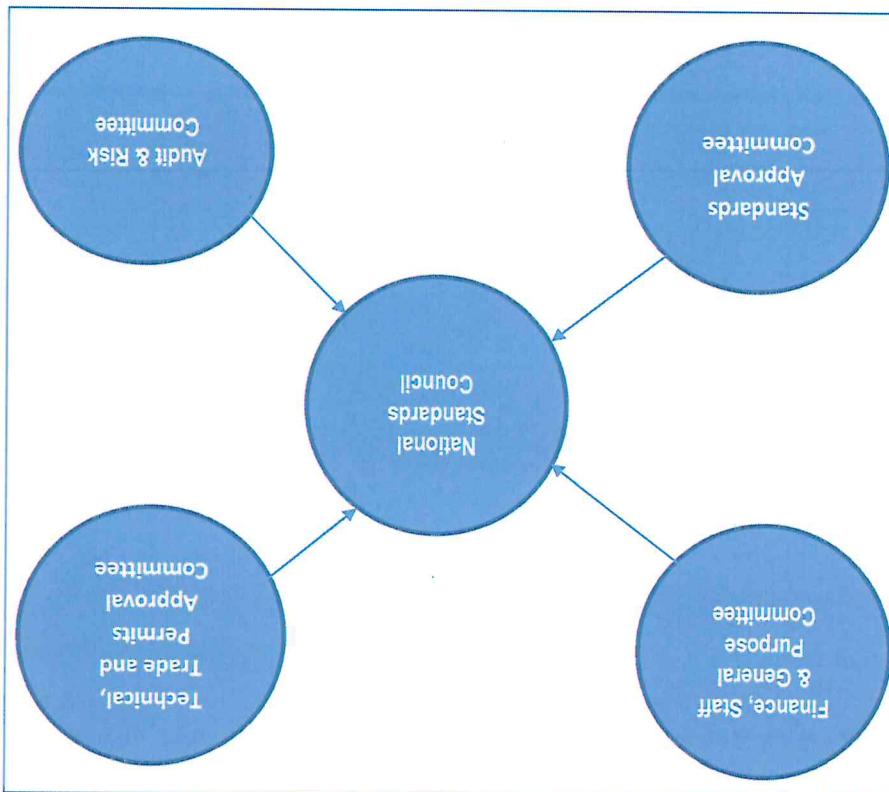


Figure 1: Board Committees

The committees of the Board are as presented in Figure 1 below:

#### b) Committees of the Board

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of KEBs;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of KEBs
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

#### a) The roles and functions of the Board

The roles and functions of NSC members is provided for in the Standards Act, Cap 496, Laws of Kenya and in the Board Charter.

**KENYA BUREAU OF STANDARDS**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**  
**V. CORPORATION GOVERNANCE STATEMENT**

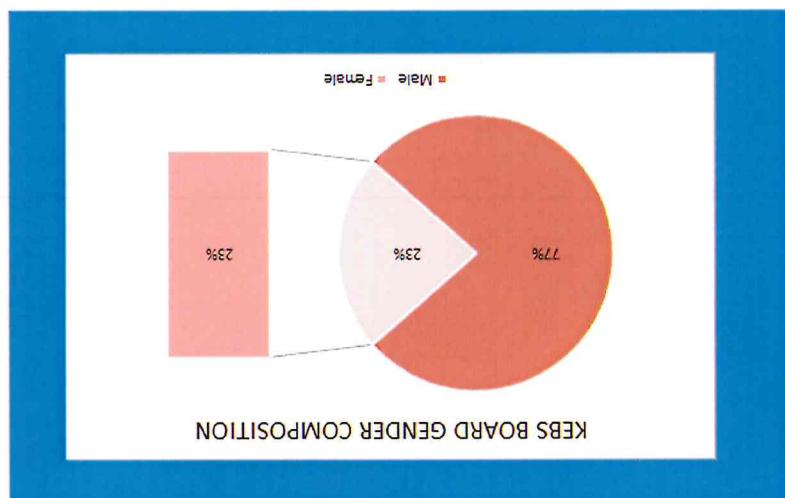


Figure 3: Board Gender Composition

In terms of gender presentation, the board had 23% female members and 77% male members as indicated below.

#### e) Board Gender Representation

There was diversity of skills within the board to provide necessary expertise in regards to the running of the organization.

#### d) Board Competence



Figure 2: Board Composition

The Board members are drawn from diverse professional backgrounds. During the year under review, the board was composed of ten (10) independent non-executive directors and three (3) alternate directors representing Principal Secretary - National Treasury, State Department of Industrialization and the Inspector General of State Corporation.

#### c) Board Composition

- f) **Board Charter**  
There is a board charter that provides guidelines to the board in exercising its mandate. The charter was adopted by the organization acting in accordance with the Mwongozu Code of Governance for State Corporations and is complementary to the requirements regarding the board and board members contained in applicable Kenyan laws and regulations. The charter is available to all members of the board.
- g) **Appointment and Removal of Directors.**  
The process of appointment and removal of Directors is done in line with the Standard Act Cap 496.
- h) **Board Evaluation and Remuneration**  
The board evaluation was carried out in the month of August 2020. The Board remuneration was as per the State Corporation Act and government circulars.
- i) **Board Induction and Training**  
The induction of the new board members was carried out and training on corporate governance carried out during the year under review.
- j) **Board Committee Meeting**  
Board Committee meetings for the year under review are as presented in table 3 below.
- | Committee                                       | Planned No. of Meetings | Actual No. of Meetings | Number of Meetings                              |
|---|-------------------------|------------------------|---|
| National Standards Council                      | 5                       | 37                     | Standards Approval Committee                    |
| Audit and Risk                                  | 4                       | 4                      | Standards Approval Committee                    |
| Finance, Staff and General Purpose Committee    | 6                       | 11                     | Audit and Risk                                  |
| Financial, Trade and Permits Approval Committee | 15                      | 32                     | Finance, Staff and General Purpose Committee    |
| Adhoc Meetings                                  | 0                       | 35                     | Financial, Trade and Permits Approval Committee |
- k) **Conflict of Interest**  
This was an agenda item in the board meetings and members were required to declare any conflict of interest.
- l) **Governance Audit**  
The governance audit was carried out by SAC appointed auditors on 12<sup>th</sup> August 2020.
- m) **Ethics and Conduct**  
The NSC members are of good conduct and ethics.

Table 3: Board Committee Meetings

Risk management is an integral part of the day-to-day business operation in KEBs. The NSC and the management is committed to implementing the risk management framework for effective operations to ensure that KEBs meets its mandate and for continuous improvement. KEBs has in place a sound system of risk oversight and management control to identify, assess, monitor and manage material risks related to the conduct of its activities. Risk management framework is to continually improve the management of risk and reduce the risks to acceptable levels as guided by risk appetite and risk tolerance statements. The risk management framework is reviewed by our certification body (BSI) for continuing suitability and effectiveness by our quality management external auditors. KEBs has also integrated the performance management tool (Balanced Scorecard) with risk management process for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated fully and it has in place strategies that provide a structured, systematic and focused approach to managing risk.

Risk management continues to provide assurance of the internal control and governance processes for continued improvement. KEBs internal controls are defined by approved policies and procedures, which contain operational and financial controls. Internal audit is to provide assurance of the internal control and governance indicators. This annual report captures the overall performance of KEBs based on its key interventions and performance indicators in line with the performance contract. This report highlights the financial and operational performances, challenges in relation to performance management, major risks facing the organization and corporate social responsibility activities carried out during the 2019/2020 financial year.

## VII. MANAGEMENT DISCUSSION AND ANALYSIS

The office of the Auditor General provides external assurance through systems and financial audits.

### (p) External audit

The main function of internal audit is to provide assurance of the internal control and governance indicators for continued improvement. KEBs internal controls are defined by approved policies and procedures, which contain operational and financial controls. Internal audit is to provide assurance of the internal control and governance indicators. This annual report captures the overall performance of KEBs based on its key interventions and performance indicators in line with the performance contract. This report highlights the financial and operational performances, challenges in relation to performance management, major risks facing the organization and corporate social responsibility activities carried out during the 2019/2020 financial year.

### (o) Internal Audit and Assurance

Risk management is an integral part of the day-to-day business operation in KEBs. The NSC and the management is committed to implementing the risk management framework for effective operations to ensure that KEBs meets its mandate and for continuous improvement. KEBs has in place a sound system of risk oversight and management control to identify, assess, monitor and manage material risks related to the conduct of its activities. Risk management framework is to continually improve the management of risk and reduce the risks to acceptable levels as guided by risk appetite and risk tolerance statements. The risk management framework is reviewed by our certification body (BSI) for continuing suitability and effectiveness by our quality management external auditors. KEBs has also integrated the performance management tool (Balanced Scorecard) with risk management process for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated for effective monitoring of strategic and operational risks. The NSC is aware that some risks can never be eliminated fully and it has in place strategies that provide a structured, systematic and focused approach to managing risk.

### (n) Risk Management

There was a registered rise and drop in revenue in the last five-year period. From a high of Kshs 4.601B in FY 2015/16 to a low of Kshs 3.902B in FY 2018/19 and a lower achievement of Kshs 3.685B in 2019/20. This drop was attributed to change in government policies, which affected one of the major revenue-generating stream, inspection of products and metrology services, that required physical interaction with clients such as emergence of COVID-19 pandemic which necessitated services that required physical interaction with clients such as inspection of products and metrology services, system certification and training on standardization were affected by the restriction on physical meeting and the requirement for social distancing to curb the spread of the pandemic. The revenue generated is as presented in figure 5 overleaf.

During the year under review, revenue of Kshs 3.685Billion was raised against an expenditure of Kshs 3.784 Billion leading to a deficit of Kshs 99.3 Million.

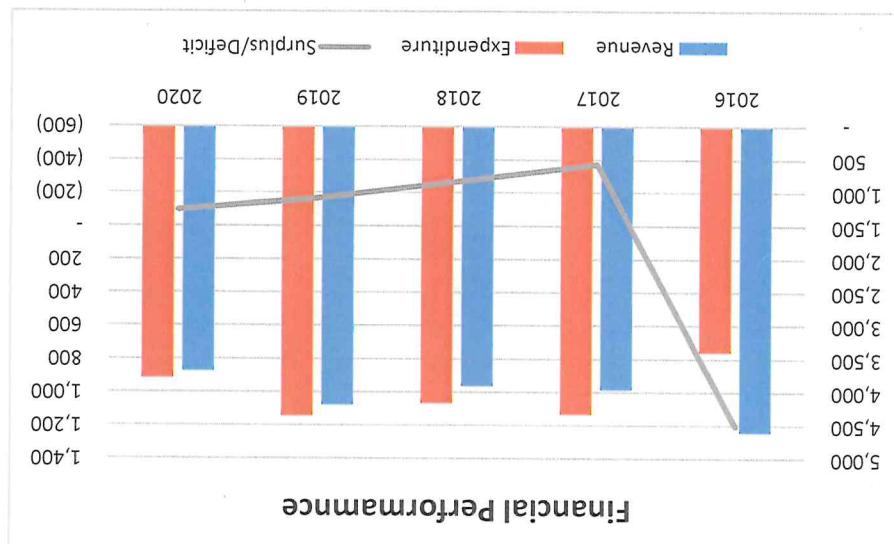


Figure 4: Revenue and Expenditure

figure 6 overleaf.

organisation as KEBs is a service organisation. The distribution of recurrent expenditure is as presented in B. The reduction was mainly attributed to lower expenditure in capital projects due to austerity measures. It is also important to note that on the recurrent expenditure, employee costs constituted the highest costs of the year. In 2019/20, the expenditure reduced by 13.1% from Kshs. 4.358B reported in the previous year to Kshs. 3.784 B. Total expenditure decreased when compared to prior year. The decrease was majorly attributed to reduced capital expenditure, implementation of travel restriction and scaling down of activities in the third and fourth quarter of the year.

- iii) **Expenditure**
- a) Reduction in revenue from system certification and industrial training of 19.3% and 40.1% respectively. These streams were affected by implementation of presidential directive on restriction of physical interaction and social distancing.
  - b) Reduction in laboratory analysis and calibration fees due to the reduction in private samples tested and equipment calibrated during the year.
  - c) Total expenditure decreased when compared to prior year. The decrease was majorly attributed to reduced capital expenditure, implementation of travel restriction and scaling down of activities in the third and fourth quarter of the year.

In Comparison with previous year, revenue decreased by 12.1%. This was attributed to:

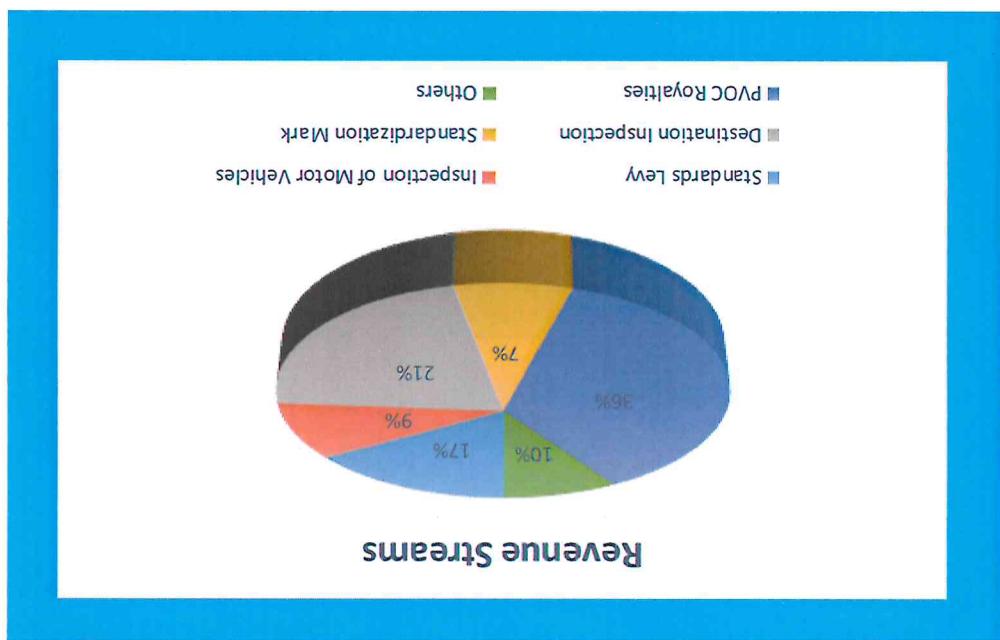


Figure 5: Revenue streams

- The total assets over the last five financial years is as presented in figure 7 overleaf:
- However, over the last 2 years the assets have decreased due reduced capital expenditure, depreciation and remittance to the national treasury in the 2019/2020 Financial year
- measurment test results.
- 3) Acquisition of the Lab equipment so as to increase testing scopes and improve efficiency in testing and
  - 2) Completion of the regional office in Lake Region.
  - 1) Acquisition of KEBs building in Coast Region.
- KEBS assets have increased over the years 2016 to 2018 upon
- iii) Total Assets

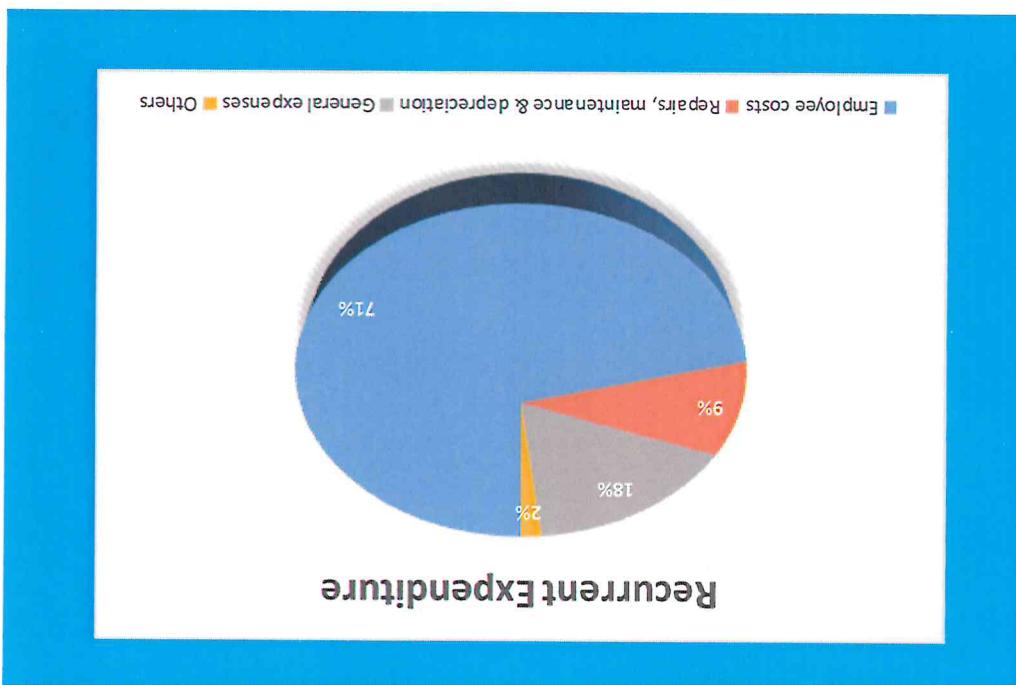


Figure 6: Recurrent Expenditure

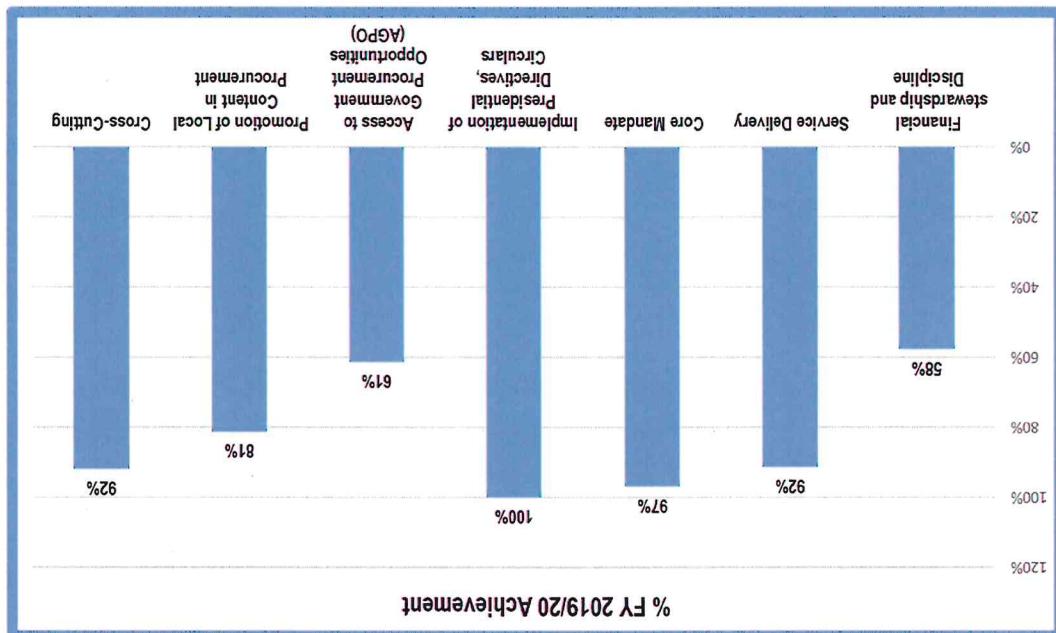


Figure 8: Operational Performance

The overall weighted aggregate performance score for KEBs in 2019-2020 Financial Year was 83.03%, which is in the range of good. The summary of achievement is as presented in figure 8 below:

b) Operational Performance

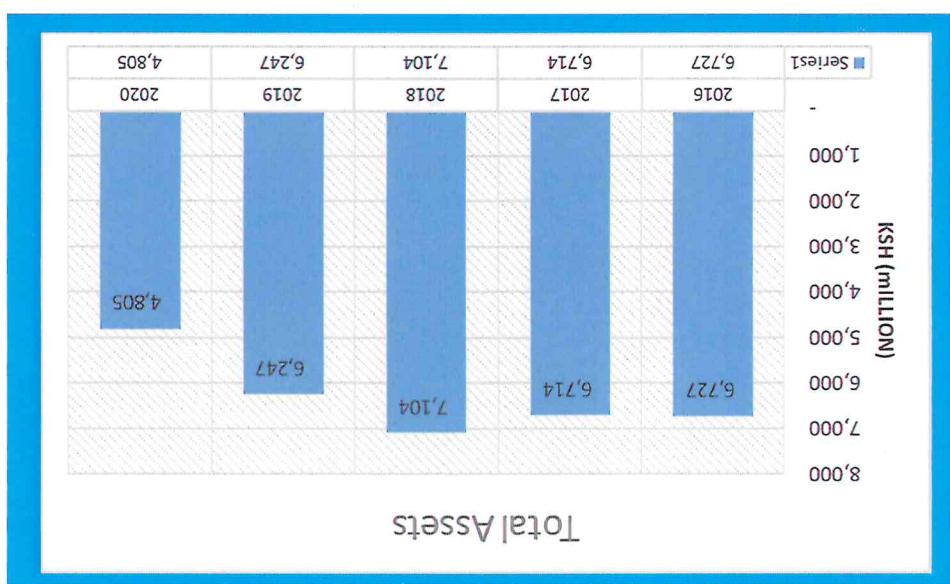


Figure 7: Total Assets

KEBS has invested in state-of-the-art testing equipment with the support of the following partners: Trade Marks East Africa, European Union – Standards and Market Access Program. Subsequently, the utilization of these equipment has improved operational efficiency by 33% in the last five years. The acquisition of these equipment has enabled KEBS to increase the testing scope, improved proficiency and efficiency in testing and reducing the turn-around-time.

### **ii. Acquisition of testing equipment**

During the year under review, KEBS committed to compete and operationalize North Rift office and laboratories. The KEBS North Rift laboratories and offices was occupied in the second quarter and its completion is currently estimated at 86%. KEBS has invested in testing equipment with the support of the following partners: Trade Marks East Africa, European Union – Standards and Market Access Program. Subsequently, the utilization of these equipment has improved operational efficiency by 33% in the last five years. The acquisition of these equipment has enabled KEBS to increase the testing scope, improved proficiency and efficiency in testing and reducing the turn-around-time.

### **i. Completed and Ongoing Projects**

#### **a. KEBS Infrastructure**

#### **2. Key Projects and Investments Decision**

- (a) Disruption caused by the emergence COVID 19 which required scaling down of activities to curb the spread of the pandemic.
- (b) Global effects of COVID 19 which resulted in reduction of imports. This affected PVOCS royalties and destination inspection activities leading to reduced revenues.
- (c) Slow-down in the economy which affected demand to KEBS services and reduction in revenue generated.
- (d) inadequate Staffing levels in the technical areas during the year arising from the termination of the 43 items.
- (e) Commencement of the implementation of Legal Notice No. 78 of April 2020 which affected compliance to PVOCS program.

#### **Challenges related to performance management**

It is important to note that there was a drop in operational performance in the year under review as compared to FY 2018/19. The Current year's performance was 83.03% while the last financial year's performance was at 94%.

g. **Business interruption risk** due to lack of business continuity management system. In the FY 2020/21 we have committed to implement ISO 22301 (Business Continuity Management system) and seek for certification by 30<sup>th</sup> June 2021.

f. **Information Security Risk**- failure to protect KEBs against inadvertent loss of data or cyber-attack would adversely affect our brand identity and reputation. We are currently implementing ISO 27001 (Information Security management systems) and measures to avert any cyber-attacks have been established and implemented.

e. **Reputational Risk**- Our brand identity is extremely important to us and failure to protect this would result in deterioration of our reputation and potential loss of business. To mitigate, we continue to reinforce our values, policies and processes with our employees, business partners and other stakeholders. We take robust action, where necessary, to protect our trademarks, brand and reputation. We also commit to implementation of communication Strategy and stakeholder Engagement programmes.

d. **Compliance risk**- due to failure to transition to the new ISO/IEC 17025:2017 (General requirements for the competence testing and calibration laboratories Accreditation) on time to mitigate this, we continue to engage with our accreditation bodies to ensure that any issues are dealt with before we risk the loss of accreditation. Furthermore, we are considering changing the accreditation body to KENAS.

c. **Legal Risk** - This refers to potential adverse outcomes in litigation which could drive liquidity restraints, thereby limiting financial flexibility of KEBs and potentially jeopardize the ability to respond to or take advantage of opportunities or meet other ordinary needs. The following strategies will be implemented to mitigate this risk: installation of a modern teleconference facility for hearing of judicial cases and provision of services to the NSC; use of the automation process for contract and cases management; proper legal representation; alternative dispute resolution i.e. negotiations, mediation, conciliation; setting aside contingency funds for the litigations

b. **COVID-19 (Corona Virus) Risk**-The Corona virus pandemic has greatly impacted on the activities of KEBs. It has reduced accessibility and availability of KEBs facilities and services and there is likely exposure of KEBs staff to Covid - 19. To mitigate this, KEBs scaled down its activities and continues to educate staff on COVID-19 symptoms and prevention, provision of masks, gloves and hand sanitizers to staff. KEBs also facilitate staff to telecommute/work from home, encourages social distancing and implemented the Executive order no 2 of 2020 dated 13/3/2020 on suspension of non-essential travels by state and public officers.

a. **Financial Risk** - Failure to meet set revenue target. Cumulatively, a total of KES 3.69 billion was generated against a target of KES 4.24 billion with a negative variance of KES 55 million. To mitigate this, KEBs will implement the Resource Mobilization Strategy and Cost Reduction Strategy.

### 3. Major risks facing the organisation and Mitigation measures

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

**iii. Automation**  
KEBS has continued to invest in Information Communication and Technology (ICT) both hardware and software. The current automation level stand at 50% and the computer ratio per user is 1:2.

#### iv. Standards Development

KEBS participated in the Beyond Zero 5th Edition Marathon, 2020 at the Nyayo National Stadium in Nairobi County among other corporate participants.

b) Beyond Zero Marathon



Figure 9: Kenya Society for the Blind Hike

a) Kenya Society for the Blind Hike

KEBS Carried out a hike for the blind in Mt Longonot, the hike was coordinated by the Kenya Society for the Blind (KSB). KSB is a charitable organization established to champion & coordinate educational matters of visually impaired children. KSB Mt. Longonot climbing activity took place on the 21st of September 2019.

1. Corporate Social Responsibility

KEBS Corporate Social Responsibility (CSR) is aimed at creating a positive impact on the society. The main objective is to maximize KEBS contribution to sustainable development through sponsorship of causes involving women, youth and persons living with disability. During the Financial Year, the following CSR activities were undertaken:

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING

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The organisation complied with statutory requirements. At the close of the financial year, the organisation did not have any material statutory reserves except financial obligations in form of commitments that were yet to be actualised. These appear under the statement of capital commitment and litigations.

### 4 KEBS compliance with statutory requirements

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
KENYA BUREAU OF STANDARDS

- (e) **Corruption prevention**
- Integrity is one of KEBS core values. The organization has continued to implement the anti-corruption policy and corruption prevention through the guidance of the anti-corruption committee. The anti-corruption committee is composed of various directors with the internal Audit department as the secretariat and chaired by the managing director. KEBS implemented various strategies to combat corruption including accreditation to ISO 37001 (Anti-bribery Management System)
- (d) **Occupational health and safety.**
- KEBS undertook the following activities under the Occupational Health & Safety Act, 2007 and related EHS legislation. A routine Occupational Health and safety inspection was conducted and Workplace Registration Certificates were maintained. In addition, routine medical examinations for staff exposed to specific hazards were carried out and an annual emergency fire evacuation drill was conducted.
- Over 1000 trees were planted in partnership with the Kenya Forest Service (KFS) on the 30th November 2019. KEBS 45001 (Occupational health and safety management system) and ISO 14001 (Environmental Management System), is in the Process for implementation in integrated environment, health and safety management system based on ISO 50001 (Occupational health and safety management system) and ISO 14001 (Environmental Management System), and 20 Champions have already been trained and certified.

- (c) **Competency Development**
- KEBS maintains a skills matrix, which defines the competencies required for the realization of the objectives. A total of 560 skill based programmes and 12 broad based programmes were carried out based on the annual training plan.

- (b) **Wellness**
- A Wellness program for monitoring BMI, blood sugar, blood pressure and an eye Clinic was carried out at KEBS within the year. In addition, KEBS provides gym facilities for Staff members.

- (a) **People**
- There is a human resource policy and procedures Manual guiding on recruitment and selection, terms and condition of employment and retention strategies. The policy provides for affirmative action eg. age, gender and persons living with disabilities and regional balancing. The NSC promotes gender and disability mainstreaming. KEBS handles staff grievances as per human resource policy procedures manual.

## 2. Sustainability Report



Figure 10: KEBS Participants to the Beyond Zero 5th Edition Marathon.

- i. ISO 17025 (General requirements for the competence testing and calibration laboratories) Accreditation/Metrology  
KEBS is committed to protecting the identity of all employees and stakeholders when they provide information regarding corruption related activities or participation in investigations. KEBS has provided channels of reporting corruption such as toll free line and emails. The NSC and management encourages staff to whistle blow without victimization.
- ii. ISO 17025 Accreditation - Testing  
KEBS maintains accreditation for its metrology, testing and certification functions. In addition, we hold an ISO 9001:2015 Certification.
- iii. ISO 17021 (Requirements for bodies providing audit and certification of Management systems)  
KEBS Testing Laboratories are accredited to ISO 17025 by the South African National Accreditation Services (SANS). One management review was conducted in August 2019 and an internal audit was conducted in May 2020 (SANS). KEBS is at 87% (an increase by 2%) of the accreditation process after undertaking gap analysis internally and internal audit during the last quarter. KENAS has been identified as the independent assessor to review the processes, however this has not been actualized.
- iv. ISO 17065 (Requirements for bodies certifying products, processes and services) Accreditation  
KEBS – CB has maintained accreditation to ISO/IEC 17021 by RVA and KENAS.
- v. ISO 17020 (Inspection Body Accreditation)  
KEBS committed to implement the following activities during the contract period: review of inspection documentation, pre-assessment and initial assessment, internal audits, implementation of corrective actions, management review and submittal documents to the accreditation body. During the period under review, inspection of accreditation documentation was reviewed and uploaded onto Enquiry platform for implementation, this moved the implementation level to 90%. However, the assessment audit and audit and travel.
- vi. ISO 9001:2015(Quality Management System) Certification  
KEBS holds ISO 9001:2015 certification by BSI and has maintained the accreditation.

Date: 30.03.2021

MANAGING DIRECTOR  
Lt. Col (Rtd) Bertrand N. Njiraini

By Order of the NSC.

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

#### Auditors

KEBS remitted Kshs 1.25 billion to the Consolidated Fund in the year under review being identified surpluses for previous financial years.  
KEBS did not make any surplus during the FY 2020 - and therefore no remittance to the Consolidated Fund. However,

#### Surplus Remission

No.	Board Member	Status	Appointed on 21st February 2020
1.	Ken Wathome	Retired on 15th November 2019	
2.	Rodgers Abasi	Appointed on 15th November 2019	
3.	Patrick Musila	Retired on 19th February 2020	
4.	Patrick Musila	Appointed on 21st February 2020	

Table 4. DIRECTORS APPOINTMENT & EXITS

The NSC members who served during the year are shown on page 10 and the following NSC members were appointed or exited the NSC during the year under review:

#### Directors

KEBS results for the year ended June 30, 2020 are set out on Page 41.

#### Results

1. Promoting Standardization in commerce and industry.
2. Providing testing and calibration Services
3. Controlling the use of standardization marks.
4. Educating stakeholders and clients on standardization.
5. Facilitating the implementation and practical application of standards
6. Maintaining and disseminating International System of units (SI) of measurement.

The principal activities of KEBS are:

#### Principal Activities

The Directors submitted their report together with the un-audited financial statements for the year ended June 30, 2020, which show the state of the KEBS affairs.

Managing Director

NSC Chairman

Approval of the Financial Statements

The Council accept responsibility for the KEBs financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with international Public Sector Accounting Standards (PSAS), and in the manner required by the FIM Act, 2012 and the requirements of the Standards Act. The Council is of the opinion that KEBs financial statements give a true and fair view of the state of KEBs transactions during the financial year ended June 30, 2020, and of the KEBs financial position as at that date. The Council further confirm the completeness of the accounts records maintained for KEBs, which have been relied upon in the preparation of the KEBs financial statements as well as the adequacy of the systems of internal financial control.

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

- (a) Maintaining adequate financial arrangements and ensuring that these continue to be effective throughout the reporting period;

(b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of KEBs;

(c) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

(d) Safeguarding the assets of KEBs;

(e) Selecting and applying appropriate accounting policies and

(f) Making accounting estimates that are reasonable in the circumstances.

The National Standards Council is responsible for the preparation and presentation of KEB's financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on June 30, 2020. These responsibilities include:

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

ASIA'S ELEMENTS OF DIVERSITY RESPONSIBILITIES

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020



As previously reported, receivables from exchange transactions balance of Kshs.431,127,162 as at 30 June, 2020 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, 2020. Further, the Public Investigations Committee recommended that the Ethics and Anti-Corruption Commission investigate the matter and recommend for prosecution any person found culpable in defrauding the organization and also report progress on this matter to the National Assembly within six (6) months. The outcome of this investigation has not been disclosed. In addition, the organization requested for write-off of the long outstanding amount, but it is still awaiting approval by the National Treasury.

## **M. Receivables from Exchange Transactions**

#### Basis for Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 41 to 76, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparision of budget and actual amounts for the year ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Bureau of Standards as at 30 June, 2020, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Standards Act, Cap 496 of the Laws of Kenya.

## **Qualified Opinion**

## REPORT ON THE FINANCIAL STATEMENTS

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30 JUNE, 2020

HEADQUARTERS  
Anniversary Towers  
Mlomrovia Street  
P.O. Box 30084-00100  
Nairobi



REPUBLIC OF KENYA

Similarly, audit review of Lake Region bank accounts No. 605 and 100 revealed that some of the revenue cheques totalling Kshs. 1,844,723 were banked in Lake Region operation account instead of the revenue collection account and withdrawn after a few days. This is contrary to the Bureau's policy which requires that all the revenue collected in the regional offices be deposited into the revenue collection account and all the bank transfers from head office to the regional offices be sent via the operations account.

As previously reported, audit review of KEBs Lake Region revealed that the total payments for the financial year ended 30 June, 2019 amounted to Kshs. 38,640,405. However, the AC PAC ledger controlled at the Head Office indicate total payments for the period of Kshs. 35,699,738 resulting into a variance of Kshs. 2,940,667. The variance is indicative of transactions that were paid outside the AC PAC system and may not have been accounted for.

### 3. Cash and Cash Equivalents

In the circumstances, value for money may not have been obtained on the expenditure of Kshs. 101,938,209.

As previously reported, the property, plant and equipment balance of Kshs. 3,297,371,006 as at 30 June, 2020 includes work-in-progress figure of Kshs. 236,940,723 which excludes preliminary cost amounting to Kshs. 101,938,209 being consultancy costs incurred on the construction of coast region laboratories. As previously reported, the Bureau abandoned the project and instead acquired a new building for its operations in Mombasa with the preliminary cost of Kshs. 101,938,209 remaining as work in progress since 2012/2013. During the year 2016/2017, management expensed the preliminary costs in the financial statements and charged it under project and consultancy expenses.

### 2. Property, Plant and Equipment

In view of the above, it has not been possible to confirm the recoverability of Kshs. 42,034,269 included in the receivables from exchange transactions balance of Kshs. 431,127,162 as at 30 June, 2020.

iii) The trade and other receivables from exchange transaction of Kshs. 431,127,162 as at 30 June, 2020 includes long outstanding receivables from a law firm of Kshs. 17,500,000 and Kshs. 1,585,822 from miscellaneous debtors. As reported previously, the total amount of Kshs. 19,085,822 has not been recovered or written off. Although the Board had approved the write-off of debts amounting to Kshs. 42,034,269, Treasury approval has however not been obtained.

As previously reported, payments of Kshs. 2,697,529 to three firms for goods and services that were never supplied or rendered has also not been recovered or written off while the adequacy of provision for bad and doubtful debts of Kshs. 58,017,983 made in the financial statements could not be ascertained.

duty levied, the Bureau would have recorded additional revenue of Kshs.28,147,193. And duty thereof at 15% on value. Had the goods been subjected to the inspection and customs value Kshs. 187,652,754 but were not subject to Destination Inspection (DI) available information revealed that, a local freight company imported goods with a Kshs.3,707,985,187 out of which Kshs.2,375,571,667 was earned from PVOC Program. 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.

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

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

As reported in the previous year, the Bureau paid Kshs.13,497,120 being 60% of the contract sum of Kshs.22,495,200 to a local company for the supply and implementation of applications software for Bureau's integrated quality assurance and inspection operations. The contract was signed in the year 2012 and was to take a duration of 8 months with a provision of extension of not more than 14 days. The amount has remained as work in progress since 2012/2013 and it appears that the project stalled. This is an indication of weak contract administration controls which may lead to loss of funds already paid in the event the contract is not completed.

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

### Emphasis of Matter

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### Key Audit Matters

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIS). I am independent of the Kenya Bureau of Standards Management Institute with ISSAI 130 on Code of Ethics. I have fulfilled other ethical requirements in accordance with the ISSAI and in accordance with other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Consequently, the accuracy of cash and cash equivalents could not be confirmed.

In addition, the bank statements available for audit review from the Lake Region were photocopies and not certified true copies of original from the bank. Further, as previously reported, the cash in hand certificates of Mombasa Region as at 30 June, 2019 indicated unaccounted cash of Kshs.1,153,872.

As previously reported, the Bureau procured and paid Kshs. 17,760,000 to a legal firm for the legal services of revision of the Standards Act and the National Quality Policy. There was no evidence that the law firm was competitively sourced as required by the Public Procurement and Asset Disposal Act, 2015 nor was there evidence that the Management Procurement sought the approval of the Attorney General in procuring the services of the law firm as

#### b) Irregular Direct Procurement of Legal Services

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

Further, the Management wrote to the Office of Attorney General on 28 July, 2017 via letter ref: KEB/S/CONF/IMP/INSPI VOL 3(49) seeking approval to appoint the two firms to represent the Bureau in the above stated case. The Office of the Attorney General via response letter dated 31 July, 2017 granted a conditional approval subject to the Bureau providing the AG with the minutes and report of the evaluation committee on the method of procurement and justification for the appointment of the two firms. However, no evidence was availed for audit review to confirm whether the Office of the Attorney General approved the appointment of the firms or whether the seeking of approval by the Bureau from Attorney General was a mere ratification of procurement decision KEBs had already made.

As previously reported, the Bureau incurred an expenditure of Kshs. 132,888,962 on legal services including services obtained from a legal firm on 28 July, 2017 via letter ref: KEB/S/COA/132/2017 (4) which sought further legal support from local advocates to represent the Bureau in the Court of Appeal Civil Application No. 132 of 2017 between the Bureau and a foreign firm when the High Court declined to set aside an arbitral award made in favor of the Company for a total sum of US Dollars. 15,401,504.71 plus interest.

#### a) Unapproved Procurement of Legal Firms

##### 1. Legal Matters

###### Basis for Conclusion

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

###### Conclusion

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

In the circumstances, the revenue from exchange transactions could not be confirmed.

Legal Notices No. 183 of December, 2018 and 78 of April, 2020 paragraphs 7(2) and 9(2) respectively requires an importer of goods arriving without certificate of conformity to in

### 3. Non-implementation of the Requirement for Furnishing Security Bond

This is contrary to the Standards Act that provides for gazettlement of Legal Notices for enactment of any new legislation.

During the period 30 December, 2019 to 27 April, 2020, the Bureau charged destination inspection fees at the rate of 15% for goods arriving without certificate of conformity.

However, the enactment of 15% from 20% was done via an internal memo referenced No. KEBs/OP/24 (1) VOL.6 (26) of 30 December, 2019. There was no gazette notice by the Cabinet Secretary invoking the earlier Legal No. (183/2018).

22. Charge of Destination Inspection Fee at 15% Without a Gazette Notice

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

2015 the Bureau did not ensure that the procurement for legal services was initiated and finalized by different professional offices as the sourcing was initiated and finalized by the legal department only.

Further, although contracts for offering legal services were signed between the Bureau and the various law firms it is not clear how the costs for the services were arrived at as there were no established scheme of evaluation that were to deal with the technical and financial aspect of the procurement as dictated by Section 46(4)A of the Public Procurement and Asset Disposal Act, 2015.

the standards body in the approved procurement plan for the financial year under review had indicated the method for procurement of legal services as request for quotations. However, the Bureau did not float quotations for the legal services and it is not clear how the firms were identified.

The financial statements indicate an expenditure of Kshs. 84,365,122 under legal expenses for the financial year ended 30 June, 2020. The amount was paid to various law firms for offering legal services to the Bureau. However, a review of the payments and supporting documents revealed that the Bureau did not adhere to the Public Procurement and Asset Disposal Act, 2015 while sourcing for legal services.

(c) Irregular Procurement of Legal Services

In the circumstances, it was not possible to confirm that the above procurements of law firms were done in accordance with the procurement law.

required by Government Circular No.A/G/CN/6/D/144VOL.11. Further, the contract between the law firm and the Bureau was not available for audit review.

In the circumstances, the Management is in breach of the law

Further, it was noted that there were several Consultative meetings between the KBS Management and the Board members which were not scheduled and no minutes were taken despite the members drawing up allowances. In some of these adhoc committee meetings, there was also no quorum that necessitated the meeting and no resolutions were drawn up from the said meetings.

During the year under audit, the National Standards Council had come up with a Board calendar indicating the scheduled meetings for the full Board and committees for the financial year. However, the Board did not follow the calendar and the National Standards Council meetings moved from the planned 5 for the year to 37 an average of 3 meetings per month. In addition to the National Standard Council meetings and the Board Committee meetings, an additional 35 ad hoc committee meetings were held during the year. This exponential increase in the number of meetings and what necessitated them has not been explained.

## Unapproved Board Meetings

## Basis for Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## Conclusion

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance with generally accepted accounting principles. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

addition to the destination inspection imposed, execute a security bond in favour of KEBs equivalent to the said fee at 20% & 5% respectively. However, an audit inspection at the entry points revealed that this requirement was yet to be implemented by the Bureau.

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit can detect conductance with ISAs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

## Auditor-General's Responsibilities for the Audit

Those charged with governance are responsible for overseeing the Bureau's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislation and regulatory requirements, ensuring that effective processes and risk management, and ensuring the adequacy and effectiveness of the control systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the financial statements comply with the standard which govern them, and that public resources are applied in accordance with the financial transactions and information reflected in the financial statements and that the financial statements are free from material misstatement.

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

In preparing the financial statements, Management is responsible for assessing the Bureau's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Bureau or to cease operations.

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

## Responsibilities of Management and those Charged with Governance

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the sustainability of services, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern.

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

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

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls does not reduce to a relatively low level the risk that financial statements by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

27 January, 2022

Nairobi

AUDITOR-GENERAL  
CPA Nancy Gathuhiu, CBS

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease to continue to sustain services.



Revenue from non-exchange transactions	Notes	2019/2020	2018-2019
Kshs	Kshs	Kshs	Kshs
Standards Levy	1	617,261,104	582,749,455
Revenue from exchange transactions			
Rendehing Of Services	2	3,021,672,059	3,511,904,754
Government Transfer-(RILP& NRF)	3	7,000,000	15,225,500
Finance Income	4	26,495,146	72,216,394
Other income	5	12,509,821	11,046,167
Total revenue		3,684,938,130	4,193,142,269
Expenses			
Employee costs	6	2,694,113,148	2,794,058,618
Remuneration of directors	7	44,621,010	79,617,127
Depreciation and amortization expense	8	140,754,938	194,627,785
Repairs and maintenance	9	219,473,807	284,127,330
Contracted services	10	22,686,058	21,018,257
General expenses	12	662,612,472	931,5,18,504
Finance costs	13	-	53,871,232
Total expenses		3,784,261,433	4,358,838,852
Other gains/(losses)			
Gain on Disposal		459,269	
Deficit for the Period		(99,323,302)	(165,237,314)
Remittance to National Treasury		-	-
Net Deficit for the year		(99,323,302)	(165,237,314)

XII. STATEMENT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
KENYA BUREAU OF STANDARDS

The notes set out on pages 45 to 66 form an integral part of these Financial Statements

Assets	Notes	2019/2020	2018-2019
Current assets		Kshs	Kshs
Cash and cash equivalents	14	196,138,873	1,714,218,295
Receivables from exchange transactions	15	431,127,162	488,453,917
Current portion of long-term receivables from exchange transactions	15	734,357,488	683,774,054
Receivables from non-exchange transactions	16	31,047,008	36,271,886
Investments	17	109,536,097	69,287,674
Total Current Assets		1,502,206,628	2,992,005,827
Non-current assets			
Property, plant and equipment	21	3,297,371,006	3,246,227,002
Intangible assets	22	5,787,139	8,267,342
Total Assets		4,805,364,773	6,246,500,171
Liabilities			
Current liabilities	18	487,092,234	500,264,351
Trade and other payables from exchange transactions			
Current portion of borrowings	19	31,821,486	110,707,039
Non-current liabilities		518,913,720	610,971,390
Total Liabilities		518,913,720	610,971,390
Net assets		4,286,451,053	5,635,528,781
Revolving Reserves		990,156,591	990,156,591
Accumulated surplus		2,300,826,256	3,645,149,558
Capital Fund		995,468,206	995,468,206
ACCA Member:10084733/1562/782			
Eng. Beismard Ngoro			
NSC Chairman			
Mohammed Adan			
Director Finance and Strategy			
Managing Director			
Lt Col (Rtd) Bertrand N. Njiraini			
Date: 29/03/2021			
The Financial Statements set out on pages 41 to 66 were signed on behalf of the NSC by:			

The Financial Statements set out on pages 41 to 66 were signed on behalf of the NSC by:

Eng. Beismard Ngoro  
NSC Chairman  
Mohammed Adan  
Director Finance and Strategy  
Managing Director  
Lt Col (Rtd) Bertrand N. Njiraini

ACCA Member:10084733/1562/782  
Date: 29/03/2021

Eng. Beismard Ngoro  
NSC Chairman  
Mohammed Adan  
Director Finance and Strategy  
Managing Director  
Lt Col (Rtd) Bertrand N. Njiraini

ACCA Member:10084733/1562/782  
Date: 29/03/2021

XV. STATEMENT OF CASH FLOWS AS AT JUNE 30, 2020

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

KENYA BUREAU OF STANDARDS REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Revenue	Original budget	Actual budget	Final budget	Comparative basis	Performance difference
Standards Levy	860,585.560	-	860,585.560	Kshs	Kshs
Revenue from exchange transactions	3,295,029,625	213,263,320	3,508,292,945	3,021,672,059	(486,620,886)
Government Transfer-(RIP)	28,100,000	(13,000,000)	15,100,000	7,000,000	(8,100,000)
Finance income	54,000,000	(29,784,500)	24,215,500	26,495,146	2,279,646
Other income	4,103,000	18,000	4,121,000	12,509,821	8,388,821
Total revenue	4,241,818,185	170,496,820	4,412,315,005	3,684,938,130	(727,376,875)
Expenses					
Employee costs	2,809,107,690	120,251,560	2,929,359,250	2,694,113,148	235,246,102
Remeuneration of directors	50,000,000	24,960,000	74,960,000	44,621,010	30,338,990
Depreciation and amortization expense	166,257,000	166,257,000	166,257,000	140,754,938	25,502,062
Repairs and maintenance	291,930,200	(9,888,650)	282,041,550	219,473,807	62,567,743
Contracted services	46,300,000	100,000	46,400,000	22,686,058	23,713,942
General expenses	1,019,520,295	60,033,910	1,079,545,205	662,612,472	416,941,733
Finance costs					
Total expenditure	4,383,115,185	195,456,820	4,578,572,005	3,784,621,433	794,310,572
Surplus for the period					
Admission fees Disposal					
Summaray of reallocations					

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

#### b. Industrial Training and System Certification

The revenue streams were affected by implementation of presidential directive on restriction of physical interaction and social distancing due to the Covid - 19 Pandemic. This was put to hold while the organization

The variation was due to:

The Global Lockdowns on the control of Covid - 19 slowed importation into the Kenyan Market in the final quarter

The fourth quarter of the year witnessed restriction of movement of persons and goods therefore many firms closed

#### a. Destination Inspection and Motor Vehicle Inspection

ii) Rendering of Services

The fourth quarter of the year witnessed restriction of movement of persons and goods therefore many firms closed down while others produced minimally. This affected Levy fees from the manufacturing industry.

The fourth quarter of the year witnessed restriction of movement of persons and goods therefore many firms closed

#### i) Standards Levy

##### Notes for material deviation

Surplus for the period	(141,297,000)	-	(141,297,000)	(99,323,302)	-
Admission fees Disposal					
Total expenditure	4,383,115,185	195,456,820	4,578,572,005	3,784,621,433	794,310,572
Finance costs					
General expenses	1,019,520,295	60,033,910	1,079,545,205	662,612,472	416,941,733
Contracted services	46,300,000	100,000	46,400,000	22,686,058	23,713,942
Repairs and maintenance	291,930,200	(9,888,650)	282,041,550	219,473,807	62,567,743
Depreciation and amortization expense	166,257,000	166,257,000	166,257,000	140,754,938	25,502,062
Remeuneration of directors	50,000,000	24,960,000	74,960,000	44,621,010	30,338,990
Employee costs	2,809,107,690	120,251,560	2,929,359,250	2,694,113,148	235,246,102
Expenditure					
Employee costs	2,809,107,690	120,251,560	2,929,359,250	2,694,113,148	235,246,102
Remeuneration of directors	50,000,000	24,960,000	74,960,000	44,621,010	30,338,990
Depreciation and amortization expense	166,257,000	166,257,000	166,257,000	140,754,938	25,502,062
Contracted services	46,300,000	100,000	46,400,000	22,686,058	23,713,942
General expenses	1,019,520,295	60,033,910	1,079,545,205	662,612,472	416,941,733
Finance costs					
Total expenditure	4,383,115,185	195,456,820	4,578,572,005	3,784,621,433	794,310,572
Other income					
Standards Levy	860,585.560	-	860,585.560	Kshs	Kshs
Revenue from exchange transactions	3,295,029,625	213,263,320	3,508,292,945	3,021,672,059	(486,620,886)
Government Transfer-(RIP)	28,100,000	(13,000,000)	15,100,000	7,000,000	(8,100,000)
Finance income	54,000,000	(29,784,500)	24,215,500	26,495,146	2,279,646
Other income	4,103,000	18,000	4,121,000	12,509,821	8,388,821
Total revenue	4,241,818,185	170,496,820	4,412,315,005	3,684,938,130	(727,376,875)
Expenses					
Employee costs	2,809,107,690	120,251,560	2,929,359,250	2,694,113,148	235,246,102
Remeuneration of directors	50,000,000	24,960,000	74,960,000	44,621,010	30,338,990
Depreciation and amortization expense	166,257,000	166,257,000	166,257,000	140,754,938	25,502,062
Contracted services	46,300,000	100,000	46,400,000	22,686,058	23,713,942
General expenses	1,019,520,295	60,033,910	1,079,545,205	662,612,472	416,941,733
Finance costs					
Total expenditure	4,383,115,185	195,456,820	4,578,572,005	3,784,621,433	794,310,572
Surplus for the period					
Admission fees Disposal					
Summaray of reallocations					

JUNE 30, 2020

#### XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

KENYA BUREAU OF STANDARDS

Standard	Impact	
IPSAS 40: Applicable: 1 <sup>st</sup> January 2019	The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.	The standard is currently not applicable to KEBs.

2020

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

The financial statements have been prepared based on the historical cost, except where otherwise stated in the accounting policies below. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

KEBS 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 (Kshs) which is the functional and reporting currency. All values have been rounded to the nearest shilling. The accounting policies have been applied consistently.

KEBS 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 (Kshs) which is the functional and reporting currency. All values have been rounded to the nearest shilling. The accounting policies have been applied consistently.

#### 2. Statement of Compliance and Basis of Preparation - IPSAS 1

KEBS was established under an Act of Parliament and derives its authority and accountability from the Standards development of Kenya Standards, dissemination of standards related information, laboratory testing, quality assurance, and systems certification, training and quality inspection of all imports.

#### XVII. NOTES TO THE FINANCIAL STATEMENTS

Standard	Effective date and impact:
IFRS 41: Applicable: 1 <sup>st</sup> January 2022	<p>The objective of IFRS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IFRS 41 provides users of financial statements with more useful information than IFRS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective than IFRS 29, by:</li> <li>• Applying a single classification and measurement model for financial assets that applies to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging scope of the guidance.</li> </ul> <p>The objective of this Standard is to improve the relevance, faithful representation and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>The objective of this Standard is to improve the relevance, faithful representation and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>The Standard is applicable to KEBs and will consider to adopt it when it becomes effective.</p>
IFRS 42: Applicable: 1 <sup>st</sup> January 2022	<p>The standard is currently not applicable to KEBs.</p> <ul style="list-style-type: none"> <li>• The impact of such social benefits provided on the entity's financial performance, financial position and cash flows;</li> <li>• The key features of the operation of those social benefit schemes; and</li> <li>• The nature of such social benefits provided by the entity;</li> </ul> <p>Financial reports assess:</p> <p>The Standard is applicable to KEBs and will consider to adopt it when it becomes effective.</p>
Amendments to Other IPSASs	<p>Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued</p> <p>IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued</p> <p>IPSAS 30, to update the guidance for accounting for financial instruments resulting from IPSAS 41, IPSAS 41, IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 41, to update the guidance for accounting for financial instruments which were inadvertently omitted when IPSAS 41 was issued.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

KENYA BUREAU OF STANDARDS

KEBS did not exercise the choice given in the standard to adopt the new or amended standards in the financial year under review.

### iii. Early adoption of standards

Standard	Effective date and impact:	Other improvements to IPSAS	Applicable: 1 <sup>st</sup> January 2021:
	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.	IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.
	Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis	IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.
	International Public Sector Accounting Standards (IPSAS) was approved	Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS).
		Amendments to make it consistent with the core principles in the Standard.	33 to make it consistent with the core principles in the Standard.

KEBS recognises expenses and assets at gross amount.

or payables in the statement of financial position.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables

- When receivables and payables are stated with the amount of sales tax included.

of the expense item, as applicable.

authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation

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

### **Sales tax Taxes**

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

The original budget for FY 2019-2020 was approved by the National Treasury on 21<sup>st</sup> June 2019 subsequent revisions or additional approvals were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional approvals are added to the original budget by KEBS upon receiving the respective approvals in order to conclude the final budget.

Subsequent revisions or additional approvals were made to the approved budget in accordance with

the original budget for FY 2019-2020 was approved by the National Treasury on 21<sup>st</sup> June 2019

### **b) Budget information - IPSAS 24**

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

method applies this yield to the principal outstanding to determine interest income each period.

cash receipts through the expected life of the financial asset to that asset's net carrying amount. The interest income is accrued using the effective yield method. The effective discounts estimated future

### **iii. Interest income**

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the

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.

Revenue from non-exchange transactions is recognised when it is probable that the future economic benefits of service potential associated with the asset will flow to the KEBS and the fair value of the asset can be measured reliably.

Kenya Bureau of Standards recognises revenues from Standards Levy fees, when the event occurs and the asset recognition criteria are met. Other non-exchange revenue is recognised when it is probable that

### **ii. Rendering of services**

the future economic benefits of service potential associated with the asset will flow to the KEBS and the fair value of the asset can be measured reliably.

i. Revenue from non-exchange transactions - IPSAS 23

### **a) Revenue recognition**

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

KENYA BUREAU OF STANDARDS

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

#### g) Inventories - IPSAS 12

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

Intangible assets are carried at cost less any accumulated amortization and impairment losses. Intangible assets are carried at fair value at the date of the exchange. Following initial recognition, in a non-exchange transaction its fair value is re-measured at each reporting date. 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 impairment losses. Intangible assets are measured at cost less accumulated amortization and impairment losses.

#### f) Intangible assets - IPSAS 31

KEBS operating leases are in the form of rental premises and leased printing machines. The payments are charged in the statement of comprehensive income statement on a straight-line basis over the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incident to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense and expenses in the statement of financial performance in the period in which they are incurred.

#### e) Operating Leases - IPSAS 13

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

Free hold land and work in progress is not depreciated.

Buildings	Over the leased period of 99 years
Equipment	10%
Computer	30%
Motor vehicle	20%

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

All property, plant and equipment are depreciated to the acquisition of the items. When significant parts of property, plant and equipment are replaced to be replaced at intervals, such parts are recognized as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment if the asset is initially measured at its fair value.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration 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 recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment if the asset is initially measured at its fair value.

#### d) Property, plant and equipment - IPSAS 17

As per section 219 (3) of the PFM Act regulations 2015, the Cabinet Secretary National Treasury has exempted regulatory authorities from paying tax of income tax of which KEBS is in that category.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### Corporation tax

Reserves are created and maintained in terms of specific requirements. KEBs Revenue reserves are maintained for purposes of purchase of equipment, construction of regional offices and laboratories.

#### Nature and purpose of reserves

KEBS does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropiately reflected in the financial statements. If it has become virtually certain that, in inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### Contingent assets

- The amount of the obligation cannot be measured with sufficient reliability
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - Only by the occurrence or non-occurrence of one or more uncertain future events but it is not recognized because:
- KEBS does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### Contingent liabilities

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

#### i) Provisions -IPSAS 19

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

KEBS does not have any financial instrument.

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

Initial recognition and measurement

#### Financial liabilities

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

#### Financial assets

#### h) Financial instruments - IPSAS 29

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2020.

**Subsequent events**

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

**Comparative figures**

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 held at various commercial banks at the end of the financial year.

**Cash and cash equivalents**

The organization regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the NSC members, Managing Director, Divisional Directors, Heads of other various departments and regional Managers within KEBs.

**Related parties - IPSAS 20**

Foreign currency transactions

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. KEBs last actuarial valuation was done in March 2018.

Retirement benefit plans

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

**k) Employee benefits - IPSAS 39**

The effects of changes in accounting policies are recognized retrospectively if retrospective application is impractical.

**j) Changes in accounting policies and estimates - IPSAS 3**

Changes in accounting policy are applied prospectively if retrospective application is impractical.

Change in fixed assets since the last revaluation in 2009.

continuing liabilities and capital commitments that become payable. Revaluation reserves refer to the change in fixed assets since the last revaluation in 2009.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date. The provision for bad debts is specific. Disclosure of these estimates of provisions is indicated on note 15. Provisions were raised and management determined an estimate based on the information available. The disclosure of these estimates of provisions is indicated on note 15.

#### (d) Provisions

- Free hold Land and Work in Progress is not depreciated.
- Intangible assets (Software) -3 years
- Motor vehicle 5 years
- Computer 3 years
- Equipment 10 years
- Buildings the lease period-99 years

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

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

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

#### (c) Useful lives and residual values

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

#### (b) Going Concern

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. KEBS based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of KEBS.

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

#### (a) Estimates and assumptions

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

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>1. STANDARDS LEVY</b>	2018-2019	2019/2020	2019/2020	Description
Standards Levy	582,749,455	617,261,104	617,261,104	Total Standards Levy
Laboratory Analysis Fees	44,336,580	45,760,979	45,760,979	Metrology Services Fees
Inspection of Motor Vehicles	345,536,254	430,037,425	430,037,425	Systems Certification Fees
Laboratory Analysis Fees	44,336,580	45,760,979	45,760,979	Metrology Services Fees
Inspection of Motor Vehicles	345,536,254	430,037,425	430,037,425	Systems Certification Fees
2. RENDERING OF SERVICES				
Inspection of Motor Vehicles	345,536,254	430,037,425	430,037,425	Diamond Mark Fees
Laboratory Analysis Fees	44,336,580	45,760,979	45,760,979	Seminar Fees
Metrology Services Fees	69,784,641	68,509,740	68,509,740	Metrology Services Fees
Systems Certification Fees	48,200,789	59,753,878	59,753,878	Systems Certification Fees
Seminar Fees	67,004,364	111,862,418	111,862,418	Diamond Mark Fees
Metrology Services Fees	44,336,580	45,760,979	45,760,979	Laboratory Analysis Fees
Inspection of Motor Vehicles	345,536,254	430,037,425	430,037,425	Inspection of Motor Vehicles
2. RENDERING OF SERVICES				
Standards Levy	617,261,104	582,749,455	582,749,455	Total Standards Levy
Standards Levy	617,261,104	582,749,455	582,749,455	Standards Levy
<b>2. RENDERING OF SERVICES</b>				
Inspection of Motor Vehicles	345,536,254	430,037,425	430,037,425	Inspection of Motor Vehicles
Laboratory Analysis Fees	44,336,580	45,760,979	45,760,979	Laboratory Analysis Fees
Metrology Services Fees	69,784,641	68,509,740	68,509,740	Metrology Services Fees
Systems Certification Fees	48,200,789	59,753,878	59,753,878	Systems Certification Fees
Seminar Fees	67,004,364	111,862,418	111,862,418	Seminar Fees
Diamond Mark Fees	47,626,822	27,851,310	27,851,310	Diamond Mark Fees
Standards & Development Fees	25,522,741	23,073,334	23,073,334	Standards & Development Fees
Destination Inspection Fees	770,508,942	1,201,564,223	1,201,564,223	Destination Inspection Fees
PVOC Royalties	258,869,024	218,171,861	218,171,861	PVOC Royalties
NOI Membership Fee	9,153,053	13,507,433	13,507,433	NOI Membership Fee
Total Revenue from Services	3,021,672,059	3,511,904,754	3,511,904,754	Total Revenue from Services
3. Government Transfer	2018-2019	2019/2020	2019/2020	Description
RILIP Project	7,000,000	7,081,000	7,081,000	RILIP Project
NRF	-	8,144,500	8,144,500	NRF
Total Government Transfers	7,000,000	15,225,500	15,225,500	Total Government Transfers
4. INTEREST INCOME				
Description	2018-2019	2019/2020	2019/2020	
Interest Income	26,495,146	72,216,394	72,216,394	Interest Income
Total Interest Income	26,495,146	72,216,394	72,216,394	Total Interest Income
5. OTHER INCOME				
Description	2018-2019	2019/2020	2019/2020	
Interest Income	26,495,146	72,216,394	72,216,394	Interest Income
Total Interest Income	26,495,146	72,216,394	72,216,394	Total Interest Income
4. INTEREST INCOME				
Description	2018-2019	2019/2020	2019/2020	
RILIP Project	7,000,000	7,081,000	7,081,000	RILIP Project
NRF	-	8,144,500	8,144,500	NRF
Total Government Transfers	7,000,000	15,225,500	15,225,500	Total Government Transfers
4. INTEREST INCOME				
Description	2018-2019	2019/2020	2019/2020	
Interest Income	26,495,146	72,216,394	72,216,394	Interest Income
Total Interest Income	26,495,146	72,216,394	72,216,394	Total Interest Income
5. OTHER INCOME				
Description	2018-2019	2019/2020	2019/2020	
Miscellaneous Income	9,835,428	7,092,584	7,092,584	Miscellaneous Income
Other Development Partners	2,674,393	3,953,583	3,953,583	Other Development Partners
Total Other Income	12,509,821	11,046,167	11,046,167	Total Other Income

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
KENYA BUREAU OF STANDARDS

6. EMPLOYEE COSTS		
Description	2019/2020	2018-2019
Basic Salary	1,404,038,917	1,411,676,287
House Allowance	374,234,820	364,596,932
Gross Salary & Other Expenses	172,850,871	208,690,035
Gratuity and Pension Expenses	268,292,470	232,153,844
NSSF Contribution	2,614,000	2,426,400
Leave Allowance	16,719,160	13,066,991
Transfer Allowance	2,614,000	2,426,400
Leisure Allowance	46,953,388	48,030,500
Alcohol & Drug Prevention and HIV Program	3,306,338	6,009,825
Medical Insurance	191,019,767	197,932,835
Staff Awards & Honarria	18,413,990	18,371,000
Local Traveling and Accommodation	142,730,060	201,380,673
External Traveling	49,981,146	85,260,162
Total Employee Cost	2,694,113,148	2,794,058,618
7. REMUNERATION OF DIRECTORS	2019/2020	2018-2019
Description	2019/2020	2018-2019
Board Meeting Expenses	44,621,010	79,617,127
Total Director Emoluments	44,621,010	79,617,127
8. DEPRECIATION AND AMORTIZATION EXPENSE	2019/2020	2018-2019
Description	2019/2020	2018-2019
Property, plant and equipment	138,274,735	191,084,638
Intangible assets	2,480,203	3,543,146
Total Depreciation and Amortization	140,754,938	194,627,785
9. REPAIRS AND MAINTENANCE		
Description	2019/2020	2018-2019
Computer Expenses	138,593,679	163,302,362
Maintenance of Office Equipment	10,373,321	26,704,430
Maintenance of Physical Standards & Lab Equipment	11,286,930	13,821,946
Maintenance of Building	39,162,113	51,676,637
Civil & Engineering Alteration	1,825,758	9,441,950
Total Repairs and Maintenance	219,473,807	284,127,330

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. CONTRACTED SERVICES		
Description	2019/2020	2018-2019
Contracted Professional Services	22,686,058	21,018,257
Total Contracted Services	22,686,058	21,018,257
11. GRANTS AND SUBSIDIES		
Description	2019/2020	2018-2019
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 Organization Grant	899,479	899,479
World Bank Grant	39,722,771	39,722,771
Interrek	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
Smarp Grant	153,398,322	153,398,322
Total Grants and Subsidies	995,468,206	995,468,206

Grants from SMAP, WTO, UNIDO, World Bank, Trade Mark East Africa and Time Electronics were all donations in the form of laboratory equipment, motor vehicle and computers.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
KENYA BUREAU OF STANDARDS

12. GENERAL EXPENSES	2019/2020	2018-2019
Description	Kshs	Kshs
Post and Delivery	6,610,344	7,760,008
Telephone	6,864,895	7,040,141
Tender Expenses	5,731,580	12,957,125
Electricity, Water and Conservancy	34,982,372	33,318,248
Fuel	22,324,683	26,033,678
Publishing and Printing	2,943,476	5,433,558
Purchase of Uniforms and Clothings	2,277,386	8,720,200
Library	4,612,996	6,442,630
Purchase of Stationery	25,020,071	40,714,570
Advertising and Publicity	19,921,907	37,341,519
Show and Exhibitions	26,805,757	35,650,920
Sports and Welfare	54,766,305	65,808,836
Rent and Rates	29,642,469	35,635,581
Hire of Transport	183,955	1,040,802
Audit fees	696,000	696,000
Security	23,902,607	20,468,907
Subscriptions	13,276,102	19,090,883
Seminar	21,555,721	67,993,351
Training	21,555,721	67,993,351
World Standards and Metrology days	3,711,640	5,214,450
Environmental Health & Safety Services	7,524,798	7,869,038
Legal Expenses	84,365,122	110,163,780
Research and Development in Metrology	4,806,203	9,739,204
Laboratory Materials & Reagents	87,543,694	116,401,173
Standards Enforcement	8,585,675	12,940,171
Certification Services	3,889,353	10,128,639
Standards Development	48,821,120	46,223,768
BIPM CMC Programme	2,511,142	461,654
Kenya National Committee of IEC	1,398,687	2,754,247
Quality Awards	1,303,150	5,086,112
Insurance	14,549,514	37,910,129
Bank Charges	2,933,627	1,414,016
Regional Integration expenses	12,454,261	25,328,366
Hortigreen Expenses	2,514,950	1,421,420
NRF Expenses	2,159,789	5,313,047
Total General Expenses	662,612,472	931,518,504

Description	2019/2020	2018-2019
Kshs	Kshs	Kshs
Interest on Bank overdrafts	-	53,871,232
Total Finance Costs	-	53,871,232
14(a) CASH AND CASH EQUIVALENT		
Description	2019/2020	2018-2019
Bank	69,152,071	478,431,914
Cash	450,654	775,056
Short-term deposits (Restricted Cash)	16,290,739	1,075,970,860
Staff Mortgage Account (Restricted Cash)	110,245,409	159,040,466
Total Cash and Cash Equivalent	196,138,873	1,714,218,295

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
KENYA BUREAU OF STANDARDS

(i) Current Accounts	ACCOUNT No.	2019/2020	2018/2019
National Bank of Kenya	0100-3002-830-600	Kshs	Kshs
National Bank of Kenya	0100-3002-830-602	3,913,076	38,105,999
National Bank of Kenya	0100-3002-830-603	2,264,774	1,412,128
National Bank of Kenya	0100-3002-830-604	2,949,676	24,961,655
National Bank of Kenya	0100-3002-830-605	1,639,754	1,157,438
National Bank of Kenya	0100-3002-830-606	547,979	901,028
National Bank of Kenya	0200-3236-26100	26,441,315	164,164,450
National Bank of Kenya	0200-302-830-600	2,062,318	2,992,975
National Bank of Kenya	0100-343-159-300	47,137	1,075,166
National Bank of Kenya	0100-10510-9703	1,327,590	3,199,785
National Bank of Kenya	0100-328-362-800	2,167,948	6,036,910
National Bank of Kenya	110-783-946-7	1,236,910	1,136,588
Kenya Commercial Bank	110-761-835-5	6,648,935	51,298,370
Co-operative Bank	212-050-445-4700	322,589	60,345,283
Co-operative Bank	114-415-044-547-00	12,989,097	23,678,399
M-PESA	804700	3,568,230	3,568,230
TOTAL	69,152,071	478,431,914	
(iii) Fixed Deposits	16,290,739	1,075,970,860	
National Bank of Kenya	16,290,739	1,075,970,860	
Kenya Commercial Bank	110,245,409	159,040,466	
(iii) Staff Mortgage	16,290,739	1,075,970,860	
Cooperative Bank	16,290,739	1,075,970,860	
National Bank of Kenya	16,290,739	1,075,970,860	
Kenya Commercial Bank	110,245,409	159,040,466	
Kenya Commercial Bank	110,245,409	159,040,466	
Cash At Hand	450,654	775,056	
Others			
Grand Total	196,138,873	1,714,218,295	

14(b). Detailed analysis of the cash and cash equivalent

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Description	2019/2020	2018-2019
Current receivables	Kshs	Kshs
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	15,618,276	40,292,089
Miscellaneous Debtors	1,585,822	1,585,822
NBK-Mitterer's receivable	121,280	6,444,161
Provision for doubtful debts	(58,017,983)	(58,017,983)
Prepayments (Medical Insurance)	82,543,444	62,358,649
Total Current receivables	431,127,162	488,453,917
Non-current receivables		
Staff Motragage Scheme	734,357,488	683,774,054
Total non-current receivables	734,357,488	683,774,054
Total Receivables From Exchange Transactions	1,165,484,650	1,172,227,971
Staff Motragage Scheme	734,357,488	683,774,054
Total non-current receivables	734,357,488	683,774,054
Kenya Revenue Authority	31,047,008	36,271,886
Current receivables		
Total current receivables	31,047,008	36,271,886
16. RECEIVABLES FROM NON-EXCHANGE CONTRACTS		
Description	2019/2020	2018-2019
Non-current receivables	Kshs	Kshs
Kenya Revenue Authority	31,047,008	36,271,886
Current receivables		
Total current receivables	31,047,008	36,271,886
17. INVENTORIES		
Description	2019/2020	2018-2019
Stationery	24,064,117	34,456,134
Bio Chemical Stock	14,135,003	12,263,788
Standards Stock	63,686,425	15,897,272
Engineering Stock	7,650,552	6,670,480
Total inventories at the lower of cost and net realizable value	109,536,097	69,287,674

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020  
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18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Description	2019/2020	2018-2019	
General Trade Creditors	233,450,084	206,152,579	
Library Deposits	93,600	93,600	
Audit Fees Payable	696,000	696,000	
ISM Account	28,300,877	37,801,679	
Accrued Retention Fee	93,255,248	93,255,248	
Staff Deductions Payable	59,532,397	59,532,397	
Accrued Expenses -ISM Mark	-	-	
Staff Performance Reward Arrears Payable	34,394,628	30,012,314	
Accrued Legal Expenses	30,012,314	30,012,314	
Other Creditors	3,706,869	3,706,869	
Unexpended Conditional Grant (NRF& Hotigreene)	831,107	5,363,616	
Accrued PvoC Refunds	2,819,111	2,819,111	
Total Trade and Other Payables	487,092,234	500,264,351	
19. BORROWINGS	2019/2020	2018-2019	
Domestic Borrowings	2018-2019		
Bank Overdraft from NBK	115,461,465	115,461,465	
Total balance at end of the year	31,821,486	31,821,486	
Short term borrowings (current portion)	115,461,465	115,461,465	
Total Borrowings	115,461,465	115,461,465	

20. CASH GENERATED FROM OPERATIONS		
	2019/2020	2018-2019
	Kshs	Kshs
Deficit for the year	(99,323,302)	(165,237,314)
Adjusted for:		
Depreciation	138,274,735	191,084,638
Amortization	2,480,203	3,543,146
Gains /losses/adjustments on assets	(459,269)	
Preliminary Expenses		
Working Capital Adjustments:		
Increase in inventories	(40,248,423)	29,237,331
Increase / Decrease in Receivables	11,968,200	(125,725,032)
Decrease in Payables	(96,812,096)	(691,998,243)
Net cash flows from operating activities	(83,660,684)	(759,554,743)

**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

21. PROPERTY, PLANT AND EQUIPMENT		Land	Buildings	Work in progress	Equipment, Furniture and fittings	Plant & computers	Motor vehicles	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 30th June 2018	127,390,000	1,837,185,861	115,972,720	2,002,479,225	326,442,325	405,374,501	4,814,544,631	
Additions			23,444,480		77,238,826	19,332,472	83,990,000	206,005,778
Disposals							1,612,731	1,612,731
Transfer/adjustments								
At 30th June 2019	127,390,000	1,837,185,861	139,417,200	2,079,418,051	345,774,797	489,751,770	5,018,937,679	
Additions	-	1,093,381	97,523,523	72,495,656	18,306,178			189,418,739
Disposals								
Transfer/adjustments								
At 30th June 2020	127,390,000	1,838,279,242	236,940,723	2,151,913,707	364,080,975	489,751,770	5,208,356,417	
Depreciation and impairment								
At 30th June 2018	-	82,830,904	-	998,983,389	247,593,431	252,218,224	1,581,626,038	
Depreciation		6,080,053		108,043,466	29,454,410	47,506,709	191,084,638	
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2019	-	88,911,047	-	1,107,026,855	277,047,841	299,724,934	1,772,710,676	
Depreciation		6,080,053		104,488,685	8,703,313,41	19,002,684	138,274,735	
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2020	-	94,991,100	-	1,211,515,540	285,751,154	318,727,617	1,910,985,412	
Net book values								
At 30th June 2018	127,390,000	1,754,354,867	115,972,720	1,003,195,836	78,848,394	153,156,277	3,232,918,593	
At 30th June 2019	127,390,000	1,748,274,814	139,417,200	972,391,196	68,726,356	190,026,837	3,246,227,002	
At 30th June 2020	127,390,000	1,743,288,142	236,940,723	940,398,167	78,328,921	171,024,153	3,297,371,006	

Cost			
At beginning of the year	143,717,912	143,717,912	
Additions	-	-	
At end of the year	143,717,912	143,717,912	
Additionals—internal development	-	-	
Amortization and impairment	143,717,912	143,717,912	
At beginning of the year	135,450,570	131,907,424	
Amortization	2,480,203	3,543,146	
At end of the year	137,930,773	135,450,570	
Impairment loss	-	-	
At end of the year	137,930,773	135,450,570	
NBV	5,787,139	8,267,342	

Market risk is the risk that the fair value of 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 market risk exposures within acceptable parameters and to optimise the

### c) Market Risk

Liquidity Risk Management						
As At 30th June 2020						
Trade Payables						
92,271,546	61,564,25	79,614,013	233,450,084			
Total						
Current portion of borrowings	31,821,486	31,821,486	31,821,486			
Trade Payables	124,093,032	93,386,011	111,435,498	328,914,541		
AS At 30th June 2019						
Trade Payables						
114,566,546	54,778,055	65,278,710	234,622,411			
Total						
Current portion of borrowings	31,821,486	31,821,486	31,821,486			
Trade Payables	110,707,039	110,707,039	110,707,039	110,707,039		
Total Liquidity Risk	225,272,785	165,485,094	175,985,749	566,743,528		

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

#### b) Liquidity Risk

Credit Risk		AS At 30 June 2020		AS At 30 June 2019	
		Total amount	Fully performing	Receivables from exchange transactions	Receivables from non exchange transactions
	Kshs	Kshs	Kshs	1,176,817,676	1,158,640,042
				31,047,008	31,047,008
				202,983,482	202,180,731
				1,392,670,531	1,410,045,415
				1,195,943,378	1,195,943,378
				36,271,886	36,271,886
				1,714,218,292	1,714,218,292
				2,946,433,556	2,946,433,556
				Bank balances	Bank balances
				Total	Total

(d) 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 KEBS management based on prior experience. The credit risk on liquid funds with receivables, estimated by the KEBS management based on prior experience is low. This is because the bank balances are held with regulated financial institutions and are fully performing.

23. **Financial risk management**  
KEBS activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The organization's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. KEBS has an integrated risk management framework. KEBS financial risk management objectives and policies are detailed below:

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Entities and other parties related to KEBs include those parties who have ability to exercise control or exercise significant influence over KEBs operating and financial decisions. Related parties include the key managers and comprising of the NSC members, Managing Director, Divisional Directors, Head of various departments and Regional managers within KEBs.

a) Nature of related party relationships

#### 24. Related Party Balances

Capital Risk Management		
	2018-2019	2019/2020
Revolving reserve	990,156.591	990,156.591
Retained earnings	3,645,149,558	2,298,700,858
Capital reserve	995,468,206	995,468,206
Total funds	4,284,325,655	5,630,774,355
Total borrowings	31,821,486	110,707,039
Less: cash and bank balances	202,983,482	1,714,218,292
Net debt(excess cash and cash equivalents)	171,161,996	1,603,511,253
Gearing	19%	7%

KEBS capital structure comprises of the following funds:

The objective of the KEBs capital risk management is to safeguard KEBs ability to continue as a going concern.

iii) Capital Risk Management

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

KEBS manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign Currency Risk		
	Total	Other currencies
At 30 June 2020	Kshs	Kshs
Financial assets		
Cash	38,212,306	-
Debtors	35,372,915	-
Total Financial Assets	73,585,221	-
Financial Liabilities	-	73,585,221
Trade and other payables	13,048,593	-
Borrowings	-	13,048,593
Total Financial Liabilities	13,048,593	-
Net Foreign Currency Asset	60,536,628	60,536,628
Capital and reserves	13,048,593	-
Investments	-	-
Cash	38,212,306	-
Debtors	35,372,915	-
Total Financial Assets	73,585,221	-
Financial Liabilities	-	73,585,221
Trade and other payables	13,048,593	-
Borrowings	-	13,048,593
Total Financial Liabilities	13,048,593	-
Net Foreign Currency Asset	60,536,628	60,536,628

KEBS 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) Foreign currency risk

primarily to currency and interest rate risk.

Funding of businesses operations and facilitate capital expansion. The market risk exposure of the company relates

## (b) Key Management and Directors remuneration

Key Management Remuneration		2019-2020		2018-2019	
		Kshs	Kshs		
Key Management remuneration		166,779,104		128,009,056	
CONTINGENT ASSETS AND CONTINGENT LIABILITIES		2019-2020		2018-2019	
Contingent assets and contingent liabilities					
Legal Litigation against KEBs	2,732,894,454			2,732,894,454	
Total Contingent Liabilities	2,732,894,454			2,732,894,454	
26. Capital Commitments (IPAS 17)					

KEBS contingent liability in the year is estimated at 2.7 Billion on outstanding legal cases.

CAPITAL COMMITMENTS		2018-2019		2019/2020		Capital Commitments	
		Kshs	Kshs				
Authorised and Contracted for.	45,228,357			45,228,357		Authorised and Contracted for.	
Total	265,325,256			265,325,256		Total	

27. Events after the reporting period		The were no material adjusting and non-adjusting events after the reporting period.	
28. Ultimate and Holding Entity		KEBS is a State Corporation under the Ministry of Industrialization, Trade and Enterprise Development. Its ultimate parent is the Government of Kenya.	
29. Currency		The financial statements are presented in Kenya Shillings (Kes).	

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**XVIII. KEBS PROGRESS REPORT ON PRIOR YEAR AUDIT MATTERS (DRAFT AUDIT CERTIFICATE- FINANCIAL YEAR 2018 / 2019)**

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 with 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)
Basis for Qualified Opinion					
1 i	Receivables from Exchange Transactions  Makecha & Company Limited Kes 17,500,000	This is a 1998 Matter which was forwarded to Inspectorate of State Corporation in July 2011 for further direction. The Inspectorate of State Corporation in their letter dated 15th March 2013 recommended that the matter be referred to Ethics and Anti-Corruption Commission. The Principal owner of the law firm passed on several years ago and the law firm is inactive. The debt is unlikely to be recovered	Director Finance & Strategy	Not Resolved  The National Standards Council approved the write off.  Request for approval of write off was made to The National Treasury in January 2017 and a resubmission made on 13th July 2018.	Undetermined. (Awaiting National Treasury Approval)

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ii.	Global Inspection South Africa- Kes 19,423,268	This is a 2010 matter that 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 was stopped to mitigate against unnecessary legal costs	Director Finance & Strategy	<b>Not Resolved</b> The National Standards Council approved the write off Request for approval for write off was made to The National Treasury in January 2017 and a resubmission made on 13 <sup>th</sup> July 2017	Undetermined. (Awaiting National Treasury Approval)
iii.	Prepayments	This is a 1999-2000 matter where the prepayments were made for supply of goods in the years 1999-2000 however the goods were not supplied. The payments were made to the following:	Director Finance & Strategy	<b>Not Resolved</b> KEBS has put in place controls to ensure that no payment is made without full proof of necessary documentation	Undetermined. (Awaiting National Treasury Approval)
	a. Tetralink Kenya Ltd- Kes 2,256,436.75			b. Write off process will start in 2020/2021 financial year.	
	b. Bestex Designers-Kes153,542				
	c. Home Link Ltd- Kes 287,550				
iv.	Miscellaneous debtors	The Kes 1,585,822 relate to amounts surcharged on KEBS officers for acts committed by them in the years 2000 and 2001. The staff were dismissed thereafter.	Director Finance & Strategy	<b>Not Resolved</b> The process for write off to start in 2020/2021 financial year.	2021/2022
2	Plant, Property and Equipment	This were initial consultancy costs incurred on the construction of the Coast regional laboratories, the project has since been abandoned and a new building has been acquired for operations in the region.	Director Finance & Strategy	<b>Resolved.</b> The Preliminary Costs were removed from the Work In progress and expensed as	Done

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<b>3 Legal Matters</b>		The preliminary costs were paid on the work done		the amount was now a sunk cost.
a	Procurement of Legal Firms	On 1 <sup>st</sup> August 2017, the NSC held special meeting considered and approved the engagement of expanded legal team of Rachier & Amollo Advocates and Iseme, Kamau & Maema Advocates and the approval of the said Law firms fees. The procurement of the said Law firms was necessitated by the urgency and the impact that the matter had on the operations of KEBS.  Rachier & Amollo & Co Advocates is on the list of pre-qualified list for providers of legal service for the period 2015/2016-2018	Head of Legal	<b>Not Resolved</b>
b	Direct Procurement-Legal Firms	Nungo, Odour & Waiwua Co. Advocates are among KEBS panel of external law firms. Direct procurement was used in line with the provisions under the Public Procurement and Assets Disposal Act 2015. The Firm had been procured to offer legal service of revision of the Standards Act and the National Quality Policy. The legal fee of Kes 17,760,000 charged by the firm was not honoured and this necessitated the law firm to file a taxation case against KEBS in High Court of Kenya at Nairobi Commercial & Admiralty Division Misc. Application No. E/001 of 2018	Head of Legal	<b>Not Resolved</b> The deputy registrar of the High Court of Kenya issued a certificate of taxation requiring KEBS to pay a sum of 36,333,040.00 KEBS opted to pay the initial fees of Kes 17,760,000 Million.
4	Procurement of Goods	Legal notice no. 106 of 18 <sup>th</sup> June 2013 set the maximum expenditure under request for quotation to be Kes 2,000,000 for Goods	Head of Procurement	<b>Not Resolved</b> These items are laboratory consumables that have a

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	and services and Kes 4,000,000 for works. The LPOs awarded under KEBS/4/73/2018/2019 and KEBS/308/2018/2019 were for different firms and for different items the maximum expenditure under each item was below Kes 2,000,000.	In this particular case the quotations were sent for all the items at one quotation for convenience purpose and to save on resources	short shelf life and could not be bought through open tender since the procurement is on a need basis based on requests made from different laboratories as need for standards and quality testing arises. Also some of the reagents, chemicals and consumables are highly perishable and demand to be used within the shortest time after delivery.
5	Trade and other Payables	The amount thereof relates to disputed amounts and those with unsupported documents. The necessary process and engagements are ongoing with the relevant suppliers	Director Finance & Strategy
6	Cash and Cash Equivalents		<b>Not Resolved</b> KEBS has since been settling undisputed and fully supported bills within a timely manner based on the availability of funds and closing on any items that may be disputed or not fully supported.

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	levels by the designated officers while facilitating their operations.		
b	Unaccounted cash under cash in Hand	This is an amount of Kes 1153872 and relates to Coast region	The management invited Directorate of Criminal Investigations (DCI) to carry out investigation on the issue. The investigations were completed and matter is before the court of law.
<b>Emphasis of Matter</b>	Director Finance & Strategy	<b>Not Resolved</b> This matter is under investigation by the DCI.	

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1	Supply and Implementation of Application Software for KEBS Integrated Quality Assurance and Inspection Operation	<p>This relates to a contract which was awarded in February 2012 to Circuit Business System. The contract was expected to be completed by January 2013 but this was not the case. The progress towards completion of the project was extremely slow despite consultative meetings held between the contractor and KEBS both at the technical and management levels. The objectives were not attained and the project never reached the end. Several assurances from the contractor team bore no fruits.</p>	<p><b>Not Resolved</b> This project was terminated and contractual options in regard to compensation to KEBS is still being pursued</p> <p><b>Way forward</b> KEBS is currently in the process of automating some of its key services with an expected integrated system for Quality Assurance, Import Inspection, Market Surveillance, Standards Development &amp; Trade and Standards Levy. The system is called "Integrated Quality Assurance, Inspection, Assurance, Inspection, Market Surveillance, Standards Levy and Standards Development &amp; Trade Management Information System" (KIMSI). The current project status is 66% as at 1<sup>st</sup> June 2020.</p>	Undetermined
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2	Pre-Export Verification of Conformity (PvOC) for Exports to Kenya	M/s Tellam freighters fraudulently released these goods from the port without KEBS intervention. KEBS as a matter of action blacklisted the agent and placed a demand to the agent to recover the unpaid penalties. The firm has not been active since November 2015. KEBS also entered into agreement 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.	Director Quality Assurance & Inspection	<b>Not Resolved</b> The firm is inactive since November 2015	Undetermined
3	Irregular Recruitment Process (Director Market Surveillance Position and Managing Director's Position)	The process was done in line with the HR Policy	Director HR and Administration	<b>Pending</b> Compliance to HR Policy	

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4	<p><b>National Standard Council travels to China, India, Japan and UAE</b></p> <p>KEBS mandate is to ensure that the goods placed in the market comply with Kenya Standards with the main objective of ensuring protection of the health and safety of all consumers as well as the environment. KEBS has contracted various agents to carry out inspection of goods destined for the Kenyan Market to ensure seamless implementation of the PvOC program as well as facilitate trade without creating unnecessary hurdles and delays.</p> <p>During the period under audit Kenya had been experiencing an influx of substandard products in the market. The PvOC program is organized to prevent importation of such products into the country. The government had intensified its fight against illicit trade and therefore it was critical to evaluate the organization, implementation and monitoring of the PvOC program. Given that the National Standards Council (NSC) has the oversight roles over KEBS, they planned to visit the PvOC agents in selected countries of operation to oversee, inspect the facilities and the operations of the agents and ascertain that the agents had the capacity to meet the objectives of the program to protect the health and safety of Kenyans. The result from the visit was to review the program in view of enhancing it to deliver in its objectives.</p>	Head of Legal	Pending
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5	Un Updated list of prequalified Suppliers	<p>Prequalification of suppliers is carried out on a continuous basis under Youth Women, and Persons with Disability (AGPO) and the list is updated on a regular basis. For specialized service such us chemicals and reagents the prequalification was carried out but the list had not been circulated to the regions.</p>	<p>Head of Procurement</p> <p>Pending</p> <p>The list has since been circulated to the regions and Headquarters as per the attached communication and the updated list of prequalified suppliers</p>

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XIX. PROJECT IMPLEMENTED BY KENYA BUREAU OF STANDARDS  
There is currently no project funded by the development partners, only budget support for specific activities is provided for.